Title: Concrete proposal for the improvement and automatisation of the application of proportionality in Solvency II

Content

Summary

This paper presented by the Dutch, the German and the Irish insurance industry associations supplements the discussion on a proportionate application of Solvency II. The approach builds upon various industry discussion papers published in the last two years and the recently presented Opinion of the European Insurance and Occupational Pensions Authority (EIOPA).

The suggestions in the paper go beyond the aforementioned and propose a consistent European approach towards the proportionate application of Solvency II. Such a common, EU-wide approach to the proportionate application of Solvency II:

- would…
  - Improve the consistent application of Art. 5 TEU to Solvency II;
  - Reduce an undue regulatory burden on insurers exposed to less/lower risks;
  - Facilitate a consistent supervision and consumer protection across the Single Market, as well as fair competition in the Single Market;
  - Foster innovation and market access for new competitors and business models (e.g. InsurTechs) by reducing the regulatory burden and enabling them to scale their business across the Single Market;
  - Contribute to the economic and social recovery of the Union by supporting the heterogeny of the EU insurance market, the provision of service and cover to businesses and citizens;
  - Support the twin-transposition (digital and sustainable) of the EU by increasing availability of niche products and specialised solutions across the Single Market;

- would not…
  - Reduce the Solvency Capital Requirement (SCR);
  - Waive or undermine supervisory powers;
  - Lower the consumer protection standards;
  - Limit the ability for insurers and NCAs to develop and apply other means to apply Solvency II proportionate.

The purpose of this paper is to inform the further discussion on the Solvency II review and to provide concrete and feasible proposals.

The paper provides a consistent concept which does not only require amendments to the Solvency II Directive, but also to subordinated regulations. It further requires EIOPA and national competent authorities (NCAs) to contribute to the further development of the concept.

The authors of the paper invite all interested stakeholders to engage in the discussion.

Introduction

Solvency II is the first common prudential supervisory regime for insurers in the EU. The system has come a long way until its application on 1st January 2016. Solvency II is a milestone for the integration of the EU Single Market for insurance, ensuring consistent consumer protection and fair competition.

At the moment, the European Commission is conducting the first regular review of the Solvency II Directive[1]. While Solvency II presented a change in paradigm from rules-based to risk-based supervision of insurers and is strongly supported by insurers and regulators alike, certain elements for improving or optimising the system have been identified. One of the core elements on this list is the proportionate application of the regime (proportionality principle).

This paper looks at the overall importance of the proportionate application of regulation (chapter 1) and evaluates the extent to which the Solvency II framework is proportionately applied to date (chapter 2). Chapter 3 presents a proposal for a comprehensive and consistent approach towards the proportionate application of Solvency II.

On 17th December 2020, the European Insurance and Occupational Pensions Authority (EIOPA) presented its technical advice to the European Commission in preparation of the Solvency II review. This paper reflects on the EIOPA technical advice in each of the sections (grey boxes).

Finally , we conclude our assessment in chapter 5.

1. Why does proportionality matter?

In general, Article 5 of the Treaty of the European Union (TEU) demands that *"content and form of Union action shall not exceed what is necessary to achieve the objectives of the Treaties"*. The protection of policyholders is the primary objective of Solvency II, while financial stability is outlined as a secondary objective. Against this background, Article 29 (3) of the Solvency II Directive states that the regulation shall be applied *"proportionate to the nature, scale and complexity of the risks inherent in the business of an insurance or reinsurance undertaking"*.[2]

According to Solvency II, proportionality depends on nature scale and complexity of risks[3]. One could also say: the risk profile of the insurer is the key to the proportionate application of the regime. The proportionate application of rules and regulations is a fundamental measure to facilitate effective and efficient regulation as well as protection of citizens and companies against overly burdensome or inefficient regulation. Hence, proportionality can also be seen as an idea to shape the regulation towards the need of companies, consumers and wider society. In fact, considering proportionality often leads to constructive reflections about the efficacy of an applied rule compared to potential alternative provisions to fulfil a given objective.

Reviewing the proportionate application of Solvency II automatically leads to the question: a*re there alternative rules or measures that are more effective or efficient to fulfil the given objective?*

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1 Directive 2009/138/EU

2 The concept of proportionality in EU law means, that European Union action (including legislation) shall not exceed what is necessary to achieve the objectives of the Treaty and/or (as the European Court of Justice said it before the Treaty) the public interest, and it must be commensurate. When there is a choice between several appropriate measures the least onerous must be adopted, and any disadvantage caused must not be disproportionate to the aims pursued.

3 See for example Art. 88(1), European Commission Delegated Regulation (EU) 2015/35.

2. The current application of proportionality yields can be improved

The concrete transposition of the principle of proportionality was left largely to Member States, but in fact the task had to be carried-out by

- Individual insurers, required to apply for a more proportionate application of a standard, and
- National Competent Authorities (NCAs), assessing and approving insurers' applications, the national transposition of waivers and defining a proportionate approach to their own activity.

It is not surprising that a report by the European Insurance and Occupational Pensions Authority (EIOPA) entitled Supervisory Statement on the application of the proportionality principle in the supervision of the Solvency Capital Requirement (SCR)[4] presented in 2019 found, that the proportionate application of Solvency II is significantly inconsistent across Member States. This inconsistent application poses risks to the insurance market as (a) less risky insurers are confronted with a disproportionate and overly complex application of Solvency II and (b) a consistent consumer protection cannot be ensured.

In preparation of the review of the Solvency II Directive, the insurance industry presented proposals on how to improve the proportionate application of Solvency II across the single market, ensuring consistent consumer protection and fair competition while maintaining supervisory independence. In consequence, a consistent application of proportionality in Europe requires a common European supervisory framework.

3. A toolbox to make proportionality work in practice

This paper aims to provide suggestions and ideas for how develop a common European framework for a consistent and realiable application of proportionality. The industry proposed the development and implementation of a toolbox to standardise and automatize the application of proportionality. It is a moving target and we will seek to further develop the tools outlined in Annex I and the criteria in Annex II along the political process. Nonetheless, the proposals presented in this paper are comprehensive and would substantially facilitate a more proportional application of Solvency II.

