



EIOPA-BoS-14/165

27 November 2014

Final Report
on
Public Consultation No. 14/036 on
Guidelines on contract boundaries

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1. Executive summary

Reasons for publication

According to Article 16 of Regulation (EU) No 1094/2010 (EIOPA Regulation) EIOPA may issue guidelines addressed to National Competent Authorities (NCAs) or financial institutions.

According to Article 16 of the EIOPA Regulation, EIOPA shall, where appropriate, conduct open public consultations and analyse the potential costs and benefits. In addition, EIOPA shall request the opinion of the Insurance and Reinsurance Stakeholder Group (IRSG) referred to in Article 37 of the EIOPA Regulation.

According to Article 76 (1) and 78 of Directive 2009/138/EC¹ (Solvency II Directive) and according to Articles 17 and 18 of the Implementing Measures of Solvency II², EIOPA has developed guidelines on contract boundaries.

As a result of the above, on 2 June 2014 EIOPA launched a Public Consultation on the draft guidelines on contract boundaries. The Consultation Paper is also published on EIOPA's website³.

These guidelines were issued to NCAs to:

- Promote a consistent application of an insurance or reinsurance contract boundary for the purpose of determining a boundary between existing and future businesses;
- Determine which insurance or reinsurance obligations with regard to future premiums arise in relation to a contract.

Content

This Final Report includes the feedback statement to the consultation paper (EIOPA-CP-14/036) and the Guidelines. The Impact Assessment and cost and benefit analysis, and the Resolution of comments are published on EIOPA's website⁴.

¹ OJ L 335, 17.12.2009, p. 1–155

² As published by the European Commission on 10 October 2014:

http://ec.europa.eu/internal_market/insurance/docs/solvency/solvency2/delegated/141010-delegated-act-solvency-2_en.pdf

^{3 4} <https://eiopa.europa.eu/consultations/consultation-papers/2014-closed-consultations/june-2014/public-consultation-on-the-set-1-of-the-solvency-ii-guidelines/index.html>

Next steps

In accordance with Article 16 of the EIOPA Regulation, within 2 months of the issuance of these guidelines, each competent authority shall confirm if it complies or intends to comply with these guidelines. In the event that a competent authority does not comply or does not intend to comply, it shall inform EIOPA, stating the reasons for non-compliance.

EIOPA will publish the fact that a competent authority does not comply or does not intend to comply with these guidelines. The reasons for non-compliance may also be decided on a case-by-case basis to be published by EIOPA. The competent authority will receive advanced notice of such publication.

EIOPA will, in its annual report, inform the European Parliament, the Council and the European Commission of the guidelines issued, stating which competent authority has not complied with them, and outlining how EIOPA intends to ensure that concerned competent authorities follow its guidelines in the future.

2. Feedback statement

Introduction

EIOPA would like to thank the Insurance and Reinsurance Stakeholder Group (IRSG) and all the participants to the Public Consultation for their comments on the draft guidelines. The responses received have provided important guidance to EIOPA in preparing a final version of these guidelines. All of the comments made were given careful consideration by EIOPA. A summary of the main comments received and EIOPA's response to them can be found in the sections below. The full list of all the comments provided and EIOPA's responses to them is published on EIOPA's website.

General comments

The comments on contract boundary mainly focus on unilateral right and unbundling issues.

1. Unilateral right

- a) For the unilateral right, some stakeholders commented that 'third party' should include national supervisors and some commented that general assembly of mutual should be excluded from the third party. Some stakeholders also commented that the unilateral right to terminate the contract, reject premiums or amend the premiums/benefits should not be conditional on the occurrence of a future events.
- b) EIOPA agrees that the governance bodies of insurance or reinsurance should be excluded from the third party to avoid the risk of changing short-term liabilities into long-term, and believes that the national supervisors should also be excluded from the third party as there may be cases where the supervisor restricts the exercise of the undertaking's rights, e.g. in a crisis situation to protect the interests of policyholders and beneficiaries. If the supervisor is considered a "third party" in the sense of the paragraph this would prevent any right of the undertaking to be considered as a unilateral right. Regarding the conditional treatment of unilateral right, EIOPA agrees that the unilateral rights to terminate the contract or reject premiums should not be conditional on the occurrence of a claim event.

