



EIOPA-CP-14-038

2 June 2014

Annex to the EIOPA consultation on the Guidelines for Solvency II

This annex is a non-official reference to the draft Delegated Act articles implementing the Solvency II Directive, which relate to EIOPA's consultation on Guidelines on Solvency II published on 2 June 2014 regarding the following topics:

- Pillar 1, including technical provisions, own funds, the standard formula solvency capital requirement, and group solvency;
- Internal models;
- Pillar 2 including system of governance and own risk and solvency assessment;
- Supervisory review process; and
- Equivalence

The Delegated Acts have not yet been formally adopted by the European Commission. The draft articles are based on a non-public working document from the Commission presented to the Members of the Expert Group on Banking, Payments and Insurance (Insurance Formation) in March 2014.

EIOPA is not considering comments on the draft articles below and the present document is merely for information purposes. The text copied hereunder aims to support the consultation, and should not be seen as pre-empting the final text to be adopted by Commission.

Topic	Article	Text
Definitions	1bis (26)	'basis risk' means the risk resulting from the situation in which the exposure covered by the risk-mitigation technique does not correspond to the risk exposure of the insurance or reinsurance undertaking
Valuation of assets and liabilities	8 V4	<p style="text-align: center;"><i>Recognition of contingent liabilities</i></p> <ol style="list-style-type: none"> 1. Insurance and reinsurance undertakings shall recognise contingent liabilities, as defined in international accounting standards adopted by the Commission in accordance with Regulation (EC) No 1606/2002, that are material, as liabilities. 2. Contingent liabilities are material if information about the current or potential size or nature of that liability could influence the decision-making or judgement of the intended user of that information, including the supervisory authorities.
	9 V5	<p style="text-align: center;"><i>Valuation methods for goodwill and intangible assets</i></p> <ol style="list-style-type: none"> 1. Insurance and reinsurance undertakings shall value the following assets at zero: <ol style="list-style-type: none"> (a) goodwill; (b) intangible assets, other than goodwill, unless the intangible asset can be sold separately and the insurance and reinsurance undertaking can demonstrate that there is a value for the same or similar assets that has been derived in accordance with Article V3(2), in which case the asset shall be valued in accordance with Article V3.
	11 V7	<p style="text-align: center;"><i>Deferred taxes</i></p> <ol style="list-style-type: none"> 1. Insurance and reinsurance undertakings shall recognise and value deferred taxes in relation to all assets and

		<p>liabilities, including technical provisions, that are recognised for solvency or tax purposes in conformity with international accounting standards adopted by the Commission in accordance with Article 6.</p> <p>2. Notwithstanding paragraph 1, insurance and reinsurance undertakings shall value deferred taxes, other than deferred tax assets arising from the carryforward of unused tax credits and the carryforward of unused tax losses, on the basis of the difference between the values ascribed to assets and liabilities recognised and valued in accordance with Article 75 of Directive 2009/138/EC and in the case of technical provisions in accordance with Articles 76 to 85 of that Directive and the values ascribed to assets and liabilities as recognised and valued for tax purposes.</p> <p>3. Insurance and reinsurance undertaking shall only ascribe a positive value to deferred tax assets where it is probable that future taxable profit will be available against which the deferred tax asset can be utilised, taking into account any legal or regulatory requirements on the time limits relating to the carryforward of unused tax losses or the carryforward of unused tax credits.</p>
Technical provisions	33 TP20	<p style="text-align: center;"><i>Calculation of the risk margin</i></p> <p>1. The risk margin for the whole portfolio of insurance and reinsurance obligations shall be calculated using the following formula:</p> $RM = CoC \cdot \sum_{t \geq 0} \frac{SCR(t)}{(1 + r(t+1))^{t+1}}$ <p>where:</p> <p>(a) <i>CoC</i> denotes the Cost-of-Capital rate;</p> <p>(b) the sum covers all integers including zero;</p> <p>(c) <i>SCR(t)</i> denotes the Solvency Capital Requirement referred to in Article TP18(2) after <i>t</i> years;</p> <p>(d) <i>r(t+1)</i> denotes the basic risk-free interest rate for the maturity of <i>t+1</i> years.</p> <p>The basic risk-free interest rate <i>r(t+1)</i> shall be chosen in accordance with the currency used for the financial statements of the insurance and reinsurance undertaking.</p> <p>2. Where insurance and reinsurance undertakings calculate their Solvency Capital Requirement using an approved internal model and determine that the model is appropriate to calculate the Solvency Capital</p>

		<p>Requirement referred to in Article TP18(2) for each point in time over the lifetime of the insurance and reinsurance obligations, the insurance and reinsurance undertakings shall use the internal model to calculate the amounts $SCR(t)$ referred to in paragraph 1.</p> <p>3. Insurance and reinsurance undertakings shall allocate the risk margin for the whole portfolio of insurance and reinsurance obligations to the lines of business referred to in Article 80 of Directive 2009/138/EC. The allocation shall adequately reflect the contributions of the lines of business to the Solvency Capital Requirement referred to in Article TP18(2) over the lifetime of the whole portfolio of insurance and reinsurance obligations.</p>
Own funds	52 AOF2	<p style="text-align: center;"><i>Assessment of the application</i></p> <p>(1) The supervisory authorities shall base their approval on an assessment of the requirements in Article 90 of Directive 2009/138/EC, taking into account at least the following:</p> <ul style="list-style-type: none"> (a) the legal effectiveness and enforceability of the terms of the commitment in all relevant jurisdictions; (b) the contractual terms of the arrangement that the insurance or reinsurance undertaking has entered into with the counterparties to provide funds; (c) where relevant, the insurance or reinsurance undertaking's memorandum and articles of association or statutes. <p>(2) The supervisory authorities shall also assess whether the requirements in Article 90 of Directive 2009/138/EC are met taking into account the range of circumstances under which the item can be called up to absorb losses.</p> <p>(3) Where the insurance or reinsurance undertaking is seeking approval of a method by which to determine the amount of each ancillary own-fund item, the supervisory authorities shall assess whether the undertaking's process for regularly validating the method is appropriate to ensure that the results of the method reflect the loss-absorbency of the item on an ongoing basis.</p> <p>(4) The insurance or reinsurance undertaking shall demonstrate to the supervisory authorities that the requirements in paragraphs 1(a), 2 and 3 are met and provide them with the information in points (a) and (b) of paragraph 1.</p>

