



Life Insurance Profit Plan Regulation (LV-GPV; *Lebensversicherung Gewinnplanverordnung*)

Full title

Regulation of the Financial Market Authority (FMA) on the content and structure of the profit plan in life insurance (Life Insurance Profit Plan Regulation – LV-GPV; *Lebensversicherung Gewinnplanverordnung*)

Original version: Federal Law Gazette II No. 295/2015

Preamble / Promulgation Clause

Based on Article 92 para. 1 of the 2016 Insurance Supervision Act (VAG 2016; *Versicherungsaufsichtsgesetz 2016*), published in Federal Law Gazette I No. 34/2015, last amended by federal act in Federal Law Gazette I No. 112/2015, the following shall be determined by Regulation:

Text

Scope of application

Article 1. For each scale of premiums in life insurance with entitlement to profit sharing, a profit plan must be prepared in the context of the actuarial bases for life insurance pursuant to nos. 19 to 22 of Annex A of the 2016 Insurance Supervision Act (VAG 2016; *Versicherungsaufsichtsgesetz*). Where there are no major differences with regard to profit sharing, several scales of premiums may be grouped together in a single profit plan. Any differences between the scales of premiums must be noted accordingly and explained.

Form of submission

Article 2. The profit plans should be submitted to the FMA electronically in standardised form. The document should be submitted in Adobe Systems' portable document format (PDF) with no restriction of functionality.

Structure of the profit plans

Article 3. (1) Every profit plan should have a cover sheet bearing the title "Profit plan" followed by a clear profit plan designation. The cover sheet should also include the following information:

1. designation; Legal Entity Identifier code (LEI code); address; telephone number and website of the insurance undertaking;
2. name, e-mail address and telephone number of the responsible actuary;
3. name, e-mail address and telephone number of the deputy actuary;
4. insurance type of those scales of premiums to which the profit plan applies;
5. date on which the submitted version of the profit plan enters into effect;
6. version number of the profit plan.

(2) The cover sheet should be immediately followed by a table of contents listing the main category headings pursuant to para. 4 and including the respective page numbers.

(3) The pages in the respective part of the profit plan should be numbered as "Page x of y", with x being the current page and y being the total number of pages in the respective profit plan.

(4) The items listed below should be dealt with separately and in detail in the profit plan, in the prescribed order:

1. Basic principles
 - 1.1. Introduction
 - 1.2. Changes and the reasons for any changes
 - 1.3. Verbal description of the profit system
 - 1.4. Accounting groups



- 1.5. Scales of premiums
- 1.6. Dependence on method of premium payment
- 1.7. Dependence on insurance start date and term
- 1.8. Other
2. Profit sharing over time
 - 2.1. Allocation cycle
 - 2.2. Profit waiting period
 - 2.3. Other
3. Profit system
 - 3.1. Type of profit system
 - 3.2. Appropriation of profit
 - 3.2.1. Verbal description
 - 3.2.2. Assessment basis
 - 3.2.3. Formulae
 - 3.2.4. Final profits
 - 3.2.5. Calculation method
 - 3.2.6. Direct credits
 - 3.3. Profit sharing upon index increases or other additional payments
 - 3.4. Other
4. Calculations
 - 4.1. Actuarial bases
 - 4.2. Designations and formulae
 - 4.3. Allocation in year t
 - 4.4. Life/health insurance provision of bonus
 - 4.5. Other calculations
5. Profit components
6. Benefits
 - 6.1. Survival
 - 6.1.1. Verbal description
 - 6.1.2. Formula
 - 6.1.3. Calculation of bonus during the year
 - 6.2. Death
 - 6.2.1. Verbal description
 - 6.2.2. Formula
 - 6.2.3. Calculation of bonus during the year
 - 6.3. Surrender
 - 6.3.1. Verbal description
 - 6.3.2. Formula
 - 6.3.3. Calculation of bonus during the year
 - 6.4. Exemption from contributions
 - 6.4.1. Verbal description
 - 6.4.2. Formula
 - 6.5. Other benefits
 - 6.5.1. Verbal description
 - 6.5.2. Formula
7. Other

(5) If there are no entries for some of the items in para. 4 due to these being irrelevant, the items should be listed in the profit plan followed by the comment “not applicable”. If an item and all of the sub-items are not applicable, it is sufficient to write “not applicable” under the item.



(6) With regard to presentation of the formulae, standard mathematical presentation should be used. In particular, it is therefore not permitted to present the formulae in the form of programming code.

Changes to the profit plan

Article 4. (1) An amended version of the profit plan must be submitted in the event of any change to the plan. All changes compared with the most recently submitted version must be marked in the new document. Under item 1.2. in accordance with Article 3 para. 4, it should be stated that the submitted profit plan is an amended plan, with details of when the previous version was submitted. A list should also be provided of the items in accordance with Article 3 para. 4 that contain changes compared with the last version submitted. The changes should be explained in detail. The version number pursuant to Article 3 para. 1 no. 6 should be updated in accordance with Article 5 para. 1 no. 3.

(2) The submission pursuant to para. 1 should also include a complete consolidated version (with no highlighting of the changes) of the corresponding profit plan.

