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Status: Point in time view as at 31/12/2020.
Changes to legislation: Commission Delegated Regulation (EU) 2015/35, SECTION 4 is up to date with all changes known to be in force on or before 16 July 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)
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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 4

Health underwriting risk module

Article 144

Health underwriting risk module

1   The health underwriting risk module shall consist of all of the following sub-modules:
  a   the NSLT health insurance underwriting risk sub-module;
  b   the SLT health insurance underwriting risk sub-module;
  c   the health catastrophe risk sub-module.

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

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

where:

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

(b) $CorrH_{(i,j)}$ denotes the correlation parameter for health 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 $CorrH_{(i,j)}$ referred to in paragraph 2 denotes the item set out in row i and in column j of the following correlation matrix:

j i	NSLT health underwriting	SLT health underwriting	Health catastrophe
NSLT health underwriting	1	0,5	0,25

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SLT health underwriting	0,5	1	0,25
Health catastrophe	0,25	0,25	1

4   Insurance and reinsurance undertakings shall apply:

    a   the NSLT health underwriting risk sub-module to health insurance and reinsurance obligations included in lines of business 1, 2, 3, 13, 14, 15 and 25 as set out in Annex I;

    b   the SLT health underwriting risk sub-module to health insurance and reinsurance obligations included in lines of business 29, 33 and 35 as set out in Annex I;

    c   the health catastrophe risk sub-module to health insurance and reinsurance obligations.

Modifications etc. (not altering text)

C1   Art. 144(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 145

NSLT health underwriting risk sub-module

1   The NSLT health underwriting risk sub-module shall consist of the following sub-modules:

    a   the NSLT health premium and reserve risk sub-module;

    b   the NSLT health lapse risk sub-module.

2   The capital requirement for NSLT health underwriting risk shall be equal to the following:

$$SCR_{NSLTh} = \sqrt{SCR_2^{(NSLTh,pr)} + SCR_2^{(NSLTh,lapse)}}$$

where:

(a) $SCR_{(NSLTh,pr)}$ denotes the capital requirement for NSLT health premium and reserve risk;

(b) $SCR_{(NSLTh,lapse)}$ denotes the capital requirement for NSLT health lapse risk.

Article 146

NSLT health premium and reserve risk sub-module

The capital requirement for NSLT health premium and reserve risk shall be equal to the following:

$$SCR_{(NSLT,pr)} = 3 \times \sigma_{NSLTh} \times V_{NSLTh}$$

where:

(a) σ_{NSLTh} denotes the standard deviation for NSLT health premium and reserve risk determined in accordance with Article 148;

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(b) V_{NSLTh} denotes the volume measure for NSLT health premium and reserve risk determined in accordance with Article 147.

Article 147

Volume measure for NSLT health premium and reserve risk

1 The volume measure for NSLT health premium and reserve risk shall be equal to the sum of the volume measures for premium and reserve risk of the segments set out in Annex XIV.

2 For all segments set out in Annex XIV, the volume measure of a particular segment *s* shall be equal to the following:

$$V_s = \left(V_{(prem,s)} + V_{(res,s)} \right) \times (0{,}75 + 0{,}25 \times DIV_s)$$

where:

(a) $V_{(prem,s)}$ denotes the volume measure for premium risk of segment *s*;

(b) $V_{(res,s)}$ denotes the volume measure for reserve risk of segment *s*;

(c) DIV_s denotes the factor for geographical diversification of segment *s*.

3 For all segments set out in Annex XIV, the volume measure for premium risk of a particular segment *s* shall be equal to the following:

$$V_{(prem,s)} = \max \left(P_s ; P_{(last,s)} \right) + FP_{(existing,s)} + FP_{(future,s)}$$

where:

(a) P_s denotes an estimate of the premiums to be earned by the insurance or reinsurance undertaking in the segment *s* during the following 12 months;

(b) $P_{(last,s)}$ denotes the premiums earned by the insurance and reinsurance undertaking in the segment *s* during the last 12 months;

(c) $FP_{(existing,s)}$ denotes the expected present value of premiums to be earned by the insurance and reinsurance undertaking in the segment *s* after the following 12 months for existing contracts;

(d) $[^{F1}FP_{(future,s)}$ denotes the following amount with respect to contracts where the initial recognition date falls in the following 12 months:

