EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY

09 July 2014

Related topic	Subtopic	No. Para.	Your question	Answer
Standard_SCR	SCR.9.1. SCRnl non-life underwriting risk module	9.17	How to calculate the volume measure in the non life premium risk for a permanent insurance policy , which can be terminated by both counterparties (policyholder and insurance undertaking) within three months' notice. For the purpose of technical provisions the contract boundary is set for 3 months which means that the profits are not recognised after 3 months. Taking this into account should the volume measure for the premium risk be fully consistent with the contract boundaries in this case? I.e. is it allowed to assume that the premium will be paid only for the 3 months as the insurance undertaking may terminate the contract and bears no risk after this point in time? If not, should the volume measure include all future premiums earned within the whole life period of the contract (taking into account for example insurance undertaking expectations of lapses or claims events)?	There should not be a link between the contract boundary and the premium and reserve risks module, as it is factor based.

Valuation	V.2.6. Proportionality	TP.6.29.	The QRT S.12.01.b requires the company to report the technical provisions for Life and Health SLT business separately for each country «in the materiality threshold». The additional information provided on 27/09/2013 (document EIOPA-BoS-13/415) does not state specifically the materiality threshold for Life business (as opposed to Non-Life business). 1. Is our understanding correct that the company addresses at its discretion this materiality threshold using the principles defined in paragraphes TP.6.29, TP.6.30 and TP.6.31 ? 2. Is our understanding correct that the company will not report values not material for one LoB and one country, even if this country is material for some other LoBs ?	1. The materiality thresholds to be used for reporting TP by country are defined in Annex I of the Guidelines on Submission of Information to National Competent Authorities, para 12 and 15 for life and non-life respectively. (This is also reflected in the referred document EIOPA-BoS-13/415). 2.The materiality thresholds to be used for reporting TP by country are defined in Annex I of the Guidelines on Submission of Information to National Competent Authorities, para 12 and 15 for life and non-life respectively. (This is also reflected in the referred document EIOPA-BoS-13/415).
Standard_SCR	SCR.9.2. NLpr Non-life premium & reserve risk	SCR.9.9	Can you provide some guidance on how the renewal contracts should be treated? Can you confirm the example below is correct? Valuation date= 31/12/2013 Renewal date = 1/07/2014 Ps = 1 year of premiums (31/12/2013- 31/12/2014) of which 6 months are new business premiums FP future = 0 Could you confirm that firms should only compute in FP future new business premiums on multi-year contracts ?	Yes, this is correct understanding.

Standard_SCR	SCR.12.2. Conditions for using insurance risk mitigation techniques		A non-life company, has a quota share reinsurance arrangement under which the commission is calculated on a sliding loss scale using a factor equal to 95% minus incurred loss ratio. According to their reinsurance agreement, the minimum reinsurance commission is 15% at a loss ratio of 80% and the maximum reinsurance commission is 50% at a loss ratio of 45%, therefore, the reinsurance commission moves by exactly the same amount (one for one in opposite directions). The risk transfer becomes effective when the loss ratio of the ceded business exceeds 80%, but the reinsurer stops to be liable for its share of any losses that are over and above an incurred loss ratio of 120%. The actual loss ratio for one of the companies, on a gross basis, for motor business for 2013 was 65%, and the gross written premium for 2013 was to €12.863.000 for its motor business. We would like you to advise whether such situations are to be considered, and treated, as finite reinsurance or not.	Please refer to SCR.12 .17 and relevant sections of insurance risk mitigation to assess whether these arrangements meet the criteria. EIOPA Q&A process is not intended to answer questions on specific types of arrangements.
Standard_SCR	SCR.5.9. Mktconc market risk concentrations		Section SCR 5.131.1 refers to the exclusion of assets in the concentration risk held in respect of contracts where the FULL investment risk is borne by the policyholder. In this way we will exclude the assets backing the pure unit-linked life policies. What happens about assets backing unit-linked with guarantees? Under the current regime we hold separately: (A) the assets that back up the unit reserve and (B) the assets held in respect of the rest related liabilities (eg.sterling reserve, maturity guarantee reserve). Under the concentration risk shall we include both (A) and (B) or (B) only?	According to SCR 5.131, only assets held in respect of life insurance contracts where the investment risk is fully borne by the policy holders are not subject to the concentration risk sub-module. Therefore, both (A) and (B) should be included in the concentration risk sub-module for unit linked contract with guarantees.
	eiopa-14-216-st14-templates.xls	S.02.01	Is our assumption that the 'statutory accounts value' equates to the 'IFRS' value correct?	This assumption is not correct.

