Final response - RTS on valuation 1 and 2

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1. General comments

Q1. *Do you have general comments on the consultation paper?*

- Insurance Europe supports the objective of a **consistent, fair, prudent and realistic valuation framework** for Valuation 1 and Valuation 2. The draft RTS should, however, remain within the methodological mandates in Articles 24(6)(b) and 25(4) IRRD. At present, the draft moves beyond specifying valuation methodologies, creating new data, modelling, scenario and documentation expectations which are not contained in Level 1. These requirements may be particularly burdensome in the time-critical circumstances in which a provisional valuation is required.
- **Horizontal safeguards are needed.** The RTS should contain overarching proportionality, materiality and data-availability provisions. Each requirement should apply only to the extent it is:
  - relevant and material for the purpose of the valuation,
  - proportionate to the nature, scale and complexity of the entity and the contemplated resolution action, and
  - feasible based on information reasonably available within the time allowed.

  Audited financial statements, Solvency II regulatory reporting and established actuarial and risk models should be the primary starting point. The RTS should not be interpreted as requiring undertakings to establish new permanent policy-level data warehouses or to maintain full alternative resolution valuations on a business-as-usual basis.
- **The main areas of concern** requiring amendment are:
  - the requirement to present separate valuations for a 'sufficiently diverse range' of resolution actions;
  - the need to analyse the potential implications for the NCWO safeguard when selecting and calibrating the appropriate resolution action.
  - the broad discretion to disregard or adjust management data, models and expert judgements without clear evidential thresholds;
  - the potential cumulative application of stressed market prices, accelerated-sale discounts, illiquidity discounts, purchaser-specific factors, financing costs, franchise-value adjustments and a buffer for additional losses;
  - the use of peer extrapolations without a defined hierarchy or comparability test;

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- the treatment of informal intra-group arrangements and group resources; and
- extensive reporting and information requirements without express confidentiality, factual accuracy review and no-third-party-reliance safeguards.

- **Interaction with national law.** For Valuation 1, the possibility of deviating from Solvency II for the assessment under Article 19(4)(c) IRRD must not allow the valuer to determine or modify substantive national insolvency triggers. The applicable national measurement basis should therefore be identified by the competent authority in advance, with the valuer applying that basis rather than selecting among local GAAP, IFRS and national insolvency rules at its own discretion.

2. Background and Analysis

Q2. *Do you have comments on the Background and Analysis Section?*

- **Insurance-specific methodology.** The Background and Analysis relies extensively on the approach developed under the BRRD and the CCP recovery and resolution framework. While methodological consistency can be useful, a carbon copy approach is not appropriate. Insurers have long-duration liabilities, asset-liability matching, policyholder options and guarantees, future discretionary benefits, reinsurance arrangements and very large numbers of individual contracts. A valuation approach designed around short-term market funding and rapid asset disposal may create artificial fire-sale effects and may not reflect the economics of a run-off or portfolio transfer. Accordingly, concepts derived from the BRRD or the CCP recovery and resolution framework should be used only where they have been expressly tested and adapted to the insurance business model.
- **Scope of the impact assessment.** The impact assessment is qualitative and addresses only the measurement basis for Valuation 1 and the buffer for additional losses. It does not adequately assess the additional costs resulting from Article 2(4), the broad information list in Article 4, multiple resolution-action valuations under Article 8(2), transfer adjustments under Article 9, the detailed areas of review under Articles 10 and 11, or the valuation-report requirements. These obligations will require material input from actuarial, finance, investment, risk, reinsurance, legal, tax, IT and data functions and may also increase external valuer and legal-adviser costs.
- **Indirect obligations on undertakings.** Although most provisions are addressed to the valuer, the undertaking will have to produce, reconcile, explain and validate the underlying data and scenario outputs. The RTS should expressly recognise these indirect industry costs and should not convert a case-specific valuation mandate into broad ex-ante valuation-readiness obligations without a clear Level 1 basis.