2. Unbundling issue

- a) The main concerns from stakeholders are about the criteria to decide whether unbundling is possible and, another concern that unbundling should be performed at recognition date, rather than valuation date. Another comment is that the saving component, after unbundling, should be treated as financial liability.
- b) EIOPA considered these comments and believes that the insurance and reinsurance undertakings should determine whether it is possible to unbundle a contract by assessing whether two or more parts of the contract are clearly identifiable, and for which it is possible to define different sets of obligations and premiums attributable to each part. Regarding the date of unbundling, EIOPA believes that unbundling assessment should be performed at recognition date and, at each valuation date, consider whether there has been any change

which would affect the previous assessment. In relation to the comment on saving products, EIOPA disagrees with the comments made by stakeholders as EIOPA believes if the whole contract is an insurance contract, even after unbundling, components should still be treated as insurance liabilities.

General nature of the participants to the Public Consultation

EIOPA received comments from the Insurance and Reinsurance Stakeholder Group (IRSG) and ten responses from other stakeholders to the public consultation. All the comments received have been published on EIOPA's website.

Respondents can be classified into three main categories: European trade, insurance, or actuarial associations; national insurance or actuarial associations; and other parties such as consultants and lawyers.

IRSG opinion

The IRSG opinion on the draft set 1 of the Solvency II Guidelines on Pillar 1 and Internal Models, as well as the particular comments on the Guidelines at hand, can be consulted on EIOPA's website⁵.

IRSG asked how EIOPA plans to update the current legislation and guidelines on the recognition criteria of insurance contracts where reference to IFRS preparatory standards is made.

EIOPA believes consideration whether Solvency II rules to determine Technical Provisions are consistent with IFRS4 is out of the scope of EIOPA's mandate. The level of consistency has been determined in the Directive and the Implementing Measures which take into account the different goals of solvency and accounting frameworks. EIOPA's guidelines comply with the Implementing Measures.

Nevertheless, all guidelines are subject to further reconsidering in the future if they turn out to be e.g. unclear, insufficient or need otherwise to be reconsidered. EIOPA has not a clear plan when it will reconsider the recognition criteria.

Regarding unbundling a contract, the IRSG commented that the assessment of unbundling should be made at recognition date of the insurance contract and should not be done at valuation date. IRSG believes this will also be consistent with IFRS 4 phase II assessment of disaggregation.

EIOPA agrees with IRSG that unbundling should take place at recognition date and should be followed subsequently throughout the duration of the insurance contract unless there has been any change which would affect the previous assessment.

⁵ <https://eiopa.europa.eu/about-eiopa/organisation/stakeholder-groups/sgs-opinion-feedback/index.html>

Comments on the Impact Assessment

A separate Consultation Paper was prepared covering the Impact Assessment for the Set 1 of EIOPA Solvency II Guidelines. Where the need for reviewing the Impact Assessment has arisen following comments on the guidelines, the Impact Assessment Report has been revised accordingly.

The revised Impact Assessment on the Set 1 of EIOPA Solvency II Guidelines can be consulted on EIOPA's website.

Annex: Guidelines

1. Guidelines on contract boundaries

Introduction

- 1.1. According to Article 16 of Regulation (EU) 1094/2010 of 24 November 2010 (hereafter EIOPA Regulation)⁶ EIOPA is issuing Guidelines based on Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)⁷ and in particular Articles 76 (1) and 78 as well as Articles 17 and 18 of the Implementing Measures.
- 1.2. The Guidelines are addressed to supervisory authorities under Solvency II.
- 1.3. The Guidelines apply to insurance and reinsurance undertakings and promote a consistent application of an insurance or reinsurance contract boundary for the purpose of determining a boundary between existing and future businesses. The Guidelines provide guidance to determine which insurance or reinsurance obligations with regard to future premiums arise in relation to a contract in accordance with Articles 17 and 18 of the Implementing Measures.
- 1.4. For the purpose of these Guidelines, the expression “governance bodies” means internal bodies made up for the purpose of governing an insurance or reinsurance undertaking and which, as a result, must not be considered as a third party in the case they express a decision or an opinion on the exercise of the right to terminate a contract, to reject premiums payable under a contract or to amend the premiums or the benefits payable under the contract.
- 1.5. If not defined in these Guidelines, the terms have the meaning defined in the legal acts referred to in the introduction.
- 1.6. The Guidelines shall apply from 1 April 2015.

