

Comments Template on CEIOPS-CP 50 Consultation Paper on the Draft L2 Advice on SCR Standard Formula – Health underwriting risk		Deadline 11.09.2009 4 p.m. CET
Name of Company:	PricewaterhouseCoopers LLP	
Disclosure of comments:	CEIOPS will make all comments available on its website, except where respondents specifically request that their comments remain confidential. Please indicate if your comments should be treated as confidential:	No
<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”. ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific paragraph numbers below. <ul style="list-style-type: none"> ○ 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. ○ If your comment refers to sub bullets/subparagraphs, please indicate this in the comment itself. <p>Please send the completed template, in Word Format, to secretariat@ceiops.eu. Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the paragraphs refers to Consultation Paper No. 50 (CEIOPS-CP-50/09).</p>		
Reference	Comment	
General Comment	We welcome the additional clarity provided in this consultation paper relative to that in QIS4 in respect of the scope of the health underwriting risk sub-module. However, throughout our comments we note areas where further clarity is still required.	
1.		

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 risk**

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3.22.	We understand "mortgage insurance" to mean insurance to cover mortgage repayments in the event of illness, accident or disability. As such, we consider this to be a form of income protection and thus to fall under the definition of a health insurance obligation (SLT Health).	
3.23.		
3.24.	Further clarification is needed on the criteria that should be used to determine whether the health component of a contract can be unbundled from other components. In many cases it is not practical to unbundle contracts, as the cash-flows from different components are interdependent. It would be helpful if, where practical and relevant, the requirements for unbundling are aligned with those in IFRS. It would also be useful to consider how to assess the level of materiality of the health risk.	
3.25.	Clear guidelines for the appropriate risk classification of material health obligations which cannot be unbundled from life and non-life insurance obligations would be particularly important to avoid cherry-picking.	
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3.50.	While it is reasonable to use the same approach for calculating the risk charge as for the life underwriting module, it may be appropriate to define separate stress tests for critical illness, income protection and long term care obligations. It would also be useful to consider research from undertakings in several countries to support any stresses adopted.	

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	These comments also apply to paragraphs 3.53, 3.80, 3.83 and 3.87.	
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3.53.	See paragraph 3.50	
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3.59.	<p>We note that paragraph 3.21 specifically provides a separate category for “private medical insurance (as sold in the UK)” and classifies it as non-SLT Health. We query whether this category is a subset of the more general “medical insurance” referred to in this section.</p> <p>Given the explicit non-SLT classification of UK medical insurance, and the apparent non-SLT nature of medical insurance more generally throughout this section, we query whether it is appropriate for it to be included within the calculation of “SLT Health disability/morbidity risk for medical insurance”.</p> <p>These comments apply to all paragraphs from 3.59 to 3.74.</p>	
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3.80.	See paragraph 3.50	
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3.82.		
3.83.	See paragraph 3.50	
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3.87.	See paragraph 3.50	

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3.91.	Including the catastrophe risk sub-module in the health sub-module and applying the same methodologies as the non-life catastrophe risk module (rather than in the life CAT sub module, applying life CAT stresses) seems a more appropriate treatment.	
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3.102.	Given the acknowledgement that expense risk can be quite material for some lines of business, we query whether it is appropriate to make an implicit, rather than explicit, allowance for it.	
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3.118.	In respect of the calibration of the standard deviations for reserve and premium risks, segmentation of health insurance obligations into three lines of business will capture differing experiences at a product level and may be more appropriate. However, we note that this may present practical difficulties as not all firms will maintain their data split to the appropriate level.	
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Annex A		
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