

**Comments Template on
Consultation Paper on EIOPA's second set of advice to the European
Commission on specific items in the Solvency II Delegated Regulation**

**Deadline
5 January 2018
23:59 CET**

Name of Company:

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Disclosure of comments:

Please indicate if your comments should be treated as confidential:

Public

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- ⇒ Do not change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool
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Please send the completed template, in Word Format, to CP-17-006@eiopa.europa.eu

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The numbering of the reference refers to the sections of the consultation paper on EIOPA's second set of advice to the European Commission on specific items in the Solvency II Delegated Regulation. Please indicate to which paragraph(s) your comment refers to.

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Reference	Comment	
General Comment	<p>RIAD, the International Association of Legal Protection Insurance, is the only body worldwide representing the unique interests of legal protection insurers and service providers in this field from Europe, Canada, South Africa and Japan. In this capacity, RIAD defends the high potential of legal protection insurance as an easy, affordable and high-quality solution for access to justice and the law.</p> <p>As part of these efforts, legal protection insurers have urged, over the past couple of years, the European Commission, EIOPA, national supervisors, and regulators to modulate the solvency requirements in a way which reflects the 'real risk' of their business without suffocating them by an inflated solvency requirement. Therefore, RIAD and its members enthusiastically welcome EIOPA's suggestion to decrease the standard parameter in the Standard Formula for the calculation of the reserve risk but oppose an increase of the standard parameter for the premium risk.</p>	
Introduction	<p>The decrease of the standard parameter of the reserve risk seems to be a logical consequence because, despite vigorous appeals by the industry and without any discernable reasons, it was decided to set the standard parameters for legal protection insurance in the Standard Formula at 7.0% for the premium risk and at 12.0% for the reserve risk. This is even less comprehensible with view to the outcome of the QIS 4 and QIS 5 exercises which suggested that a much lower level would be adequate. Moreover, the risk assessment of the majority of companies had shown that these parameters should actually be significantly lower.</p> <p>As a consequence of this incongruity, the industry, on one hand, was forced – intentionally or not – to restructure to an extent that specialised (single line) legal protection insurance companies are in danger of vanishing completely from the market. And on the other hand, legal protection insurers were compelled to throw away time, financial, and human resources because many legal protection insurance companies had to replace the standard parameters by undertaking-specific parameters (USP) to provide an appropriate representation of the underlying risks. Efforts which,</p>	

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	<p>as EIOPA's latest recommendation proves, were a complete waste.</p> <p>This being said, RIAD and its members would, nevertheless, like to remind EIOPA and the European Commission of their responsibility to provide for proportional and economically sensible regulation of the insurance market. This implies to assure that the efforts, time, and money already spent on the development and authorisation of USP are not wasted but that legal protection insurance companies maintain the possibility to keep using, developing and getting permission for their own USP. Rescinding this right would render the enormous efforts previously undertaken, time and money already spent by the industry on developing USP and receiving authorisation null and void. All previous efforts would be wasted and insurers, that have undertaken this strenuous procedure, would be at a competitive disadvantage.</p>	
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1.4	<p>On pages 24 and 25 of the consultation paper EIOPA now suggests its final calibrations of the premium and reserve risks. While RIAD and its members vividly welcome the suggestion to</p>	

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	decrease the standard parameter of the reserve risk for legal protection from 12% to 5.5%, the dimension of this proposal, i.e. to decrease this parameter by more than 50%, strongly challenges the credibility of EIOPA's decision making process and the reliability of the underlying methods. Consequently, RIAD and its members very much doubt that EIOPA's suggestion to increase the parameter for the premium risk is founded on sound data and put in question the accuracy of the underlying method used for this recalibration. In particular, considering that method 1 and USP calculations rather advocate a lower calibration than an increase, RIAD and its members demand from EIOPA and the European Commission to reconsider the suggestion at hand and consult with the industry before putting – again – a harmful burden with serious consequences on the industry.	
1.4.1	RIAD and its members very much doubt that EIOPA's suggestion to increase the parameter for the premium risk is founded on sound data and put in question the accuracy of the underlying method used for this recalibration. In particular, considering that method 1 and USP calculations rather advocate a lower calibration than an increase, RIAD and its members demand from EIOPA and the European Commission to reconsider the suggestion at hand and consult with the industry before putting – again – a harmful burden with serious consequences on the industry.	
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