    (i) for all such contracts whose initial term is one year or less, the expected present value of premiums to be earned by the insurance or reinsurance undertaking in the segment *s*, but excluding the premiums to be earned during the 12 months after the initial recognition date;

    (ii) for all such contracts whose initial term is more than one year, the amount equal to 30 % of the expected present value of premiums to be earned by the insurance or reinsurance undertaking in the segment *s* after the following 12 months.**]**

4 For all segments set out in Annex XIV, insurance and reinsurance undertakings may, as an alternative to the calculation set out in paragraph 3, choose to calculate the volume measure for premium risk of a particular segment *s* in accordance with the following formula:

$$V_{(prem,s)} = P_s + FP_{(existing,s)} + FP_{(future,s)}$$

provided that all of the following conditions are met:

(a)   the administrative, management or supervisory body of the insurance or reinsurance undertaking has decided that its earned premiums in the segment s during the following 12 months will not exceed P_s;

(b)   the insurance or reinsurance undertaking has established effective control mechanisms to ensure that the limits on earned premiums referred to in point (a) will be met;

(c)   the insurance or reinsurance undertaking has informed its supervisory authority about the decision referred to in point (a) and the reasons for it.

For the purposes of this paragraph, the terms P_s, $FP_{(existing,s)}$ and $FP_{(future,s)}$ shall be denoted in accordance with points (a), (c) and (d) of paragraph 3.

5   For the purposes of the calculations set out in paragraphs 3 and 4, premiums shall be net, after deduction of premiums for reinsurance contracts. The following premiums for reinsurance contracts shall not be deducted:

     a   premiums in relation to non-insurance events or settled insurance claims that are not accounted for in the cash-flows referred to in Article 41(3);

     b   premiums for reinsurance contracts that do not comply with Articles 209, 210, 211 and 213.

6   For all segments set out in Annex XIV, the volume measure for reserve risk of a particular segment shall be equal to the best estimate for the provision for claims outstanding for the segment, after deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles, provided that the reinsurance contracts or special purpose vehicles comply with Articles 209, 210, 211 and 213. The volume measure shall not be a negative amount.

7   For all segments set out in Annex XIV, the default factor for geographical diversification shall be either equal to 1 or calculated in accordance with Annex III.

Textual Amendments

F1   Substituted by Commission Delegated Regulation (EU) 2019/981 of 8 March 2019 amending Delegated Regulation (EU) 2015/35 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).

Article 148

Standard deviation for NSLT health premium and reserve risk

1   The standard deviation for NSLT health premium and reserve risk shall be equal to the following:

$$\sigma_{NSLTh} = \frac{1}{V_{NSLTh}} \times \sqrt{\sum_{s,t} CorrHS_{(s,t)} \times \sigma_s \times V_s \times \sigma_t \times V_t}$$

where:

(a) V_{NSLTh} denotes the volume measure for NSLT health premium and reserve risk;

(b)   the sum covers all possible combinations (s,t) of the segments set out in Annex XIV;

(c) $CorrHS_{(s,t)}$ denotes the correlation coefficient for NSLT health premium and reserve risk for segment s and segment t set out in Annex XV;

(d) σ_s and σ_t denote standard deviations for NSLT health premium and reserve risk of segments s and t respectively;

(e) V_s and V_t denote volume measures for premium and reserve risk of segments s and t, referred to in Annex XIV, respectively.

2   For all segments set out in Annex XIV, the standard deviation for NSLT health premium and reserve risk of a particular segment s shall be equal to the following:

$$\sigma_s = \frac{\sqrt{\sigma_2^{(prem,s)} \times V_2^{(prem,s)} + \sigma_{(prem,s)} \times V_{(prem,s)} \times \sigma_{(res,s)} \times V_{(res,s)} + \sigma_2^{(res,s)} \times V_2^{(res,s)}}}{V_{(prem,s)} + V_{(res,s)}}$$

where:

(a) $\sigma_{(prem,s)}$ denotes the standard deviation for NSLT health premium risk of segment s determined in accordance with paragraph 3;

(b) $\sigma_{(res,s)}$ denotes the standard deviation for NSLT health reserve risk of segment s as set out in Annex XIV;

(c) $V_{(prem,s)}$ denotes the volume measure for premium risk of segment s referred to in Article 147;

(d) $V_{(res,s)}$ denotes the volume measure for reserve risk of segment s referred to in Article 147.

