Comments Template on Discussion Paper on the review of specific items in the Solvency II Delegated Regulation		Deadline 3 March 2017 23:59 CET
Name of Company:	FNMF	
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-16-008@eiopa.europa.eu** **Our IT tool does not allow processing of any other formats.** The numbering of the questions refers to the discussion paper on the review of specific items in the Solvency II Delegated Regulation.	
Reference	**Comment**	
General Comment	As a preliminary : FNMF federates more than 400 insurance mutual undertakings (mainly small and average members specialized in health insurance and pension insurance) representing 20 billions € of premium and more than 50% of the health insurance market in France. Our members are really concerned by the french supervisor’s interpretation about FP(future,s). They were asked to add 2 months premium of year n+1 to FP(future,s) for annual contrats. Our interpretation is that FP (future,s) only concerns the multi-year contracts and this interpretation is confirmed by EIOPA in its Q&A document for the preparatory exercice in 2014 (09 july 2014 : Standard_SCR/SCR.9.2. NLpr Non-life premium&reserve risk/SCR.9.9). EIOPA’s Q&A should represents a commun point of view of all	

	NSA in our opinion. The impact for our members with french supervisor’s interpretation is an increase of 16% of SCR for health underwriting risk which is material.It represent more than 500 Millions € of SCR requirements. Futhermore, the SCR is defined to a one year time horizon. We strongly think that an exposure equal to the premiums earned in the following 12 months is fully consistent with this definition. Besides, there’s an asymmetric treatment between SCR and future profit recognition (Best Estimate) contrary to life business. In order to ensure a same level playing field between life and non-life business, we strongly think that FP (future, s) should be deleted for annual tacit renewal contracts.	
Q1.1	The assessment of the error is extremely burdensome, this is not incentive to use simplified calculation. We believe that a qualitative assessment of the possible model error may be more appropriate. *For exemple, the firsts two approachs proposed to compute the risk margin (rolling forward the SCR without any approximations or rolling forward the SCR with simplifications) are equally too burdensome. More examples should be provided.*	
Q1.2		
Q1.3		
Q1.4		
Q1.5		
Q1.6		
Q1.7		
Q1.8		
Q1.9		
Q1.10		

	Many of our members collective contracts include a special reserve (labellised “ Réserve generale”) which belongs to the contract (thus it’s a liability) but allows to cover adverse loss-ratio (ie if the net result is negative, the special reserve contractually mitigate the loss) and these reserves can’t be use as risk mitigation for non-life (or NSLT health contract) because of the formulae (it is note the case for life or SLT Health, because the SCR shock is based on a delta NAV). In this case we propose the following approach (on Non life or NSLT Health contract): • Step one : valuate the capital requirement for underwriting as proposed by the formula • Step two : allocate the capital requirement by contracts • Step three : valuate the loss-ratio after a ΔNAV shock equal to the capital requirement • Step four : valuate for each contract the risk mitigation of the special reserves Step five : valuate the capital requirement by : capital requirement proposed by the formula minus the aggregation of the risk mitigation amounts	
Q1.11		
Q1.12		
Q1.13		
Q1.14		
Q1.15		
Q1.16		
Q1.17		
Q1.18		
Q1.19		
Q1.20		
Q1.21	For short-term bonds, the minimum of one year on the duration shouldn’t be applied as the spread risk is function of the real duration these bonds aren’t very sensistive to market changes.	
Q1.22		
Q1.23		