Guideline 1 – Consistent application of the principles

- 1.7. Insurance and reinsurance undertakings should ensure that the principles for determining contract boundaries are consistently applied to all insurance and reinsurance contracts, in particular over time.

Guideline 2 – Unilateral right

- 1.8. Insurance and reinsurance undertakings should consider the right to terminate, reject, or amend premiums or benefits payable under an insurance or reinsurance contract as being unilateral when neither the policy holder nor any third party can restrict the exercise of that right. For the purpose of this guideline, third parties do not include supervisory authorities and governance bodies of insurance and reinsurance undertakings.

⁶ OJ L 331, 15.12.2010, p. 48–83

⁷ OJ L 335, 17.12.2009, p. 1–155

1.9. In particular:

- a) Where, in order to put the amendment of premiums and benefits into effect, the insurance or reinsurance undertaking is required to obtain an external assessment in accordance with the law or the terms and conditions of another agreement outside the insurance or reinsurance contract, the existence of such a requirement should limit the unilateral right of the undertaking only if the assessment gives the policy holder or any third party the right to interfere with the use of that right.
- b) Undertakings should not consider reputational risk or competitive pressures as limitations of the unilateral right.
- c) Undertakings should consider that national laws limit their unilateral right only if these laws restrict or give the policyholder or any third party the right to restrict the exercise of that right.
- d) Undertakings should disregard the right to unilaterally amend the premiums or the benefits payable under the contract if the premiums or benefits payable depend solely on the decisions of the policy holder or the beneficiary.
- e) Undertakings should disregard the right to unilaterally terminate the contract or reject premiums payable under the contract if the exercise of this right, as specified in the terms and conditions of the contract, is conditional on the occurrence of a claim event.

Guideline 3 – Ability to compel

- 1.10. Insurance or reinsurance undertakings should recognise their ability to compel a policy holder to pay a premium only if the policyholder's payment is legally enforceable.

Guideline 4 – Full reflection of the risk

- 1.11. When determining whether premiums are fully reflecting the risks covered by a portfolio of insurance or reinsurance obligations, insurance and reinsurance undertakings should assess whether, at the moment at which either premiums or benefits can be amended, under all circumstances the undertaking has the right to amend premiums or benefits such that the expected present value of the future premiums exceeds the expected present value of the future benefits and expenses payable under the portfolio.
- 1.12. For the purpose of assessing whether premiums are fully reflecting the risks covered by a portfolio of insurance or reinsurance obligations in accordance with Article 18 (3) and (7) of the Implementing measures, insurance and reinsurance undertakings should ensure that this portfolio consists of obligations for which the insurance or reinsurance undertaking can amend premiums and benefits under similar circumstances and with similar consequences.

- 1.13. Insurance and reinsurance undertakings should take into account any individual assessment of relevant features of the insured person that allow the undertaking to gather sufficient information in order to form an appropriate understanding of the risks associated with the insured person. In the case of contracts covering mortality risks or health risks similar to life insurance techniques, the individual risk assessment can be a self-assessment by the insured person or can include a medical examination or survey.

Guideline 5 – Unbundling of the contract

- 1.14. Insurance and reinsurance undertakings should assess whether at recognition date it is possible to unbundle a contract and, at each valuation date, consider whether there has been any change which would affect the previous assessment.
- 1.15. Insurance and reinsurance undertakings should determine whether it is possible to unbundle a contract by assessing whether two or more parts of the contract are clearly identifiable, and for which it is possible to define different sets of obligations and premiums attributable to each part.
- 1.16. Insurance and reinsurance undertakings should, when an option or guarantee covers more than one part of the contract, determine whether it is possible to unbundle it or whether it should be attributed to the relevant part of the contract.
- 1.17. If a contract is considered to be an insurance contract under Solvency II, insurance and reinsurance undertakings should still consider all unbundled parts of the contract to give rise to insurance or reinsurance obligations.

Guideline 6 – Identification of a discernible effect on the economics of a contract

- 1.18. When determining whether the insurance coverage of an event or a financial guarantee has no discernible effect on the economics of a contract, insurance and reinsurance undertakings should take into account all potential future cash-flows which may arise from the contract.
- 1.19. Insurance and reinsurance undertakings should consider a financial guarantee of benefits as having a discernible effect on the economics of a contract only if the financial guarantee is linked to the payment of the future premiums and provides the policyholder with a discernible financial advantage with commercial substance.
- 1.20. Insurance and reinsurance undertakings should consider the cover of a specified uncertain event that adversely affects the insured person as having a discernible effect on the economics of the contract when the cover provides a discernible financial advantage to the beneficiary.