3   For all segments set out in Annex XIV, the standard deviation for NSLT health premium risk of a particular segment shall be equal to the product of the standard deviation for NSLT health gross premium risk of the segment set out in Annex XIV and the adjustment factor for non-proportional reinsurance. For all segments set out in Annex XIV the adjustment factor for non-proportional reinsurance shall be equal to 100 %.

Article 149

Health risk equalisation systems

1   For the purposes of [**F2**Article 3(5) of this Regulation], health insurance obligations subject to the health risk equalisation systems ('HRES') shall be identified, managed and organised separately from the other activities of the insurance undertakings, without any possibility of transfer to health insurance obligations that are not subject to HRES.

2   The standard deviations for NSLT health premium and reserve risk of segments 1, 2 and 3 in Annex XIV for business that is subject to a HRES shall meet all of the following requirements:

   a   the standard deviations are determined separately for each of the segments 1, 2 and 3, as set out in Annex XIV, and separately for premium and reserve risk;

   b   for each of the segments set out in Annex XIV, the standard deviation for premium risk is the lower of the following amounts:

      (i)   the standard deviation for NSLT health premium risk of that segment set out in Annex XIV;

      (ii)   the higher of the following amounts:

         A.   a third of the standard deviation for NSLT health premium risk of that segment set out in Annex XIV;

      B.   an estimate of the representative standard deviation of an insurance undertaking's combined ratio, being the ratio of the following annual amounts:

—   the sum of the payments, including the relating expenses, and technical provisions set up for claims incurred during the year for the business subject to the HRES, including any changes due to the HRES;

—   the earned premium of the year for the business subject to the HRES;

c   for each of the segments set out in Annex XIV, the standard deviation for reserve risk is the lower of the following amounts:

    (i)   the standard deviation for NSLT health reserve risk of that segment set out in Annex XIV;

    (ii)   the higher of the following amounts;

      A.   a third of the standard deviation for NSLT health reserve risk of that segment set out in Annex XIV:

      B.   an estimate of the representative standard deviation of an insurance undertaking's run-off ratio, being the ratio of the following annual amounts:

—   the sum of the best estimate provision at the end of the year for claims that were outstanding at the beginning of the year and any claims and expense payments made during the year for claims that were outstanding at the beginning of the year: both amounts include any amendments due to the HRES;

—   the best estimate provision at the beginning of the year for claims outstanding of the business subject to the HRES, including any amendments due to the HRES;

d   the determination of the standard deviation is based on adequate, applicable and relevant actuarial and statistical techniques;

e   the determination of the standard deviation is based on complete, accurate and appropriate data that is directly relevant for the business subject to the HRES and reflects the average degree of diversification at the level of insurance undertakings;

f   the determination of the standard deviation is based on current and credible information and realistic assumptions;

g   the determination of the standard deviation also takes into account any risks which are not mitigated by the HRES, in particular the risk referred to in Article 105(4)(a) of Directive 2009/138/EC and risks which are not reflected in the health catastrophe risk sub-module and that could affect a larger number of insurance undertakings subject to the HRES at the same time;

h   the methodology for the calculation of the standard deviation and the calculation of the standard deviation is publicly available.

3   Where [**F3**technical standards adopted pursuant to Article 3(5) of this Regulation] determine a standard deviation for NSLT health insurance premium risk for business subject to a HRES that meet the requirements set out in paragraph 2 of this Article, insurance undertakings shall use this standard deviation instead of the standard deviation for NSLT health premium risk of the segment set out in Annex XIV of this Regulation for the calculation of the standard

deviation for NSLT health premium and reserve risk referred to in Article 148(1) of this Regulation.

Where only a part of an insurance undertaking's business in a segment s is subject to the HRES, the undertaking shall use a standard deviation for NSLT health premium risk of the segment in the calculation of the standard deviation for NSLT health premium and reserve risk referred to in Article 148(1) that is equal to the following:

$$\sigma'_{(prem,s)} = \frac{\sigma_{(prem,s)} \times V_{(prem,s,nHRES)} + \sigma_{(prem,s,HRES)} \times V_{(prem,s,HRES)}}{V_{(prem,s,nHRES)} + V_{(prem,s,HRES)}}$$

where:

(a) $\sigma_{(prem,s)}$ denotes the standard deviation for NSLT health premium risk segment s set out in Annex XIV;

(b) $V_{(prem,s,nHRES)}$ denotes the volume measure for NSLT health premium risk of the business in segment s that is not subject to the HRES;

(c) $\sigma_{(prem,s,HRES)}$ denotes the standard deviation for NSLT health premium risk of segment s for business subject to the HRES calculated in accordance with paragraph 2;

(d) $V_{(prem,s,HRES)}$ denotes the volume measure for NSLT health premium risk of business in segment s that is subject to the HRES.