		<p>(5) In addition to the requirements set out in the paragraphs 1 to 3, the supervisory authorities shall assess the application for approval of ancillary own funds based on the criteria in Articles AOF3 to AOF5.</p>
	53 AOF3	<p style="text-align: center;"><i>Assessment of the application - Status of the counterparties</i></p> <p>(1) In accordance with Article 90(4)(a) of Directive 2009/138/EC, the supervisory authorities shall base their approval on an assessment of the counterparties' ability to pay, considering:</p> <ul style="list-style-type: none"> (a) the risk of default of the counterparties; (b) the risk that default arises from a delay in the counterparties satisfying their commitments under the ancillary own funds item. <p>(2) The insurance or reinsurance undertaking shall demonstrate to the supervisory authorities the counterparties' ability to pay, taking into account points (a) and (b) of paragraph 1.</p> <p>(3) In relation to paragraph 1(a), the supervisory authorities shall assess the risk of default of the counterparties by examining the probability of default of the counterparties and the loss given default, taking into account the following criteria:</p> <ul style="list-style-type: none"> (a) the credit standing of the counterparties, provided that this appropriately reflects the counterparties' ability to satisfy their commitments under the ancillary own funds item; (b) whether there are any current or foreseeable practical or legal impediments to the counterparties' satisfaction of their commitments under the ancillary own funds item; (c) whether the counterparties are subject to legal or regulatory requirements that reduce the counterparties' ability to satisfy their commitments under the ancillary own funds item; (d) whether the legal form of the counterparties prejudice the counterparties' satisfaction of their commitments under the ancillary own funds item; (e) whether the counterparties are subject to other exposures which reduce the counterparties' ability to satisfy their commitments under the ancillary own funds item; (f) whether, in relation to their commitment under the ancillary own fund item, the contractual terms of the arrangement under any applicable law are such that the counterparties have rights to set-off

		<p>amounts they owe against any amounts owed to them by the insurance or reinsurance undertaking.</p> <p>(4) The insurance or reinsurance undertaking shall communicate to the supervisory authorities its own assessment of the risk of default of the counterparties by examining the probability of default of the counterparties and of the loss given default, taking into account the criteria referred to in points (a) to (f) of paragraph 3.</p> <p>(5) In relation to paragraph 1(b), the supervisory authorities shall assess the liquidity position of the counterparties, taking into account the following:</p> <ul style="list-style-type: none"> (a) whether there are any current or foreseeable practical or legal impediments to the counterparties' ability to promptly satisfy their commitments under the ancillary own funds item; (b) whether the counterparties are subject to legal or regulatory requirements that may reduce the counterparties' ability to promptly satisfy their commitments under the ancillary own funds item; (c) whether the legal form of the counterparties prejudices the counterparties' prompt satisfaction of their commitments under the ancillary own funds item. <p>(6) The insurance or reinsurance undertaking shall communicate to the supervisory authorities its own assessment of the liquidity position of the counterparties, taking into account the criteria referred to in points (a) to (c) of paragraph 5.</p> <p>(7) In accordance with Article 90(4)(a) of Directive 2009/138/EC, the supervisory authorities shall base their approval on an assessment of the counterparties' willingness to pay, taking into account the following:</p> <ul style="list-style-type: none"> (a) the range of circumstances under which the ancillary own funds item can be called up to absorb losses; (b) whether incentives or disincentives exist which may affect the counterparties' willingness to satisfy their commitments under the ancillary own funds item; (c) whether previous transactions between the counterparties and the insurance or reinsurance undertaking, including the counterparties' previous satisfaction of their commitments under ancillary own funds item, give an indication as to the counterparties' willingness to satisfy their current commitments under the ancillary own funds item. <p>(8) The insurance or reinsurance undertaking shall demonstrate to the supervisory authorities the counterparties' willingness to pay, taking into account points (a) to (c) of paragraph 7.</p>
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	54 AOF4	<p style="text-align: center;"><i>Assessment of the application – Recoverability of the funds</i></p> <p>(1) In accordance with Article 90(4)(b) of Directive 2009/138/EC, the supervisory authorities shall base their approval on an assessment of the recoverability of the funds, taking into account the following:</p> <ul style="list-style-type: none"> (a) whether the recoverability of the funds is increased as a result of the availability of collateral or an analogous arrangement that satisfies the requirements in Articles SCRRM1 to SCRRM6 and where relevant Article SCRRM7; (b) whether the recoverability of the funds is clear of any current or foreseeable practical or legal impediments; (c) whether the recoverability of the funds is subject to legal or regulatory requirements; (d) the ability of the insurance or reinsurance undertaking to take action to enforce the counterparties' satisfaction of their commitments under the ancillary own funds item. <p>(2) The insurance or reinsurance undertaking shall demonstrate to the supervisory authorities the recoverability of the funds, taking into account the criteria referred to in points (a) to (d).</p>

	55 AOF5	<p><i>Assessment of the application – Information on the outcome of past calls</i></p> <p>(1) In accordance with Article 90(4)(c) of Directive 2009/138/EC, the supervisory authorities shall base their approval on an assessment of the information of past calls, taking into account the following:</p> <ul style="list-style-type: none"> (a) whether the insurance or reinsurance undertaking has past experience in recovering funds from the same or similar counterparties under the same or similar circumstances; (b) whether that information is relevant and reliable as regards the expected outcome of future calls. <p>(2) For the purposes of paragraph 1, the insurance or reinsurance undertaking shall provide the information relating to past calls to the supervisory authorities as part of its application for approval of ancillary own funds. The information shall include data relating to the undertaking seeking supervisory approval and may also include market data where the data are relevant to the undertaking seeking supervisory approval.</p>
	56 AOF6	<p><i>Specification of amount and timing</i></p> <p>(1) The supervisory authorities shall not approve an unlimited amount of ancillary own funds.</p> <p>(2) Where the supervisory authorities approve an amount of ancillary own funds, the decision of the supervisory authorities shall specify whether the amount that has been approved is the amount for which the insurance or reinsurance undertaking has applied or a lower amount.</p> <p>(3) Where the supervisory authorities approve a method to determine the amount of each ancillary own fund item, the supervisory authorities' decision shall set out the following:</p> <ul style="list-style-type: none"> (a) the initial amount of the ancillary own funds item that has been calculated using that method at the date the approval is granted; (b) the minimum frequency of recalculation of the amount of ancillary own funds item using that method if more frequent than annual, including the reasons for this frequency; (c) the time period for which the calculation of the ancillary own funds item using that method is granted.
	57 AOF7	<p><i>Ongoing satisfaction of the criteria</i></p>

