

EIOPA: Q&A (kwiecień 2021 r.)

Question ID: 1898

- **Question:**

This question is about the delegated regulation article 116 sub 5 on the volume measure for non-life premium and reserve risk. Here it is written that premiums shall be net, after deduction of premiums for reinsurance contracts. The question is how exactly the 'premiums net, after deduction of premiums for reinsurance' should be calculated? More specifically, how should the 'premiums for reinsurance' be calculated? Is this including or excluding reinsurance commission?

- **EIOPA's Answer:**

Article 116(5) of Delegated Regulation 2015/35 states that "premiums shall be net, after deduction of premiums for reinsurance contracts": this means that premiums entering the volume measure calculation should be net of the part of the premiums transferred to the accepting undertaking. As a reinsurance commission is a transaction from the accepting undertaking to the ceding undertaking to cover the overhead expenses incurred by the ceding undertaking and not transferred to the accepting undertaking (e.g. claims management – of all claims – is still performed by the ceding undertaking), the premiums entering the volume measure calculation should include (i.e. be gross of) reinsurance commissions.

Question ID: 2258

- **Question:**

In the Annex IX of the delegated act 2019/981, it is define that: " The mapping of risk zones for the regions AT, CZ, CH, DE, HE, IT, NL, NO, PL, PT, ES and SK shall be based on the first 2 digits of the postal code;" To this paragraph and concerning Spain in the Cat Nat, there are define 50 zones to its postal codes in the delegated act 2015/35. This has not been updated with the paragraph stated above, so taking into account that Spain has 52 zones to its postal codes, Ceuta(51) and Melilla (52) included, I would like to know how can I include their sum insured in the Cat nat risk. Or if is there any right way to include this two zones in others.

- **EIOPA's Answer:**

The CRESTA used in Solvency II are based on the CRESTA 2010 version which did not include Ceuta(51) and Melilla(52). EIOPA has discussed with Perils which manages the CRESTA zone and came to the conclusion that both sum insured for CRESTA 51 and CRESTA 52 should be added to CRESTA 11. This allows for (1) a conservative view of the windstorms and hail risks and (2) geographical similarities.

Question ID: 2124

- **Question:**

We would like to confirm the interpretation of Article 279 of the Delegated Regulation. The Regulation states in sub (1) that if the modified SCR (calculated if the model would be appropriate) exceeds the SCR without modification by 10% or more [...], the supervisory authorities shall conclude that the risk profile of the insurance or reinsurance undertaking deviates significantly from the assumptions underlying the SCR, unless they have strong evidence that this is not the case on the basis of the factors set out in article 276. In sub (2) it is stated that if the modified SCR exceeds the SCR without modification by 15% or more [...], the supervisory authorities shall conclude that the risk profile of the insurance or reinsurance undertaking deviates significantly from the assumptions underlying the SCR (regardless of evidence of the contrary). Should this be interpreted as: a) A lower bound for the assessment of significance, meaning that a deviation of less than 10% will never constitute a significant deviation; or b) A lower bound for required action by the supervisor, meaning that if the deviation is 10% or more, this requires the supervisory authority to conclude that the deviation is significant, unless there is strong evidence of the contrary. If the deviation is 15% or higher, the supervisory authority is required to conclude that the deviation is significant, regardless of any of the items in Article 276. If the deviation is less than 10%, based on the factors in Article 276, a supervisory may still conclude that a deviation is significant.

- **EIOPA's Answer:**

In accordance with Article 279 of Commission Delegated Regulation (EU) 2015/35, where a supervisory authority concludes that a deviation of less than 10% is significant, this requires an explicit justification why this is so.

Whereas for a deviation of 10% or more but less than 15%, it suffices to state that there is no strong evidence to the contrary (if this is the case).

For a deviation of 15% or more the supervisory authority only needs to refer to the legal assumption of significance.