$V_{(prem,s,HRES)}$ and $V_{(prem,s,nHRES)}$ shall be calculated in the same way as the volume measure for NSLT health premium risk of segment s referred to in Article 147, but $V_{(prem,s,HRES)}$ shall only take into account the insurance and reinsurance obligations subject to HRES and $V_{(prem,s,nHRES)}$ shall only take into account the insurance and reinsurance obligations not subject to the HRES.

4   Where **[^F4 technical standards adopted pursuant to Article 3(5) of this Regulation]** determine a standard deviation for NSLT health insurance reserve risk for business subject to a HRES that fulfill the requirements set out in paragraph 2 of this Article, insurance undertakings shall use this standard deviation instead of the standard deviation for NSLT health reserve risk of the segment set out in Annex XIV of this Regulation for the calculation of the standard deviation for NSLT health premium and reserve risk referred to in Article 148(1) of this Regulation.

Where only a part of an insurance undertaking's business in a segment s is subject to the HRES, the undertaking shall use a standard deviation for NSLT health premium risk of the segment in the calculation of the standard deviation for NSLT health premium and reserve risk referred to in Article 148(1) that is equal to the following:

$$\sigma'_{(res,s)} = \frac{\sigma_{(res,s)} \times V_{(res,s,nHRES)} + \sigma_{(res,s,HRES)} \times V_{(res,s,HRES)}}{V_{(res,s,nHRES)} + V_{(res,s,HRES)}}$$

where:

(a) $\sigma_{(res,s)}$ denotes the standard deviation for NSLT health reserve risk segment s as set out in Annex XIV;

(b) $V_{(res,s,nHRES)}$ denotes the volume measure for NSLT health reserve risk of the business in segment s that is not subject to the HRES;

(c) $\sigma_{(res,s,HRES)}$ denotes the standard deviation for NSLT health reserve risk of segment s for business subject to the HRES calculated in accordance with paragraph 2;

(d) $V_{(res,s,HRES)}$ denotes the volume measure for NSLT health reserve risk of business in segment s that is subject to the HRES.

$V_{(res,s,nHRES)}$ and $V_{(res,s,HRES)}$ shall be calculated in the same way as the volume measure for NSLT health reserve risk of segment *s* referred to in Article 147, but $V_{(res,s,HRES)}$ shall only take into account the insurance and reinsurance obligations subject to the HRES and $V_{(res,s,nHRES)}$ shall only take into account the insurance and reinsurance obligations not subject to the HRES.

5   Insurance and reinsurance undertakings may replace the standard deviations for NSLT health premium and reserve risk for business subject to a HRES with parameters specific to the insurance and reinsurance undertaking in accordance with Article 104(7) of Directive 2009/138/ EC. Supervisory authorities may require insurance and reinsurance undertakings to replace those standard deviations with parameters specific to the undertaking [F5]....

Textual Amendments

F2   Words in Art. 149(1) substituted (31.12.2020) by The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(15)(a)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)

F3   Words in Art. 149(3) substituted (31.12.2020) by The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(15)(b)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)

F4   Words in Art. 149(4) substituted (31.12.2020) by The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(15)(b)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)

F5   Words in Art. 149(5) omitted (31.12.2020) by virtue of The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(15)(c)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)

Article 150

NSLT health lapse risk sub-module

1   The capital requirement for NSLT health lapse risk referred to in Article 145(1)(b) 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 events:

   a   the discontinuance of 40 % of the insurance policies for which discontinuance would result in an increase of technical provisions without the risk margin;

   b   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.

2   The events referred to in paragraph 1 shall apply uniformly to all insurance and reinsurance contracts concerned. In relation to reinsurance contracts the event referred to in point (a) of paragraph 1 shall apply to the underlying insurance contracts.

3   For the purposes of determining the loss in basic own funds of the insurance or reinsurance undertaking under the event referred to in point (a) of paragraph 1, the undertaking 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.

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Article 151

SLT health underwriting risk sub-module

1   The SLT health underwriting risk module shall consist of all of the following sub-modules:

- a the health mortality risk sub-module;
- b the health longevity risk sub-module;
- c the health disability-morbidity risk sub-module;
- d the health expense risk sub-module;
- e the health revision risk sub-module;
- f the SLT health lapse risk sub-module.