		<p>(1) The insurance or reinsurance undertaking shall report to the supervisory authorities each time the Solvency Capital Requirement is calculated in accordance with Article 102 of Directive 2009/138/EC whether there have been any changes to the following that may reduce loss-absorbency of the ancillary own-fund item:</p> <ul style="list-style-type: none"> (a) the structure or contractual terms of the arrangement; (b) the status of the counterparties concerned; or (c) the recoverability of the ancillary own funds item. <p>Where applicable, the insurance or reinsurance undertaking shall provide details of the change to the supervisory authorities.</p> <p>(2) Notwithstanding paragraph 1, the insurance or reinsurance undertaking shall immediately inform the supervisory authorities of any material change in the loss- absorbency of the ancillary own-fund item.</p> <p>(3) The supervisory authorities shall monitor the appropriateness of the amount of ancillary own funds approved or the method to determine that amount and may revise that amount or its approval of the method for determining that amount where the supervisory authorities have received information, either by virtue of information provided pursuant to paragraphs 1 or 2 or otherwise, that there has been or may have been a material change in the loss-absorbency of the ancillary own-fund item.</p> <p>(4) For the purposes of this Article, a change shall be considered material if it is likely to have affected the amount of ancillary own-fund approved if it had been known by the supervisory authority at the time of approval.</p>
	58 COF1	<p style="text-align: center;"><i>Tier 1 – List of own-fund items</i></p> <p>The following basic own-fund items shall be deemed to substantially possess the characteristics set out in Article 93(1)(a) and (b) of Directive 2009/138/EC, taking into consideration the features set out in Article 93(2) of that Directive, where those items display the features set out in Article COF2:</p> <p>(1) the part of excess of assets over liabilities, valued in accordance with Article 75 and Section 2 of Chapter VI of Directive 2009/138/EC, comprising the following items:</p> <ul style="list-style-type: none"> (a) paid-in ordinary share capital and the related share premium account; (b) paid-in initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings;

		<ul style="list-style-type: none"> (c) paid-in subordinated mutual member accounts; (d) surplus funds that are not considered insurance and reinsurance liabilities in accordance with Article 91(2) of Directive 2009/138/EC; (e) paid-in preference shares and the related share premium account; (f) a reconciliation reserve; <p>(2) paid-in subordinated liabilities valued in accordance with Article 75 of Directive 2009/138/EC.</p>
	58bis COF1bis	<p style="text-align: center;"><i>Reconciliation Reserve</i></p> <p>(1) The reconciliation reserve referred to in point (f) of Article COF1(1) equals the total excess of assets over liabilities reduced by:</p> <ul style="list-style-type: none"> (a) the amount of own shares held by the insurance and reinsurance undertaking; (b) any foreseeable dividends, distributions and charges; (c) the basic own-fund items included in points (a) to (e) of Article COF1(1), Article COF3(1) and Article COF7(1); (d) the basic own-fund items not included in points (a) to (e) of Article COF1(1), Article COF3(1) and Article COF7(1), which have been approved by the supervisory authority in accordance with Article COF10; (e) the restricted own-fund items that <ul style="list-style-type: none"> (i) exceed the notional Solvency Capital Requirement in the case of matching adjustment portfolios and in the case of ring-fenced funds determined in accordance with Article RFFOF2(1); (ii) that are excluded in accordance with RFFOF2(2); (f) the amount of participations held in financial and credit institutions as referred to in Article 92(2) of Directive 2009/138/EC deducted in accordance with Article POF1, to the extent that this is not already included in points (a) to (e).

		<p>(2) The excess of assets over liabilities referred to in paragraph 1 includes the amount that corresponds to the expected profit included in future premiums.</p> <p>(3) The determination of whether, and to what extent, the reconciliation reserve displays the features set out in Article COF2 shall not assess the features of the assets and liabilities that are included in computing the excess of assets over liabilities or the underlying items in the undertakings' financial statements.</p>
	59 COF2	<p style="text-align: center;"><i>Tier 1 – Features determining classification</i></p> <p>(1) The basic own-fund items listed in Article COF1 shall display the following features in order to be classified in Tier 1:</p> <p>(a) the basic own fund item:</p> <p style="margin-left: 40px;">(i) in the case of items referred to in points (a) and (b) of Article COF1(1), ranks after all other claims in the event of winding-up proceedings regarding the insurance or reinsurance undertaking;</p> <p style="margin-left: 40px;">(ii) in the case of items referred to in points (1)(c), (e) and (2) of Article COF1, ranks to the same degree as, or ahead of, the items referred to in points (a) and (b) of Article COF1(1), but after items listed in Articles COF3 and COF7 that display the features set out in Article COF4 and COF8 respectively and after the claims of all policy holders and beneficiaries and non-subordinated creditors;</p> <p>(b) the basic own-fund item does not include features which may cause the insolvency of the insurance or reinsurance undertaking or may accelerate the process of the undertaking becoming insolvent;</p> <p>(c) the basic own fund item is immediately available to absorb losses;</p> <p>(d) the basic own-fund item absorb losses at least once there is non-compliance with the Solvency Capital Requirement and does not hinder the recapitalisation of the insurance or reinsurance undertaking;</p> <p>(d)bis the basic own-fund item, in the case of items referred to in points (1)(c), (e) and (2) of Article COF1, possesses one of the following principal loss absorbency mechanisms to be triggered at the trigger event specified in paragraph 6:</p> <p style="margin-left: 40px;">(i) the nominal or principal amount of the basic own-fund item is written down as set out in paragraph 4;</p> <p style="margin-left: 40px;">(ii) the basic own-fund item automatically converts into a basic own-fund item listed in points (a) or (b) of Article COF1(1) as set out in paragraph 4bis; or</p>

