

**Comments Template on
Consultation Paper on Further Work on Solvency of IORPs**

**Deadline
13 January 2015
23:59 CET**

Name of Company:	Atradius Credit Insurance NV	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇒ Leave the last column <u>empty</u>. ⇒ Please fill in your comment/response in the relevant row. If you have <u>no response</u> to a question, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments/responses which do not refer to the specific numbers below. <p>Please send the completed template, in Word Format, to CP-14-040@eiopa.europa.eu . Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the questions refers to Consultation Paper on Further Work on Solvency of IORPs.</p>		
Reference	Comment	
General Comment		
Q1		
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Q4		
Q5	The definition of contract boundaries (or any variation of this definition) should be expanded to include the rights of the sponsor as well as the IORP itself, as one or both may have the power to unilaterally or jointly terminate the contract/agreement/promise or	

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	reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk.	
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Q19	The definition of contract boundaries (or any variation of this definition) should be expanded to include the rights of the sponsor as well as the IORP itself, as one or both may have the power to unilaterally or jointly terminate the contract/agreement/promise or reject additional contributions to the contract/agreement/promise or modify the promise in a way that contributions fully reflect the risk.	
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Q36	Were an EU-level approach to valuing sponsor support to be taken, this should be principles based only, with the local supervisor left to determine the detail of how any valuation is undertaken, if one is needed in the absence of being able to count sponsor support as a balancing item	
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Q39	The use of Sponsor Support as a balancing item is essential to the proportionality of any solvency framework for IORPs. Further, our view is that this approach should be used in all cases. Those managing IORPs and national competent authorities can then consider this in the context of risk management and any risk-based supervisory response.	
Q40	<p>Sponsor support should be treated as a balancing item where there is clear evidence available to those managing IORPs and national competent authorities that the value of the legally enforceable sponsor support is greater than any potential shortfall in the HBS (however that is assessed) and/or where performing a more detailed calculation of the value of sponsor support would be disproportionate to the net benefit of such an assessment.</p> <p>There will need to be a range of conditions available to assess eligibility of sponsor support as a balancing item, reflecting the particular circumstances of each country and the different</p>	

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	<p>characteristics of IORPs, for example those in the not-for-profit sector, IORPs with multiple sponsors and cases where the sponsor stands behind several IORPs. As such, it should be left to national supervisors to determine the criteria and metrics to be used in assessing eligibility for treating sponsor support as a balancing item.</p> <p>In the UK, it may be possible to use probabilities of default/insolvency, such as those derived by the Pension Protection Fund (PPF) for the purposes of determining annual PPF levies, in order to assess the strength of sponsor support, which as suggested could form a criterion for establishing the balancing item requirement.</p>	
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Q44	<p>The presence of a pension protection scheme implies that members' benefits are protected to the degree determined by individual Member States having regard to European legislative requirements and case law. This adds to the argument that work necessary to assess elements of the HBS should be proportionate and, in effect, the minimum necessary to assist those managing and supervising IORPs in understanding and managing the risks. These are matters that should be determined by each Member State against the backdrop of its own supervisory regime and the comparative importance of second pillar retirement provision.</p>	
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Q72	We strongly reject the idea of establishing EU capital/funding requirements for IORPs. The existing funding and supervisory regimes in individual Member States should already provide sufficient protection for members/participants. Amending these has associated costs (both initial and ongoing) and no demonstrable additional benefit. Any plan to harmonise regimes is unsuitable and will be detrimental to long term investment, growth and job prospects in the EU	
Q73	IORPs should be able to develop risk-assessment and risk-management tools that are appropriate to the specific circumstances of their arrangements. At an EU-level, any requirements under pillar 2 should be principles-based and should not stipulate the HBS as the only appropriate risk management tool, as there may be more other, more suitable tools available to different IORPs.	

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Q74	No, public disclosure of the outcomes of a pillar 2 assessment should not be a requirement. The HBS is complex and it is difficult to see how its disclosure would facilitate members making any informed decisions. Disclosure also risks the information being misunderstood and mis-used, with potential adverse implications for share prices and, in turn, long term investments, growth and job prospects in the EU.	
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Q96	Any requirements set at an EU level on supervisory responses should be purely principles-based. The detail of how supervisory responses will be implemented (which may include, but is not limited to, submitting a recovery plan) should be determined by the relevant national supervisor. More detailed action should not be specified at an EU level as a one-size-fits all supervisory response is unlikely to capture all of the key variables of the local environment in which IORPS operate.	
Q97	We believe the impact of a possible future European prudential framework will be significant if applied to existing schemes and will have a significant adverse effect for long term investment growth and job prospects. We therefore wholeheartedly support the use of grandfathering to reduce the impact - the new requirements should not apply to either the accrued rights or future rights under any scheme established before any such rules potentially come into force.	
Q98	In the absence of grandfathering then we strongly support the use of lengthy transitional periods to reduce the impact of any future possible EU prudential regime. This will allow IORPS, investment markets and labour markets to adapt to a new framework and develop appropriate responses in as cost-efficient a manner as is possible.	
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Q111

We re-emphasise that the HBS could be significantly simplified if the principles of proportionality and the concept of 'a balancing item' are used effectively in developing the specification for a HBS – this applies most directly to an IORP's ability to recognise the full value of sponsor support as a legitimate source of funding for retirement provision