

Dear ECOFIN-Team,

the Austrian Insurance Association (VVO) discovered the 20th May, the last day of comments to QIS 5, the fact, that the CRESTA data used for the Non-Life Catastrophe Risk Submodule of the Standard Formula, do not fit at all for the Austrian situation of flooding and storm risks. As it was the last day of commenting the QIS 5 we approached our supervisor (FMA), telling them that we dispose of more accurate data and we should use them instead. The FMA revised the original answer of "No, too late" and told us, it might be possible at a later stage.

We explained them, that the VVO had cofinanced a Risk Zonification System for Flooding, Storm and Earthquake Risks, able to quantify the risk by the single homeowner's address, this is the geographical point, where the house or apartment is built. This is important in a country like Austria, which is for 70% of its extension mountainous and therefore in a region or in a town, you may find many spots of high exposure close to others with no exposure, as flooding is concerned. Taking into account this background, the zonification for the standard formula should reflect at least averages of risk exposures taken by insurers. This must reflect that insurers don't take risks on board, if they know the price they could charge for it is not adequate. In other words, there are uninsurable spots in Austria! And for all other risks insurers charge the price loss experience recommends.

The CRESTA table was transformed into a map and shown to our reinsurance-responsibles (see appendix). Their reaction was, asking us, who could produce such a map, which does not fit at all to Austrian realities.

Our supervisor told us, they cannot do anything now, but possibly after the QIS 5. We are somewhat alarmed due to the fact, that those CRESTA tables are now used in SEG IM 41, which means they are inserted into a regulation.

By the way, we know, that there are some other countries, i.e Germany, who dispose also of such geographical information systems.

We therefore suggest forwarding that information to the Commission in order to formulate a waiver for using CRESTA tables, in case more accurate information is available through geographical information systems. We also think we should avoid a situation, where such a waiver could only be used by a (partial) internal model.

Best regards

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