

Q&A

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Guidelines on valuation of technical provisions

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Question

For mortality risk, it is stipulated that "the increase in mortality rates shall only apply to those insurance policies for which the increase in mortality rates leads to an increase in technical provisions". Which technical provision must be the reference: the TP gross of reinsurance, or the one net of reinsurance?

EIOPA answer

Article 137 Par. 2 of the Delegated Regulation sets out that "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"

According to Article 77 Solvency II Par. 1 "[t]he value of technical provisions shall be equal to the sum of a best estimate and a risk margin".

Paragraph 2 further clarifies that "[t]he best estimate shall be calculated gross, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles".

This means that the technical provisions gross of reinsurance has to be considered when determining the scope for the mortality shock.