2   The capital requirement for SLT health underwriting risk shall be equal to the following:

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

where:

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

(b)   *CorrSLTH$_{(i,j)}$* denotes the correlation parameter for SLT health 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 *CorrSLTH$_{(i,j)}$* referred to in paragraph 2 shall be equal to the item set out in row i and in column j of the following correlation matrix:

j i	Health mortality	Health longevity	Health disability-morbidity	Health expense	Health revision	SLT health lapse
Health mortality	1	– 0,25	0,25	0,25	0	0
Health longevity	– 0,25	1	0	0,25	0,25	0,25
Health disability-morbidity	0,25	0	1	0,5	0	0
Health expense	0,25	0,25	0,5	1	0,5	0,5
Health revision	0	0,25	0	0,5	1	0
SLT health lapse	0	0,25	0	0,5	0	1

Modifications etc. (not altering text)

C2   Art. 151(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 152

Health mortality risk sub-module

1   The capital requirement for health mortality risk 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:
   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 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 153

Health longevity risk sub-module

1   The capital requirement for health longevity risk 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 an 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 an decrease of mortality rates shall apply only to the underlying insurance policies and shall be carried out in accordance with paragraph 2.

Article 154

Health disability-morbidity risk sub-module

1   The capital requirement for health disability-morbidity risk shall be equal to the sum of the following:
   a   the capital requirement for medical expense disability-morbidity risk;
   b   the capital requirement for income protection disability-morbidity risk.

2   Insurance and reinsurance undertakings shall apply:
   a   the scenarios underlying the calculation of the capital requirement for medical expense disability-morbidity risk only to medical expense insurance and reinsurance obligations where the underlying business is pursued on a similar technical basis to that of life insurance;
   b   the scenarios underlying the calculation of the capital requirement for income protection disability-morbidity risk only to income protection insurance and reinsurance obligations where the underlying business is pursued on a similar technical basis to that of life insurance.

Article 155

Capital requirement for medical expense disability-morbidity risk

1   The capital requirement for medical expense disability-morbidity risk shall be equal to the larger of the following capital requirements:
   a   the capital requirement for the increase of medical payments;
   b   the capital requirement for the decrease of medical payments.

2   The capital requirement for the increase of medical payments shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from the following combination of instantaneous permanent changes:
   a   an increase of 5 % in the amount of medical payments taken into account in the calculation of technical provisions;
   b   an increase by 1 percentage point to the inflation rate of medical payments (expressed as a percentage) used for the calculation of technical provisions.

3   The capital requirement for the decrease of medical payments shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from the following combination of instantaneous permanent changes:
   a   a decrease of 5 % in the amount of medical payments taken into account in the calculation of technical provisions;
   b   a decrease by 1 percentage point from the inflation rate of medical payments (expressed as a percentage) used for the calculation of technical provisions.

Article 156

Capital requirement for income protection disability-morbidity risk

The capital requirement for income protection disability-morbidity risk shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from the following combination of 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 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 in the years after the following 12 months;

(c) where the disability and morbidity recovery rates used in the calculation of technical provisions are lower than 50 %, a decrease of 20 % in those rates;

(d) where the disability and morbidity persistency rates used in the calculation of technical provisions are equal or lower than 50 %, an increase of 20 % in those rates.

Article 157

Health expense risk sub-module

The capital requirement for health expense risk shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from the following combination of 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 by 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 158

Health revision risk sub-module

The capital requirement for health revision risk shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from an instantaneous permanent increase of 4 % 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 inflation, the legal environment or the state of health of the person insured.

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Article 159

SLT health lapse risk sub-module

1   The capital requirement for SLT health lapse risk referred to in Article 151(1)(f) shall be equal to the largest of the following capital requirements:

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

2   The capital requirement for the risk of a permanent increase in SLT health 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 exercise rates of the relevant options set out in paragraph 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 would result in an increase of technical provisions without the risk margin.

3   The capital requirement for the risk of a permanent decrease in SLT health 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 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 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 the insurance or reinsurance 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 should 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 paragraphs 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 set out in paragraph 4 of the policy holders of the insurance contracts underlying the reinsurance contracts;
   c   where reinsurance contracts cover 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 SLT health 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 40 % of the insurance policies for which discontinuance would result in an increase of technical provisions without the risk margin;

> b   where reinsurance contract covers 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 the 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 event referred to in point (a), the undertaking 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) or (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 Regulation.

