Comments Template on EIOPA-CP-14-054 Draft proposal for Level 3 Guidance on the draft proposal for Implementing Technical Standards on the procedures for assessing external credit assessments		Deadline 02.Mar.2015 23:59 CET
Company name:	**AMICE**	
Disclosure of comments:	EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential. Please indicate if your comments on this CP should be treated as confidential, by deleting the word Public in the column to the right and by inserting the word Confidential.	Public/Confidential
	Please follow the instructions for filling in the template: ⇨ Do **not** change the numbering in column "Reference". ⇨ Please fill in your comment in the relevant row. If you have no comment on a paragraph, keep the row empty. ⇨ Our IT tool does not allow processing of comments which do not refer to the specific paragraph numbers below. o If your comment refers to multiple paragraphs, please insert your comment at the first relevant paragraph and mention in your comment to which other paragraphs this also applies. o If your comment refers to sub-bullets/sub-paragraphs, please indicate this in the comment itself. **Please send the completed template to Consultation_Set2@eiopa.europa.eu, in MSWord Format, (our IT tool does not allow processing of any other formats).** The paragraph numbers below correspond to Consultation Paper No. EIOPA-CP-14-054.	
Reference	**Comment**	
General Comment	Article 4 (paragraph 4) of the Delegated Acts allows for the use of credit assessment or rating information of different ECAIs per asset class. In theory, different ECAIs other than the 3 largest can be used. However, the requirement to do this in a consistent and continuous way over time, and the fact that not a single ECAI registered in the EU is able to provide all the necessary data, results in the need to go for the larger ones (S&P, Moody's and Fitch) and firms are obliged to contract with more than one ECAI.	

	Furthermore, their contracts do not allow for the supply of some securities with one provider (i.e S&P) and other securities with another provider (i.e Moody´s). Their contracts cover all of the securities and obtaining information about ratings is very costly (e.g the cost of an ECAI subscription amounts to 50,000-65,000 Euro per year for a small insurance undertaking whith less than 500 asset lines). To access the rating of the ECAIs, all firms reporting under Solvency will be required to buy licenses from the ECAIs; The process is as follows: the issuer pays to be rated, the client (an asset manager for example) pays to view the rating and the end user (insurance undertaking subject to SII) pays to to store and download the data. The Commission, in its Impact Assessment on the Delegated Act, writes that: "*Given that their primary business is to underwrite insurance risk,* ***insurers and reinsurers (particularly non-life insurers) do not have the same expertise and information to assess credit risk*** *as banks do. Therefore,* ***it would be disproportionate to require users of the standard formula to develop their own internal credit assessments for all their investment and reinsurance exposures****, particularly since the standard formula users tend to be the smaller and less complex undertakings. Lastly, one of the goals of Solvency II is to ensure harmonisation of prudential regulation across the EU, which requires a uniform approach to measuring credit risk. Therefore, the Commission considers that the limited reliance on external credit ratings from CRAs that is embedded in the Delegated Acts in the areas described above is justified. In addition, a number of safeguard to aver mechanistic reliance on CRAs have been included, in the Directive and in the Delegated Acts."* The European Commission is mistaken to think that the current legislation will limit insurance firms' reliance on credit ratings from ECAIs. It will have the opposite effect. Moreover, these subscriptions have a huge cost which raises the question of proportionality for the small and medium-sized insurance undertakings subject to Solvency II. Needeless to say, only a few companies will be able to engage the necessary resources to perform an additional credit risk assessment. The principle of proportionality should be clearly included in the ITS.	
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