We were delighted to see that EIOPA adopted the approach of a toolbox in its technical advice to the European Commission presented on 17th December 2020. While this is a great first step towards an improved proportionate application of Solvency II, additional efforts from the European Commission and Co-legislators are indispensable to provide for a sound, sensitive and effective EU-wide approach to the proportionate application of Solvency II. For example, some of EIOPA's eligibility criteria make the toolbox very difficult to apply. Therefore we suggest both. A package of measures for predefined low-risk undertakings (LRU) [5] as well as individual measures with specifically tailored eligibility criteria.

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[4] https://www.eiopa.europa.eu/sites/default/files/press/news/2019-04-11_eiopasupervisorystatementapplicationproportionalitysolvencycapitalrequirement.pdf

[5] The term "low risk profile" is used by EIOPA in it's advice to EIOPA on the Solvency II 2020 Review (para. 1.48, and 8.5-811) .

A common, EU-wide approach to the proportionate application of Solvency II:

- would…
  - Improve the consistent application of Art. 5 TEU to Solvency II;
  - Reduce an undue regulatory burden on insurers exposed to less/lower risks;
  - Facilitate a consistent supervision and consumer protection across the Single Market, as well as fair competition in the Single Market;
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  - Contribute to the economic and social recovery of the Union by supporting the heterogeny of the EU insurance market, the provision of service and cover to businesses and citizens;
  - Support the twin-transposition (digital and sustainable) of the EU by increasing availability of niche products and specialised solutions across the Single Market;

- would not…
  - Reduce the Solvency Capital Requirement (SCR);
  - Waive or undermine supervisory powers;
  - Lower the consumer protection standard;
  - Limit the ability for insurers and NCAs to develop and apply other means to apply Solvency II proportionate.

3.1 The toolbox mechanism

The toolbox consists of two interlinked components and provides a useful mechanism for the automatization of the proportionate application of Solvency II. The first component is a non-exhaustive list of proportionality measures (tools). The second component is a set of pre-defined criteria (conditions) that are linked to a single or multiple proportionality measures. If companies comply with these criteria, they are allowed to apply the respective measures automatically. In addition, the tools provide examples and best practices for insurance companies, which do not fulfil the explicit criteria. These companies should still be able to use this tools, if they can demonstrate that the application is proportionate to its individual risk profile.

(1) The definition of the proportionality tools is the first part of the toolbox. It is essential to improve the common understanding of a proportionate application of Solvency II across markets. It creates legal certainty for insurance companies and supervisors, while it also relieves the significant burden on undertakings to develop tools on an individual basis and file an application to their respective NCA. Examples for such tools already exist in some Member States. Scaling them across the Single Market will benefit convergence and consistency.

The list of proportionality tools should not be exhaustive, because it cannot reflect the optimal proportionate application of Solvency II to each individual insurer. Therefore, it is important that the current approach of insurers applying for the proportionate application of specific requirements and approved by the NCA is maintained in parallel. The supervisory diaoluge can discover new, innovative proportionality measures that should be added to the list of proportionality measures in future.

(2) Defining and linking pre-defined criteria to each proportionality measure establishes a mechanism for automatic application that increases legal certainty and reduces the burden to justify the application.

We propose to link criteria and measures:

- For each of the defined tools, there should be clear pre-defined criteria or thresholds for the automated (default) application of that tool;
- For insurance undertakings to demonstrate that its overall risk profile is particularly low (LRU).

Insurers qualifying as LRU should be allowed to apply a substantial package of proportionality measures on a reversed burden-of-proof. Notwithstanding the concrete definition of LRU or the thresholds for specific tools, NCAs should maintain their independence and should challenge the use of a tool where it is duly justified.

The definition of a category such as LRU is not new. Multiple Member States and their respective NCAs have similar categories in place. However, the definition at Member State level has led to fragmentation and inconsistency with regard to the criteria and the number of insurers eligible and benefits of the tools in such a category. The definition of a common EU LRU category would foster consistency of the proportionate application of Solvency II and create a reliable standard across the EU.

We greatly appreciate that the EIOPA advice reflects both components: single tools with defined thresholds and the creation of a specific risk category of LRU which can use a certain set of tools by default. EIOPA also includes the important provision that the use of tools is not limited to those companies which comply with the criteria.We also believe individual toolbox proposals should also be applicable if the insurer in question meets tailor-made eligibility criteria.

Comment on EIOPA's Final Advise 1: The mechanism for automatic appliaction

The proportionate application of Solvency II should also be recognised at group level. Where entities qualify for either the LRU or specific tools, the entity should be entitled to apply the tools. In order to avoid that the accumulation at group level requires these entities to apply Solvency II disproportionate to its risk, the use of the results of the tools or proxies should be eligible for the consolidation at group level. However, such a requirement must not lead to undue incentives to split a group into multiple entities and a risk-concentration in single parts of the group. Therefore, thresholds should determine the eligibility of the use of tools for the accumulation at group level.

The creation of the toolbox and the LRU should be embedded in the Solvency II Directive. For the definition of the lowrisk category, it will be important that its creation is reliable, easily assessable and predictable for insurers and NCAs alike. Therefore, it will be essential that it forms part of the future Solvency II Directive and that additional criteria are defined for the qualification for the category and the transfer out of the category. However, the tools and criteria for the application of the tools should be laid down in subordinated regulation to ensure the necessary flexibility.

3.2 The toolbox covers all three pillars of Solvency II

The toolbox covers all three pillars of Solvency II. A first set of measures should at least comprise the

following:

3.2.1 Simplified standard formula as an option

Currently, Solvency II allows usage of a simplified standard formula for the calculation of the Solvency Capital Requirement (SCR), when the insurer meets certain conditions (Article 109, Solvency II). The conditions for the various risk modules of the SCR are provided in Articles 88 to 112 of the Delegated Regulation of Solvency II[6] (hereafter: *Delegated Regulation*). In this context it has to be noted that the simplified standard formula does not lead to lower SCRs. As it is based on rather conservative assumptions, it is likely that the simplified standard formula results in a more conservative – read higher – SCR.

Article 109 of the Solvency II Directive reads:

> *"Insurance and reinsurance undertakings may use a simplified calculation for a specific sub-module or risk module where the nature, scale and complexity of the risks they face justifies it and where it would be disproportionate to require all insurance and reinsurance undertakings to apply the standardised calculation. Simplified calculations shall be calibrated in accordance with Article 101(3)."*[7]

Article 88(1), Delegated Regulation, says:

> *"For the purposes of Article 109, insurance and reinsurance undertakings shall determine whether the simplified calculation is proportionate to the nature, scale and complexity of the risks by carrying out an assessment (…)*
> *of (1) an assessment of the nature, scale and complexity of the risks of the undertaking falling within the relevant module or sub-module and (2) the difference between the two calculations."*

Article 88 means that National Competent Authorities (NCAs) require the insurer to demonstrate that they fulfill the conditions for applying the simplified formula. Articles 91 to 112 Delegated Regulation provide the simplified formulas for the various SCR risk modules.