Article 160

Health catastrophe risk sub-module

1   The capital requirement for the health catastrophe risk sub-module shall be equal to the following:

$$SCR_{healthCAT} = \sqrt{SCR_2^{ma} + SCR_2^{ac} + SCR_2^p}$$

where:

(a) SCR_{ma} denotes the capital requirement of the mass accident risk sub-module;

(b) SCR_{ac} denotes the capital requirement of the accident concentration risk sub-module;

(c) SCR_p denotes the capital requirement of the pandemic risk sub-module.

2   Insurance and reinsurance undertakings shall apply:
> a   the mass accident risk sub-module to health insurance and reinsurance obligations other than workers' compensation insurance and reinsurance obligations;
> b   the accident concentration risk sub-module to workers' compensation insurance and reinsurance obligations and to group income protection insurance and reinsurance obligations;
> c   the pandemic risk sub-module to health insurance and reinsurance obligations other than workers' compensation insurance and reinsurance obligations.

Article 161

Mass accident risk sub-module

1   The capital requirement for the mass accident risk sub-module shall be equal to the following:

$$SCR_{ma} = \sqrt{\sum_s SCR_2^{(ma,s)}}$$

where:

(a)   the sum includes all countries set out in Annex XVI;

(b) $SCR_{(ma,s)}$ denotes the capital requirement for mass accident risk of country s.

2   For all countries set out in Annex XVI, the capital requirement for mass accident risk of a particular country s shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from an instantaneous loss of an amount that, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles is calculated as follows:

$$L_{(ma,s)} = r_s \times \sum_e x_e \times E_{(e,s)}$$

where:

(a) r_s denotes the ratio of persons affected by the mass accident in country s as set out in Annex XVI;

(b)   the sum includes the event types e set out in Annex XVI;

(c) x_e denotes the ratio of persons who will receive benefits of event type e as a result of the accident as set out in Annex XVI;

(d) $E_{(e,s)}$ denotes the total value of benefits payable by insurance and reinsurance undertakings for event type e in country s.

3   For all event types set out in Annex XVI and all countries set out in Annex XVI, the sum insured of an insurance or reinsurance undertaking for a particular event type e in a particular country s shall be equal to the following:

$$E_{(e,s)} = \sum_i SI_{(e,i)}$$

where:

(a)   the sum includes all insured persons i of the insurance or reinsurance undertaking who are insured against event type e and are inhabitants of country s;

(b) $SI_{(e,i)}$ denotes the value of the benefits payable by the insurance or reinsurance undertaking for the insured person i in case of event type e.

The value of the benefits shall be the sum insured or where the insurance contract provides for recurring benefit payments the best estimate of the benefit payments in case of event type e. Where the benefits of an insurance contract depend on the nature or extent of any injury resulting from event e, the calculation of the value of the benefits shall be based on the maximum benefits obtainable under the contract which are consistent with the event. For medical expense insurance and reinsurance obligations the value of the benefits shall be based on an estimate of the average amounts paid in case of event e, assuming the insured person is disabled for the duration specified and taking into account the specific guarantees the obligations include.

4   Where Article 88 is complied with, insurance or reinsurance undertakings may calculate the value of benefits payable to insured person referred to in paragraph 3 based on homogenous risk groups, provided that the grouping of policies complies with Article 35.

Article 162

Accident concentration risk sub-module

1   The capital requirement for the accident concentration risk sub-module shall be equal to the following:

$$SCR_{ac} = \sqrt{\sum_c SCR_2^{(ac,c)}}$$

where:

(a)   the sum includes all countries c;

(b) $SCR_{(ac,c)}$ denotes the capital requirement for accident concentration risk of country c.

2   For all countries the capital requirement for accident concentration risk of country c shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from an instantaneous loss of an amount that, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles, is calculated as follows:

$$L_{(ac,c)} = C_c \times \sum_e x_e \times CE_{(e,c)}$$

where:

(a) C_c denotes the largest accident risk concentration of insurance and reinsurance undertakings in country c;

(b)   the sum includes the event types e set out in Annex XVI;

(c) x_e denotes the ratio of persons which will receive benefits of event type e as a result of the accident as set out in Annex XVI;

(d) $CE_{(e,c)}$ denotes the average value of benefits payable by insurance and reinsurance undertakings for event type e for the largest accident risk concentration in country c.

