11 June 2014

Related topic	Subtopic	No. Para.	Your question	Answer
Standard_SCR	SCR.8.5. Health catastrophe risk sub-module	Annex G	With regards to the examples provided in Annex G, please confirm if the premiums to use should be the premium for the next 12 months.	Premiums definition should be consistent with the Non-Life premium risk volume measure as in paragraph SCR.9.9 if it is about Health NSLT

| Technical Specification Part I | | TP.2.18 | An insurance contract is issued with a term of 1 year but premiums are payable in quarterly instalments. The Insurance Undertaking has the right to terminate the policy if the premium instalment due is not paid. Can this arrangement be considered as a unilateral right to terminate the contract as described in par. TP.2.18 and therefore set the contact boundary at 3 months? Or should the boundary remain 12 months given that all other provisions of the contract (premium and cover) are binding for the 12 month duration? | No this arrangement cannot be considered as a unilateral right. Where the right to terminate a contract is conditional upon a certain event (in this case lapse), it cannot be considered as a unilateral right for the purpose of determining the contract boundary. In this example, the insurance undertaking only has a conditional right to terminate the contract before its term and, unless other features of the contract have to be considered, the contract boundary is 12 months.

The policyholder's right to lapse the contract does not influence the determination of its boundary but should be taken into account as policyholder behaviour in the calculation of technical provisions in accordance with TP.2.129 to TP.2.135.

In addition, any decision by the undertaking to terminate the policy in the event of lapse has to be taken into account when calculating the technical provisions in accordance with the provisions for future management actions (TP 2.136 to 2.144). In particular, to verify that assumptions about future management actions are realistic, the insurance or reinsurance undertaking needs to compare assumed future management actions with management actions taken previously by the insurance or reinsurance undertaking. |
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Valuation	V.2.5. Risk margin	TP 5.47	Can you confirm that the volume of premium to be taken into account for the calculation of SCR premium in the risk margin framework does not include the business expected to be written, but includes only in-force bound contracts at the time t=0? This implies a SCR premium lower than the one used for the calculation of the overall SCR.	For calculation of SCR, new non-life insurance and Non-SLT health insurance business expected to be written during the following 12 months is taken into account in the premium risk part of the premium and reserve risk sub-modules in the standard formula. The volume measure for this risk component is based on the expected premiums earned and written during the following twelve months. When calculating risk margin, the projected future SCRs are calculated without allowing for new business (i.e. new business expected to be written in year 2, 3,... is not taken in to account).
Standard_SCR	SCR.8.5. Health catastrophe risk sub-module	SCR.8.93.	The Annex M to the technical specifications part I lists only 31 countries: the members of the E.U. or of the E.F.T.A. (excluding Liechtenstein). The mass accident scenario is limited to these countries, but the company has significant exposure in other countries. Is our understanding correct that we shall include the third-party countries in our SCR calculation using a method similar to the "Final guidance on the calibration and application of catastrophe standardised scenarios for the standard formula SCR"?	The Health mass accident concentration sub-module only applies to exposure in the countries listed in Annex M. Exposures to countries not listed in Annex M should be assumed to be immaterial for the purpose of the standard formula.

Standard_SCR	SCR.8.5. Health catastrophe risk sub-module	QRT SCR-B3F-S.27.01.b	The template of the S.27.01.b to report the "Solvency Capital Requirement - Non-life catastrophe risk" includes health catastrophe risk. Only 31 countries are listed in the corresponding tables. Is our understanding correct that we shall extend the list of 31 countries to the number of countries where the company has exposure ?	There are three sub-modules of the Health CAT risk: 1. Mass accident risk: the list of countries is limited to the 31 countries 2. Accident concentration risk: the list should be extended to the number of countries where the company has exposure 3. Pandemic risk: same as ad 2.
Standard_SCR	SCR.5.4. Mktint interest rate risk	SCR.5.24.	EIOPA LTGA Q&A Second Questions and Answers 13.02.2013 ID 1021s stated that the "shock for a currency resulting in an increase of own funds should be disregarded (floor of zero)". Now under SCR.5.24. "The sum over all currencies should be considered irrespective of an increase or decrease in basic own funds for one or another currency". Can we therefore consider that for the purposes of both selecting the Rup or Rdown scenario and calculating the resulting shock (based on multiple currencies), that the shock for a currency resulting in an increase in own funds should NOT be disregarded (floor of zero DOES NOT APPLY)	This is correct, the floor of zero does no longer apply when selecting the Sup or Sdown shock for interest rate risk across all currencies.
Standard_SCR	SCR.6.2. Calculation of capital requirement for type 1 exposures	SCR.6.22.	The lower CQS is now equal to 4,2% instead of 4,175%. Is it a front rounding or the new figure to take into account?	This is the new shock parameter to be taken into account.