In the current wording, the insurer has to determine whether it qualifies for the application of the simplified calculation. This approach presents a severe risk for the undertaking that the supervisor disagrees, causing unnecessary uncertainty and resulting in additional compliance burdens. The result is a dilemma, that undertakings refrain from applying the simplified, yet proportionate, version of the standard formula, due to the regulatory uncertainty, only to end-up with a more conservatie requirement anyways.

We propose that the use of the simplified standard formula should be at the discretion of the insurer. Rather than specific eligibility criteria or the challenge by the respective NCA, there should be a freedom to choose for the insurer. The simplified formula leads to more conservative results because

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6 European Commission Delegated Regulation (EU) 2015/35.

7 Article 101(3) is not relevant to our proposal. Article 101(3), Solvency II directive reads: "The Solvency Capital Requirement shall be calibrated so as to ensure that all quantifiable risks to which an insurance or reinsurance undertaking is exposed are taken into account. It shall cover existing business, as well as the new business expected to be written over the following 12 months. With respect to existing business, it shall cover only unexpected losses."

certain elements that would reduce a company's SCR under the regular standard formula are removed from the calculation. Thus, in many cases the outcome is more conservative and higher than the result regular standard formula. The trade-off between less complexity and a lower capital requirement should be the choice of the insurer.

Taking away the general power to challenge the use of the simplified standard formula must not result in cutting NCAs' ability to fulfil their tasks and ensure a risk-appropriate supervision. Rather than challenging the choice of the insurer to use the simplified standard formula as such, we suggest that the NCA can require insurers to use the regular standard formula for specific risk modules and only where it is duly justified. As such the NCA must demonstrate that that the choice of the simplified standard formula leads to a materially lower SCR than the SCR calculated with the general standard formula.

The same approach should be implemented notwithstanding the legal form of the undertaking, including captives (Article 89, Delegated Regulation).

The proposed approach to the use of the simplified standard formula would be more proportionate and efficient. Thereby it could particularly support smaller insurers and new market entrants (e.g. InsurTechs) with lower budgets. Nonetheless, it would employ resources for insurers of all sizes more efficiently. In addition, the use of the simplified standard formula would also reduce the complexity for the assessments by investors of start-ups.

EIOPA proposes a an integrated approach to the calculation of capital requirements for immaterial risks in the standard formula (EIOPA advice, para 8.28-8.38). From our perspective, this proposal is a step into the right direction, as it outlines clear criteria and procedures. However, there is a more detailed evaluation necessary with focus on the practicability and the extend of benefits for companies

Comment on EIOPA's Final Advise 2: Integrated approach to the calculation of capital requirements for immaterial risks

3.2.2 Capital tiering for mutuals needs to be improved

If there are doubts about the question whether the participants/member account of an individual (mutual) insurer meets the requirements, this should be assessed on an individual basis and not categorically for all mutual insurers at once. [8]

Article 69 Delegated Regulation on the list of own-fund items for Tier 1 capital says that i.a. paid-in initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings (ii) and paid-in subordinated mutual member accounts (iii) *"shall be deemed to substantially possess the characteristics set out in Article 93(1)(a) and (b) of Directive 2009/138/EC, taking into consideration the features set out in Article 93(2) of that Directive, and shall be classified as Tier 1, where those items display all of the features set out in Article 71".*

[8] This discussion on the tiering of the participant account in a mutual insurer, was left open when Solvency II entered into effect on January 1, 2016. By way of background we refer to the letter by the European Parliament to the European Commission of December 19, 2014 (D(2014)62142), the reply by the European Commission of January 27, 2015 (PD/rv((205)161889), a reply to that Commission letter by the European Parliament of April 1 2015 (306043) and a further letter by the European Commission of May 11, 2015 (AV/rv(2015)1779031).

The last part of the sentence, *"where those items display all of the features set out in Article 71"* is where the Delegated Regulation goes ultra vires, because the Solvency II Directive (in particular Articles 93 and 94) does not allow for this restriction. Article 94 of the Solvency II Directive states that an item may be classified as Tier 1, when it *"substantially possesses"* the characteristics required for that Tier. The essential criteria for qualifying as Tier 1 capital are set out in article 93 of the Solvency II Directive as (a) permanently available; (b) subordinated; (c) sufficient duration; (d) no incentives to redeem; (e) no mandatory servicing costs; and (f) no encumbrances.

If the solvency requirement of 100% SCR of the mutual insurer is endangered by a participant wanting to terminate participation in the mutual insurer, the individual participant cannot take its funds out of the participants account, until the SCR is again above 100%.

We propose that, if the mutual insurer has enacted the rule that participants funds may not be paid back when and as long as the SCR ratio is at or below 100% in its articles of incorporation, the funds *"substantially possess"*, the requirements for Tier 1 and the participants funds should be allowed to count fully as Tier 1 capital. Article 69 of the Delegated Regulation should be amended to reflect this condition in the articles of incorporation accordingly.

3.2.3 Combinations of key functions to be judged on case-by-case basis

Three different simplifications of governance arrangements should be possible based on the risk profile of an insurance undertaking or group:

1. The combination of key functions
2. The combination of keys function with operational functions
3. The combination of the position/role of key function holders with the position/role of member of the AMSB

It should be explicitly clarified that combinations of functions are not inherently problematic. Here it would be more proportionate to legislate principle based and for NCAs to judge arrangements against those principles.

In practice, a very common combination of a key function with another function is the combination of the legal function with the compliance function, where the key function holder for compliance has – next to unrestricted reporting capabilities to the AMSB (i.e. to the collective corporate body) – an organisational reporting line to a person that bears equal organisational responsibility for both functions. This could be the general counsel (or head of Legal & Compliance), who in turn could be (but does not need to be) a member of the AMSB. We consider compliance and legal to be compatible functions. The governance arrangements can be structured in a way that allows for an operationally independent and sound execution of the function in accordance with the Solvency II principles, and allows for the adequate management of conflicts of interests.

