

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

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

CHAPTER V

SOLVENCY CAPITAL REQUIREMENT STANDARD FORMULA

SECTION 3

Life underwriting risk module

Article 136

Correlation coefficients

- 1 The life underwriting risk module shall consist of all of the following sub-modules:
- a the mortality risk sub-module referred to in point (a) of subparagraph 2 of Article 105(3) of Directive 2009/138/EC;
 - b the longevity risk sub-module referred to in point (b) of subparagraph 2 of Article 105(3) of Directive 2009/138/EC;
 - c the disability-morbidity risk sub-module referred to in point (c) of subparagraph 2 of Article 105(3) of Directive 2009/138/EC;
 - d the life-expense risk sub-module referred to in point (d) of subparagraph 2 of Article 105(3) of Directive 2009/138/EC;
 - e the revision risk sub-module referred to in point (e) of subparagraph 2 of Article 105(3) of Directive 2009/138/EC;
 - f the lapse risk sub-module referred to in point (f) of subparagraph 2 of Article 105(3) of Directive 2009/138/EC;
 - g the life-catastrophe risk sub-module referred to in point (g) of subparagraph 2 of Article 105(3) of Directive 2009/138/EC.

- 2 The capital requirement for life underwriting risk shall be equal to the following:

$$SCR_{life} = \sqrt{\sum_{i,j} CorrNL_{(i,j)} \times SCR_i \times SCR_j}$$

where:

- (a) the sum covers all possible combinations (i,j) of the sub-modules set out in paragraph 1;

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(b) $CorrNL_{(i,j)}$ denotes the correlation parameter for life underwriting risk for sub-modules i and j ;

(c) SCR_i and SCR_j denote the capital requirements for risk sub-module i and j respectively.

3 The correlation coefficient $Corr_{ij}$ referred to in point 3 of Annex IV of Directive 2009/138/EC shall be equal to the item set out in row i and in column j of the following correlation matrix:

$j \ i$	Mortality	Longevity	Disability	Life expense	Revision	Lapse	Life catastrophe
Mortality	1	- 0,25	0,25	0,25	0	0	0,25
Longevity	- 0,25	1	0	0,25	0,25	0,25	0
Disability	0,25	0	1	0,5	0	0	0,25
Life expense	0,25	0,25	0,5	1	0,5	0,5	0,25
Revision	0	0,25	0	0,5	1	0	0
Lapse	0	0,25	0	0,5	0	1	0,25
Life catastrophe	0,25	0	0,25	0,25	0	0,25	1

Modifications etc. (not altering text)

C1 Art. 136(3): power to amend and revoke conferred (31.12.2020) by [The Solvency 2 and Insurance \(Amendment, etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/407\)](#), regs. 1(2), 4, **Sch. 3** (as amended by [S.I. 2020/1301](#), regs. 1, 3, **Sch. para. 27(a)** and [S.I. 2020/1385](#), regs. 1(2), 54(2))

Article 137

Mortality risk sub-module

1 The capital requirement for mortality risk referred to in Article 105(3)(a) of Directive 2009/138/EC shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from an instantaneous permanent increase of 15 % in the mortality rates used for the calculation of technical provisions

2 The increase in mortality rates referred to in paragraph 1 shall only apply to those insurance policies for which an increase in mortality rates leads to an increase in technical provisions without the risk margin. The identification of insurance policies for which an increase in mortality rates leads to an increase in technical provisions without the risk margin may be based on the following assumptions:

- a multiple insurance policies in respect of the same insured person may be treated as if they were one insurance policy;
- b where the calculation of technical provisions is based on groups of policies as referred to in Article 35, the identification of the policies for which technical provisions increase under an increase of mortality rates may also be based on those groups of policies instead of single policies, provided that it yields a result which is not materially different.

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3 With regard to reinsurance obligations, the identification of the policies for which technical provisions increase under an increase of mortality rates shall apply to the underlying insurance policies only and shall be carried out in accordance with paragraph 2.

Article 138

Longevity risk sub-module

1 The capital requirement for longevity risk referred to in Article 105(3)(b) of Directive 2009/138/EC shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from an instantaneous permanent decrease of 20 % in the mortality rates used for the calculation of technical provisions.

2 The decrease in mortality rates referred to in paragraph 1 shall only apply to those insurance policies for which a decrease in mortality rates leads to an increase in technical provisions without the risk margin. The identification of insurance policies for which a decrease in mortality rates leads to an increase in technical provisions without the risk margin may be based on the following assumptions:

- a multiple insurance policies in respect of the same insured person may be treated as if they were one insurance policy;
- b where the calculation of technical provisions is based on groups of policies as referred to in Article 35, the identification of the policies for which technical provisions increase under a decrease of mortality rates may also be based on those groups of policies instead of single policies, provided that it yields a result which is not materially different.