Guideline 7 – Estimation of obligations

- 1.21. Insurance or reinsurance undertakings should, where details of a contract or the full extent of the obligations covered by a contract are not available to the undertaking at the time of recognition of the contract, estimate the boundaries of the contracts using all available information in a manner consistent with the principles set out in these Guidelines.
- 1.22. Undertakings should revise this estimated assessment as soon as more detailed information is available.

Guideline 8 – Reinsurance contracts

- 1.23. Insurance and reinsurance undertakings should, for their accepted reinsurance contracts, apply the provisions of Article 18 of the Implementing Measures independently from the boundaries of the underlying insurance or reinsurance contracts to which they relate.

Compliance and Reporting Rules

- 1.24. This document contains Guidelines issued under Article 16 of the EIOPA Regulation. In accordance with Article 16(3) of the EIOPA Regulation, Competent Authorities and financial institutions shall make every effort to comply with guidelines and recommendations.
- 1.25. Competent authorities that comply or intend to comply with these Guidelines should incorporate them into their regulatory or supervisory framework in an appropriate manner.
- 1.26. Competent authorities shall confirm to EIOPA whether they comply or intend to comply with these Guidelines, with reasons for non-compliance, within two months after the issuance of the translated versions.
- 1.27. In the absence of a response by this deadline, competent authorities will be considered as non-compliant to the reporting and reported as such.

Final Provision on Reviews

- 1.28. The present Guidelines shall be subject to a review by EIOPA.

2. Explanatory text

Guideline 2 – Unilateral Right

Insurance and reinsurance undertakings should consider the right to terminate, reject premiums, or amend premiums or benefits payable under the contract, as being unilateral, when neither the policy holder nor any third party can restrict the exercise of that right. For the purpose of this Guideline, third parties do not include supervisory authorities and governance bodies of insurance and reinsurance undertakings.

In particular:

- a) Where, in order to put the amendment of premiums and benefits into effect, the insurance or reinsurance undertaking is required to obtain an external assessment in accordance with the law or the terms and conditions of another agreement outside the insurance contract, the existence of such a requirement should limit the unilateral right of the undertaking only if the assessment gives the policy holder or any third party the right to interfere with the use of that right.
- b) Undertakings should not consider reputational risk or competitive pressures as limitations of the unilateral right.
- c) Undertakings should consider that national laws limit their unilateral right only if these laws restrict or give the policyholder or any third party the right to restrict the exercise of that right.
- d) Undertakings should disregard the right to unilaterally amend premiums or the benefits payable under the contract if the premiums or benefits payable depend solely on the decisions of the policy holder or the beneficiary.
- e) Undertakings should disregard the right to unilaterally terminate the contract or reject premiums payable under the contract if the exercise of this right, as specified in the terms and conditions of the contract, is conditional on the occurrence of a claim event.

- 2.1. In some jurisdictions the undertakings may amend the premiums and benefits only if a body consisting e.g. of representatives of policyholders agrees on it. To determine whether such a body has to be considered as part of the governance of the undertaking or as third party, undertakings have to assess the scope of its responsibilities and the extent to which such a body is integrated into the structure and management of the undertaking. If the result of the assessment is that the body forms part of the management of the undertaking, this type of body is not to be considered as third party and its decisions or opinions are regarded as taken by the undertaking. Where the body is performing an oversight function independent of the undertaking, it is considered as third party for the purpose of Guideline 2. According to the definition provided in paragraph 1.4 of these Guidelines, the general assembly of a mutual insurance company can be considered as a governance body of such an undertaking.

- 2.2. Some premium or benefit changes agreed upon at inception of the contract may depend on factors beyond the control of the undertaking (e.g. inflation, increase of salary). Such a change is not to be considered an amendment in terms of contract boundaries provided that the same premium structure as agreed at the inception of the policy is used. E.g. lapses of such policies are considered as being policy holder behaviour in accordance with article 32 of the Implementing Measures. In the terms and conditions of the policy, a certain payment or benefit plan is often agreed upon. The mere existence of such an agreement does not imply in itself that a change as a result of the payment or benefit plan would be regarded as an amendment in terms of contract boundaries. The same applies to the mere existence of a pre-defined bonus/malus system.

