

To: Solvency II Working Group
From: Prudential Team

Date: 11-09-2017
Reference: ECO-SLV-17-185

Subject: EIOPA CAT WS - Assessing man-made catastrophe risk exposures gross or net of reinsurance

Summary

As part of the work of the EIOPA Catastrophe Workstream ("CAT WS"), the secretariat has prepared a discussion paper (see [ECO-SLV-17-186](#)) to supplement EIOPA's proposal (see [ECO-SLV-17-187](#)) on the assessment of man-made catastrophe risk exposures gross or net of reinsurance.

Members are requested to confirm, or otherwise, their agreement with the proposal to identify the largest concentration of man-made catastrophe risk exposures net of facultative reinsurance but gross of any treaty reinsurance.

Members are further requested to provide:

- concrete examples of the complexity that will be incurred should the calculation be changed to be net of reinsurance
- counterexamples where the proposal will not work as intended

Members are kindly requested to provide feedback to prudential@insurancееurope.eu by **18 September**. Member's views will also be welcomed during tomorrow's exchange of views (see [ECO-SLV-17-180](#)).

Background

The CAT WS has been mandated to investigate whether the scenario-based calculations for the fire, aviation and marine risk submodules should be based on an undertaking's exposure net of reinsurance (they are currently gross).

EIOPA prepared analysis for the August CAT WS meeting on the extent of this issue and proposed that the calculation should be altered to be net of reinsurance. The secretariat has subsequently prepared an additional analysis and discussion paper. This approaches the issue from theoretical perspective and assesses the impact of different types of reinsurance cover. It concludes that the assessment of the largest exposure should be done net of facultative reinsurance but gross of any treaty reinsurance.

The secretariat welcomes member's feedback on this analysis and proposal. Input from a practitioner's perspective would be especially welcomed.