	Comments Template on Consultation Paper on EIOPA's second set of advice to the European Commission on specific items in the Solvency II Delegated Regulation	**Deadline 5 January 2018 23:59 CET**
Name of Company:	International Credit Insurance & Surety Association (ICISA)	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
	Please follow the following instructions for filling in the template: ⇨ Do **not** change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇨ Leave the last column empty. ⇨ Please fill in your comment in the relevant row. If you have no comment on a paragraph or a cell, keep the row empty. ⇨ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. **Please send the completed template, in Word Format, to CP-17-006@eiopa.europa.eu** **Our IT tool does not allow processing of any other formats.** **The numbering of the reference refers to the sections** of the consultation paper on EIOPA's second set of advice to the European Commission on specific items in the Solvency II Delegated Regulation. Please indicate to which paragraph(s) your comment refers to.	
Reference	**Comment**	
General Comment	These comments are provided by the International Credit Insurance & Surety Association (ICISA). ICISA members represent over 95% of the private trade credit insurance market with an annual premium of EUR 6 billion on an insured exposure of EUR 2.3 trillion. ICISA members insure around 15% of global trade. Trade credit insurance covers the risk of non-payment of invoices. It insures traders, manufacturers and providers of services (corporates and SMEs) against the risk that their receivables are not paid. Trade credit insurance insures export- as well as domestic transactions (seller and buyer in the same country). www.icisa.org	

	Comments Template on Consultation Paper on EIOPA's second set of advice to the European Commission on specific items in the Solvency II Delegated Regulation	Deadline 5 January 2018 23:59 CET
Introduction		
1.1		
1.1.1		
1.2.1		
1.2.2		
1.2.3	§37: Members of ICISA strongly disagree on the conclusion that the panel is representative enough and encourage further discussions with the industry in order to convene about more representative parameters.	
1.2.4	§42: Calibration was done without exclusion of outliers in terms of years (only outliers in terms of undertakings have been excluded). Members of ICISA disagree on the a priori consideration that catastrophe events are not expected to have a major impact on the results: 2001 and 2008 crises in particular show well that recession events are already part of our history, leading to a double counting phenomenon in the standard formula for the LoB CS. Parameters would have been more adequately calibrated with an exclusion of these exceptional years already treated in the Cat recession module of the SF. §44: Reinsurance structures are more and more used to smooth loss ratio volatility impacts. It is too conservative to use a 100% gross to net factor for the LoB CS. Reconsideration of the factor will be of even greater importance if our proposals to drop recession risk CAT charge (as described in the comments on ch. 5.1) are implemented. The new calibration just calibrated gross data and used the gross-to-net factors from the calibration in 2011, where gross as well as net were calibrated. This is not a valid approach.	
1.3		
1.3.1		
1.3.2		

1.3.3		
1.3.4	§67: Due to the fact that exceptional years of crisis have not been excluded, it is normal to obtain high USP compared to SF for the LoB CS.	
1.3.5		
1.4		
1.4.1	§73: Representativeness for the LoB CS is recognized as low. The new calibration is however consistent with the level of the parameter of the former SF (19% in the SF), as it was first assessed at 19% but it was then decreased by 7% by EIOPA to the actual SF value of 12% due to the recognition of the double-counting aspect with the Cat Recession module of the SF. This was discussed between representatives of our industry, the CAT Task Force and the premium risk task force of EIOPA. As a consequence we ask for the application (in the new set of parameters) of this recognition already discussed in the past of the double-counting aspect between premium risk parameters calibration and Cat Recession parameter. Nota Bene the change of parameter value from 12% to 19% would have a huge and unacceptable impact on solvency ratios of all our LoB: first impact assessments show indeed a decrease between 10% and 20% of the individual solvency ratios in the LoB CS.	
1.4.2	Some non proportional reinsurance like stop loss attached to high loss ratio level have not been reached historically. Yet in a 1 over 200 years situation they may play and reduce the risk. This should be reflected in the assessment of the reserve risk parameters (and in the premium risk parameters). The gross to net factor of 100% is inadequate and too conservative for the LoB CS.	
2.1	Members of ICISA would have appreciated a review of the Catastrophe risk module parameters of the LoB CS also as we always claimed in particular that the Cat Recession parameter at 100% is too high for our LoB.	
2.2	§81: ICISA reminds that the LoB CS has been excluded from any diversification effect without any reason to our knowledge, whereas a clearly significant part of our risk management is dedicated to ensure a geographical diversification of our debtor risk. We suggest applying this geographical diversification effect as well for the LoB CS. Otherwise we would expect to receive the argumentation that leads to excluding LoB CS from calculation a diversification effect.	