3. Draft Technical Standards

Recitals

Q3. *Do you have comments on the Recitals?*

- **Recital 1.** A deviation from management assumptions, data or expert judgements should be based on identified evidence that the relevant input is unreliable, outdated or materially inappropriate for the valuation purpose. The recital should state that audited or supervisory reporting data and validated models are presumed usable unless such evidence exists. The undertaking should be given a short opportunity to correct factual errors or misunderstandings without compromising the independence of the valuer.
- **Recital 2.** The recital should clarify that accelerated sale and illiquidity discounts are not automatic consequences of resolution. They should be applied only where the contemplated resolution action requires a sale within a shortened period and should be based on market-participant evidence. It should

also include an express prohibition on double counting between stressed market prices, liquidity adjustments, purchaser-specific factors, financing costs and franchise-value assumptions.

- **Recital 3.** The buffer for additional losses should be separately identified, transparently reconciled to all other valuation adjustments and limited to losses not already recognised. It should not become a general prudence margin or a mechanism for capturing speculative losses associated with every theoretically available resolution action.
- **Additional recital on proportionality.** A recital should be added confirming that the RTS is to be applied in a proportionate and materiality-based manner, considering the purpose and urgency of the valuation, the nature, scale and complexity of the entity and the availability and reliability of information.

Articles

Q4. *Do you have comments on the following articles?*

Article 1 – Definitions

- **Franchise value:** The definition should clearly state what is meant by "net present value". The definition should refer to the net present value of incremental, transferable cash flows that a market participant could reasonably expect from maintaining or renewing the transferred business, net of the costs and risks required to generate those cash flows and without double counting any amount already reflected elsewhere in the valuation. Further, the definition should make clear which yield curve should be used to calculate the present value. For this purpose, 'net' should mean expected cash inflows less the directly attributable cash outflows, costs and risks required to maintain or renew the relevant business. The relevant discount curve and any risk adjustments should be specified, and purchaser-specific synergies or unsupported future new business should be excluded.

Article 2 – General criteria

- **Proportionality and materiality.** Article 2 should include the horizontal safeguard proposed in the general comments. Point estimates should not create false precision: value ranges may be provided only as supplementary information where uncertainty is material and decision-relevant, and the resolution authority should be informed of the decision-relevant range rather than only a single figure.
- **Paragraph 1 and Solvency II terminology.** The reference to the entity's own funds and capital requirements should be qualified by the words 'in accordance with Directive 2009/138/EC'. This would make clear that those terms are used in their Solvency II sense and do not create a separate resolution-specific calculation.
- **Paragraph 2 and the value ranges:** There appears to be no discernible justification for requiring insurance undertakings, under the Solvency II framework, to produce a point estimate that adequately reflects all relevant uncertainties, while at the same time allowing an independent valuer to use valuation ranges in the context of such a critical assessment. Furthermore, the RTS does not subsequently explain how such ranges are to be used, nor does it provide any justification for their inclusion. The purpose and practical relevance of permitting valuation ranges therefore remain unclear. At a minimum, the RTS should clarify that the provision of valuation ranges is voluntary and constitutes supplementary information provided at the discretion of the independent valuer. The point estimate should remain the primary valuation output and the key basis for determining whether the failing or likely to fail (FOLTF) conditions are met, in particular regarding compliance with the Minimum Capital Requirement (MCR). Without such clarification, the proposal risks creating unnecessary ambiguity regarding the valuation methodology and the assessment criteria to be applied in determining whether the conditions for resolution have been satisfied.

- **Consistency of the references to value ranges.** Articles 2(2), 6(d) and 10 should consistently state that the production of ranges is discretionary. No mandatory range should be inferred from the reporting provisions, and the best point estimate should remain the primary decision-making output.
- **Paragraph 3 - aggregation.** As drafted, the words 'as the circumstances require' provide insufficient guidance on how criteria developed for individual assets and liabilities should be applied to portfolios, businesses or the entity as a whole. The RTS should require consistency of valuation basis, avoid inappropriate extrapolation across heterogeneous items and permit aggregation only where the items share sufficiently similar risk, cash-flow and legal characteristics. This would reduce legal uncertainty for the valuer and the undertaking.
- **Paragraph 4 and the separation of valuations.** The general requirement to classify creditors and claimants and to estimate both the value of claims and the proceeds each class would receive in normal insolvency proceedings may require a substantial NCWO-style analysis already during Valuation 1 or Valuation 2. This risks duplicating Valuation 3 and undermining the separation required by Article 24(6)(c) IRRD. The requirement should apply only where and to the extent necessary for the specific resolution tool, for example to calibrate write-down or conversion or to assess a relevant safeguard.
- **Article 24(5) and the Valuation 3 cross-reference.** Paragraph 4 should be deleted or confined to definitive valuations and to the extent specifically required under Article 24(5) IRRD. Its cross-reference to the Valuation 3 RTS is particularly problematic because the final sentence of Article 24(5) provides that the estimate is without prejudice to the valuation under Article 56. The RTS should preserve, rather than blur, the functional and methodological separation of Valuation 2 and Valuation 3.
- **National insolvency ranking.** Any classification must be performed legal entity by legal entity and strictly in accordance with applicable national insolvency law. The RTS should expressly allow the use of homogeneous creditor or policyholder classes and existing creditor-hierarchy information, subject to targeted refinement where a material difference in treatment could arise.