Standard_SCR	SCR.9.4. Non life CAT risk sub - module	SCR.9.56 and SCR.9.57	My question regards the non-EEA regions to be considered in the calculation of the SCR for windstorm risk. Paragraph SCR.9.56 says that the regions to be considered are those NOT included in Annex O. At the same time, paragraph SCR.9.57 says that the diversification factor should be restricted to regions 5 to 18 from Annex L. For example, countries such as Russia, Ukraine, Belarus, Moldova, Belarus, Albania, Serbia, Montenegro, etc, (included in regions 3 and 4) are NOT included in Annex O (so it would mean that SCR should be calculated based on SCR.9.57, however, paragraph 9.57 says that the diversification factor is calculated for regions 5 to 18 (the countries listed above are NOT in these regions). I would like a confirmation in the interpretation: 1) Does it mean that there is inconsistency between countries considered in SCR.9.56 and SCR.9.57? EIOPA helper tab considers the same countries for the amount of premiums and the diversification factor. or 2) Does it mean that those countries are to be considered in the calculation based on premiums BUT NO diversification factor is applied to them? If this is the approach, EIOPA helper tab would contain an error since it adds up premiums and diversifications factors only for regions 5 to 18 of annex L. Besides, the Quantitative reporting template SCR-B3F reports 14 regions for the non-EEA regions of windstorm risk (corresponding to regions 5 to 18 of the annex L).	Q1: There is no inconsistency between the regions considered in SCR.9.56 and SCR.9.57, but indeed the CAT Helper tab has to be corrected to enable input of exposures for the countries of regions 1-4 of the annex L which are not included in the annex O (e.g. Russia, Ukraine, …) Q2: Yes, those countries are to be considered in the calculation based on premiums and EIOPA will update the CAT Helper tab to enable summation of regions 1 to 18.

Valuation	V.2.2.1. Methodology for the calculation of the best estimate	TP 2.12	For a regular premium unit-linked contract with a contract boundary in respect of premiums equal to the valuation date, what would be viewed as the 'future cash-flows associated with recognised obligations within the boundary of the contract'. Is it the surrender value that would be paid on the valuation date or is it the projected cashflows based on premiums paid to date and projected into the future based on a best estimate of future lapse rates?	The best estimate should correspond to the probability weighted average of future cash-flows taking account of the time value of money. Assumptions on future lapse rates need to be taken into account in the cash-flow projections, as well as assumptions on the value of benefits payable on surrender.
Valuation	V.2.2.1. Methodology for the calculation of the best estimate	TP 2.12	For a single premium unit-linked contract with no guarantees, what would be viewed as the 'future cash-flows associated with recognised obligations within the boundary of the contract'. Is it the surrender value that would be paid on the valuation date or is it cashflows projected into the future based on a best estimate of future lapse rates?	The best estimate should correspond to the probability weighted average of future cash-flows taking account of the time value of money. Assumptions on future lapse rates need to be taken into account in the cash-flow projections, as well as assumptions on the value of benefits payable on surrender.
Valuation	V.2.2.1. Methodology for the calculation of the best estimate	TP 2.18	For a unit-linked contract with no investment guarantees or material insurance guarantees where the company has the right to change fund management charges in the future but only if the expenses of the company were to increase, is the contract boundary immediate?	More details on the feature of the contract are needed to answer this question. In Particular in the described case TP 2.18 and 2.19 need to be assessed. In cases where the charges can be amended in such a manner that they fully reflect the risk, the contract boundary would be that next point in time where the charges can be amended. However, any amendments to charges resulting from reallocation of investments by policyholders should not be considered as an amendment in the determination of the contract boundary.