	Comments Template on Consultation Paper on EIOPA’s second set of advice to the European Commission on specific items in the Solvency II Delegated Regulation	Deadline 5 January 2018 23:59 CET
2.3	§86: why has the proposal of recalibrating the SF parameters (once the volume measure changed) been rejected? Only an alternative to this proposal is developed in the CP. §116: Double counting has NOT been removed from the calibration, in terms of double counting aspect w.r.t. to the premium risk formula, as crisis years have not been removed from calibration data.	
2.4.1		
2.4.2	§148 and §151: It is unclear whether each LoB will have a specific value of Alpha or if it should be the same for all LoB. Quantifications resulted in an implied value between 20% and 30% for the LoB CS. User specific calibration should be an option. §149 vs §151 Results are not consistent: how is a global average impact of -2% possible for an Alpha of 30% (cf §149 results) when all LoB have an impact assessment higher (or equal, only for 1 LoB) than this -2% impact for this level of Alpha (cf §151 results)?	
2.4.3	§176 and §177: At this stage Members of ICISA would prefer not to change the formula (OPTION 1) in order to reduce the intra annual volatility of the results (volatility due to the seasonality of the portfolio of insurance contracts).	
3.1		
3.2		
3.3		
3.4.1		
3.4.2		
3.4.3		
4.1		
4.2		
4.3		
4.4		
4.5.1		

4.5.2		
4.5.3		
5.1	ICISA takes this opportunity to reiterate comments made to CEIOPS about catastrophe risk during the development phase of the original Solvency II Directive. Our opinion is that this calculation is conceptually flawed. Recession risk cannot be separated from Premium and Reserve Risk, as we cannot distinguish between a company defaulting because of a recession and a company that would defaulted also in the absence of a recession. As such, risk coming out of a recession is just "more of the same" and capital requirements to cover for a recession scenario should generally be included in the Premium and Reserve Risk calculation. A separate sub-module for recession catastrophe risk creates the risk of double counting with eventsalready considered in the tail of the standard calculation for premium and reserve risk. We also note that there has never been a public consultation on catastrophe risk for credit & suretyship. The "Catastrophe Task Force Report on Standardised Scenarios for the Catastrophe Risk Module in the Standard Formula (CEIOPS-DOC-79/10 11 June 2010) contained the following statement: *CREDIT AND SURETYSHIP* *93. It should be noted that the Credit and Suretyship scenarios have been developed independently of the CTF and incorporated into this document for completeness. This is because the appropriateness of a fixed 99.5% VaR measure, i.e. cycle insensitive, is subject to ongoing discussions at a higher EC level.* We would propose: • The catastrophe risk charge for the default scenario should at least be reviewed via the use of more realistic parameters. • The catastrophe risk charge for recession risk should be dropped and replaced by higher Premium Risk calibration materializing in the future (concretely by cancelling the	

	adjustment in the Premium Risk parameter calibration for the double counting between premium risk and the Cat recession scenario). Respective calibrations have been developed, hence are possible. This improvement would result in the following positive side-effects: • Capital requirements in line with historic loss rates during recent crisis that could be seen as 1 in 75 years event • Premium Risk higher than Reserve Risk, as it should be in particular in light of the fact that the volume measure for reserve risk is PCO (Provisions for claims outstanding), for events that have already occurred (with current calibration, reserve risk is larger than premium risk). • Given this change of concept it will allow for greater impact of undertaking specific parameters (USPs) for premium and reserve risk on the overall SCR for non-life. As such the differentiation between the risk profiles of the companies in C&S can be better reflected also in the standard formula. • It allows improving the calibration of the standard formula in the future. This is not possible by "using" recession scenarios as they cannot be calibrated to real data (because loss data can't be split into "losses from premium and reserve risk" and "losses as result of recession" – this is unlike real CAT, such as earthquake risk). It must be noted that the drop of recession risk CAT charge and replacement by higher Premium Risk calibration needs to be accompanied by recalibration of gross to net factor (as mentioned in the comments on ch.1.2.4). Otherwise, the companies would be deprived of risk mitigation effect stemming from such RI contracts like stop loss (of great relevance for recession risk in the current approach).	
5.2		
5.3		
5.4.1		
5.4.2		
5.4.2.1		