Article 3 – Valuation date

- **Reference date and operational feasibility.** The reference date should be determined by the valuer after consultation with the resolution authority and, where practicable, the undertaking. The use of a date 'as close as possible' to the expected resolution decision should not require repeated financial closes or continuous regeneration of full actuarial projections. While continuing to require sufficient accuracy, the RTS should permit the use of the latest reliable reporting date with proportionate roll-forward adjustments for material events. The term 'updated' should therefore be satisfied through a proportionate roll-forward from the latest reliable reporting date unless a full off-cycle close is both necessary and feasible.
- **Legal certainty.** The provision should also clarify that the valuation date does not alter the relevant statutory time horizon for the FOLTF assessment, including the 'near future' element in Article 19(4)(c) IRRD. In addition, explicit reference to the NCWOL criterion would be helpful, particularly for Valuation 2.
- **Derivative liabilities.** Any separate valuation time for liabilities arising from derivative contracts should be limited to the methodology expressly laid down in the final delegated act referred to in Article 3(c), and the valuation report should reconcile that time to the general valuation date. The use of different dates for individual balance-sheet items must not create unexplained mixed-date valuations or inconsistency with the Solvency II-consistent valuation basis.

Article 4 – Sources of information

- **Scope of information requests.** The list is very broad and may generate open-ended and duplicative data requests. Information should be requested only where it is material to the valuation purpose, reasonably available, reliable and capable of being produced within the relevant timeframe. A

standardised, prioritised information request should be agreed at the outset, with additional requests subject to a documented materiality assessment.

- **Allocation of responsibilities.** The RTS should specify which information is to be provided by the resolution authority, the supervisory authority and the undertaking. The resolution authority should first use information available from the supervisory authority and should direct any additional requests to the undertaking in a standardised, prioritised and proportionate form. The provision should not be read as creating direct disclosure duties for auditors or other third parties beyond existing law.
- **Reliance on existing information.** Audited financial statements, Solvency II quantitative reporting, existing cash-flow projections, validated models and data already provided for recovery or resolution planning should be used wherever suitable. Detailed cash-flow, risk-margin and capital-requirement data should not imply a requirement to recreate all model calculations at policy level. Peer valuations, historical information and trend analyses should be fallback sources only and should be subject to a documented comparability assessment.
- **Updated information and independent assessment.** 'Updated' information should not automatically require an off-cycle full Solvency II close. Existing quantitative reporting templates, model outputs and cash-flow data should be reused and rolled forward for material events. At the same time, the independent valuer remains responsible for its own best point estimate and should critically assess, rather than simply reproduce, the undertaking's projections. The undertaking should not be required to rerun or reconstruct all underlying calculations unless a documented materiality and reliability assessment makes this necessary.
- **Confidentiality and privilege.** Discussions with management, auditors and advisers must respect professional secrecy, legal privilege, data-protection requirements and contractual confidentiality. The provision should not create a direct obligation for auditors or other third parties to disclose information beyond their existing legal duties.

