

**Comments on Consultation 30-09 Draft L2 Advice on TP - Treatment of Future Premiums**

**Name company: AMICE**

**Please insert your comments in the table below, and send it to [secretariat@ceiops.eu](mailto:secretariat@ceiops.eu) in word format. In order to facilitate processing of your comments, we would appreciate if you could refer to the relevant section and/or paragraph in the Consultation Paper 30-09.**

Reference	Comment
General comment	AMICE would like to emphasise the fact that Best Estimates should be consistent with a transfer/economic value as defined in the Level 1 text. We are of the opinion that CEIOPS' advice is not consistent with article 76(2) of the Directive when stating that best estimates should be an average of all future cash-flows.
General comment	<p>AMICE members support the criteria laid out by the CEA and the CFO Forum in their letter on "Future Contract Boundaries" that future premiums should be included under "existing" contracts if the insurer cannot re-underwrite at individual policy level, i.e. if the insurer is obliged – if the policyholder so wishes – to take on a policy without being able to re-assess the individual policyholder's risks. The insurer should be able to change the premium, however, based on, for example, its assessment of the experience of the whole portfolio of risks. In this regard, recurring premiums of in-force contracts should be recognised, whether they are legally enforceable or not and when the inclusion of the renewals implies <u>either a decrease or an increase</u> in the best estimate value.</p> <p>Non-regular premiums of in-force contracts where the policyholder has the option to increase the amount of the premium (one-off premium increase) <u>should not be included</u> under existing contracts due to the difficulty of reassessing policyholder's risks. As supervisors are aware, non-regular premiums (in contrast to regular premiums) are highly dependent on the overall economic environment and on the competitive situation, for example on the success of short-term marketing campaigns.</p>

General comment	<p>Future premiums – either legally enforceable or not – and renewals whose inclusion increase the best estimate, should be recognised in the technical provisions for the following reasons:</p> <ul style="list-style-type: none"> <li>• If the current portfolio were transferred, the buyer would be assessing future premiums of existing contracts.</li> <li>• Risk management practices usually take into account <u>all types of future premiums</u> with an economic value. Not recognising them in the best estimate calculation could generate inconsistencies between day-to-day company management and the solvency results.</li> </ul>
General comment	<p>The recognition of future premiums should also be consistent with article 101(3) and 105(2) which now states that the Solvency Capital Requirement shall cover existing <u>and new business expected to be written over the next twelve months</u>.</p>
Para 3.15 and 3.19 and 3.22 and 3.30	<p>Future premiums relating to an option or guarantee where the policyholder can</p> <ul style="list-style-type: none"> <li>• renew the contract,</li> <li>• extend insurance coverage to another person,</li> <li>• extend the insurance period,</li> <li>• increase the insurance coverage or</li> <li>• establish a new insurance cover,</li> </ul> <p>should belong to the existing contract regardless of whether the inclusion of renewals <u>increases or decreases</u> best estimate. This is in line with the Level 1 text (Article 76(2) – “all cash in- and out-flows”) and with economic reality.</p>
Additional comment	<p>We agree with the CEA that a link should be made to paragraphs 3.40 and 3.42 of CP35 on the Valuation of Assets and Liabilities. CEIOPS states that often in life contracts an intangible asset on acquisition costs can be identified in the form of present value of future business (PVIF, VOBA). The present value of future business that has been incorporated in the valuation of technical provisions has to be considered when valuing technical provisions</p>