



Press Release

Contact: Anzhelika Mayer
Phone: +49 (0) 69 95 11 19 6 8
press@eiopa.europa.eu

EIOPA PUBLISHES A JOINT REPORT ON CALIBRATION OF RISK FACTORS IN THE STANDARD FORMULA OF SOLVENCY II

- *Report presents a significantly improved calibration methodology*
- *Final proposed factors are reflective of the average size of the portfolios of insurers in the European markets to which they are applied*

Frankfurt, 12 December, 2011 – The European Insurance and Occupational Pensions Authority (EIOPA) published today the report of the **Joint Working Group (JWG)** “Calibration of the Premium and Reserve Risk Factors in the Standard Formula of Solvency II” related to the non-life and health-non-similar-to-life-technique (non-SLT) calibration.

The JWG consisted of experts from supervisory authorities, the industry, the actuarial profession as well as observers from the European Commission (EC). The objective of the JWG was to discuss the most appropriate calibration methods and to derive recommendations to the European Commission on the setting of the premium and reserve risk factors.

On the basis of the collected data from EU Member States the JWG launched an exercise which combined data validation processes, with a comparison of different estimation methods for the risk factors applied to that data, to receive robust empirical results for the calibration of the premium and reserve risk.

The JWG followed a systematic method of processing the underlying statistical framework and developing a more comprehensive set of validation tools which could then be applied to assess the reliability and robustness of the calibration. The recommended methodological basis for the calibration of the premium and reserve risk factors – referred to by the JWG as the ‘combined approach’ - combines the

advantages of the various methodologies that were explored by the JWG and are described in the report.

The recommendations related to the combined approach were already communicated to the European Commission in order to allow the Commission to prepare its draft proposals for the Implementing Measures of Solvency II.

EIOPA wishes to emphasise that the report presents a significantly improved calibration methodology, which offers the advantage of taking into account the heterogeneity of the non-life risks in the individual markets for the setting of the European factors. At the same time, it ensures that the final factors are reflective of the average size of the portfolios of insurers in the European markets to which they are applied.

“This report represents a major step in the Solvency II calibration and I am particularly happy that the methodology and proposed calibrations were agreed between supervisors and industry” said Gabriel Bernardino, Chairman of EIOPA.

Note to Editors:

Joint Working Group (JWG) was established in October 2010 and consisted of representatives of supervisory authorities, AMICE, Groupe Consultatif, CEA and CRO Forum as well as observers from the European Commission. In October 2010 EIOPA's predecessor - the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) launched a European wide data request. Insurers were asked to submit data to their national supervisors. To ensure that the data collected were comprehensive and representative of the whole European market, EIOPA encouraged the participation of as wide as possible a range of insurance companies of all types and sizes. Basing on the analysis of submitted data the JWG developed the methodological framework to be applied to the calibration.

The **European Insurance and Occupational Pensions Authority (EIOPA)** was established as a result of the reforms to the structure of supervision of the financial sector in the European Union. The reform was initiated by the European Commission, following the recommendations of a Committee of Wise Men, chaired by Mr. de Larosière, and supported by the European Council and Parliament.

EIOPA is part of the European System of Financial Supervision consisting of three European Supervisory Authorities, the National Supervisory Authorities and the European Systemic Risk Board. It is an independent advisory body to the European Parliament and the Council of the European Union.

EIOPA's core responsibilities are to support the stability of the financial system, transparency of markets and financial products as well as the protection of insurance policyholders, pension scheme members and beneficiaries.