Article 5 - Impact of group arrangements

- **Legally available support only.** The valuation should recognise intra-group arrangements only to the extent that they are legally enforceable, funded, operationally executable within the relevant timeframe and not prevented by ring-fencing, local policyholder-protection rules, regulatory approvals or restrictions on the transfer of capital or assets. A probability assessment alone is insufficient where the underlying support cannot be compelled.
- **Intra-group reinsurance.** Intra-group reinsurance should be assessed under the same legal-enforceability, counterparty-credit-risk, collateral, termination, set-off and recoverability criteria as external reinsurance. No additional haircut or adverse assumption should arise solely from the intra-group character of the arrangement, and risks already reflected in Solvency II cash flows or counterparty default adjustments should not be counted again.
- **Informal arrangements.** Informal understandings or historic patterns of support should not be recognised as an asset or source of loss absorption unless they have been converted into a binding and sufficiently certain commitment. Otherwise, the valuation may overstate available resources and create inconsistency between Member States.
- **Separate legal entities.** The RTS should make clear that group membership does not create a consolidated pool of assets or liabilities. The availability of resources must be assessed for each legal entity, taking account of entity-specific cover assets, reinsurance arrangements and creditor priorities.
- **Consistency with the Solvency II group framework and resolution objectives.** Article 5(3) should be clarified or deleted. as its purpose and interaction with the existing Solvency II group framework are unclear. The provision should not introduce a separate or more restrictive assessment of the availability and fungibility of group own funds, nor imply that group entities are generally expected to absorb losses arising in another entity. In a resolution context, the relevant entity or business may

need to be separated, transferred or operated independently from the rest of the group, with resolution tools and financing arrangements serving to support an orderly resolution while limiting contagion to other group entities. Any assessment under Article 5 should therefore reflect the specific purpose and circumstances of the relevant Valuation 1 or Valuation 2, remain consistent with the Solvency II group framework and avoid creating either an assumption of automatic group-wide loss sharing or unintended consequences for the recognition of group own funds.

Article 6 - Valuation report

- **Proportionate content.** The listed minimum content should be applied proportionately to the purpose and urgency of the valuation. A provisional valuation should not be delayed by extensive narrative, sensitivity or reconciliation requirements that are not decision-critical. The report should distinguish clearly between data limitations, modelling uncertainty and scenario uncertainty.
- **Information ownership and responsibility.** The valuation report should distinguish between information held or supplied by the undertaking under Article 24(4) IRRD and analyses or adjustments produced by the valuer. The reference to 'updated' information should not imply a standing obligation for the undertaking to maintain ad hoc off-cycle outputs at all times; proportionate roll-forward techniques should be permitted.
- **Value ranges in the valuation report.** Article 6(d) should state 'where applicable' so that it does not convert the optional ranges under Article 2(2) into a mandatory report item. The same formulation should be used consistently in Article 10.
- **Decision-relevant quantitative outputs.** The RTS should specify a concise, standardised quantitative summary. For Valuation 1, this should include, where relevant, the best point estimates of assets and liabilities, the resulting excess or deficit and the status of the MCR-related FOLTF condition. Existing Solvency II balance-sheet and reporting outputs should be reused; the provision should not require an additional full S.02.01-type return or a bespoke reporting package unless necessary for the valuation purpose.
- **Factual accuracy review.** Before finalisation, the undertaking should be given a short and controlled opportunity to identify factual errors, incorrect data mappings or misunderstandings of its models. This does not compromise the valuer's independence and would materially reduce avoidable disputes and subsequent corrections.
- **Confidentiality and reliance.** The RTS should state that the report is prepared for the resolution authority, is subject to professional secrecy and protection of commercially sensitive and personal data and may not be relied upon by third parties unless expressly authorised. Any disclosure should require a separate legal basis and appropriate redactions.

Article 7 - First valuation

- **Solvency II as the default.** The use of the Solvency II framework as the starting point is appropriate because it uses existing, supervised data and models. Departures should be targeted, evidence-based and quantitatively reconciled to the Solvency II result.
- **National-law derogation.** Paragraph 2 should not leave the choice between local GAAP, IFRS and other national rules to the valuer. The competent authority should identify the legally relevant national basis for the assessment under Article 19(4)(c) IRRD. This specific clause is potentially problematic due to the variety of national regulatory standards, potentially i) hindering the level playing field principle and ii) jeopardizing the principles of consistency and robustness of the relevant insurance framework around evaluation.
- **Scope of the Solvency II consistency requirement.** Article 23(4) IRRD expressly requires the second valuation to be consistent with Article 75 of Directive 2009/138/EC, subject to resolution-specific adjustments. Level 1 does not contain the same express wording for Valuation 1. A strict Solvency II-

only rule for Article 19(4)(c) would therefore be difficult to reconcile with the targeted flexibility contemplated by the draft RTS and with national balance-sheet insolvency concepts. Conversely, the valuer must not choose freely among local GAAP, IFRS and national insolvency rules. The legally relevant basis should be identified by the competent authority and reconciled to the Solvency II result.