Guideline 3 – Ability to compel

Insurance or reinsurance undertakings should recognise their ability to compel a policy holder to pay a premium only if the policyholder's payment is legally enforceable.

- 2.3. The undertaking does not have the ability to compel the policyholder to pay the premium where the payment of the premium is not legally effective and enforceable. For instance, the holding by the insurance undertaking of the Bank Identifier Code of policy holders is not a means for insurers to compel policy holders to pay the premiums in particular for contracts with scheduled future premiums.

Guideline 4 – Full reflection of the risk

When determining whether premiums are fully reflecting the risks covered by a portfolio of insurance or reinsurance obligations, insurance and reinsurance undertakings should assess whether at the moment at which either premiums or benefits can be amended under all circumstances when the undertaking has the right to amend premiums or benefits such that the expected present value of the future premiums exceeds the expected present value of the future benefits and expenses payable under the portfolio.

For the purpose of assessing whether premiums are fully reflecting the risks covered by a portfolio of insurance or reinsurance obligations in accordance with Article 18(3) and (7) of the Implementing measures, insurance and reinsurance undertakings should ensure that this portfolio consists of obligations for which the insurance or reinsurance undertaking can amend premiums and benefits under similar circumstances and with similar consequences.

Insurance and reinsurance undertakings should take into account any individual assessment of relevant features of the insured person that allows the undertaking to gather sufficient information in order to form an appropriate understanding of the risks associated with the insured person. In the case of contracts covering mortality risks or health risks similar to life insurance techniques, the individual risk assessment can be a self-assessment by the insured person or can include a medical examination or survey.

- 2.4. The payment of the future premiums that belong to a contract may be predicated on the occurrence of an event or be determined by the value of sets of financial or non-financial variables. Therefore, a premium does not need to be certain in its timing or amount to belong to the contract.
- 2.5. For example, when a future premium payment meets all the conditions to belong to the contract and where the receipt of the premium is conditional on the occurrence of a specified event, the premium belongs to the contract. Determining the probability of the specified event occurring is relevant for valuation purposes but not for the determination of the boundary of the contract.
- 2.6. Future management actions, such as granting discretionary benefits, do not affect the contract boundaries, but are taken into account when calculating best estimate in accordance with Articles 30 and 31 of the Implementing Measures. Also discounts preapproved by the undertaking may sometimes be considered to be part of the payment schedule.
- 2.7. There is no need to calculate policy by policy the present value of the premiums payable or benefits and expenses payable but an overall assessment on portfolio level is enough. For the purpose of the guidelines on contract boundaries, a 'portfolio of obligations' does not necessarily only refer to a collection of obligations with similar characteristics. The portfolio of obligations within these guidelines consists of those collections of obligations where the insurance or reinsurance undertaking can amend premiums and benefits under similar circumstances and with similar consequences.

Guideline 5 – Unbundling of the contract

Insurance and reinsurance undertakings should assess whether at recognition date it is possible to unbundle a contract and, at each valuation date, consider whether there has been any change which would affect the previous assessment.

Insurance and reinsurance undertakings should determine whether it is possible to unbundle a contract by assessing whether two or more parts of the contract are clearly identifiable, and for which it is possible to define different sets of obligations and premiums attributable to each part.

Insurance and reinsurance undertakings should, when an option or guarantee covers more than one part of the contract, determine whether it is possible to unbundle it or whether it should be attributed to the relevant part of the contract.

If a contract is considered to be an insurance contract under Solvency II, insurance and reinsurance undertakings should still consider all unbundled parts of the contract to give rise to insurance or reinsurance obligations.

- 2.8. The set of obligations attributed to a part of the contract can be constituted by obligations of various types, including obligations expressed as financial options or guarantees which can be automatically triggered or exercised at the discretion of the policy holder or of any other party.

Guideline 6 – Identification of a discernible effect on the economics of a contract

Insurance and reinsurance undertakings should, when determining whether the insurance coverage of an event or a financial guarantee has no discernible effect on the economics of a contract, take into account all potential future cash-flows which may arise from the contract.

Insurance and reinsurance undertakings should consider a financial guarantee of benefits as having a discernible effect on the economics of a contract only if the financial guarantee is linked to the payment of the future premiums and provides the policyholder with a discernible financial advantage with commercial substance.