	Comments Template on Consultation Paper on EIOPA's second set of advice to the European Commission on specific items in the Solvency II Delegated Regulation	Deadline 5 January 2018 23:59 CET
5.4.2.2		
5.4.2.3		
5.5.1		
5.5.2.1		
5.5.2.2		
5.5.2.3		
5.6.1		
5.7.1		
5.7.2.1		
5.7.2.2		
5.7.2.3		
6.1		
6.2		
6.3.1		
6.3.2		
6.3.3.1		
6.3.3.2		
6.3.3.3		
6.4.1		
6.4.2		
6.4.3.1		
6.4.3.2		
6.4.3.3		
6.5.1		
6.5.2		
6.5.3.1		

6.5.3.2		
6.5.3.3		
7.1		
7.2		
7.3	Article 166 and 167 of Commission Delegated Regulation describe a “relative base” approach in which the shocks to be applied to the swap curve or zero-coupon bond curve are based on the risk free rate published by EIOPA. While we agree with the proposed advice (proposal A or B), we would suggest strict criteria for the selection of the underlying curve used for the NPV calcualtions. The provisions laid out in the principle-based Article 75 of Directive 2009/138/EC on valuation of assets and liabilities other than technical provisions should continue to hold valid but a more detailed set of guidelines on which interest curves are allowed for the scope on the interest rate risk calculation should be issued.	
7.4.1		
7.4.2		
7.4.3		
8.1		
8.2		
8.3	As mentioned in paragraph 542, sectorial and geographical considerations are largely ignored in the concentration risk calculation. A threshold based approach for these would be a clearer and more adequate solution. We also propose with respect to article 186(5) of delegated acts – and its equivalent in counterparty default risk (art 187) – the creation of a list of such counterparties, to be published by EIOPA or ECB in order to assess the compliance with regulation (EU) No 575/2013. It is in fact not always possible to fully benefit of the provision of this article since the information on the compliance with regulation 575/2013 is not publicly available. We also fully agree with the comments that exclusion of exposures to central government and central banks should not be contingent on the currency in which the asset is denominated. The reason is two fold: 1) The issuance of debt in currency different from the official member’s government currency doesn’t have any implication on the solvability of said state and 2) These	

	securities are already considered in the currency risk module of the market risk, with respect to the reporting currency or to the reference currency mentioned in paragraph 603. This is also relevant for article 187(2) in the counterparty default section and article 180(2) in the spread risk module section.	
8.4.1		
8.4.2		
8.4.3		
9.1		
9.2		
9.3		
9.4.1		
9.4.2		
10.1		
10.2		
10.3		
10.4.1		
10.4.2.1		
10.4.2.2		
10.4.2.3		
10.4.2.4		
10.4.2.5		
10.4.3		
11.1		
11.2		
11.3	A topic has been largely ignored in the general discussion on equity (both listed and unlisted) and this has to do with the interaction between the symmetric adjustment and the transitional	

	measure shock (both for listed and unlisted equities). According to Article 308 of the Directive, the increment of the transitional measure shock must be at least linear, but no precise indication is specified on the interaction with the symmetric adjustment. This may lead to the following paradoxical situation: in Q3 2022, the linear coefficient w used in the equation [Equity Transitional Shock = 22% + w(39%-22%)] is above 95%. Let's assume that the symmetric adjustment is the theoretical minimum: -10%. This leads to a normal Equity Type 1 shock of 29% (39% -10%) and a transitional shock of approx. 38% which is paradoxical. If we modify the formula to take care of the symmetric adjustment in this way: [Equity Transitional Shock = 22% + w((39%+SA)-22%)], then we cannot guarantee the requirement of linear increase as requested by article 308 of the directive. Guidance on this is required.	
11.4.1		
11.4.2		
11.4.3		
12.1		
12.2		
12.3		
12.3.1		
12.3.2		
12.3.3		
13.1		
13.2		
13.3		
13.4.1		
13.4.2		
13.4.3		
14.1		
14.2		