While the '3 lines of defence' model provides valuable insights and is often referred to in practice, it is only of limited use to inform the discussion about the applicatin of proportionality, because it does not really fit the sitiuation. This is because not all activities that are part of the key functions according to Solvency II fit neatly in this model. For instance, a part of the activities of the compliance function (e.g. advising on compliance with laws and regulations and on the impact of changes in regulation on the operations of the undertaking) could be equally well performed by the legal or the compliance function (or partly by both, depending on the nature of the requirements). Therefore, the compliance function

usually has both 1st and 2nd line elements in it. It must be remembered that, although much used, the lines of defence model is only a model.

In paragraph 8.40 of its advice, EIOPA states that the combination of key functions, the combination of key functions with operational functions and the combination of the position/role of key function holders with the position/role of member of the AMSB only applies to LRUs. Based on the assessment above, we disagree with this statement.

Comment on EIOPA's Final Advise 3: Combination of key function, operational function, and roles of members of the AMSB

3.2.4 Guided Own-Risk and Solvency Assessment in lower frequency

The Own-Risk and Solvency Assessment (ORSA) is at the very heart of the Solvency II framework and essential for an effective supervision of the risk management of a company. However, the ORSA also requires enormous efforts by undertakings and is linked to substantial uncertainties.

While we consider it important that the fundamental principle of the ORSA – the own reflection of an undertaking on its risk and solvency position – is maintained, we think it is appropriate to apply the ORSA all three years, if there is no material change of the risk profile.

Also, we believe that guidance on the structure and substance of the ORSA would ensure a more proportionate and consistent approach. In this regards, the Central Bank of Ireland (CBI) provides for a targeted set of questions for the ORSA of insurers qualifying for the CBI's low/medium low risk categorisation[9]. This approach should be the basis for a proportionate approach to the ORSA at EU level.

The questions which the CBI asks are standardised, but the answers are (obviously) not. The questionnaire does not take the responsibility for the assessment away from the undertakings, but it helps guiding these insurers to create a high quality, yet proportionate ORSA. An approach, similar to the one of the CBI is considered as a valuable tool for the proportionate application of Solvency II at EU level. In our view, companies should be free to choose, if they want to apply such an pre-defined set of questions or rather prefer individual solutions.

EIOPA proposes (EIOPA Advice, para. 8.42) that LRUs provide a regular ORSA every two years and following any significant change of the risk profile, if they apply the process in new Articles 6a and 6b of the Delegated Regulation (see EIOPAs proposal on p. 1051-1054 of the Analysis Background document). We believe that it is important that the proposal of a less frequent ORSA should apply to more undertakings than just LRUs, reflecting the individual risk profile of an undertaking. We consider that this option is covered under the provisions of paragraph 8.52 of the EIOPA advice. In case of LRUs, we suggest the potential adjustment to the regular ORSA as explained above. With regards to the frequency, we would consider a lower frequency than every second year to be sufficient. In paragraph 8.57 (v) of its advice, EIOPA suggests that more guidance is provided for the case of captives. We believe that this proposal is positive and could be developed into a guided ORSA as

[9] See on the Central Bank of Ireland on this page the Low/MediumLow ORSA Template.

described above and rolled-out as a general proportionality tool.

Comment on EIOPA's Final Advise 4: ORSA

3.2.5 Review of written policies

EIOPA proposes (EIOPA advice, para. 8.46) that Low Risk Undertakings should not need to review their policies every year, but less frequently, if they apply the process of new Articles 6a and 6b of the Delegated Regulation (see EIOPAs proposal on p. 1051-1054 of the Analysis Background document). We support this proposal and encourage to further review the benefits of extensive written policies. Shorter and fewer written polices could be more effective to foster good governance.

Comment on EIOPA's Final Advise 5: Review of written polics

3.2.6 Regular assessment of AMSB includes proportionality

EIOPA proposes (EIOPA Advice, para. 8.48-8.49) that the regular assessment of the composition and effective operation of the AMSB includes an assessment of proportionality measures. While we do not object to this proposal, there is the need assess the concrete advantages for companies.

Comment on EIOPA's Final Advise 6: AMSB

3.2.7 Deferral of variable component of remuneration

EIOPA proposes (EIOPA Advice, para. 8.50) that the scope of the mandatory deferral of a substantial portion of the variable remuneration component (Article 275(2)(c) Delegated Regulation) is limited in case of low risk profile undertakings, complying with the criteria and applying the process in new Articles 6a and 6b of the Delegated Regulation (see EIOPAs proposal on p. 1051-1054 of the Analysis Background document). We have no objection to this EIOPA proposal.

Comment on EIOPA's Final Advise 7: Deferral of variable component of remuneration for LRU

3.2.8 Reduced Regular Supervisory Report frequency for Low Risk Undertakings

We propose reporting of only material changes relative to the Regular Supervisory Report (RSR) for insurers with lower risk profiles, and a full RSR every three years.

The basis for this proposal is Recital 107 of the Delegated Regulation: *"The application of the proportionality principle in the area of public disclosure should not result in insurance and reinsurance undertakings being required to disclose any information which would not be relevant to their business or not be material"*.[10]

Clarification: In 8.53 EIOPA refers to Annex 8.6 of the Analysis, which is on p. 1059-1063 of the Analysis Background document.

EIOPA proposes (EIOPA Advice, para 8.54) to amend the RSR frequency so that undertakings classified as Low Risk Undertakings should by default be allowed to report the RSR every 3 years unless formally communicated otherwise by the supervisory authority.

[10] Recital (115) has a similar text on branches.

We believe the predictability, legal certainty and legal equality (level playing field) of the proportionality relief is lost by EIOPAs proposal that the frequency may be increased by the NCA simply communicating that. Of course, a systemically dangerous development on financial markets may warrant that, but in those cases materiality is an issue. In issues of systemic risk, organisations with lower interconnectedness do not play a significant role.

Comment on EIOPA's Final Advise 8: Reduced Regular Supervisory Report frequency

3.2.9 Reporting Deadlines

We propose to extend reporting deadlines for LRU. The main reason is to avoid that low risk insurers have to compete for the time of expensive actuaries and accountants at a time of the year when they are at their scarcest.

Deadlines for reporting annual data on a solo basis could be 20 weeks (annually) instead of the current 16 weeks (annually) and 6 weeks for quarterly. Group reporting deadlines should be 12 weeks (quarterly) and 22 weeks (annually).

