	Comments Template on Discussion Paper on the review of specific items in the Solvency II Delegated Regulation	**Deadline 3 March 2017 23:59 CET**
Name of Company:	International Credit Insurance and Surety Association (ICISA)	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
	Please follow the following instructions for filling in the template: ⇨ 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 empty. ⇨ Please fill in your comment in the relevant row. If you have no comment on a paragraph or a cell, keep the row empty. ⇨ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. **Please send the completed template, in Word Format, to CP-16-008@eiopa.europa.eu** **Our IT tool does not allow processing of any other formats.** The numbering of the questions refers to the discussion paper on the review of specific items in the Solvency II Delegated Regulation.	
Reference	**Comment**	
General Comment		
Q1.1		
Q1.2		
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Q4.1		
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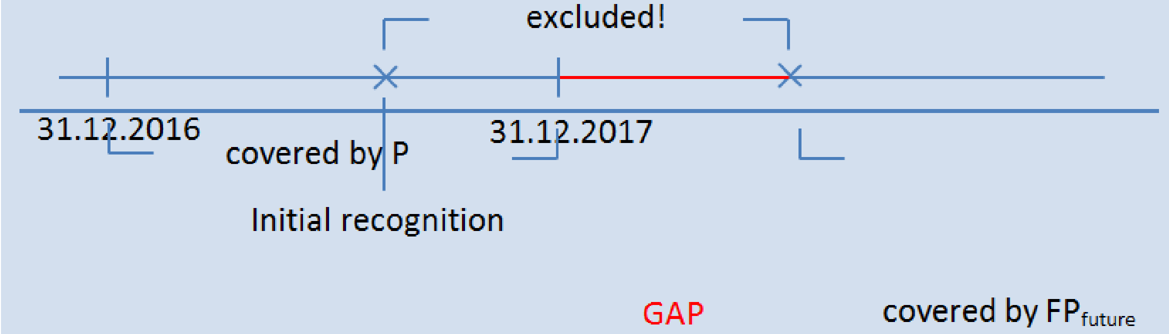
Q5.1	Yes, because the current definition does not include all premiums written during the 12 months after reporting date:	Public

	 while this is required by both: - Directive Article 101.3: “[…]as well as the new business expected to be written over the following 12 months.”. - Delegated Regulation Recital (43): “In order to avoid giving the wrong incentives to restructure long-term contracts as short-term renewable contracts, the volume measure for non-life and SLT health premium risk used in the standard formula should be based on the economic substance of insurance and reinsurance contracts rather than on their legal form. The volume measure should, therefore, capture earned premiums that are within the contract boundary of existing contracts and on contracts that will be written in the next 12 months.”. The current definition FP(future,s) definition does not include all premium written during the 12 months that will be earned after the 12 months, but within 12 months of recognition. This contradicts the text in the Directive and the Delegated Regulation. In our view changes to Non Life Premium & Reserve Risk should go hand in hand with a revision/removal of the CAT recession scenario.	
Q5.2	Make it simpler, and evidently more consistent with the directive by making the Volume Measure: P_s =P_(existing,s) + P_(new,s), with: 1) P_(existing,s) being all premium expected to be earned related to existing business, after reporting date (as alternative option, an explicit connection to the Premium Provision could be make, taking into account expected profits, of course).	Public

	2) P_(new,s), all premium expected to be written related to new business during the next 12 months. In our view changes to Non Life Premium & Reserve Risk should go hand in hand with a revision or removal of the CAT recession scenario.	
Q5.3	As to the change under point 1, the SCR would go up. This can be quantified, but the impact will depend both on the LOB and on the duration of the kinds of contracts written with the LOB. No generic answer would seem possible. Note that this can also have material impact for one-year non-life contracts. As such we would expect that when this issue is fixed, the standard deviation calibration will also be updated and there will be a revision of the CAT recession scenario (which may well include its removal).	Public
Q5.4	Conceptually this is considered to be desirable e.g. to avoid penalizing companies with more conservative pricing approaches. However "pricing strategy" is a difficult to quantify notion (and thus cannot be (easily) removed from premium). Hence, this would essentially mean that the volume measure can no longer be (only) premium. Ultimately, that may lead to an approach based on exposure which however may complicate premium and reserve risk in the Standard Formula considerably (and possibly well beyond the spirit of a (simple) standard one size fits all formula). Several additional options have been discussed within ICISA such as claims ratios, (purely technical) risk premia (as possibly more objective, but also complex way measuring risk) etc. that may be considered in a more in-depth review.	Public
Q5.5	Issues pertain among others to the lack of proper definitions of key drivers, such as "Earned Premium" and what relationship this is intended to have to the occurrence definition (also separating PCO from the Premium Provision). To avoid ambiguities, central quantities, such as premium earned should be properly defined.	Public
Q5.6	No generic answer possible for a line of business – hence even less across LOBs. Changes to Non-Life Underwriting Risk can have a material impact on the total SCR. Therefore, QISes would be expected for that matter.	Public
Q6.1		

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Q8.6	The CAT sub-module should be simplified by removal of the recession CAT scenario (lacking in definition and separation from premium & reserve risk, does not allow for taking per buyer group XL treaties into account etc.) and adjusting the calibration of non-life premium and reserve risk accordingly to bring the SCR in line with Article 101(3). Our expectation would be that QISes would be carried out on changes to the SF.	Public
Q8.7	It is difficult to make a statement since EIOPA documentation (EIOPA-14-322) on assumptions underlying the Standard Formula does not detail on credit & suretyship. Clarification in that regard would be desirable – also in light of other Solvency II	Public

	requirements. Article 105 (2) requires the non-life UW risk module to consist of (at least) a premium and reserve and a catastrophe risk element. The borderline in terms of event definitions etc. between premium & reserve risk and man-made catastrophe risk, and thus its calibration, is not clear even though it is mentioned in EIOPA-14-322 that the P&R calibration should not include very rare extreme events. What this specifically means in the 1-in-200 year context does not seem to be answered for credit and suretyship. In light of this, in particular the CAT recession scenario appears non-falsifiable as there is no clear separation from premium and reserve risk (a.o., one cannot determine if a loss was the result of premium & reserve risk materializing or a “recession” catastrophe). Hence one should remove the recession CAT scenario and adjust the calibration of non-life premium and reserve risk if necessary. QISes can be used to assess potential impact on the Standard Formula.	
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Q11.2	The LGD in the CAT Default scenario can be a USP. If not removed, as suggested above, then the there should be an option to adjust the CAT recession scenario (e.g. in combination with USPs for premium and reserve risk; taking e.g. company specific LGDs and exposure management into account). In addition, according to Annex III (5) of the Delegated Regulation (EU) 2015/35, the geographical diversification factor for Credit & Suretyship is fixed to one whereas credit insurance companies tend to maintain globally diversified credit portfolios. That diversification effect could be turned into an additional USP.	Public
Q11.3	General methodological soundness, data and statistical quality standards should be formulated and applied. While parameters mentioned in response to 11.2 represent typical ones in the credit context, this is considered to be for further discussion.	Public
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