Insurance and reinsurance undertakings should consider the cover of a specified uncertain event that adversely affects the insured person as having a discernible effect on the economics of the contract when the cover provides a discernible financial advantage to the beneficiary.

- 2.9. A guarantee where a policy-holder does not lose at least part of their savings will be considered as a financial guarantee, which may or may not have a discernible effect on the economics of the contract.
- 2.10. If the coverage of an event or a financial guarantee has a discernible effect on the economics of the contract, then the cash-flows arising from the event or financial guarantee need to be considered for the purposes of establishing the contract boundary.
- 2.11. In determining whether the insurance coverage of an event or a financial guarantee has a discernible effect on the economics of a contract, undertakings will consider whether it can reasonably be seen that the inclusion of the coverage or guarantee has improved the contract for the policyholder when compared with the same contract without such a coverage or guarantee. Also the addition of the coverage or guarantee has to represent a true advantage for the policyholder – not merely a theoretical advantage i.e. something of substance should have changed in the contract terms in order for it to be considered a discernible effect.
- 2.12. It should be possible to see this improvement by an objective comparison of the value of the contract with and without this guarantee.
- 2.13. This comparison will be made with reference to the characteristics or terms of the contract and should reflect whether the guarantee can be regarded as an actual compensation for the event.
- 2.14. In particular, for contracts where the inclusion of a coverage or guarantee seeks to ensure a particular treatment of the contract e.g. for any fiscal, regulatory or accounting purpose, it will only be considered as providing a discernible effect when such an inclusion satisfies the conditions stated above.

Guideline 7 – Estimation of obligations

Insurance or reinsurance undertakings should, where details of a contract or the full extent of the obligations covered by a contract are not available to the undertaking at the time of recognition of the contract, estimate the boundaries of the contracts using all available information in a manner consistent with the principles set out in these Guidelines.

Undertakings should revise this estimated assessment as soon as more detailed information is available.

- 2.15. A need to reassess the contract boundaries can arise, where a delegated underwriting authority or binder exists which can sign business on behalf of the undertaking. The undertaking requires information on the underlying insurance contracts written within the binder to assess the contracts which fall within the contract boundary at a given valuation date. If this information is not available, estimates will need to be made.
- 2.16. Estimates of contracts entered into can be based on historical experience of specific binders in terms of numbers of contracts likely to be entered into and their terms and conditions and hence the length of their contract boundaries and likely corresponding cash-flows.
- 2.17. The undertaking would aim to minimise any delay in receiving detailed information from the binder and would make a revised assessment of the contracts entered into and their corresponding contract boundaries as soon as reasonable after this information was received.
- 2.18. In the situation that updated exposure information becomes available after the signature of the contract (e.g. because the underlying exposure changes in the case of some liability contracts or underlying exposure is unknown at the time of signing for contracts covering voyages undertaken in a certain time period) one would not expect this to lead to a change in the contract boundary. If, however, this analysis leads to a change in contract boundary, the contract boundary would be updated.

Guideline 8 – Reinsurance contracts

Insurance and reinsurance undertakings should, for their accepted reinsurance contracts, apply the provisions of Article 27 of the Implementing Measures independently from the boundaries of the underlying insurance or reinsurance contracts to which they relate.

- 2.19. The boundary of a reinsurance contract may be different in the Solvency II balance sheet of the buyer of the reinsurance when compared to the Solvency II balance sheet of the seller of the reinsurance.

Appendix: Examples on the boundary of insurance contracts

N.B.: where a “may” is used in the table below, it should be understood that other characteristics of the contract, as specified in the terms and conditions thereof, may influence the determination of the contract boundary.