EIOPA proposes (para 8.55) reductions in the QRTs, which are also nice. If EIOPA is of the opinion that insurance supervisors do not need certain information, there is no reason to report it. But we need to take into account that NCAs may require any such information they no longer get through regular QRTs in their on-going supervision. If an NCA starts to do that, insurers in its jurisdiction may not gain anything by the deletion of the QRT.

With regards to the reporting deadlines, EIOPA proposes an extension of the RSR deadline to 18 weeks, in line with publication of the SFCR (EIOPA Advice, para 7.24).

Comment on EIOPA's Final Advise 9: Reporting Deadlines

3.2.10 Default exemption from quarterly and semi-annual Quantative Reporting Templates

We propose a default exemption from quarterly and semi-annual QRTs unless the insurer has (a) low quality QRTs in the past and (b) a low or unstable solvency position. Article 35 (6-8), Solvency II already allows for this exemption, but only if the insurer has (a) good quality QRTs in the past and (b) a large and stable solvency position. In addition, the waiver is limited to a maximum market share of up to 20% of the national market.

We propose to invert the criteria and require the NCA to challenge the exemption if an insurer has (a) substandard quality QRTs and (b) a weak and/or unstable solvency condition.

In addition, we suggest that the dependency on national discretion is abandoned. The location of an insurer's headquarters and the size of the respective national market are no factors for the determination of the risk inherent in an insurers' business.

3.2.11 Solvency and Financial Condition Report

Already in its consultation in preparation of its technical advice to the European Commission, EIOPA suggested that the Solvency and Financial Condition Report (SFCR) should be split in a document for the policyholder and another document for professionals. The policyholder SFCR should only be in languages of jurisdictions where the insurer sells insurance or has sold insurance in the past. The

template of the policyholder SFCR should be consumer-tested to see if consumers understand what the information means.

We agree with EIOPA that the consumer section of the SFCR is only relevant where insurers have policyholders who are unaffiliated with the insurer itself, i.e. not captives. [11] EIOPA identified two business models different to "regular insurers", namely reinsurance and captives for which it foresees specific exemptions from SFCR requirements.

Unfortunately, EIOPA stops its assessment of different business models with reinsurers and captives. Thereby, EIOPA completely ignores the fact that mutual insurers differ substantially in terms of balance sheet financing from other types of insurers. That is also an element of a business model. In fact, nowhere in its advice or analysis does EIOPA give consideration to this special position of mutuals.

The professional SFCR should be shorter than the current SFCR and easier to complete (reduction of compliance burden). Since this document is aimed at professionals, predominantly in capital markets, individual insurers should be allowed to add explanatory texts to the data they provide in the professional SFCR.

Insurers who do not access capital markets (i.e. have not issued shares or bonds for public trading) should not be required to have a professional SFCR. In case an insurer's capital providers (such as banks), reinsurers or distributors need this type of information, the insurer can generate the desired information in the context of that bilateral relationship.

We appreciate that EIOPA reconfirmed its advice that the SFCR should be split in a document for the policyholder and another document for professionals (EIOPA Advice, para 1.42 and 7.11). Unfortunately, EIOPA did not adjust its differentiation by business models to add mutuals to the already identified captives and reinsurers which deserve a more proportionate approach to the SFCR requirements. This needs to be adjusted.

Comment on EIOPA's Final Advise 10: Solvency and Financial Condition Report

3.2.12 Statistical data

Statistical data in QRTs should not need to be completed by insurers, when their contributions are unlikely to change outcomes for the industry as a whole. A criterion for statistical significance or materiality should be developed.

A good reason for this is again Recital 107 of the Delegated Regulation: "The application of the proportionality principle in the area of public disclosure should not result in insurance and reinsurance undertakings being required to disclose any information which would not be relevant to their business or not be material".[12]

3.2.13 Actuarial function only for contract durations of more than 4 years, but not for liability insurance

[11] para 8.186, draft advice to the Commission.

[12] Recital (115) has a similar text on branches.

Non-life LRU should only be required to have an actuarial function (either outsourced or in-house) if they sell insurance contracts with no liability cover with a duration of more than 4 years.[13] Life insurers, however, always need an actuarial function.

3.2.14 A proportionate approach for newly proposed macroprudential measures

In its technical advice EIOPA presents a number of proposals for new macroprudential tools (EIOPA advice, chapter 11 and 12). If implemented, these measures would present a significant regulatory burden to insurance undertakings. EIOPA acknowledges the need for the proportionate application of some of the new tools. Nonetheless, it fails to include consistent and concrete proposals in its advice on the proportionate application of Solvency II.

Furthermore, EIOPA states that the new measures should cover a (very) *"significant share of each national market"* (EIOPA advice, para. 12.4 and 12.13).

We have strong concerns that EIOPA's newly proposed measures would not only increase the regulatory burden significantly, but would also not be applied proportionately. By nature, macroprudential policy focuses on the market-wide perspective. It is, therefore, not clear why a (very) *"significant share of each market"* should be targeted instead of an approach clearly targeted at macroprudential risks.

In contrast to the EIOPA approach, we believe it is absolutely essential that the macroprudential tools are applied in a risk-proportionate way and in relation to macro-prudential risk inherent in an insurance business. Thereby, it becomes obvious that the starting point of the approach should not be at national and single entity level, but at an EU-wide and group focus. Single entities should only be subject to the new provisions where they are essential for the overall exposure of their group. The perspective of a national market level should be abandoned as such. Where NCAs consider that companies, which are not part of a group already subject to the measures, need to be included in the scope, it should be duly justified. An example in this respect could be insurance companies with a dominant market position in a country with a currency other than the Euro.

3.2.15 Solvency II insurers and Public Interest Entities under the Accounting Directives

All Solvency II insurers are considered Public Interest Entities (PIEs) [14], simply because they fall under the scope of Solvency II. This has led to sharply increased costs of external auditors since the rules on

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[13] Non-life Dutch Basic Regime insurers only need an actuarial function if they underwrite policies with a duration of over 4 years (art. 19 (3) and (4) *Besluit prudentiële regels*).

