

**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:	SI_health_insurance_companies	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ 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 <u>empty</u>. ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. <p>Please send the completed template, <u>in Word Format</u>, to CP-16-008@eiopa.europa.eu</p> <p>Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the questions refers to the discussion paper on the review of specific items in the Solvency II Delegated Regulation.</p>		
Reference	Comment	
General Comment		
Q1.1		
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A). Recital 43 of COMMISSION DELEGATED REGULATION (EU) 2015/35

Recital (43) of **COMMISSION DELEGATED REGULATION (EU) 2015/35** define that the volume measure for non-life and **SLT** health premium risk used in the standard formula should capture earned premiums that are **within the contract boundary of existing contracts** and on contracts that will be written in the next 12 months.

Volume measure when calculating premium risk is used for non-life and **non-SLT health** premium risk, and **not for SLT health calculation**.

Recital 43 should change to:

"...contracts, the volume measure for non-life and **non-SLT** health premium risk ..."

B). Volume measure for non-SLT health premium risk (COMMISSION DELEGATED REGULATION (EU) 2015/35 Article 147)

According to mentioned recital 43 of Delegated regulation 2015/35, the volume measure should take into account the contract boundary. However, the idea of recital 43 is not incorporated into further articles, i.e. Article 147 (and also 116 for non-life premium risk). Thus, Paragraphs 3(c) and 3(d) are ambiguous and not precisely defined.

Take as an example a complementary health insurance product (in Slovenia) where premium can be amended / changed if it does not cover the amount of claims. The premiums are paid monthly. Claims are paid monthly directly to health service providers (e.g. hospitals), thus the duration of the obligation is very very short (practically all the claims are paid in 30 days). As the scope of the services (e.g. number of hip operations in a year) and waiting period is defined by the state through compulsory insurance, the insurance companies have right to amend the premium of the complementary health insurance if the volume of monthly claims change. Insurance companies can amend the premium in e.g. 2 months, after they find out that the claims are higher/lower than expected.

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Since the firms have the possibility of changing premiums immediately when premiums do not cover the amount of claims the contract boundary is set at 2 months. Also the premium risk occurs only for 2 months, which is quite shorter than 12 months used in calculation of Volume measure for non-SLT health premium risk. **According to recital 43 and actual risk, the »Volume calculation« should take into account only the premium within contract boundary, which is in this case only 2 months.**

Besides, the contracts of this complementary product have different maturities (from 1 year up to ten year and even more) and all are automatically renewed. From insured people point of view there are no differences regarding the maturity of the contract, as the premium can be amended for all the contracts, as claims change. Insured people can cancel the contract any time regardless the maturity (which is only for technical matter). Regarding maturity of the contracts there are no difference in contract obligation from insurance company perspective, as the contracts do not have covers if the premiums were not paid for certain months (premiums are paid monthly).

According to the Article 147 and Q&A documents, the FP_existing and FP_future have zero value only if maturity of the contract is one year or less. In this example, no differences are between the contracts of one year and contracts with maturity of more years, as the firms can amend premium immediately. Since the contract boundary is less than 1 year, both contributors (FP_existing and FP_future) should have value of zero.

According to Recital 43, Article 147 (and also 116) should include, that when calculating the volume measure for non-SLT health (non-life) premium risk using the standard formula, should capture earned premiums that are within the contract boundary of existing contracts and on contracts that will be written in the next 12 months. If the contract boundary is 1 year or less (this also includes contracts with the maturity of 1 year or less) then FP_existing and FP_future are zero.

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