	Comments Template on Discussion Paper on the review of specific items in the Solvency II Delegated Regulation	Deadline 3 March 2017 23:59 CET
Q1.24		
Q1.25		
Q1.26		
Q2.1	The Article 4 may reduces the reliance on one specific ECAI, it's even the opposite when we talk about ECAI in general. Indeed, there's not effective alternative other than ECAI currently. So we need two ECAI instead one to calculte SCR. In our opinion, SII directive should consider the natutre, scale and complexity of insurer's business and investments. For instance, only one rating of an ECAI should suffice for plain vanilla exposures.	
Q2.2	CQS 0 and 1 have the same risk factors in the concentration risk module, this should be extended to the full market risk module as the risk factors used in the spread risk are mostly the same.	
Q2.3		
Q2.4	Internal measures is not a solution for globale market because of the resources needed to develop such a system and we believe that's not efficient. This option shouldn't be encouraged for medium and small players.	
Q2.5		
Q2.6		
Q2.7		
Q2.8	- A mapping by EIOPA for CQS using data from supernational organisations like OECD - The use of Solvency Ratio (or equivalent) should be the first option when it's available for institutions subject to prudential regimes such as Solvency II or CRD/CRR - Possibility to use credit risk assessment provided by third parties such as asset managers	
Q2.9	The sustainability and the long term nature of responsible investments should be taken into account in the SCR valuation.	

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Q2.10		
Q3.1		
Q3.2		
Q3.3		
Q3.4		
Q3.5		
Q3.6		
Q3.7		
Q3.8		
Q3.9		
Q3.10		
Q3.11		
Q3.12		
Q4.1		
Q4.2		
Q5.1	No. In our opinion, changing the definition will create an unlevel playing field between undertakings which have contracts with initial recognition in december of year n+1 (11 months premium of FP future) and undertakings which have contracts with initial recognition in january of year n+1(1 month premium of FP future). Our members are really concerned by the french supervisor's interpretation about FP(future,s). They were asked to add 2 months premium of year n+1 to FP(future,s) for annual contrats. Our interpretation is that FP (future,s) only concerns the multi-year contracts and this interpretation is confirmed by EIOPA in its Q&A document for the preparatory exercice in 2014 (09 july 2014 : Standard_SCR/SCR.9.2. NLpr Non-life premium&reserve risk/SCR.9.9). Please see document attached below :	

<table>
<tr><td></td><td>
<table>
<tr><td>Standard_SCR</td><td>SCR.9.2. NLpr Non-life premium & reserve risk</td><td>SCR.9.9</td><td>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 ?</td><td>Yes, this is correct understanding.</td></tr>
</table>

EIOPA’s Q&A should represents a commun point of view of all NSA in our opinion. The impact for our members with french supervisor’s interpretation is an increase of 16% of SCR for health underwriting risk which is material.It represent more than 500 Millions € of SCR requirements.

Futhermore, the SCR is defined to a one year time horizon. We strongly think that an exposure equal to the premiums earned in the following 12 months is fully consistent with this definition. Besides, there’s an asymmetric treatment between SCR and future profit recognition (Best Estimate) contrary to life business. In order to ensure a same level playing field between life and non-life business, we strongly think that FP (future, s) should be deleted for annual tacit renewal contracts.</td><td></td></tr>
<tr><td>Q5.2</td><td>Our proposal is that FP (future,s) don’t apply to renewal annual contracts.</td><td></td></tr>
<tr><td>Q5.3</td><td></td><td></td></tr>
<tr><td>Q5.4</td><td></td><td></td></tr>
<tr><td>Q5.5</td><td></td><td></td></tr>
<tr><td>Q5.6</td><td></td><td></td></tr>
<tr><td>Q6.1</td><td>We don’t think the re-calibration is useful in this stage, especially for medical expenses. Indeed, standard deviation both for premium risk and reserve risk reflect french market. Besides, health protection system is so different through EU members, it may not be possible to calibrate correctly at European level. In case there would be a recalibration, we estimate a national specific</td><td></td></tr>
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	parameter would be more appropriate.	
Q7.1		
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Q7.9		
Q7.10		
Q7.11		
Q7.12		
Q7.13		
Q8.1		
Q8.2		
Q8.3		
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Q8.11		
Q8.12		