Benefits	Premiums	Contract boundary	Considered feature
Whole life policy with a full medical assessment.	Premiums on individual policies can be reviewed annually.	All premiums and associated obligations beyond the next annual review date do not belong to the contract.	Portfolio / policy level assessment.
	The policy document makes it clear that premiums will not be increased with age, but may be increased annually across the whole portfolio where claims experience over the portfolio is higher than anticipated.	Because the undertaking has the ability to choose the premium only for a portfolio of contracts (i.e. at portfolio level) but not independently for each individual contract, all future premiums may belong to the contract since the individual risk assessment cannot be repeated before amending the premiums.	
Whole life policy with guaranteed acceptance; policyholders answer 5 health related questions on the application form and are charged a higher premium if they answer yes to any of the questions.		The medical survey constitutes an individual risk assessment and all future premiums may belong to the contract.	Interpretation of 'individual risk assessment'.
Whole life policy with guaranteed acceptance; the application form asks the policyholder to state any pre-existing conditions and doesn't use this information to vary premiums, but only to exclude the conditions listed.		Even gathering and excluding pre-existing conditions constitutes an individual risk assessment; all future premiums may belong to the contract.	
Whole life policy with guaranteed acceptance and no use of medical information to establish premiums or benefits.		If the insurer has a unilateral right to amend premiums under the contract, then no premiums beyond the next renewal date belong to the contract.	
Term assurance policy with a full medical assessment.	Fixed regular premiums for the full term; at maturity the policyholder may choose to renew the policy but the insurer is not restricted in the premium that may be charged on renewal.	Only the premiums prior to renewal belong to the policy.	Policy renewals.

	Fixed regular premiums for the full term; at maturity the policy is automatically renewed, and the policyholder notified of the new premium payable; generally premiums remain level though the insurer is not restricted in the premium that may be charged at renewal.	Only the premiums prior to renewal belong to the policy.	
A rolling monthly contract (e.g. mobile phone insurance).	Fixed monthly premiums; the undertaking has to give two months' notice of cancellation or rate changes.	The two months' notice of cancellation period should be taken into account in the determination of the contract boundary.	
Group life policy - providing several benefits for all employees.	The contract with the employer is annually reviewable.	The boundary falls on the next review date.	Group contracts.
Automatically renewable general insurance policy.	Premiums are annually reviewable on a portfolio level.	The boundary falls on the next renewable date.	Interpretation of 'portfolio'.
General insurance policy with two parts: - a 5 year household cover benefit; - a 1 year motor insurance benefit.	Separate premiums for the individual benefits; premiums cannot be changed on individual policies, only at portfolio level; household cover premium reviewable in 5 years; motor premium reviewable in 1 year.	The 'portfolio' should be interpreted by considering the first date on which premiums may be amended. For this policy, the portfolio should therefore not be taken as the combination of both benefits; rather each benefit should be considered separately. The boundary is 5 years for the household benefit and 1 year for the motor benefit.	
Whole life unit-linked policy providing a guarantee of benefits above the unit value on the death of the policyholder.	Fixed regular premiums and charges.	The guaranteed benefit above the unit value provides a discernible effect, if it can reasonably be seen that the inclusion of the guarantee has improved substance of the contract for the policyholder when compared with the same contract without such a guarantee. Depending on other terms and conditions of the contract, it may not be possible to unbundle the contract.	Interpretation of 'financial guarantee' & 'unbundling'.
Whole life unit-linked policy paying the higher of the unit value and the paid-in premiums on the death of the policyholder.		A guaranteed return of premium in a variable annuity product will under a number of circumstances have an associated cost for the undertaking, and therefore a discernible effect on the economics of the contract; future premiums would therefore generally belong to the contract in such cases. Depending on other terms and conditions of the contract, it may not be possible to unbundle the contract.	

Whole life unit-linked policy paying during the policy period the fund value and in case of death the fixed sum assured.		The unit-linked and assurance components of the contract should be unbundled where possible.	
Whole life unit-linked policy paying the unit value on the death of the policyholder; 4% annual investment return guarantee.	Fixed regular premiums; annually reviewable charges.	This policy includes a financial guarantee. The ability to amend charges may not be sufficient to fully reflect risk - if investment markets fall substantially, then it may not be possible to make up losses by increasing charges. All future premiums therefore belong to the contract in this case.	Reviewable charges.
Automatically reviewable health insurance contract.	Premiums are annually reviewable in accordance with a national health risk equalisation system.	All future premiums belong to the contract since the undertaking does not have the unilateral right to terminate the contract, to amend the premiums or to refuse the premiums.	Interpretation of 'unilateral right'.
5 year general insurance policy.	Premiums are annually reviewable, subject to approval by an independent trustee who assesses whether the increases are fair.	The ability of the trustee to veto a premium increase, even where this might reflect a fair view of the risk, suggests that the undertaking does not have a unilateral right to amend premiums; all future premiums belong to the contract.	
Automatically renewable general insurance policy.	If there are no claims, premiums are guaranteed to remain level at renewal for a period of up to 3 years.	The undertaking has a limited right to change premiums within the 3 year period; all premiums within the 3 year guaranteed period belong to contract.	