

To: Solvency II WG
From: Prudential Team
cc:
Date: 18-02-2025
Reference: ECO-SLV-25-076

Subject: Assessment – EIOPA opinion on NatCat and Technical advice on CCP

Summary

On 30 January, EIOPA published its **Final Opinion on the 2023/2024 re-assessment of the NatCat Standard Formula** ([here](#)) and its **final Technical Advice on standard formula capital requirements for insurers' direct exposures to qualifying central counterparties** ([here](#)).

In both cases, EIOPA did not make changes to its initial views.

- **Opinion on NatCat Standard Formula:** there were no changes compared to EIOPA's draft advice.
- **Technical advice on CCP:** EIOPA advises alignment with the treatment under CRR (option 3).

More details on the responses to Insurance Europe's feedback is provided in the background section.

Background

Opinion on the re-assessment of NatCat Standard Formula

- EIOPA has provided a **resolution of comments** [here](#). The final **Insurance Europe response** is here ([ECO-SLV-24-155](#))
- **Assessment:** EIOPA accepted Insurance Europe's view that there is currently insufficient evidence of material impact from **wildfire, coastal flood and drought** to merit their inclusion in the Standard Formula. These perils will instead be **monitored for potential inclusion** in future recalibrations. For other perils, there have been no changes to the parameters proposed in the version published for consultation in April 2024.
- Insurance Europe's feedback on specific parameters was addressed as follows:
 - Romania Earthquake: EIOPA commented that the structure of the Standard Formula precludes having separate factors for PAID exposures and for companies offering additional coverage. They suggest that a capital add-on is used for PAID exposures until a partial Internal Model is approved.
 - Martinique / St Martin / La Réunion Windstorm: EIOPA noted that the relative magnitude of the factors for these territories was agreed with the cat risk expert network. The selections were lower than model outputs, and so this is viewed as a moderate approach.
 - Finland Flood: EIOPA noted that the selections are consistent with other Nordic factors, and low compared to the rest of Europe. They viewed the uncalibrated Windstorm factors as not comparable.

- Germany Hail: EIOPA stated that the motor hail factor is not country specific and is relatively low for Germany. Motor hail is the driver of hail risk for most undertakings, and this, combined with the increasing hail risk due to climate change, justifies the increased parameter.
- France Subsidence: EIOPA confirmed that the CCR had helped calibrate this parameter incorporating their knowledge of the French National Scheme. In their view, there is a clear change in risk trend from 2017 onwards that should be reflected in the calibration.
- Belgian Subsidence: EIOPA commented that the parameterisation was based on a model for Belgium from one of the EIOPA Nat Cat expert network. This covered all Belgian territory and included a comparison with border areas in France as well as other comparable areas. Thus, they believe that the specifics of Belgian geology and building practices have been taken into account appropriately.

Technical Advice on CCP

- EIOPA has provided a resolution of comments [here](#). The Insurance Europe response is here ([ECO-SLV-24-272](#)).
- **Assessment:** Aligned with the Insurance Europe feedback, EIOPA advises adopting its initially preferred approach (option 3), aligning the treatment of direct QCCP derivative exposure under Solvency II with the treatment under CRR. This follows the 'relative consistency' approach already applied to indirect QCCP derivative exposure.