3 With regard to reinsurance obligations, the identification of the policies for which technical provisions increase under a decrease of mortality rates shall apply to the underlying insurance policies only and shall be carried out in accordance with paragraph 2.

Article 139

Disability-morbidity risk sub-module

The capital requirement for disability-morbidity risk referred to in Article 105(3)(c) of Directive 2009/138/EC shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from the combination of the following instantaneous permanent changes:

- (a) an increase of 35 % in the disability and morbidity rates which are used in the calculation of technical provisions to reflect the disability and morbidity experience in the following 12 months;
- (b) an increase of 25 % in the disability and morbidity rates which are used in the calculation of technical provisions to reflect the disability and morbidity experience for all months after the following 12 months;
- (c) a decrease of 20 % in the disability and morbidity recovery rates used in the calculation of technical provisions in respect of the following 12 months and for all years thereafter.

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Article 140

Life-expense risk sub-module

The capital requirement for life-expense risk referred to in Article 105(3)(d) of Directive 2009/138/EC shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from the combination of the following instantaneous permanent changes:

- (a) an increase of 10 % in the amount of expenses taken into account in the calculation of technical provisions;
- (b) an increase of 1 percentage point to the expense inflation rate (expressed as a percentage) used for the calculation of technical provisions.

With regard to reinsurance obligations, insurance and reinsurance undertakings shall apply those changes to their own expenses and, where relevant, to the expenses of the ceding undertakings.

Article 141

Revision risk sub-module

The capital requirement for revision risk referred to in Article 105(3)(e) of Directive 2009/138/EC shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from an instantaneous permanent increase of 3 % in the amount of annuity benefits only on annuity insurance and reinsurance obligations where the benefits payable under the underlying insurance policies could increase as a result of changes in the legal environment or in the state of health of the person insured.

Article 142

Lapse risk sub-module

1 The capital requirement for lapse risk referred to in Article 105(3)(f) of Directive 2009/138/EC shall be equal to the largest of the following capital requirements:

- a the capital requirement for the risk of a permanent increase in lapse rates;
- b the capital requirement for the risk of a permanent decrease in lapse rates;
- c the capital requirement for mass lapse risk.

2 The capital requirement for the risk of a permanent increase in lapse rates shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from an instantaneous permanent increase of 50 % in the option exercise rates of the relevant options set out in paragraphs 4 and 5. Nevertheless, the increased option exercise rates shall not exceed 100 % and the increase in option exercise rates shall only apply to those relevant options for which the exercise of the option would result in an increase of technical provisions without the risk margin.

3 The capital requirement for the risk of a permanent decrease in lapse rates shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from an instantaneous permanent decrease of 50 % in the option exercise rates of the relevant

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options set out in paragraph 4 and 5. Nevertheless, the decrease in option exercise rates shall not exceed 20 percentage points and the decrease in option exercise rates shall only apply to those relevant options for which the exercise of the option would result in a decrease of technical provisions without the risk margin.

- 4 The relevant options for the purposes of paragraphs 2 and 3 shall be the following:
- a all legal or contractual policyholder rights to fully or partly terminate, surrender, decrease, restrict or suspend insurance cover or permit the insurance policy to lapse;
 - b all legal or contractual policyholder rights to fully or partially establish, renew, increase, extend or resume the insurance or reinsurance cover.

For the purposes of point (b), the change in the option exercise rate referred to in paragraphs 2 and 3 shall be applied to the rate reflecting that the relevant option is not exercised.

- 5 In relation to reinsurance contracts the relevant options for the purposes of paragraph 2 and 3 shall be the following:

- a the rights referred to in paragraph 4 of the policy holders of the reinsurance contracts;
- b the rights referred to in paragraph 4 of the policy holders of the insurance contracts underlying the reinsurance contracts;
- c where the reinsurance contracts covers insurance or reinsurance contracts that will be written in the future, the right of the potential policy holders not to conclude those insurance or reinsurance contracts.

- 6 The capital requirement for mass lapse risk shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from a combination of the following instantaneous events:

- a the discontinuance of 70 % of the insurance policies falling within the scope of operations referred to with Article 2(3)(b)(iii) and (iv) of Directive 2009/138/EC, for which discontinuance would result in an increase of technical provisions without the risk margin and where one of the following conditions are met:
 - (i) the policyholder is not a natural person and discontinuance of the policy is not subject to approval by the beneficiaries of the pension fund;
 - (ii) the policyholder is a natural person acting for the benefit of the beneficiaries of the policy, except where there is a family relationship between that natural person and the beneficiaries, or where the policy is effected for private estate planning or inheritance purposes and the number of beneficiaries under the policy does not exceed 20;
- b the discontinuance of 40 % of the insurance policies other than those falling within point (a) for which discontinuance would result in an increase of technical provisions without the risk margin;
- c where reinsurance contracts cover insurance or reinsurance contracts that will be written in the future, the decrease of 40 % of the number of those future insurance or reinsurance contracts used in the calculation of technical provisions.