Contents of the items

Article 5. (1) The content of specific items pursuant to Article 3 para. 1 is defined as follows:

1. Insurance type (item 4.): One of the following categories should be stated here:
 - a) combined endowment and term life insurance, and endowment policies;
 - b) term life insurance including residual loan-debt insurance;
 - c) pension insurance;
 - d) state-sponsored retirement provision in accordance with Articles 108g to 108i of the 1988 Income Tax Act (EStG 1988; *Einkommensteuergesetz*), Federal Law Gazette No. 400/1988, as amended by the federal act in Federal Law Gazette I No. 118/2015 (state-sponsored retirement provision);
 - e) unit-linked life insurance (excluding state-sponsored retirement provision);
 - f) index-linked life insurance (excluding state-sponsored retirement provision);
 - g) investment-oriented life insurance;
 - h) occupational pension group insurance;
 - i) occupational disability insurance (including additional benefits and disability insurance);
 - j) critical illness insurance (dread disease insurance);
 - k) nursing care insurance;
 - l) other insurance type.

If a different type of insurance is involved, this must be described.

2. Date on which the submitted version enters into effect (item 5.): The date on which the submitted profit plan becomes valid should be given here. In particular, where an amended version has been submitted pursuant to Article 4 para. 1, the date from which the changes will apply should be stated.
3. Version number of the profit plan (item 6.): The number of the current version of the submitted profit plan should be given here. Versions should be numbered sequentially, so that each amended version is given a higher version number.

(2) The content of specific items pursuant to Article 3 para. 4 is defined as follows:

1. Changes and the reason for any changes (item 1.2.): All changes compared with the previously submitted version of the profit plan and its version number should be listed and explained in detail here.
2. Accounting groups (item 1.4.): All accounting groups including any further sub-divisions of the profit plan should be listed here. An accounting group is a portion of the entire insurance portfolio for life insurance contracts with profit-sharing entitlement, formed in order to be able to share profits according to the respective shares generated, and combining insurance contracts that, based on their structure, contribute to the profit in the same way.
3. Scales of premiums (item 1.5.): All scales of premiums applicable to the corresponding profit plan should be listed here. The following information is required in tabular form for each scale of premiums:
 - a) technical designation of scale of premiums;



- b) insurance type;
- c) biometric bases;
- d) guaranteed interest rate;
- e) bonus interest rate;
- f) sale start date.

It should also be stated whether the scales of premiums are subject to the Life Insurance Profit Sharing Regulation (LV-GBV; *Lebensversicherung-Gewinnbeteiligungsverordnung*), Federal Law Gazette II No. 292/2015 as amended.

4. Dependence on method of premium payment (item 1.6.): Whether and how the method of premium payment impacts on profit sharing should be detailed here.
5. Dependence on insurance start date and term (item 1.7.): Whether and how the profit sharing depends on when the insurance starts in the calendar year should be detailed here. Detailed information is also required here on the impact of different terms on the individual components of profit sharing.
6. Allocation cycle (item 2.1.): The allocation cycle should be explained in detail here, with the length of each phase being specified. In particular, the names given to the individual phases should be listed. Additionally, information should be provided on whether each phase ends on a balance sheet date or insurance cut-off date. The legal and economic consequence at each phase must also be listed.
7. Profit waiting period (item 2.2.): Information on the first-time declaration or allocation of profit sharing should be provided here. If there are different waiting periods for different bonuses, these should be listed and explained. In particular, any distinction that is dependent on the method of premium payment should be listed.
8. Type of profit system (item 3.1.): The type of profit system, for example a mechanical or natural profit system, should be entered here. The profit system should be described in detail and the steps from the creation of the profit to its appropriation should be stipulated.
9. Appropriation of profit (item 3.2.): Details should be provided here on how the profits are used, i.e. whether there is interest-bearing accumulation, a bonus system, a fund-linked system, a premium reduction, a bonus pension, a direct credit, a profit system with final profits or another type of system. The respective system should be described verbally, with details of the assessment basis and the mathematical formulae used. In the case of the bonus pension, the formula used for the bonus portion and for the pension level should be stated, with details of how the individual pension components (basic and bonus pension) develop in the event of an increase through valorisation. The mathematical formulae should be presented and explained verbally. In addition, the development in the pension if interest rates change should also be detailed, i.e. how would the bonus pension change if the bonus interest rate were changed, in particular in the event of a reduction in the rate of profit under the bonus interest rate. If policyholders are free to choose between different forms of profit appropriation, this should also be detailed.
10. Actuarial bases (item 4.1.): The actuarial bases needed to calculate the bonuses, such as assumed interest rate, bonus interest rate or biometric bases should be listed here.
11. Designations and formulae (item 4.2.): All variables, probabilities, decrement tables, commutation figures, cash values, entitlements, weighting factors and other formulae, including description and definition, that are used to calculate profit sharing should be detailed here.
12. Allocation in year t (item 4.3.): The formula used for the amount of the bonus that is to be credited to the corresponding contract during insurance year t (as at the balance sheet date or insurance cut-off date) should be detailed here.
13. Life/health insurance provision of bonus (item 4.4.): The formula used for the life/health insurance provision of the bonus of a contract as at the balance sheet date of insurance year t should be entered here.
14. Profit components (item 5.): All profit components (e.g. interest bonus, cost bonus, risk bonus, additional bonus, final bonus, etc.) should be listed in a separate subsection (e.g. 5.1. Interest bonus, 5.2. Cost bonus, etc.). A verbal description, the assessment basis, the formulae and the calculation method should be included for each of these profit components in a further subsection. With regard to the final bonus, information is also required on whether the final bonus is higher or lower than double the last current bonus.



15. Benefits (item 6.): All benefits and entitlement to benefits arising from the profit sharing system should be listed here. In particular, information should be provided on which benefits are guaranteed to which extent and which could be reduced again as a result of negative developments in the future.

Entry into force and transitional provisions

Article 6. (1) This Regulation shall enter into force on 1 January 2016.

(2) Profit plans that are submitted before 1 January 2016 only need to be re-submitted in the event of changes pursuant to Article 4.