[14] Public interest entities are defined in directive 2006/43/EC as amended by directive 2014/56/EU article 2, point (13) as:

(a) entities governed by the law of a Member State whose transferable securities are admitted to trading on a regulated market of any Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC [= MiFID I];

(b) credit institutions as defined in point 1 of Article 3(1) of directive 2013/36/EU [= CRD IV …], other than those referred to in Article 2 of that Directive;

(c) insurance undertakings within the meaning of Article 2(1) of directive 91/674/EEC [= on annual accounts of insurers]; or

(d) entities designated by Member States as public-interest entities, for instance undertakings that are of significant public relevance because of the nature of their business, their size or the number of their employees."

See also the latest consolidated version of the directive of 16 June 2014.

PIEs came into effect on June 17, 2016.

Qualifying all Solvency II insurers as PIEs is debatable: this label is reserved under the EU accounting directive for organisations with a "significant public relevance […], which arises from the scale and complexity of their business or from the nature of their business".[15]

The PIE status requires involvement of external auditors with special qualifications, which are rare and therefore more expensive. The scarcity of such external auditors leads to a capacity issue and a cost issue. Removal of the PIE status would mean that these insurers would still be audited by external auditors, and supervised by their national supervisor or regulator.

It is important to note that the content of the annual report and any other public documentation by the organisation is the same whether the organisation is a PIE or not.

While this may not require a change in the level 1 texts or level 2 texts of Solvency II, we propose to amend Directive 2006/43/EC and Directive 2014/56/EU accordingly as part of the Solvency II Review.

We propose that insurers with a total balance sheet size of € 1 billion or less, or a total premium income of € 1 billion or less are not PIEs.

3.2.16 Specific proportionality requirements for captives and reinsurance captives

The captive business model differs significantly from those of insurers of other legal forms. Captives mainly insure risks within the same group. Thereby, captives are not directly exposed to capital markets or consumers.

In general, we believe that captives should be included in the consideration of the LRU category and also for the eligibility of the specific tools listed in this paper. Due to their specifc nature and exposure, captives deserve the application of additional regulatory measures to apply Solvency II proportionately.

The identified measures which immediately reflect the captive particularities mainly focus on the reporting and disclosure requirements under Solvency II (Pillar 3). For the proportionate application of Pillar 1 and 2 of the Directive, the general proportionality measures suggested in this paper would be an important step in the right direction.

Already in 2018, EIOPA announced that the better reflection of the captive business model is one of the objectives of its technical review of Solvency II. We appreciated this target and the proposals which EIOPA presents in its advice (EIOPA advice, chapter 8.6). With regards to the measures outlined in paragraph 8.57 of the EIOPA advice, we agree with the meausres suggested by EIOPA. We would like to particularly emphasise that the proposals for a more guided ORSA and a professional SFCR which is limited to the information provided in the QRTs were adopted by EIOPA. The question bout the frequency of the ORSA (why every 2 years and not longer?), which we already ask with regards to the general proportionate application of the provisions, also holds for the case of captives.

[15] Recital 2 of Directive 2014/56/EU.

EIOPA also sets out criteria for the application of the captive-specific proportionality measures (EIOPA advice, para. 8.58). These criteria are considered reasonable and are supported.

In contrast to the criteria set-out in paragraph 8.58 on the eligibility for the use of the captive-specific proportionality measures, we doubt that the additional hurdle which EIOPA creates for the eligibility as LRU for captives (EIOPA advice, para. 8.59) are justified. We believe that a reasonable set of general criteria for the qualification for the LRU category, as proposed in this paper, is sufficient.

Comment on EIOPA's Final Advise 11: Specific proportionality requirements for captives and reinsurance captives

3.3 Defining low risk undertakings

The second major part of our proposal is the creation of the LRU category. Insurance undertakings which fulfil the eligibility criteria of the LRU category should be entitled to use a pre-defined set of proportionality tools by default.

It is important to note that the definition as an LRU does not prevent the undertaking from applying different or additional proportionality measures. Nor does it exclude undertakings which do not fulfil the eligibility criteria from using the same proportionality tools. The definition of LRU is a proportionate application of the governance around the proportionate application of Solvency II and not the creation of a second supervisory regime.

With regards to the criteria to define LRUs, it is important that the criteria are simple and that their assessment is possible without creating an additional regulatory burden to avoid repeating the current dilemma on the application of the principle of proportionality under Solvency II.

In addition, the criteria should focus on the risk inherent in an insurer's business and not its size as determined by the Solvency II Directive itself.

In consequence, we propose a set of 5 criteria:

1. LRUs should provide for a stable solvency position. Solvency II defines an appropriate solvency position with the compliance with a companies individual SCR (SCR ≥ 100). In order to ensure an appropriate level of confidence, we believe that the volatility of the SCR compliance should be taken into account. Therefore, to be defined as LRU, a target company should have a higher solvency ration than 100% plus the 1.5 times of the maximun volatility of the past 5 years.
2. LRUs should be well capitalised. Therefore, we suggest that the ratio of eligible own funds relative to the total balance sheet of the insurer should be sufficiently high to reduce the risk of failure. We consider a ratio of minimum 20 % appropriate in this respect.
3. LRUs exposure to particularly risky lines of business (LoB) should be limited to a not significant share. Certain LoB and products present particular risks to the insurance company, e.g. certain liability products, aviation, marine or credit. Companies offering these product should not be excluded from the LRU per se, but the share which this businesses have in the total business of the insurer should not not be substantial. Therefore, we propose that the share of these LoBs and products should be limited to a maximum of 30%.
4. A central element of Solvency II are (partial) internal models, with which companies can determine their individual risk profile more appropropriately than with the standard formula.

While we believe that Solvency II should apply proportionately to insurers using (partial) internal models, we believe that the use of such models should require undertakings to review the tools separately, rather than through the default approach of the LRU category.

5. LRU should not be of systemic relevance. The International Association of Insurance Supervisory (IAIS) defines Internationally Active Insurance Groups (IAIG). The IAIS considers IAIGs to be of particular importance for the global insurance market. As for the use of (partial) internal models, we believe that companies which are considered IAIGs should be exempted from the default approach of the LRU category.

These criteria should apply, notwithstanding the legal form of a company. Tools, specifically tailored to business models (i.e. mutuals, reinsurers and captives) should be foreseen, independently from the qualification of an insurer as a LRU.

We appreciate that EIOPA creates a category of LRUs for which a set of proportionality tools apply by default. EIOPA suggests 7 different criteria which all have to be fulfilled for the eligibility of an undertaking as an LRU (5 of 7 in case of a captive).

