Guidelines on application of the life underwriting risk module
Introduction


1.3. These Guidelines are addressed to supervisory authorities under Solvency II.

1.4. These Guidelines aim at facilitating convergence of practice across Member States and support undertakings in calculating their capital requirement for life underwriting risk under Solvency II.

1.5. These Guidelines include guidance on which rates should be shocked to calculate the capital requirement for the life underwriting risk module referred to in Article 105 (3) of Solvency II. They focus on the:

   (a) mortality risk sub-module referred to in Article 105 (3) (a) of Solvency II and in Article 137 of Commission Delegated Regulation 2015/35;

   (b) longevity risk sub-module referred to in Article 105 (3) (b) of Solvency II and in Article 138 of Commission Delegated Regulation 2015/35;

   (c) disability-morbidity risk sub-module referred to in Article 105 (3) (c) of Solvency II and in Article 139 of Commission Delegated Regulation 2015/35.

1.6. Guideline 5 provides guidance on how undertakings should calculate the capital requirement for disability-morbidity risk in the case of a contract that allows for multiple states of disability. It aims at supporting undertakings in identifying properly which transition rates need to be shocked when calculating technical provisions under stress.

1.7. If not defined in these Guidelines, the terms have the meaning defined in the legal acts referred to in the introduction.

1.8. The Guidelines shall apply from 1 April 2015.

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¹ OJ L 331, 15.12.2010, p. 48–83
³ OJ L 12, 17.01.2015, p. 1–797
Guideline 1 – Increase in mortality rates

1.9. Undertakings should apply the increase in mortality rates referred to in Article 137 of Commission Delegated Regulation 2015/35 irrespective of the time unit of the rates (annual, monthly, etc.) and where the increase in mortality rates leads to an increase in technical provisions without the risk margin. After the increase, rates should not exceed a value of 1.

Guideline 2 - Decrease in mortality rates

1.10. Undertakings should apply the decrease in mortality rates referred to in Article 138 of Commission Delegated Regulation 2015/35 irrespective of the time unit of the rates (annual, monthly, etc.) and where the decrease in mortality rates leads to an increase in technical provisions without the risk margin.

Guideline 3 - Increase in disability-morbidity inception rates

1.11. Undertakings should apply the increase in disability and morbidity rates referred to in Article 139 (a) and (b) of Commission Delegated Regulation 2015/35 irrespective of the time unit of the rate (annual, monthly, etc.). After the increase disability and morbidity rates should not exceed a value of 1.

Guideline 4 - Decrease in disability-morbidity recovery rates

1.12. Undertakings should apply the decrease in disability and morbidity recovery rates referred to in Article 139 (c) of Commission Delegated Regulation 2015/35 irrespective of the time unit of the rate (annual, monthly, etc.).

1.13. Notwithstanding the above paragraph, undertakings should not apply the decrease to recovery rates with a value of 1, which merely reflects the fact that the benefit payments end after a contractually fixed period.

Guideline 5 - Multi-status guarantees

1.14. Where rates of transition between several health statuses enter into the calculation of technical provisions, undertakings should consider all rates of transition from one status to a more severe one as disability and morbidity rates and all rates of transition from one status to a less severe one (including the status “healthy”) as disability and morbidity recovery rates for the purpose of calculating the capital requirement for disability-morbidity risk referred to in Article 139 of Commission Delegated Regulation 2015/35, irrespective of the current status of the policyholder for which a technical provision is calculated.

1.15. Only the persistency rates should be adjusted to ensure that after the shock, the sum of transition rates from one state to others still adds up to 1.
Compliance and Reporting Rules

1.16. This document contains Guidelines issued under Article 16 of the EIOPA Regulation. In accordance with Article 16 (3) of the EIOPA Regulation, Competent Authorities and financial institutions shall make every effort to comply with guidelines and recommendations.

1.17. Competent authorities that comply or intend to comply with these Guidelines should incorporate them into their regulatory or supervisory framework in an appropriate manner.

1.18. Competent authorities shall confirm to EIOPA whether they comply or intend to comply with these Guidelines, with reasons for non-compliance, within two months after the issuance of the translated versions.

1.19. In the absence of a response by this deadline, competent authorities will be considered as non-compliant to the reporting and reported as such.

Final Provision on Reviews

1.20. The present Guidelines shall be subject to a review by EIOPA.