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

VALUATION AND RISK-BASED CAPTAL REQUIREMENTS (PILLAR I), ENHANCED GOVERNANCE (PILLAR II) AND INCREASED TRANPARENCY (PILLAR III)

CHAPTER V

SOLVENCY CAPITAL REQUIREMENT STANDARD FORMULA

SECTION 1

General provisions

Subsection 6

Proportionality and simplifications

Article 95

Simplified calculation of the capital requirement for permanent changes in lapse rates

1 Where Article 88 is complied with, insurance and reinsurance undertakings may calculate the capital requirement for the risk of a permanent increase in lapse rates as follows:

$$Lapse_{up} = 0{,}5 \times l_{up} \times n_{up} \times S_{up}$$

where:

(a) l_{up} denotes the higher of the average lapse rate of the policies with positive surrender strains and 67 %;

(b) n_{up} denotes the average period in years over which the policies with a positive surrender strains run off;

(c) S_{up} denotes the sum of positive surrender strains.

2 Where Article 88 is complied with, insurance and reinsurance undertakings may calculate the capital requirement for the risk of a permanent decrease in lapse rates as follows:

$$Lapse_{down} = 0{,}5 \times l_{down} \times n_{down} \times S_{down}$$

where:

(a) l_{down} denotes the higher of the average lapse rate of the policies with negative surrender strains and 40 %;

(b) n_{down} denotes the average period in years over which the policies with a negative surrender strains runs off;

(c) S_{down} denotes the sum of negative surrender strains.

3 The surrender strain of an insurance policy referred to in paragraphs 1 and 2 is the difference between the following:

a the amount currently payable by the insurance undertaking on discontinuance by the policy holder, net of any amounts recoverable from policy holders or intermediaries;

b the amount of technical provisions without the risk margin.