Standard_SCR	SCR.9.4. Non life CAT risk sub - module	9.57	The gross charge is based on premium from regions 1 - 18, whereas the diversification calculation is restricted to regions 5-18. Is it intentional that regions 1 - 4 receive no diversification benefit?	The regions 1-4 also receive diversification benefit.
Standard_SCR	SCR.9.4. Non life CAT risk sub - module	9.105	The gross charge is based on premium from regions 1 - 18, whereas the diversification calculation is restricted to regions 5-18. Is it intentional that regions 1 - 4 receive no diversification benefit?	The regions 1-4 also receive diversification benefit.
Standard_SCR	SCR.9.2. NLpr Non-life premium & reserve risk	9.9	The following example illustrates the inconsistency between FP future and FP existing, based on a policy with a two year exposure period. Is our understanding on how to calculate FP future and FP exisiting correct? 1. If the policy incepted 6 months prior to the valuation date i.e. an existing policy. The full 24 months of earning would count towards the premium volume measure. a. 6 months would fall into Plast b. 12 months would fall into Ps c. 6 months would fall into FPexisting 2. If the same policy incepted 6 months after the valuation date i.e. a future policy. Only 18 months would count towards the premium volume measure, as the premium exposure between 6 – 12 months would be excluded. a. 6 months would into Ps b. 12 months would fall into FPfuture	Yes, this is correct understanding.

Standard_SCR	SCR.9.2. NLpr Non-life premium & reserve risk	9.9	If a company writes annual or shorter duration policies is our understanding that the company would enter zero premium into FP future correct?	Yes, this is correct understanding.
Standard_SCR	SCR.9.4. Non life CAT risk sub - module		For the EEA Natural Catastrophe scenarios, we have applied risk mitigation on a standalone basis per peril scenario. This is based on SCR.9.37, which states "Where risk mitigation techniques meet the requirements set out in subsections SCR.11, SCR.12 and SCR.13, their risk-mitigating effect should be taken into account in the analysis of the scenario." These standalone Gross and Net Cat Risk Charges are then aggregated to generate the 1 in 200 Nat CAT Risk Charge. It is possible for the aggregated mitigation effect to be larger than the standalone mitigation and potentially larger than the mitigation inlcuded within the contract terms. SCR.12.7 states there should be no double counting of reinsurance mitigation within the SCR calculation. Are you therefore required to adjust this aggregated mitigation benefit to ensure the calculated mitigation is within the maximum limit of the contract terms. If so at what level does this calculation need to be performed? ie. layer or total limit. The total net loss will need to be potentially allocated to country, peril, programme and layer in order to check that the total mitigation is within contract terms. We note that this would require a number of subjective assumptions, which are not provided within the guidance.	Please refer to guidance in the public consultation paper EIOPA-14/036 published on 2 June 2014 on EIOPA public web page – pages 211 to 251.

Standard_SCR	SCR.9.4. Non life CAT risk sub - module		Can you please confirm that the required Sum Insured exposure data for the non-life cat risk submodule relates to in-force policies as at the valuation date, as opposed to forecast policies over the next year?	Yes, the Sum Insured exposure data for the non-life cat risk submodule relates to in-force policies as at the valuation date.