3   For all countries, the largest accident risk concentration of an insurance or reinsurance undertaking in a country c shall be equal to the largest number of persons for which all of the following conditions are met:

     a   the insurance or reinsurance undertaking has a workers' compensation insurance or reinsurance obligation or an group income protection insurance or reinsurance obligation in relation to each of the persons;

     b   the obligations in relation to each of the persons cover at least one of the events set out in Annex XVI;

     c   the persons are working in the same building which is situated in country c.

4   For all event types and countries, the average sum insured of an insurance or reinsurance undertaking for event type e for the largest accident risk concentration in country c shall be equal to the following:

$$CE_{(e,c)} = \frac{1}{N_e} \sum_{i=1}^{N_e} SI_{(e,i)}$$

where:

(a) N_e denotes the number of insured persons of the insurance or reinsurance undertaking which are insured against event type e and which belong to the largest accident risk concentration of the insurance or reinsurance undertaking in country c;

(b)   the sum includes all the insured persons referred to in point (a);

(c) $SI_{(e,i)}$ denotes the value of the benefits payable by the insurance or reinsurance undertaking for the insured person i in case of event type e.

The value of the benefits referred to in point (c) shall be the sum insured or where the contract provides for recurring benefit payments the best estimate of the benefit payments in case of event type e. Where the benefits of an insurance policy depend on the nature or extent of the injury resulting from event e, the calculation of the value of the benefits shall be based on the maximum benefits obtainable under the policy, which are consistent with the event. For medical expense insurance and reinsurance obligations the value of the benefits shall be based on an estimate of the average amounts paid in case of event e, assuming the insured person is disabled for the duration specified and taking into account the specific guarantees the obligations include.

5   Where Article 88 is complied with, insurance or reinsurance undertakings may calculate the value of the benefits payable by the insurance or reinsurance undertaking for the insured person referred to in paragraph 4 based on homogenous risk groups, provided that the grouping of policies complies with the requirements set out in Article 35.

Article 163

Pandemic risk sub-module

1   The capital requirement for the pandemic risk sub-module shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from an instantaneous loss of an amount that, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles, is calculated as follows:

$$L_p = 0{,}000075 \times E + 0{,}4 \times \sum_c N_c \times M_c$$

where:

(a) E denotes the income protection pandemic exposure of insurance and reinsurance undertakings;

(b)   the sum includes all countries c;

(c) N_c denotes the number of insured persons of insurance and reinsurance undertakings which meet all of the following conditions:

    (i)   the insured persons are inhabitants of country c,

    (ii)   the insured persons are covered by medical expense insurance or reinsurance obligations, other than workers' compensation insurance or reinsurance obligations, that cover medical expenses resulting from an infectious disease;

(d) M_c denotes the expected average amount payable by insurance or reinsurance undertakings per insured person of country c in case of a pandemic.

2   The income protection pandemic exposure of an insurance or reinsurance undertaking shall be equal to the following:

$$E = \sum_i E_i$$

where:

(a)   the sum includes all insured persons i covered by the income protection insurance or reinsurance obligations other than workers' compensation insurance or reinsurance obligations;

(b) E_i denotes the value of the benefits payable by the insurance or reinsurance undertaking, for the insured person i in case of a permanent work disability caused by an infectious disease. The value of the benefits shall be the sum insured or where the contract provides for recurring benefit payments the best estimate of the benefit payments assuming that the insured person is permanently disabled and will not recover.

3   For all countries, the expected average amount payable by insurance or reinsurance undertakings per insured person of a particular country c in case of a pandemic shall be equal to the following:

$$M_c = \sum_h H_h \times CH_{(h,c)}$$

where:

(a)   the sum includes the types of healthcare utilisation h set out in Annex XVI;

(b) H_h denotes the ratio of insured persons with clinical symptoms utilising healthcare h as set out in Annex XVI;

(c) $CH_{(h,c)}$ denotes the best estimate of the amounts payable by insurance and reinsurance undertakings for an insured person in country c in relation to medical expense insurance or reinsurance obligations, other than workers' compensation insurance or reinsurance obligations, for healthcare utilisation h in the event of a pandemic.

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Changes to legislation:
Commission Delegated Regulation (EU) 2015/35, SECTION 4 is up to date with all changes known to be in force on or before 16 July 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.