	Comments Template on Consultation Paper on EIOPA's second set of advice to the European Commission on specific items in the Solvency II Delegated Regulation	Deadline 5 January 2018 23:59 CET
14.3		
14.4.1		
14.4.2		
14.4.3		
15.1		
15.2		
15.3	Members of ICISA fully agree to a revision that would decrease the costs and increase the applicability of the provisions as set out in the article 84 of the delegated acts. There should also be a clarification regarding the portfolios considered in the market risk as indicated in the Guideline 1 – Employee benefits of the "Guidelines on the treatment of market and counterparty risk exposures in the standard formula". In sample cases the assets held for the pension arrangement by a third party asset administrator exceed the 20% threshold set out in the article 84(3) but are not directly held by the insurance undertaking. The insurance undertaking in this case is the sponsor. We also welcome the suggested advice 1218 as this allows for a minor impact in the timeline of the reduction of the reporting window, but a further clarification that this is not subject to the 20% threshold would allow for less ambiguity.	
15.4.1		
15.4.2		
15.4.3		
15.4.4		
16.1		
16.2		
16.3.1		
16.3.2		
16.3.3		
17.1		
17.2		

17.3		
17.4.1		
17.4.2	With regard to the implementation of key principle 1, members of ICISA believe that a formulaic approach would be a good alternative for certain undertakings to simplify their calculations, but just as an option (i.e. not mandatory). With regard to the implementation of key principle 2, we believe that renewals of existing policies from existing customers should not be treated the same as new business from new customers. A cap on renewals of existing policies is not reflecting economic reality because the level of uncertainty is not the same as for new business policies. With regard to the implementation of key principle 3, members of ICISA believe that pre-defined limitations may be a good alternative (depending on the limits that will be set) for certain undertakings to simplify their calculations, but just as an option (i.e. not mandatory). With regard to the implementation of key principle 4, we believe the assumptions in 1322 – 1325 should serve only as an option (i.e. not mandatory), given the differences between horizons applied in business plans vs the horizons of existing businesses. With regard to the implementation of key principle 5, we disagree with paragraph 1326 that the return on assets should be limited to the excess of assets over the technical provision. All general account invested assets will in fact have a taxable return. Also, the limitation of estimated future investment returns to risk free returns only (1331-1335) does not reflect the economic reality. With regard to the implementation of key principle 6, we think that it is inconsistent with the going concern principle to limit the period of generating return on own funds to 5 years. The	

	proposal mentioned in 1340 therefore seems more reasonable. We believe that post-shock run-off patterns of technical provisions, related levels of own funds and investments, and LAC DT should be consistent. With regard to the implementation of key principle 7, although we agree there is a level of uncertainty we consider it relevant to take future management actions into account for the calculation of LAC DT. Recapitalisation from external sources should remain available provided that such position can be sufficiently substantiated (e.g. based on historical evidence, financial reputation). With regard to the implementation of key principle 8, we think that the validation of assumptions and calculations is not limited to the Actuarial Function. Other functions (e.g. GRM, Internal Audit) could be involved as well. With regard to key principle 9, we consider transparency as a contribution to a level playing field. However, this should be in balance with the increasing reporting effort. With regard to the possible simplified calculation of LAC DT, we are definitely of the opinion that the proposed simplification in 1369-1378 would be helpful (although such simplification should only be applied optional). In our opinion, the formula would lead to a reasonable outcome and it decreases the administrative burden significantly.	
17.4.3		
18.1		
18.2		
18.3		
18.4.1		

18.4.2		
18.4.3		
19.1		
19.2		
19.2.1		
19.2.2		
19.2.3		
19.2.4		
19.2.5		
19.2.6		
19.3		
19.4.1		
19.4.2		
19.4.3		
19.4.4		
19.5.1		
19.5.2		
19.5.3		
19.5.4		
19.6.1		
19.6.2		
19.6.3		
19.6.4		
19.7		
20.1		
20.2		

20.3		
20.4.1		
20.4.2		
20.4.3		
20.4.4		
21.1		
21.2		
21.3		
21.4		
21.5		
21.6		
21.7		
21.7.1		
21.7.2		
21.7.3		
21.8		
21.8.1		
21.8.2		
21.8.3		
21.9		
21.10		
21.11		
21.12		
21.13		
21.14		
21.15		

	Comments Template on Consultation Paper on EIOPA's second set of advice to the European Commission on specific items in the Solvency II Delegated Regulation	Deadline 5 January 2018 23:59 CET
21.16		
21.17		
21.18		
21.19		
21.20		
21.21		
22		
23		
24		
25		
26		
27		
28		
29		
30		
31		
32		
33		
34		
35		
36		