		<ul style="list-style-type: none"> (iii) a principal loss absorbency mechanism that achieves an equivalent outcome to the principal loss absorbency mechanisms set out in points (i) or (ii);
		<ul style="list-style-type: none"> (e) the basic own-fund item: <ul style="list-style-type: none"> (i) in the case of items referred to in points (a) and (b) of Article COF1(1), is undated or, where the insurance or reinsurance undertaking has a fixed maturity, is of the same maturity as the undertaking; (ii) in the case of items referred to in points (1)(c), (e) and (2) of Article COF1, is undated; the first contractual opportunity to repay or redeem the basic own-fund item does not occur before 5 years from the date of issuance; (e)bis a basic own-fund item referred to in points (1)(c), (e) and (2) of Article COF1 may only allow for repayment or redemption of that item between 5 and 10 years after the date of issuance where the undertaking's Solvency Capital Requirement is exceeded by an appropriate margin taking into account the solvency position of the undertaking including the undertaking's medium-term capital management plan. (f) the basic own-fund item, in the case of items referred to in points (1)(a), (b), (c), (e) and (2) of Article COF1, is only repayable or redeemable at the option of the insurance or reinsurance undertaking and the repayment or redemption of the basic own-fund item is subject to prior supervisory approval; (f)bis the basic own-fund item, in the case of items referred to in points (1)(a), (b), (c), (e) and (2) of Article COF1, does not include any incentives to repay or redeem that item that increase the likelihood that an insurance or reinsurance undertaking will repay or redeem that basic own-fund item where it has the option to do so; (g) the basic own-fund item, in the case of items referred to in points (1)(a), (b), (c), (e) and (2) of Article COF1, provides for the suspension of repayment or redemption of that item in the event that there is non-compliance with the Solvency Capital Requirement or repayment or redemption would lead to such non-compliance until the undertaking complies with the Solvency Capital Requirement and the repayment or redemption would not lead to non-compliance with the Solvency Capital Requirement; (g)bis notwithstanding point (g), the basic own-fund item may only allow for repayment or redemption of that item in the event that there is non-compliance with the Solvency Capital Requirement or repayment or redemption would lead to such non-compliance, where the following conditions are met: <ul style="list-style-type: none"> (i) the supervisory authority has exceptionally waived the suspension of repayment or redemption of that item;

		<ul style="list-style-type: none"> (ii) the item is exchanged for or converted into another Tier 1 own-fund item of at least the same quality; (iii) the Minimum Capital Requirement is complied with after the repayment or redemption. <p>(h) the basic own-fund item:</p> <ul style="list-style-type: none"> (i) in the case of items referred to in points (a) and (b) of Article COF1(1), either the legal or contractual arrangements governing the item or national legislation allow for the distributions in relation to that item to be cancelled in the event that there is non-compliance with the Solvency Capital Requirement or the distribution would lead to such non-compliance until the undertaking complies with the Solvency Capital Requirement and the distribution would not lead to non-compliance with the Solvency Capital Requirement; (ii) in the case of items referred to in points (1)(c), (e) and (2) of Article COF1 the terms of the contractual arrangement governing the own-fund item provide for the cancellation of distributions in relation to that item in the event that there is non-compliance with the Solvency Capital Requirement or the distribution would lead to such non-compliance until the undertaking complies with the Solvency Capital Requirement and the distribution would not lead to non-compliance with the Solvency Capital Requirement; <p>(h)bis notwithstanding point (h), the basic own-fund item may only allow for a distribution to be made in the event that there is non-compliance with the Solvency Capital Requirement or the distribution on a basic-own fund item would lead to such non-compliance, where the following conditions are met:</p> <ul style="list-style-type: none"> (i) the supervisory authority has exceptionally waived the cancellation of distributions; (ii) the distribution does not further weaken the solvency position of the insurance or reinsurance undertaking; (iii) the Minimum Capital Requirement is complied with after the distribution is made. <p>(i) notwithstanding point (h), the basic own fund item, in the case of items referred to in points (1)(a), (b), (c), (e) and (2) of Article COF1, provides the insurance or reinsurance undertaking with full flexibility over the distributions on the basic own-fund item;</p> <p>(j) the basic own-fund item is free from encumbrances and is not connected with any other transaction, which when considered with the basic own-fund item, could result in that basic own-fund item not satisfying the requirements set out in Article 94(1) of Directive 2009/138/EC.</p>
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		<p>(2) For the purposes of this Article, the exchange or conversion of a basic own-fund item into another Tier 1 basic own-fund item or the repayment or redemption of a Tier 1 own-fund item out of the proceeds of a new basic own-fund item of at least the same quality shall not be deemed to be a repayment or redemption, provided that the exchange, conversion, repayment or redemption is subject to the approval of the supervisory authority.</p> <p>(3) For the purpose of point (i) of paragraph 1,</p> <p>(a) full flexibility over the distributions, in the case of basic own-fund items referred to in points (a) and (b) of Article COF1(1), shall mean that:</p> <ul style="list-style-type: none"> (i) there is no preferential distribution treatment regarding the order of distribution payments and the terms of the contractual arrangement governing the own-fund item do not provide preferential rights to the payment of distributions; (ii) distributions are paid out of distributable items; (iii) the level of distributions is not determined on the basis of the amount for which the own-fund item was purchased at issuance and there is no cap or other restriction on the maximum level of distribution, except in the case of instruments issued by mutual and mutual-type undertakings; (iv) there is no obligation for an insurance or reinsurance undertaking to make distributions; (v) non-payment of distributions does not constitute an event of default of the insurance or reinsurance undertaking; (vi) the cancellation of distributions imposes no restrictions on insurance or reinsurance undertaking. <p>(b) full flexibility over the distributions, in the case of basic own-fund items referred to in points (1)(c), (e) and (2) of Article COF1, shall mean that:</p> <ul style="list-style-type: none"> (i) distributions are paid out of distributable items; (ii) insurance and reinsurance undertakings have full discretion at all times to cancel distributions in relation to the own-fund item for an unlimited period and on a non-cumulative basis and the institution may use the cancelled payments without restriction to meet its obligations as
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		<p>they fall due;</p> <p>(iii) there is no obligation to substitute the distribution by a payment in any other form;</p> <p>(iv) there is no obligation to make distributions in the event of a distribution being made on another own fund item;</p> <p>(v) non payment of distributions does not constitute an event of default of the insurance or reinsurance undertaking;</p> <p>(vi) the cancellation of distributions imposes no restrictions on the insurance or reinsurance undertaking.</p> <p>(4) For the purposes of point (1)(d)bis(i), the nominal or principal amount of the basic own-fund item shall be written down in such a way that all of the following are reduced:</p> <p>(a) the claim of the holder of that item in the event of winding-up proceedings;</p> <p>(b) the amount required to be paid on repayment or redemption of that item;</p> <p>(c) the distributions paid on that item.</p> <p>(4)bis For the purposes of point (1)(d)bis(ii), the provisions governing the conversion to the basic own-fund item listed in points (a) or (b) of Article COF1(1) shall specify either of the following:</p> <p>(a) the rate of conversion and a limit on the permitted amount of conversion;</p> <p>(b) a range within which the instruments will convert into the basic own funds item listed in points (a) or (b) of Article COF(1).</p> <p>(5) The nominal or principal amount of the basic own-fund item shall absorb losses at the trigger event. Loss absorbency resulting from the cancellation of, or reduction in, distributions shall not be deemed to be sufficient to meet the requirement in point (1)(d)bis for a principal loss absorbency mechanism.</p> <p>(6) The trigger event referred to in point (1)(d)bis is significant non-compliance with the Solvency Capital Requirement.</p> <p>For the purposes of this paragraph, non-compliance with the Solvency Capital Requirement is significant where at least one of the following conditions is met:</p> <p>(a) the amount of own-fund items eligible to cover the Solvency Capital Requirement is equal to or less</p>
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		<p>than the 75 % of the Solvency Capital Requirement;</p> <p>(b) the amount of own-fund items eligible to cover the Minimum Capital Requirement is equal to or less than Minimum Capital Requirement;</p> <p>(c) compliance with the Solvency Capital Requirement is not re-established within a period of three months of the date when non-compliance was observed.</p> <p>Undertakings may specify in the provisions governing the instrument one or more trigger events in addition to the events referred to in points (a) to (c).</p> <p>(7) For the purposes of points (d), (g) and (h) of paragraph 1, references to the Solvency Capital Requirement shall be read as references to the Minimum Capital Requirement in the event that non-compliance with the Minimum Capital Requirement occurs before non-compliance with the Solvency Capital Requirement.</p>
	60 COF3	<p><i>Tier 2 Basic own-funds – List of own-fund items</i></p> <p>The following basic own-fund items shall be deemed to substantially possess the characteristics in Article 93(1)(b) of Directive 2009/138/EC, taking into consideration the features set out in Article 93(2) of that Directive, where those items display the features set out in Article COF4:</p> <p>(1) the part excess of assets over liabilities, valued in accordance with Article 75 and Section 2 of Chapter VI of Directive 2009/138/EC, comprising the following items:</p> <p>(a) ordinary share capital and the related share premium account;</p> <p>(b) initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings;</p> <p>(c) subordinated mutual member accounts;</p> <p>(d) preference shares and the related share premium account;</p> <p>(2) Subordinated liabilities valued in accordance with Article 75 of Directive 2009/138/EC.</p>