With regards to the eligibility criteria for the qualification as a LRU, we have serious concerns that the identified parameters reflect are sound and sensitive to contribute to a risk-based, consistent and EU-wide application of the principle of proportionality. While some criteria seem not to be appropriate to define the risk profile of insurance companies, the resulting scope seems to be very limited. EIOPA reported that only 0.53 % of the market share for life and 1.8 % of the market share for non-life would comply with the all proposed criteria and could be categorised as LRU.

One of the most critical criterion is the requirement is that the toolbox is only applicable if the insurer (not a captive) has no more than 5% premium income from cross-border business (EIOPA advice para. 8.8 (3)). We believe that this criterion contradicts the fundamentals of the EU Single Market. Furthermore, it is not evident that cross-border business is per se more risky than domestic business. The recent examples of certain NCAs to supervise cross-border business appropriately must not lead to a discrimination of such business models. Furthermore, such a criterion will significantly undermine the ability of new market entrants to scale its business in fair competition with domestic incumbants of similar risk profiles as well as it discriminates the providers of niche solutions across the Single Market.

A further very critical criterion focuses on the size rather than the risk of insurance undertakings. EIOPA advises that life undertakings, gross technical provisions may not be higher than € 1 billion and for non-life undertakings, gross written premium may not be higher than € 100 million to qualify as an LRU (EIOPA advice, para. 8.8 (4)). We believe the size of the insurer is not appropriate to assess the level of risk nor the nature of the risks it insures unless the insurer is relevant for the financial stability. This is also reflected in the fifth criterion of our proposal to define LRU more accurately.

Nevertheless, EIOPA also suggested an appropriate criterion to define LRU in paragraph 8.8 (5) of its advice. It determines that premium written in the Marine, Aviation and Transport and / or Credit and Suretyship business lines should not be higher than 30% of total annual written premiums of the non-life business.

In paragraph 8.8 (7) of its advice, EIOPA suggests that “accepted reinsurance gross annual written premiums is not higher than 50% of the total annual written premium” of an insurance undertaking to qualify as an LRU. Solvency II foresees a sophisticated governance around reinsurance agreements, including the opportunity for NCAs to intervene. If reinsurance contracts are accepted/acceptable to the NCA, we do not see why they would make an undertaking high risk if they go above 50%. Either a reinsurance contracts is acceptable because it removes risks from the balance sheet, or it is not.

Finally, we are not sure about the impact of the criterion described in paragraph 8.8 (2) of the EIOPA advice. EIOPA refers to “Life undertakings, excluding the index/unit linked business […]”. If the criterion Is to be understood in a way that the criterion only applies to life other than index/unit linked business, it is considered appropriate. If the wording implies that companies offering index/unit linked business cannot be considered LRUs, we doubt the suitability of the criterion. Index/unit linked businesses are per definitionem less risky than traditional life insurance as a substantial share of the investment risk is not covered by the insurer.

In addition to the criteria for the LRU category, EIOPA suggests a number of further provisions on the LRU status and the application of the proportionality tools.

Among these, EIOPA describes the process of application of the toolbox (EIOPA advice, para. 8.12-8.16). EIOPA proposes that the insurer notifies the NCA, which then has one month to object. We consider this approach appropriate. However, it must be ensured that the requirements for the notification (EIOPA advice, para. 8.14) remain simple and do not create an additional administrative burden.

EIOPA also describes the important process for companies which do not comply with the eligibility criteria of the LRU category (EIOPA advice, para. 8.17-8.20). EIOPA allows insurers which do not comply with the criteria to argue that they should be eligible. While this is an important provision, we believe that there should also be specific criteria for each proportionality measure reflecting the particular risk perception of the application of the measure. That enables other insurers with a more specific risk profile (e.g. larger insurers or insurers with specific exposures) to apply Solvency II more proportionality.

Two proposals which are very concerning from an industry perspective are not subject to the EIOPA advice itself, but included in the background documents in which EIOPA suggests legal amendments. In general, EIOPA suggests amendments to Article 6 of the Delegated Regulation. Articles 6a-6c describe the above mentioned establishement of the toolbox. The following Article 6d limits the use of the toolbox to two years. This is incomprehensible. There is no factual or reasonable basis why an insurance undertaking which does not have a material change in its risk profile or does not miss compliance with the eligibility criteria of the LRU category, for any other reason, should not use the proportionality measure on a permanent basis.

Along the same lines and also not reflected in the EIOPA advice is Article 6f of the EIOPA background document. This Article allows NCAs to withdraw eligibility for any (not just material) change in the risk profile. While we believe that the monitoring of the risk profile of the insurer which is also proposed in the Article is a general supervisory function, we believe that the withdrawl of the eligibility needs to be duly justified and based on an ongoing incompliance with the criteria set-out in the Solvency II Directive.

4. Conclusion and Outlook

Solvency II is a milestone towards the creation of the Single Market for insurance in the EU. The current review is the opportunity to make the next step towards convergence and integration. The insurance industry strongly supports the aims for the review set-out by the European Commission to evolve and optimise the framework.

The proportionate application of the regime is essential for an effective, efficient and appropriate regulation to the benefit of EU businesses and consumers and a central element of the Solvency II framework. The assessments conducted by EIOPA and the industry showed that particularly the proportionate application of the regime is inconsistent and should be improved. Therefore, a comprehensive European approach to the proportionate application of Solvency II is mandatory to foster the interests of policy holders and insurance companies alike.

In 2019, the insurance industry presented a comprehensive proposal on how to improve the proportionate application of Solvency II across the single market. We appreciate that the fundamental principles of this approach have been adopted by EIOPA for its technical advice. However, more work is necessary to fill these principles with life and make the (risk-) proportionate application of Solvency II work in practice.

In particular the creation of an EU-wide category of LRU should not lead to symbolic reforms, but create concrete benefits for insurance companies and their policyholders. The heterogeneity of the EU Single Market for insurance is essential for the stability of the market, the availability of cover and consumer choice. Furthermore, it is important that the standards for a proportionate application of Solvency II are consistent and reliable for undertakings and supervisors across the Single Market.

In this regard, EIOPA's technical advice to proportionality undermines the idea of a Single Market and the current effort to build an EU Capital Markets Union. This is because the propose definition of LRU excludes insurers operating in more than one Member State. In addition, the proposal would also harm new market entrants (such as InsurTechs) and providers of niche products. Thereby, the provision also hinders other initiatives such as the Pan-European Personal Pension Product (PEPP). A market participant seeking to provide the PEPP across borders (as it is the general purpose of PEPP) would not be eligible as an LRU under EIOPA's conditions).