The events referred to in the first subparagraph shall apply uniformly to all insurance and reinsurance contracts concerned. In relation to reinsurance contracts, the event referred to in point (a) shall apply to the underlying insurance contracts.

For the purposes of determining the loss in basic own funds of the insurance or reinsurance undertaking under the events referred to in points (a) and (b) the undertaking

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shall base the calculation on the type of discontinuance which most negatively affects the basic own funds of the undertaking on a per policy basis.

7 Where the largest of the capital requirements referred to in points (a), (b) and (c) of paragraph 1 of this Article and the largest of the corresponding capital requirements calculated in accordance with Article 206(2) of this Regulation are not based on the same scenario, the capital requirement for lapse risk referred to in Article 105(3)(f) of Directive 2009/138/EC shall be the capital requirement referred to in points (a), (b) and (c) of paragraph 1 of this Article for which the underlying scenario results in the largest corresponding capital requirement calculated in accordance with Article 206(2) of this Regulations.

Article 143

Life-catastrophe risk sub-module

1 The capital requirement for life-catastrophe risk referred to in Article 105(3)(g) of Directive 2009/138/EC shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from an instantaneous increase of 0.15 percentage points to the mortality rates (expressed as percentages) which are used in the calculation of technical provisions to reflect the mortality experience in the following 12 months.

2 The increase in mortality rates referred to in paragraph 1 shall only apply to those insurance policies for which an increase in mortality rates which are used to reflect the mortality experience in the following 12 months leads to an increase in technical provisions. The identification of insurance policies for which an increase in mortality rates leads to an increase in technical provisions without the risk margin may be based on the following assumptions:

- a multiple insurance policies in respect of the same insured person may be treated as if they were one insurance policy;
- b where the calculation of technical provisions is based on groups of policies as referred to in Article 35, the identification of the policies for which technical provisions increase under an increase of mortality rates may also be based on those groups of policies instead of single policies, provided that it yields a result which is not materially different.

3 With regard to reinsurance policies, the identification of the policies for which technical provisions increase under an increase of mortality rates shall apply to the underlying insurance policies only and shall be carried out in accordance with paragraph 2.

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Changes and effects yet to be applied to :

- Recital 53 Sentence 1 replacement by [EUR 2016/2283 Regulation](#)

Changes and effects yet to be applied to the whole legislation item and associated provisions

- Art. 1(18a) words substituted by [S.I. 2024/705 Sch. 2 para. 27\(a\)](#)
- Art. 1(18b)(a) substituted by [S.I. 2024/705 Sch. 2 para. 27\(b\)\(i\)](#)
- Art. 1(18b)(a) word omitted by [S.I. 2024/705 Sch. 2 para. 27\(b\)\(ii\)](#)
- Art. 1(18b)(c) and word inserted by [S.I. 2024/705 Sch. 2 para. 27\(b\)\(iii\)](#)
- Art. 1(19) words substituted by [S.I. 2024/705 Sch. 2 para. 27\(c\)](#)
- Art. 1(20) words substituted by [S.I. 2024/705 Sch. 2 para. 27\(d\)](#)
- Art. 1(21) words substituted by [S.I. 2024/705 Sch. 2 para. 27\(e\)](#)
- Art. 1(22) words substituted by [S.I. 2024/705 Sch. 2 para. 27\(f\)](#)
- Art. 1(23) words substituted by [S.I. 2024/705 Sch. 2 para. 27\(g\)](#)
- Art. 177(2)(b) words omitted by [S.I. 2019/407 reg. 11\(25\)\(a\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)
- Art. 177(2)(h)(i) words omitted by [S.I. 2019/407 reg. 11\(25\)\(b\)\(ii\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)
- Art. 177(2)(h)(i) words substituted by [S.I. 2019/407 reg. 11\(25\)\(b\)\(i\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)
- Art. 177(2)(r) words substituted by [S.I. 2019/407 reg. 11\(25\)\(c\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)
- Art. 177(2)(s) words substituted by [S.I. 2019/407 reg. 11\(25\)\(c\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)
- Art. 177(2)(t) words substituted by [S.I. 2019/407 reg. 11\(25\)\(d\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)
- Art. 177(5)(a) words substituted by [S.I. 2019/407 reg. 11\(25\)\(f\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)
- Art. 177(5)(c) words substituted by [S.I. 2019/407 reg. 11\(25\)\(f\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)
- Art. 257(1A) inserted by [S.I. 2024/705 Sch. 2 para. 28\(3\)](#)
- Art. 257(6) inserted by [S.I. 2024/705 Sch. 2 para. 28\(7\)](#)