- **Use of undertaking models.** Paragraph 3 should establish a rebuttable presumption that models used for supervisory reporting and supported by the undertaking's governance and validation framework are suitable as a starting point. The valuer should disregard or adjust inputs only where there is specific evidence of material inappropriateness. Each adjustment should be documented, quantified where practicable and subject to the factual-accuracy review described above.

Article 8 - Second valuation

- **Multiple resolution-action valuations.** Paragraph 2 is one of the most significant extensions beyond Level 1. A requirement to present separate valuations for a 'sufficiently diverse range of resolution actions' could result in a full suite of alternative actuarial, capital, liquidity, reinsurance and transaction valuations, including for actions that are only theoretically available. This is incompatible with the speed required in resolution and would create substantial cost and execution risk.
- **Recommended limitation.** Separate valuations should be required only for credible, concretely contemplated and sufficiently specified resolution actions that could realistically be adopted. The resolution authority should identify a primary strategy and, where necessary, a limited number of credible alternatives. Sensitivities or indicative ranges should be sufficient for lower-probability alternatives.
- **NCWO considerations.** Article 8 should clarify that the resolution authority, using the information provided in the valuation, should analyse the potential implications for the NCWO safeguard when selecting and calibrating the appropriate resolution action. This would be consistent with Article 23(3)(a) IRRD, under which Valuation 2 informs the decision on the appropriate resolution action, and Article 22(1)(g), which establishes NCWO as a general principle governing resolution. Considering potential NCWO implications at this stage can also help minimise resolution costs and the potential need to draw on industry-funded resolution financing arrangements.
- **Adjustments to models and inputs.** The requirement to review and potentially disregard or adjust all assumptions, data and expert judgements with a material impact should not be interpreted as requiring a complete re-underwriting of the balance sheet. Existing supervised models and data should remain the starting point. 'Full recognition of losses' should not lead to asymmetric conservatism or to recognition of speculative losses that are not supported by the selected resolution scenario.
- **Tool-specific relevance.** The assessment of Solvency II parameters and methodologies should be limited to those items materially affected by the contemplated tool. The RTS should also require a reconciliation preventing the same resolution effect from being captured through both model adjustments and transfer-price adjustments under Article 9.

Article 9 - Adjustments for resolution tools involving a transfer

- **No automatic fire-sale valuation.** Accelerated-sale discounts should apply only where the selected resolution action requires a sale within a timeframe shorter than an orderly market disposal period. Long-term, cash-flow-matched assets should not be valued on the assumption of immediate liquidation where the portfolio can be transferred or run off without such a sale.
- **No double counting.** The RTS should expressly prohibit cumulative recognition of the same effect through distressed observable prices, accelerated-sale discounts, illiquidity discounts, a restricted purchaser universe, purchaser-specific disadvantages, financing costs, franchise-value adjustments and the additional-loss buffer. Each adjustment should be separately identified and reconciled.

- **Purchaser-specific factors.** Financing costs of potential new owners and purchaser-specific attributes should be considered only where they are objectively reflected in market-participant pricing and supported by evidence from the actual or a credible market process. The valuation should not transfer the purchaser's individual funding inefficiency to the entity under resolution or its creditors.

Article 10 - Areas requiring particular attention in the valuation

- **Risk-based focus rather than mandatory full-scope review.** The listed areas should be treated as examples of areas that may require particular attention where they are material and subject to significant uncertainty. The provision should not require a full recalculation or separate deep dive for every listed item in every valuation.
- **Technical provisions and reinsurance.** Review of technical provisions should focus on the material assumptions affected by the failure and the contemplated resolution action. Reinsurance recoverables should reflect legal enforceability, collateral, counterparty credit risk, termination and set-off provisions, but should not be subjected to additional generic haircuts where those effects are already captured in cash flows or counterparty assumptions.
- **Other items.** Intangible assets, pensions, deferred tax items, litigation and regulatory actions should be assessed only if material. Legal privilege and restrictions on the disclosure of litigation strategy must be protected. The term 'shall include' should be replaced by wording allowing the valuer to prioritise areas on a materiality and risk basis.