	61 COF4	<p style="text-align: center;"><i>Tier 2 Basic own-funds – Features determining classification</i></p> <p>(1) The basic own-fund items listed in Article COF3 shall display the following features in order to be classified as Tier 2:</p> <ul style="list-style-type: none"> (a) the basic own-fund item ranks after the claims of all policy holders and beneficiaries and non-subordinated creditors; (b) the basic own-fund item does not include features which may cause the insolvency of the insurance or reinsurance undertaking or may accelerate the process of the undertaking becoming insolvent; (c) the basic own-fund item is undated or has an original maturity of at least 10 years; the first contractual opportunity to repay or redeem the basic own-fund item does not occur before 5 years from the date of issuance; (d) the basic own-fund item is only repayable or redeemable at the option of the insurance or reinsurance undertaking and the repayment or redemption of the basic own-fund item is subject to prior supervisory approval; (d)bis the basic own-fund item may include limited incentives to repay or redeem that basic own-fund item, provided that these do not occur before 10 years from the date of issuance; (e) the basic own-fund item provides for the suspension of repayment or redemption of that item in the event that there is non-compliance with the Solvency Capital Requirement or repayment or redemption would lead to such non-compliance until the undertaking complies with the Solvency Capital Requirement and the repayment or redemption would not lead to non-compliance with the Solvency Capital Requirement; (e)bis notwithstanding point (e), the basic own-fund item may only allow for the repayment or redemption of that item in the event that there is non-compliance with the Solvency Capital Requirement or repayment or redemption would lead to such non-compliance, where the following conditions are met: <ul style="list-style-type: none"> (i) the supervisory authority has exceptionally waived the suspension of repayment or redemption of that item;
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		<ul style="list-style-type: none"> (ii) the item is exchanged for or converted into another Tier 1 or Tier 2 basic own-fund item of at least the same quality; (iii) the Minimum Capital Requirement is complied with after the repayment or redemption. <p>(f) the basic own-fund item,</p> <ul style="list-style-type: none"> (i) in the case of items referred to in points (a) and (b) of Article COF3(1), either the legal or contractual arrangements governing the item or national legislation allow for the distributions in relation to that item to be deferred in the event that there is non-compliance with the Solvency Capital Requirement or the distribution would lead to such non-compliance until the undertaking complies with the Solvency Capital Requirement and the distribution would not lead to non-compliance with the Solvency Capital Requirement; (ii) in the case of items referred to in points (1)(c), (d) and (2) of Article COF3 the terms of the contractual arrangement governing the own-fund item provide for the distributions in relation to that item to be deferred in the event that there is non-compliance with the Solvency Capital Requirement or the distribution would lead to such non-compliance until the undertaking complies with the Solvency Capital Requirement and the distribution would not lead to non-compliance with the Solvency Capital Requirement; <p>(f)bis notwithstanding point (f), the basic own-fund item may only allow for a distribution to be made in the event that there is non-compliance with the Solvency Capital Requirement or the distribution on a basic-own fund item would lead to such non-compliance, where the following conditions are met:</p> <ul style="list-style-type: none"> (i) the supervisory authority has exceptionally waived the deferral of distributions; (ii) the payment does not further weaken the solvency position of the insurance or reinsurance undertaking; (iii) the Minimum Capital Requirement is complied with after the distribution is made. <p>(g) the basic own-fund item is free from encumbrances and shall not be connected with any other transaction, which when considered with the basic own-fund item, could result in that basic own-fund item not satisfying the requirements set out in first subparagraph of Article 94(2) of Directive 2009/138/EC.</p> <p>(h) the basic own-fund item displays the features set out in Article COF2 that are relevant for basic own-</p>
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		<p>fund items referred to in points (1)(c), (e) and (2) of Article COF1, but exceeds the limit set out in Article EOF1(3).</p> <p>(2) For the purposes of this Article, the exchange or conversion of a basic own-fund item into another Tier 1 or Tier 2 basic own-fund item or the repayment or redemption of a Tier 2 basic own-fund item out of the proceeds of a new basic own-fund item of at least the same quality shall not be deemed to be a repayment or redemption, provided that the exchange, conversion, repayment or redemption is subject to the approval of the supervisory authority.</p> <p>(3) For the purposes of points (e) and (f) of paragraph 1, references to the Solvency Capital Requirement shall be read as references to the Minimum Capital Requirement in the event that non-compliance with the Minimum Capital Requirement occurs before non-compliance with the Solvency Capital Requirement.</p>
	62 COF5	<p><i>Tier 2 Ancillary own-funds – List of own-fund items</i></p> <p>Without prejudice to Article 96 of Directive 2009/138/EC, the following ancillary own-fund items shall be deemed to substantially possess the characteristics in Article 93(1)(b) of Directive 2009/138/EC, taking into consideration the features set out in Article 93(2) of that Directive, where those items display the features set out in Article COF6:</p> <p>unpaid and uncalled ordinary share capital callable on demand;</p> <p>56. unpaid and uncalled initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings, callable on demand;</p> <p>57. unpaid and uncalled preference shares callable on demand;</p> <p>58. a legally binding commitment to subscribe and pay for subordinated liabilities on demand;</p> <p>59. letters of credit and guarantees which are held in trust for the benefit of insurance creditors by an independent trustee and provided by credit institutions authorised in accordance with Directive 2006/48/EC;</p> <p>60. letters of credit and guarantees provided that the items can be called up on demand and are clear of encumbrances;</p> <p>61. any future claims which mutual or mutual-type associations of shipowners with variable contributions</p>