Valuation	V.2.2.1. Methodology for the calculation of the best estimate	TP 2.21 and Annex D	For a product with the following features, can you confirm the contract boundary for projecting future cashflows: (1) regular premium unit-linked contract (2) no financial guarantee (3) death benefit is 101% of the fund value (4) the customer has the right to amend the level of premium at any time (5) charges are fixed	Similar Questions were also asked in previous batches (Batch 1) and Annex D,
Valuation	V.2.2.1. Methodology for the calculation of the best estimate	TP 2.21 and Annex D	For a product with the following features, can you confirm the contract boundary: (1) regular premium unit-linked contract (2) no financial guarantee (3) death benefit is 100.1% of the fund value (4) the customer has the right to amend the level of premium at any time (5) fund management charges can be increased in the future if the expenses of the company were to increase	Similar Questions were also asked in previous batches (Batch 1) Annex D.
Valuation	V.2.2.1. Methodology for the calculation of the best estimate	TP 2.21 and Annex D	For a product with the following features, can you confirm the contract boundary for projecting future cashflows: (1) regular premium unit-linked contract (2) no financial guarantee (3) death benefit is 101% of the fund value (4) the customer has the right to amend the level of premium at any time (5) fund management charges can be increased in the future if the expenses of the company were to increase	Similar Questions were also asked in previous batches (Batch 1) Annex D.
Valuation	V.2.2.1. Methodology for the calculation of the best estimate	TP 2.23	For the product described in IL_TS_04, should the additional benefit on death (1% of fund) be unbundled from the main unit-linked contract?	For the purpose of the determination of the contract boundaries it seems unlikely that an unbundling would be required, but this however depends on TP 2.23 and 2.24.Notwithstanding, for the purpose of the valuation of TP the requirements for unbundling need to be assessed separately.

Standard_SCR	SCR.7.8. LifeCAT catastrophe risk sub-module	SCR 7.79	Assume that you are carrying out a valuation on 31/12 and you are modelling a policy that will terminate on 31/3. Given that calculations are carried out monthly, should the mortality rates applying to this policy in the stress scenario be (a) Q(x)/12 + .0015/12 in each of the three months it is in force or (b) Q(x)/12 + .0015 in month 1 and Q(x)/12 in months 2 and 3?	Option (a). Under the assumption according to which there is the same number of deaths each month (wrong assumption, but that we consider as acceptable), the right answer is (a) : [Q(x) + 0,0015]/12 in each of the three months.
Standard_SCR	SCR.7.4. Lifedis disability-morbidity risk	SCR 7.36	The text states "The increase in disability-morbidity inception rates should be applied to any mortality rate used…". Presumably this should refer to disability / morbidity rates.	Reference should indeed be made to disability-morbidity rates and not mortality rates.
	Doc file: eiopa-14-215_stress_test_2014_specifications Excel file: eiopa-14-217-stress_test_2014_annex_dc1		The volatility adjustment curve is the one relative to discounting the liability cashflows where this is applicable and this is not stresses explicitly in the SCR calculation. Please confirm this?	The updwards/downwards shocked curves to use in the calculation of the standard SCR interest rate risk submodule, are calculated shocking only the basic risk free rate curves, and then adding the original volatility adjustment (i.e. the volatility adjustment is not shocked in the curves of the standard SCR interest rate risk submodule).

	Doc file: eiopa-14-215_stress_test_2014_specifications Excel file: eiopa-14-217-stress_test_2014_annex_dc1		In stressing the assets of the Company even when the volatility adjustment is applicable is the no volatility adjustment curve used?	The volatility adjustment is applicable only to the calculation of the best estimate of insurance and reinsurance obligations. Therefore such adjustment does not influence the valuation of assets either in the solvency balance sheet pre-stress or in the post-stress valuations
Standard_SCR	SCR.8.5. Health catastrophe risk sub-module	SCR.8.90.	Could you provide a link to the "Final guidance on the calibration and application of catastrophe standardised scenarios for the standard formula SCR" you are mentioning as an external reference to the Health Cat SCR module ? If one types this title in the "Find" textbox of EIOPA's website, the result is «We did not find any pages matching your search».	https://eiopa.europa.eu/fileadmin/tx_dam/files/publications/submissionstotheec/CEIOPS-DOC-79-10-CAT-TF-Report.pdf