

EIOPA's catastrophe risk work stream (CAT WS) - Draft conclusions for 12 December 2017 telecon

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1. Update on results of the information request to CAT WS members and discussion of remaining topics on holistic re-calibration exercise:

- model and data availability
 - almost all scenarios covered
 - **model experts sought** to give input on FL_BE, FL_DK, FL_RO, FL_SI:
 - CAT WS members pointed out that FL is much more difficult "to model without a model" than WS, i.e. to assess the risk without a comprehensively and well developed hazard and vulnerability module.
 - Nevertheless, as was done by the previous CAT TF, CAT WS should at least give an assessment the basis of expert judgement on whether the current country factor for each of these scenarios can be maintained. In any case, experts should roughly outline the changes since 2009 (or state that no substantial changes happened) that may give rise to potential changes to the country factor (or just not).
- possible modelling issues
 - storm surge:
 - **model owners** to provide to Edi country factor estimates for both with and without storm surge for assessing the impact; plus: where storm surge is not covered in the WS scenario, but in the corresponding FL scenario, and where this FL scenario is in the holistic re-calibration set (see, e.g. Edi's overview circulated for the meeting), the same applies for the corresponding FL scenario (two CF estimates to be provided)

- for BE_WS, FR_WS and UK_WS: model owners to provide both w/ and w/o storm surge, where available in the model as an option.
- DE_WS, NL_WS: storm surge is not covered within standard WS contracts.
- DK_WS: **Simon** to confirm whether storm surge is covered in standard WS contracts -> **EIOPA** will check with Simon and revert to **Edi** on short notice, Edi to forward the information to the model owners.
- Forestry: **EIOPA** to check with FI and SE colleagues for their decision on whether to include forestry in FI_WS and/or SE_WS; currently, SE supervisor collects data on WS exposure in SE by LoB (not clear yet, whether this will be done for FI as well)-> this should give an assessment on the (market average) relative forestry losses compared to other property WS losses, which could guide the decision; EIOPA should provide **Edi** with decision, who will in turn inform model owners.
- other "specialties"?: if applicable, they have been included in the respective country factor, due to the relatively low level of complexity of the Standard Formula.
- SI_WS: Insurance Europe received some internal requests on the specific combination of Hail within extreme WS events; model experts expressed the view that this specific combination is not driving the 1-in-200y loss quantile, which is rather associated with extratropical cyclones; these large-scale hazards in turn are typically not appearing in combination with local-scale hail; model experts see this already properly addressed in SI_HL scenario.
- "risk driver" information for WS scenario documentation: Insurance Europe asked on behalf of their members to include in the to-be-finalised documentation for each WS scenario information from model owners on the commonalities and differences in risks that determine the country factor for each holistically re-calibrated WS scenario vis-à-vis the spatially adjacent WS scenarios; model experts were a bit reluctant to promise this information, most likely due to heterogeneous model coverage (impeding cross-scenario comparisons) and uncertainty what this information should look like and how appropriate interpretation of it can be assured;

Comments requested from **model owners/experts** on this issue before EoY 2017!

As the issue should be part of the Jan 2018 meeting discussion (at least some oral elaborations on the specificities of each scenarios should be available, as made during the recent re-calibration exercise!), **model owners/experts** should prepare themselves accordingly!

EIOPA envisages to recommend to the European Commission that they might amend the supervisory reporting on NatCat exposure in order to include risk capital and exposure as calculated by model vendors/owners when insurance companies by reinsurance cover (following the DNB/NL model).

- aggregation matrices at country level:
 - it was agreed to re-assess the country-level aggregation matrix during the holistic re-calibration process;
 - approach: use current aggregation matrix as a starting point, together with the new vector of proposed country factor (or ranges thereof); collect views from model experts on whether, where and how changes to individual elements of the aggregation matrix (expressing pairwise "correlation" of insurance losses in two scenarios) should be made. This was assessed to be

relatively straightforward, as for these elements only the values {0, 0.25, 0.5, 0.75, 1} are eligible.

- Preparation of input by **EIOPA (together with model experts)**; discussion/finalisation during Jan 2018 meeting.

2. Remaining issues on zonal calibration

- EIOPA gave an overview of the status of zonal calibrations;
- Comments from **CAT WS members** requested before EoY 2017;
- Some updates (HU_WS, GR_EQ) remaining; for others decisions by national supervisors are required (forestry issue on country level for FI_WS, SE_WS determines the zonal calibration as well).

3. Timeline/steps towards submission of Final Technical Advice to European Commission

- Timeline follows the table given in Edi's presentation;
- EIOPA pointed out that
 - Comments from Public Consultation need to be processed as well: will be analysed and proposal for resolution will be circulated with CAT WS in early Jan 2018 with immediate preparation and subsequent discussion during Jan 2018 CAT WS meeting;
 - Finalisation of Technical advice to EC by 26 Jan 2018.

4. Organisational issues

- Jan 2018 to be hosted by Camille Graciani and Jesus Cisneros due to Roy's parental leave in second half of January.

5. AoB

- Climate change: EIOPA envisages to include a remark on materiality and coverage of the issue in the current Technical Advice and recommendation for future treatment.
- CAT WS members pointed out that consistency with EC communication on this important topic must be maintained.