Furthermore, it is important that the tools to improve the proportionate application of Solvency II are sufficiently concrete and ensure a consistent approach. Rather than principles, defined measures need to be foreseen. The EIOPA advice includes a number of valuable suggestions (e.g. on reporting and disclosure), but falls short on essential areas such as the ORSA or the pillar 1 calculations.

Finally, it will be essential for the further success of the Solvency II process that the proportionate application focusses on the risk inherent in an insurance business (as required by the Solvency II Directive) rather than its size. EIOPA's focus is too narrow in this respect. In addition to the definition of a LRU category and the development of a set of tools for the eligible undertakings, EIOPA should broaden the scope of its approach and develop thresholds for each of the tools as well.

In conclusion, we call on the European Commission and Co-legislators to develop a comprehensive, risk-based and truly European approach towards the proportionate application of Solvency II.

ANNEX I – Criteria for defining low risk undertaking (LRU)

Table 1. Criteria for defining Low Risk Undertakings (LRU)

Risk-based criteria	Thresholds	Description
1. Solvency Situation (= solvency ratio minus maximum of volatility of the SCR)	100% + 1.5 maximal volatily of SCR	Significant level of confidence that the SCR is over 100% over the next 5 years, also in cases of severe economic crisis.
2. Capitalization (= ratio of eligible own funds to balance sheet total)	20%	Eligible own funds divided by balance sheet total.
3. Systemic relevance (= balance sheet total)	<12 billion balance sheet total	Source: IAIS definition of internationally active insurance groups.
4. Internal model to calculate SCR	No use of internal models	The use of internal models should require undertakings to review the tools separately, rather than through the default approach of the LRU category.
5. Weight of risky products on total company's business (= marginal share of liability business)	30% marginal share	

ANNEX II – Overview of tools for a proportionate application of Solvency II

Table 2. The proportionality toolbox – Linking measures to criteria for automized application

Proportionality Measures	Pre-defined criteria for automatic application	Further description & thresholds
Pillar 1		
Conservative estimation or simple update for sub-modules	**By default for all companies**	
Simplified Standard Formula Use of simplified standard formula allowed	**By default for all companies**	Optional without preconditional for all, because it leads to a higher capital requirement anyway.
Simplified calculations of technical provisions - Quarterly calculations: allow simplified update - allow greater aggregation regarding	**LRU status** or **no material change in risk profile**	

the granularity of technical cash flows: Allow use of the same external model, for example, an Economic Scenario Generator (ESG), across multiple companies by having supervisor validate it once		
Simplified calculation of own funds: - Amounts recoverable from insurance: no adjustment for the expected default of the reinsurer Deferred taxes: possibility to use IFRS approach, simplifications should be explicitly allowed	**LRU status**	
Pillar 2		
ORSA - three-year frequency; synchronized with RSR - simplified ORSA template (such as the simplified template developed by the Bank of Ireland) - no appropriateness assessment of standard formula in the ORSA Use of last valuation (quarter or annual, instead of full recalculation) for non-material component in the ORSA	**LRU status or** **no material change in risk profile**	
Key Functions - Combination of several key functions - Key function holders can hold the responsibility for several entities Risk management: only periodic (every three years) re-evaluation of non-material	**tailor made assessment;** **reverse burden of proof**	
Actuarial key function not required	**Non-Life +** - **Contracts not longer than 4 years + not liability insurance**	
Regular Review of the Governance System Depth and recurrence of the regular review of the	**LRU status**	

governance system tailored to the risk exposure of the business		
Written policies - Simplified or standardised written policies - No minimum content Review every three years is sufficient (currently annual review necessary)	**LRU status**	
Administrative, management or supervisory body (AMSB) - Regular assessment on the adequacy of the composition, effectiveness and internal governance of the AMBS considering proportionality	**LRU status**	
Remuneration No time-shifted pay outs necessary	**Non-material scale and share of variable remuneration:** Variable renumeration less than 50.000 EUR and less than 1/3 of total annual renumeration	This proposal originates differs from EIOPA's first draft of the advice. This measure should not be limited to LRU for automatic applicaiont.
Pillar 3		
RSR - three-year frequency; synchronized with ORSA - Simplified scenario analysis section should be filled only when significant changes	**LRU status or** **SCR 100% plus 1.5 times maximum volatility**	
External audits No application of the external audit of solvency II disclosure	**LRU status**	
SFCR One report – one addressee: The SFCR should be divided into a short report for policyholders ("Two-Pager") and a separate, purely quantitative report for the professional public.	**By default, for all companies**	The SFCR in its current form, addressing user groups with completely differing requirements at the same time, is not expedient. We propose to follow the EIOPA's draft proposal to split the SFCR into a concise, easily understandable narrative report for policyholders (so called "Two-Pager") and a purely quantitative report for the professional public containing only relevant data.

		These data should only be based on the already published QRT. The publication of additional quantitative data as well as a narrative explanation should not be required, as the professional public possesses the necessary expert knowledge to draw relevant information directly from raw data
SFCR Professional SFCR only if insurer has issued financial instruments on capital markets (equity or fixed income)	**Mutual insurance companies that have not issued equity or bonds**	Mutuals typically do not do that. If they lend money from a bank, the bank can ask for any information it wants; the same goes if the mutual insurer takes out reinsurance. Also, if a distributor wants the information, he can ask the insurer. In all these cases it is not proportionate to require this information as a standard. Although we do not know yet what should be in the policyholder SFCR exactly, we do not want any exceptions to this obligation.
SFCR Consumer-focused SFCR only if the captive or reinsurer has direct consumer exposure	**Captives and Reinsurance Undertakings**	Captives and Reinsurers serve professional clients or counterparts belonging to the same group. Insurance solutions provided by captives and reinsurers are usually not ”off-the-shelf” and are tailored solutions – based on individual negotiations of professional counterparts.
QRT Reporting no quarterly and annual QRTs required	**LRU status**	
Horizontal		
Across all three pillars Use of simplified results, proxies or extrapolation methods for the accumulation at group level	**LRU status or other eligibility &** **Non-material part of the group (≤ 3% of total gwp) AND accumulated share of all LRU/eligible entities non-material (≤ 10 % of gwp)**	