		<p>solely insuring risks listed in classes 6, 12 and 17 in Part A of Annex 1 of Directive 2009/138/EC may have against their members by way of a call for supplementary contributions, within the following 12 months;</p> <p>62. any future claims which mutual or mutual-type associations may have against their members by way of a call for supplementary contributions, within the following 12 months, provided that a call can be made on demand and is clear of encumbrances;</p> <p>63. other legally binding commitments received by the insurance or reinsurance undertaking, provided that the item can be called up on demand and is clear of encumbrances.</p>
	63 COF6	<p><i>Tier 3 Basic own-funds– List of own-fund items</i></p> <p>The ancillary own-fund items listed in Article COF5 shall display the features of a basic own fund item classified in Tier 1 in accordance with Articles COF1 and COF2 once that item has been called up and paid in, in order to be classified as Tier 2.</p>
	64 COF7	<p><i>Tier 3 Basic own-funds– List of own-fund items</i></p> <p>The following basic own-fund items shall be deemed to possess the characteristics in Article 93(1)(b) of Directive 2009/138/EC, taking into consideration the features set out in Article 93(2) of that Directive, where those items display the features set out in Article COF8:</p> <p>(1) the part excess of assets over liabilities, valued in accordance with Article 75 and Section 2 of Chapter VI of Directive 2009/138/EC, comprising the following items:</p> <ul style="list-style-type: none"> (a) subordinated mutual member accounts; (b) preference shares and the related share premium account; (c) an amount equal to the value of net deferred tax assets; <p>(2) subordinated liabilities valued in accordance with Article 75 of Directive 2009/138/EC.</p>

	65 COF8	<p style="text-align: center;"><i>Tier 3 Basic own-funds– Features determining classification</i></p> <p>1. The basic own-fund items listed in Article COF7 shall display the following features in order to be classified as Tier 3:</p> <ul style="list-style-type: none"> (a) the basic own-fund item, in the case of items referred to in points (1)(a), (b) and (2) of Article COF7, ranks after the claims of all policy holders and beneficiaries and non-subordinated creditors; (b) the basic own-fund item does not include features which may cause the insolvency of the insurance or reinsurance undertaking or may accelerate the process of the undertaking becoming insolvent; (c) the basic own-fund item, in the case of items referred to in points (1)(a), (b) and (2) of Article COF7, is undated or has an original maturity of at least 5 years, where the maturity date is the first contractual opportunity to repay or redeem the basic own-fund item; (d) the basic own-fund item, in the case of items referred to in points (1)(a), (b) and (2) of Article COF7, is only repayable or redeemable at the option of the insurance or reinsurance undertaking and the repayment or redemption of the basic own-fund item is subject to prior supervisory approval; (d)bis the basic own-fund item, in the case of items referred to in points (1)(a), (b) and (2) of Article COF7, may include limited incentives to repay or redeem that basic own-fund item; (e) the basic own-fund item, in the case of items referred to in points (1)(a), (b) and (2) of Article COF7, provides for the suspension of repayment or redemption in the event that there is non-compliance with the Solvency Capital Requirement or repayment or redemption would lead to such non-compliance until the undertaking complies with the Solvency Capital Requirement and the repayment or redemption would not lead to non-compliance with the Solvency Capital Requirement; (e)bis notwithstanding point (e) of paragraph 1, the basic own-fund item may only allow for the repayment or redemption of that item in the event that there is non-compliance with the Solvency Capital Requirement or repayment or redemption would lead to such non-compliance, where the following conditions are met: <ul style="list-style-type: none"> (i) the supervisory authority has exceptionally waived the suspension of repayment or redemption of that item;
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		<p>(ii) the item is exchanged for or converted into another Tier 1, Tier 2 basic own-fund item or Tier 3 basic own-fund item of at least the same quality;</p> <p>(iii) the Minimum Capital Requirement is complied with after the repayment or redemption.</p> <p>(f) the basic own-fund item, in the case of items referred to in points (1)(a), (b) and (2) of Article COF7, provides for the deferral of distributions in the event that there is non-compliance with the Minimum Capital Requirement or the distribution would lead to such non-compliance until the undertaking complies with the Minimum Capital Requirement and the distribution would not lead to non-compliance with the Minimum Capital Requirement;</p> <p>(g) the basic own-fund item is free from encumbrances and is not connected with any other transaction, which when considered with the subordinated liability, could undermine the features that the item is required to possess in accordance with this Article.</p> <p>2. For the purposes of this Article, the exchange or conversion of a basic own-fund item into another Tier 1, Tier 2 basic own-fund item or Tier 3 basic own-fund item or the repayment or redemption of a Tier 3 basic own-fund item out of the proceeds of a new basic own-fund item of at least the same quality shall not be deemed to be a repayment or redemption, provided that the exchange, conversion, repayment or redemption is subject to the approval of the supervisory authority.</p> <p>3. For the purposes of point (e) of paragraph 1, references to the Solvency Capital Requirement shall be read as references to the Minimum Capital Requirement in the event that non-compliance with the Minimum Capital Requirement occurs before non-compliance with the Solvency Capital Requirement.</p>
	66 COF9	<p><i>Tier 3 Ancillary own-funds– List of own-funds items</i></p> <p>All ancillary own-fund items that have been approved by the supervisory authority in accordance with Article 90 of Directive 2009/138/EC, but which do not display the features in Article COF6 shall be classified as Tier 3 ancillary own funds.</p>
	67 COF10	<p><i>Supervisory Authorities approval of the assessment and classification of own-fund items</i></p> <p>64. Without prejudice to Article 90 of Directive 2009/138/EC, where an own-fund item is not included in the</p>

