EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY

EIOPA REGULAR USE

EIOPA-CAT_WS-18/001
19 Jan 2018

EIOPA's catastrophe risk work stream (CAT WS) - Draft conclusions and action points

18 Jan: 12.00 – 19.00 CET

1.	12.45 – 13.00	**Draft agenda,** **Introduction** The agenda was adopted without amendments. Justin Wray thanked CAT WS participants for their work and time.
2.	13.00 – 15.00	**Main responses to EIOPA Public Consultation on 2nd set of advice – Cat risk simplifications (incl. NatCat simplifications)** - *Discussion on main issues (EIOPA to circulate summarising document with proposals for resolution);* - *Closure on the issue.* - *NOTE: responses relating to the NatCat recalibration will be discussed under the respective topics below!* **Health catastrophe risk** EIOPA presented the main comments received on Health CAT (accident concentration, mass accident and pandemic risks). In general, comments received in this area support the advice proposed by EIOPA. Therefore, no change to the advice is proposed. **Man-made catastrophe risk** In general the changes proposed by EIOPA were well received by stakeholders. Comments on some sub-modules were more discussed by the WS. Regarding fire risk, a respondent proposed to include in the advice the underpin calculation for those undertakings with a homogeneous residential portfolio. This stakeholder also asked how the "market share" factor should be interpreted for those undertakings with a regional/local profile. CAT WS participants stated that the inclusion of the underpin could be more explained in the final advice. Regarding market share, CAT WS participants believed that this could be also interpreted as a regional market share if it is representative for the undertaking.

		Concerning marine risk, the CAT WS discussed the potential threshold limit. The threshold proposed in the consultation (100.000 Euros) was perceived as low. CAT WS members felt that a threshold in the range of 250.000 to 500.000 Euros could be more appropriate. The identification of largest man-made catastrophe exposures on a net of reinsurance basis proposal was in general well received by stakeholders. Some pointed out that there may be an issue with the calculation of the counterparty default risk module in specific cases. The solution suggested would be to take the highest gross exposure for calculating the hypothetical SCR. **Angus and Ian will come back with the proposal in writing to tackle this issue by Tuesday 23 Jan the latest.** **Natural catastrophe risk** CAT WS members discussed the proposed EIOPA simplification to map unallocated exposure. Within this simplification, the stakeholders that commented in the consultation were divided between two sub-options: to allocate the exposure to the highest risk zone in the region, or within a limited subset of zones in the region where the exposure may be located. CAT WS supported the second sub-option, subject to appropriate justification and documentation by the undertaking. CAT WS members also supported the proposed ex-post adjustment to account for individual policy limit profiles; however industry participants noted that this adjustment provides, in principle, little benefit. **Angus will double check that the proposed adjustment has been well understood by the stakeholders that provided this comment.** It will also be confirmed in the writing in the final advice that IT EQ has been calibrated taking into account limits and deductibles.
	15.00 – 15.30	Coffee break
3.	15.30 – 18.00	**Holistic calibration – WS scenarios** - *Discussion on the set of country factors for the 21 WS scenarios, plus the country level aggregation matrix;* - *EIOPA will provide proposal values as input to the discussion, based on Edi's compilation of model output and information;* - *Closure on the issue.* Please see the table for the result of the discussion. On FI_WS it was proposed by the supervisor to have a country factor without forestry, given the few undertakings being materially exposed. This should be mentioned in the final technical advice so that undertakings exposed to forestry are aware that they are deviating from the underlying assumptions of the standard formula and can take the appropriate measures. On SE_WS the supervisor has not taken yet the decision on forestry. Therefore, the WS discussed two country factors, which will be proposed to the Swedish NSA. Preference expressed for keeping a consistent approach than for FI_WS. It was confirmed that the new country factor for UK_WS should in-

		clude storm surge, as did the previous one. For FR_WS that should not be the case (CCR is taking the risk). **Victorien will provide justification on excluding storm surge in France.**
4.	18.00 – 18.30	**Address to CAT WS by Gabriel Bernardino, EIOPA Chairman** - *Gabriel will have a short exchange on the work done, contributions delivered and possible future CAT WS role.* Gabriel thanked the WS members and stated that further work on CAT risks may be done in the future. Reflection on-going on how it should be organised.
5.	18.30 – 19.00	**Zonal calibration – GR_EQ** - *Presentation of GR_EQ approach on aggregation/correlation;* - *The input given during the session should serve as preparation for the zonal calibration discussion on 19 Jan 2018;* - *Documents to be provided by Ioannis.* Ioannis presented a proposal, following data from the Bank of Greece, on the Attica region. On next steps, he will provide the 1 in 200 years loss in percentage of insured value for the Attica zone (10 CRESTA zones) by Friday 26 Jan.

<u>19 Jan: 09.00 – 14.00 CET</u>

Lunch from 12:30

6.	09.00 – 11.30	**Holistic calibration – FL scenarios** - *Discussion on the set of country factors for the 15 FL scenarios, plus the country level aggregation matrix;* - *EIOPA will provide proposal values as input to the discussion, based on Edi's compilation of model output and information;* - *Closure on the issue.* Please see the table for the result of the discussion. Juan to share more information to support the current proposal on UK FL. Laurent to share information on new model released for FL IT.
7.	11.30 – 12.30	**Zonal calibration** - *Discussion on all zonal calibration proposals (see updated EIOPA document);* - *Closure on the issue.* Industry participants (AMICE and Insurance Europe) reported some questions on certain correlations and risk zone factors for Hungary and Finland. They will submit written comments to the group on these regions.

	12.30 – 13.15	Lunch break
8.	13.15 – 14.00	**Tentative slot for remaining issues**
9.	14.00 – 14.15	**AoB, closing remarks** Following the meeting, WS participants are invited to provide additional input to support the documentation of country factors proposed. Drafts will be distributed by EIOPA staff. The European Commission informed of a public hearing on 27th March on the 2018 review of Solvency II implementing measure.