	Comments Template on Discussion Paper on the review of specific items in the Solvency II Delegated Regulation	Deadline 3 March 2017 23:59 CET
Q9.1	No, we don't believe a change in the standard formula is justified with respect to the materaility of the terror risk. Indeed, the terrorist scenario is not impacting for french health insurers, because the costs are mainly supported by french government. In our opinion, this kind of scenario should be treated by ORSA because of differences health protection system through EU members.	
Q9.2		
Q9.3		
Q9.4		
Q9.5	We would like have more precisions about the scope of the benefits to the type « no formal medical care requested ».	
Q10.1		
Q10.2		
Q10.3		
Q10.4	In France, such data can be centralized by the Institut des actuaires.	
Q10.5		
Q10.6		
Q10.7		
Q10.8		
Q10.9		
Q10.10	For our members, the longetivity calibration risk is not relevant to the extent it's an instantaneous shocks . A more progressive shock woulb more relevant.	
Q11.1		
Q11.2		
Q11.3		

	Comments Template on Discussion Paper on the review of specific items in the Solvency II Delegated Regulation	Deadline 3 March 2017 23:59 CET
Q11.4		
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Q12.1		
Q12.2		
Q12.3		
Q12.4		
Q12.5		
Q12.6		
Q12.7		
Q13.1		
Q13.2		
Q13.3		
Q13.4		
Q13.5		
Q13.6		
Q14.1		
Q14.2		
Q14.3		
Q14.4		
Q14.5		
Q14.6		
Q14.7		

	Comments Template on Discussion Paper on the review of specific items in the Solvency II Delegated Regulation	Deadline 3 March 2017 23:59 CET
Q14.8		
Q14.9		
Q14.10		
Q14.11		
Q14.12		
Q15.1		
Q15.2		
Q15.3		
Q15.4		
Q16.1		
Q16.2		
Q16.3		
Q16.4		
Q16.5		
Q16.6		
Q16.7	We believe that the 20% threshold shouldn't apply to investment backing unit linked and index linked products.	
Q16.8	The look through approach shouldn't apply to investments backing unit linked and index linked products.	
Q16.9	We believe that the look through approache for fund of stock funds is very burdensome and not effectiveness.	
Q17.1	For our long term insurance members, the interest rate calibration is no more relevant in a technical point of view but it's a short term approach whicih is not relevant for the long term	

	insurance undertakings.	
Q17.2	We don't believe that setting a minimum downward shock would resolve the problem raised. If supervisors are concerned by the impact of current low interest rate environment on insurers, we believe that the stress tests is more appropriate to obtain these informations.	
Q17.3		
Q17.4		
Q17.5		
Q17.6		
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Q17.8		
Q17.9		
Q17.10	On a monthly basis	
Q17.11		
Q17.12		
Q17.13		
Q17.14		
Q17.15		
Q17.16		
Q18.1		
Q18.2		
Q18.3		
Q18.4		
Q18.5		

	Comments Template on Discussion Paper on the review of specific items in the Solvency II Delegated Regulation	Deadline 3 March 2017 23:59 CET
Q18.6		
Q18.7		
Q18.8		
Q18.9		
Q18.10		
Q18.11		
Q18.12		
Q18.13		
Q18.14		
Q18.15		
Q18.16		
Q19.1	Yes, we believe that the methods and assumptions for the RM calculations are no longer appropriate. Indeed, when the quantitative impact of the RM methodology and parameterisation was assessed, interest rates were significantly higher. Besides, somme studies such as « CRO Forum Market Value of Liabilities for Insurance Firms – Implementing Elements for Solvency II (2008) » indicated that a cost of capital rate in the range of 2.5% - 4.5% was more approriate.	
Q19.2	We think a possible solution can be a method which reflects both current market conditions and long terme conditions (both stability periods and stress periods), the reviewed cost of capital could vary with risk rate which reflects current conditions and an additional fixed parameter to avoid pro-cyclical events. Another proposition would be a different cost of margin for eache LoB in function of their duration. For example, 6% is too high for short term risk like medical expenses in current environment of low interest rates.	

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Q19.3		
Q19.4		
Q20.1		
Q20.2		
Q20.3		
Q20.4	For French market, we believe that there’s no need to remove the 20% limit.	
Q20.5		
Q20.6		
Q20.7		
Q20.8		
Q20.9		
Q21.1		
Q21.2		
Q21.3		
Q21.4		
Q21.5		
Q21.6		
Q21.7		