

Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (Text with EEA relevance)

TITLE I **U.K.**

[^{X1}VALUATION AND RISK-BASED CAPITAL REQUIREMENTS (PILLAR I), ENHANCED GOVERNANCE (PILLAR II) AND INCREASED TRANSPARENCY (PILLAR III)]

CHAPTER III **U.K.**

RULES RELATING TO TECHNICAL PROVISIONS

SECTION 3 **U.K.**

Methodologies to calculate technical provisions

Subsection 5 **U.K.**

Calculation of technical provisions as a whole

Article 40 **U.K.**

Circumstances in which technical provisions shall be calculated as a whole and the method to be used

1 For the purposes of the second subparagraph of Article 77(4) of Directive 2009/138/EC, reliability shall be assessed pursuant to paragraphs 2 and 3 of this Article and technical provisions shall be valued pursuant to paragraph 4 of this Article.

2 The replication of cash flows shall be considered to be reliable where those cash flows are replicated in amount and timing in relation to the underlying risks of those cash flows and in all possible scenarios. The following cash flows associated with insurance or reinsurance obligations cannot be reliably replicated:

- a cash flows associated with insurance or reinsurance obligations that depend on the likelihood that policy holders will exercise contractual options, including lapses and surrenders;
- b cash flows associated with insurance or reinsurance obligations that depend on the level, trend, or volatility of mortality, disability, sickness and morbidity rates;
- c all expenses that will be incurred in servicing insurance and reinsurance obligations.

3 Financial instruments shall be considered to be financial instruments for which a reliable market value is observable where those financial instruments are traded on an active, deep, liquid and transparent market. Active markets shall also comply with Article 10(4).

Status: Point in time view as at 31/01/2020.

Changes to legislation: Commission Delegated Regulation (EU) 2015/35, Article 40 is up to date with all changes known to be in force on or before 19 August 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

4 Insurance and reinsurance undertakings shall determine the value of technical provisions on the basis of the market price of the financial instruments used in the replication.

Status:

Point in time view as at 31/01/2020.

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