		<p>list of own-funds set out in Articles COF1, COF3, COF5, COF7 and COF9, which display the features set out in Articles COF2, COF4, COF6 and COF8 respectively, insurance or reinsurance undertakings shall not consider that item as own funds, unless an approval of the item's assessment and classification has been received by the supervisory authority.</p> <p>65. The supervisory authority shall assesses, on the basis of documents submitted by the insurance or reinsurance undertaking, the following, when approving the assessment and classification of own-fund items not included in the list of own-fund items set out in Articles COF1, COF3, COF5, COF7 and COF9:</p> <ul style="list-style-type: none"> (a) where the undertaking is applying for approval for classification in Tier 1, whether the basic own-fund item substantially possesses the characteristics set out Article 93(1)(a) and (b) of Directive 2009/138/EC, taking into consideration the features set out in Article 93(2) of that Directive; (b) where the undertaking is applying for classification in Tier 2 basic own funds, whether the basic own-fund item substantially possesses the characteristics in Article 93(1)(b) of Directive 2009/138/EC, taking into consideration the features set out in Article 93(2) of that Directive; (c) where the undertaking is applying for classification in Tier 2 ancillary own funds, whether the ancillary own-fund item substantially possesses the characteristics in Article 93(1)(b) of Directive 2009/138/EC, taking into consideration the features set out in Article 93(2) of that Directive; (d) where the undertaking is applying for classification in Tier 3 basic own funds, whether the basic own-fund item possesses the characteristics in Article 93(1)(b) of Directive 2009/138/EC, taking into consideration the features set out in Article 93(2) of that Directive; (e) the legal effectiveness and enforceability of the contractual terms of the own-fund item in all relevant jurisdictions; (f) whether the own-fund item has been fully paid-in. <p>66. Basic own-fund items not included in the list of own-fund items set out in Articles COF1, COF3 and COF7 shall only be classified as Tier 1 basic own funds where they are fully paid-in.</p> <p>67. The inclusion of own-fund items approved by the supervisory authority in accordance with this Article shall be subject to quantitative limits defined in Article EOF1.</p>
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	69 RFFOF1	<p style="text-align: center;"><i>Ring-fenced funds requiring adjustments</i></p> <p>68. A reduction of the reconciliation reserve referred to in Article 58bis COF1bis(1)(e) is required if own-fund items within a ring-fenced fund have a reduced capacity to fully absorb losses on a going-concern basis due to their lack of transferability within the insurance or reinsurance undertaking for any of the following reasons:</p> <ul style="list-style-type: none"> (a) the items can only be used to cover losses on a defined portion of the insurance or reinsurance undertaking's insurance or reinsurance contracts; (b) the items can only be used to cover losses in respect of certain policy holders or beneficiaries; or (c) the items can only be used to cover losses arising from particular risks or liabilities. <p>69. Without prejudice to the requirement set out in point (b) of paragraph 1 of Article COF1bis that foreseeable dividends and distributions shall be excluded from the reconciliation reserve, the own-fund items referred to in paragraph 1, referred to as 'restricted own-fund items', shall not include the value of future transfers attributable to shareholders.</p>
	70 RFFOF 2	<p style="text-align: center;"><i>Adjustment for ring-fenced funds and matching adjustment portfolios</i></p> <p>70. Insurance and reinsurance undertakings shall determine the amount that the reconciliation reserve shall be reduced by comparing the following amounts:</p> <ul style="list-style-type: none"> (a) the restricted own-fund items within the ring-fenced fund or matching adjustment portfolio; (b) the notional Solvency Capital Requirement for the ring-fenced fund or matching adjustment portfolio. <p>Where the insurance or reinsurance undertaking calculates the Solvency Capital Requirement using the standard formula, the notional Solvency Capital Requirement shall be calculated in accordance with Article RFFSCR2.</p> <p>Where the undertaking calculates the Solvency Capital Requirement using an internal model, the notional Solvency Capital Requirement shall be calculated using that internal model, as if the undertaking pursued</p>