Article 11 - Factors affecting the valuation

- **Scenario consistency.** The factors in Article 11 should be reflected only if supported by evidence and consistent with the selected valuation and resolution scenario. The provision should not create an automatic presumption of adverse policyholder behaviour, reduced future discretionary benefits or forced asset sales.
- **Underwriting policy and future new business.** Article 11(c) should refer to historical underwriting and risk-selection criteria insofar as they affect the existing portfolio. Assumptions about future new business should be included only where a specifically contemplated resolution action involves continuation or resumption of business and the assumption is supported by credible market evidence. Valuation 1 should not embed a generic future-new-business assumption.
- **Policyholder behaviour and management actions.** Lapse, premium-suspension and other policyholder-option assumptions should be based on product-specific experience, contractual rights and credible stress evidence. The cause-and-effect relationship between changes to future discretionary benefits and values of assets and liabilities is not straightforward. If the reference to such benefits is maintained, it should reflect legally and contractually available management actions, the fair treatment of policyholders and the governance applicable at the valuation date.
- **Asset-liability management and liquidity.** The assessment should recognise the undertaking's ability to retain assets and generate contractual cash flows under a transfer or run-off strategy. Liquidity concerns should be distinguished from solvency losses and should not automatically lead to a market-value reduction where no disposal is required.
- **Avoiding duplication.** The same economic effect should not be reflected simultaneously in cash-flow assumptions, capital parameters, discount rates, transfer discounts and the buffer under Article 12.
- **Capital-requirement parameters.** Article 11(d) should be limited to circumstances in which parameters used to determine the Solvency Capital Requirement materially affect technical provisions, the risk margin, own funds or the viability of the contemplated resolution action. The Solvency Capital Requirement is not itself an asset or liability, and the provision should not trigger an automatic full recalculation of the SCR for every valuation.

Article 12 - Methodology for calculating and including a buffer for additional losses

- **Purpose of the buffer.** The IRRD requires a buffer in a provisional valuation, but the buffer should be limited to additional losses that are supported by facts and circumstances, are not yet recognised and cannot be reliably quantified within the available time. It should not be a general conservatism margin or an allowance for every possible future resolution cost.
- **Correct legal reference.** Article 12(1) should refer to provisional valuations under Article 25(1) IRRD, carried out for the purposes of Article 23, rather than to provisional valuations 'conducted in accordance with Article 23'.
- **Neutral calibration and safeguards.** The methodology should be sufficiently detailed to prevent an excessively conservative buffer from influencing the FOLTF assessment or the calibration of resolution action. It should require a neutral, evidence-based estimate; recognition of credible loss-mitigating factors and offsetting effects; and a controlled factual accuracy review. The appropriate safeguard is such a factual accuracy review, rather than an additional appeal mechanism that could conflict with the review framework in Article 23(5) IRRD.
- **Methodological hierarchy.** The RTS should establish a clear hierarchy: (i) current undertaking-specific data; (ii) extrapolation from a demonstrably homogeneous part of the same portfolio or balance sheet; and only as a last resort (iii) peer data that have passed a documented comparability assessment. Relevant dimensions include product mix, guarantees, duration, asset allocation, reinsurance, geography, accounting and solvency position. The valuer should be allowed to depart from this hierarchy subject to a documented comparability assessment and a clear justification in the valuation report
- **Calibration and transparency.** The valuer should state the uncertainty being covered, the calibration approach, the confidence or prudence level used, the sensitivity of the buffer and the reasons why a more granular estimate was not feasible. The buffer should be presented separately from the underlying valuation and reconciled to all other adjustments.
- **No double counting.** The addition of an explicit anti-double-counting rule is essential, particularly, but not exclusively where model assumptions, illiquidity adjustments, transaction discounts or purchaser-specific factors already reflect the same loss or uncertainty. The fact that a definitive valuation will follow does not eliminate the immediate consequences of an excessive provisional buffer for policyholders, creditors, transaction pricing or financing arrangements.
- **Average losses estimated for balance sheet items of peer competitors.** In Article 12(3), EIOPA includes the average losses estimated for balance sheet items of peer competitors as an item that may be extrapolated, where available, and subject to necessary adjustments for differences in the business model and financial structure. The potential difficulties in extrapolating the average losses related to peer competitors should be flagged, particularly the potential for issues with availability and completeness of data, as well as lack of clarity on how to set the perimeter of peer competitors. In order to address these issues, we suggest a postponement of the application of this provision to allow an appropriate informational track record to grow and to reach a high level of quality of information to rely on.

Article 13 - Entry into force and application

- **Implementation period.** Entry into force on the twentieth day after publication should not mean immediate operational application without preparation time. Undertakings, authorities and valuers will need finalised cross-referenced delegated acts, data specifications, templates and governance arrangements. An application period of at least 12 months after publication, aligned with national implementation of the IRRD, should be provided. No ex-ante duty to maintain full alternative valuations should arise during that period.

Annex I: Impact assessment

Q5. *Do you have any comments on the policy issues in the Impact Assessment?*

Policy issue A: Measurement basis for the purposes of valuation 1

- **Preferred option A.3.** A Solvency II-consistent default with a targeted possibility to use the legally relevant national basis for Article 19(4)(c) IRRD can be acceptable, provided that national law remains controlling and the choice of basis is made by the competent authority rather than the valuer. The result should not create a second, discretionary FOLTF test.
- **Assessment of option A.1.** Insurance Europe does not support a strict Solvency II-only rule for Article 19(4)(c). Such a rule would remove the ability to reflect legally relevant national balance-sheet insolvency concepts. The more defensible industry position is option A.3, subject to an ex-ante decision by the competent authority, a clear hierarchy of measurement bases and a mandatory bridge to the Solvency II result.
- **Impact assessment.** EIOPA correctly identifies the risk of unexpected data requests, legal advice, multiple measurement bases and cross-border fragmentation, but the preferred option does not sufficiently mitigate those costs. A common decision process, documentation template and hierarchy of measurement bases should be added.

Policy issue B: Buffer for additional losses in the case of a provisional valuation

- **Preferred option B.2.** Allowing extrapolation is more workable than requiring a complete valuation solely to calculate a provisional buffer. This flexibility should, however, be subject to a hierarchy of data sources, homogeneity and representativeness tests, explicit documentation and a prohibition on double counting.
- **Valuer discretion within option B.2.** Extrapolation should be permitted, not required and not treated as the default. The valuer should determine, based on the time available, data quality, materiality and feasibility, whether a complete valuation, an undertaking-specific extrapolation or - only as a last resort - a peer extrapolation is appropriate.
- **Peer information.** Peer data should be used only where undertaking-specific information is unavailable and where the valuer can demonstrate comparability. Average losses of competitors may be pro-cyclical and may not reflect the entity's products, guarantees, reinsurance, asset-liability profile or jurisdiction. Peer extrapolation should therefore be a last resort, not an equivalent alternative to internal data.
- **Cost assessment.** The impact assessment should also consider the cost of creating and validating the datasets required to support extrapolation, the cost of external valuer engagement and the potential effect of an excessive buffer on industry-funded financing arrangements. These costs are not eliminated merely because a complete valuation is avoided.

Q6. *Are there any elements in the proposed RTS which could be modified to reduce the administrative burden or improve the (cost) efficiency of the requirements? If so, please provide a (monetary) assessment of the expected efficiency brought by the proposed change.*

- **Priority burden-reduction measures.** The following changes would materially improve cost efficiency:
  - add a horizontal proportionality, materiality and reasonable-availability clause;

- restrict separate Valuation 2 scenarios to credible and concretely contemplated resolution actions;
- require reuse of audited Solvency II data and validated models unless there is evidence that they are materially unsuitable;
- permit portfolio-level and cohort-based methods, sampling and roll-forward techniques;
- introduce a standardised and prioritised information request;
- prohibit double counting across model adjustments, transfer discounts and the buffer;
- limit report content in provisional valuations to decision-critical information; and
- provide an adequate implementation period.

- **Monetary assessment.** A robust monetary estimate cannot be provided without a common baseline and information on the number of scenarios, entities, portfolios and data extractions that authorities would request. The draft would in practice require undertakings to maintain substantial valuation-readiness capabilities. EIOPA should conduct a quantitative cost survey with undertakings of different sizes and business models. For large groups, the most significant savings would arise from avoiding multiple full actuarial and asset-liability-management model runs, duplicate creditor classifications and parallel external-valuer workstreams. These savings could be material even though they cannot be expressed as a reliable uniform euro amount.

Any other comments

Q7. *Do you have any other comments?*

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