		<p>only the business included in the ring-fenced fund.</p> <p>71. Where a ring-fenced fund is not material, insurance and reinsurance undertakings may, as an alternative to the approach set out in paragraph 1, reduce the reconciliation reserve by the total amount of restricted own-fund items.</p>
	71 POF1	<p style="text-align: center;">Treatment of participations in the determination of basic own funds</p> <p>(1) For the purpose of determining the basic own funds of insurance and reinsurance undertakings, basic own funds as referred to in Article 88 of Directive 2009/138/EC shall be reduced by the full value of participations, as referred to in Article 92(2) of Directive 2009/138/EC, in a financial and credit institution that exceeds 10% of items included in points (a), (b), (d) and (f) of Article 58(1).</p> <p>(2) For the purpose of determining the basic own funds of insurance and reinsurance undertakings, basic own funds as referred to in Article 88 of Directive 2009/138/EC shall be reduced by the part of the value of all participations, as referred to in Article 92(2) of Directive 2009/138/EC, in financial and credit institutions, other than participations referred to in paragraph 1, that exceeds 10% of items included in points (a), (b), (d) and (f) of Article 58(1).</p> <p>(3) Notwithstanding paragraphs (1) and (2), insurance and reinsurance undertakings shall not deduct strategic participations as referred to in Article 152 ER4 which are included in the calculation of the group solvency on the basis of method 1 as set out in Annex I to Directive 2002/87/EC.</p> <p>(4) The deductions set out in paragraph (2) shall be applied on a pro-rata basis to all participations referred to in that paragraph.</p> <p>(5) The deductions set out in paragraphs (1) and (2) shall be made from the corresponding tier in which the participation has increased the own funds of the related undertaking as follows:</p> <p>(a) holdings of Common Equity Tier 1 items of financial and credit institutions shall be deducted from the items included in points (a), (b), (d) and (f) of Article 58(1);</p> <p>(b) holdings of Additional Tier 1 instruments of financial and credit institutions shall be deducted from the items included in paragraphs (1)(c), (1)(e) and (2) of Article 58;</p>

		(c) holdings of Tier 2 instruments of financial and credit institutions shall be deducted from the basic own-fund items included in Article 60.
	72 EOF1	<p style="text-align: center;"><i>Eligibility and limits applicable to Tiers 1, 2 and 3</i></p> <ol style="list-style-type: none"> 1. As far as compliance with the Solvency Capital Requirement is concerned: <ol style="list-style-type: none"> (a) the eligible amount of Tier 1 items shall be at least one half of the Solvency Capital Requirement; (b) the eligible amount of Tier 3 items shall be less than 15 % of the Solvency Capital Requirement; (c) the sum of the eligible amounts of Tier 2 and Tier 3 items shall not exceed 50 % of the Solvency Capital Requirement. 2. As far as compliance with the Minimum Capital Requirements is concerned, the eligible amount of Tier 1 items shall be at least 80 % of the Minimum Capital Requirement. 3. Within the limit referred to in points (a) of paragraph 1 and in paragraph 2, the sum of the following basic own-fund items shall make up less than 20 % of the total amount of Tier 1 items: <ol style="list-style-type: none"> (a) items referred to in point (1)(c) of Article COF1; (b) items referred to in point (1)(e) of Article COF1; (c) items referred to in point (2) of Article COF1; (d) items that are included in Tier 1 basic own funds under the transitional arrangement set out in Article 308b(9) of Directive 2009/138/EC.
Solvency Capital Requirement: standard formula	75 BSCR _x	<ol style="list-style-type: none"> 1. Where the calculation of a module or sub-module of the Basic Solvency Capital Requirement is based on the impact of a scenario on the basic own funds of insurance and reinsurance undertakings, the following assumptions shall be made in that calculation: <ol style="list-style-type: none"> (a) the scenario does not change the amount of the risk margin included in technical provisions;

		<p>(b) the scenario does not change the value of deferred tax assets and liabilities;</p> <p>(c) the scenario does not change the value of future discretionary benefits included in technical provisions;</p> <p>(d) no management actions are taken by the undertaking during the scenario.</p> <p>2. The recalculation of technical provisions arising as a result of determining the impact of a scenario on the basic own funds of insurance and reinsurance undertakings as referred to in paragraph 1 shall not change the value of future discretionary benefits, and take account of the following:</p> <p>(a) without prejudice to point (d) of paragraph 1, future management actions following the scenario, provided they comply with the requirements set out in Article TP6;</p> <p>(b) any material adverse impact of the scenario or the management actions referred to in point (a) on the likelihood that policy holders will exercise contractual options.</p> <p>3. Insurance and reinsurance undertakings may use simplified methods to recalculate the technical provisions arising as a result of determining the impact of a scenario as referred to in paragraph 1, provided that the simplified method complies with the proportionality condition for simplified calculations set out in SCRS1(3).</p> <p>4. The recalculation of assets and liabilities arising as a result of determining the impact of a scenario as referred to in paragraph 1 shall take account of the impact of the scenario on the value of any relevant risk mitigation instruments held by the undertaking which meet the requirements set out in Articles SCRRM1 to SCRRM7.</p> <p>5. Where the scenario would result in an increase in the basic own funds of insurance and reinsurance undertakings, the calculation of the module or sub-module shall be based on the assumption that the scenario has no impact on the basic own funds.</p>
	86 NLUR6	<p style="text-align: center;"><i>Non-life catastrophe risk sub-module</i></p> <p>1. The non-life catastrophe risk sub-module shall consist of the following sub-modules:</p> <p>(a) the natural catastrophe risk sub-module;</p> <p>(b) the sub-module for catastrophe risk of non-proportional property reinsurance;</p>

		<p>(c) the man-made catastrophe risk sub-module;</p> <p>(d) the sub-module for other non-life catastrophe risk.</p> <p>2. The capital requirement for the non-life catastrophe underwriting risk module shall be equal to the following:</p> $SCR_{nlCAT} = \sqrt{(SCR_{natCAT} + SCR_{npproperty})^2 + SCR_{mmCAT}^2 + SCR_{CATother}^2}$ <p>where:</p> <p>(a) SCR_{natCAT} denotes the capital requirement for natural catastrophe risk;</p> <p>(b) $SCR_{npproperty}$ denotes the capital requirement for the catastrophe risk of non-proportional property reinsurance;</p> <p>(c) SCR_{mmCAT} denotes the capital requirement for man-made catastrophe risk;</p> <p>(d) $SCR_{CATother}$ denotes the capital requirement for other non-life catastrophe risk.</p>
	87 NLUR7	<p style="text-align: center;"><i>Natural catastrophe risk sub-module</i></p> <p>1. The natural catastrophe risk sub-module shall consist of the following sub-modules:</p> <p>(a) the windstorm risk sub-module;</p> <p>(b) the earthquake risk sub-module;</p> <p>(c) the flood risk sub-module;</p> <p>(d) the hail risk sub-module;</p> <p>(e) the subsidence risk sub-module.</p> <p>2. The capital requirement for natural catastrophe risk shall be equal to the following:</p> $SCR_{natCAT} = \sqrt{\sum_i SCR_i^2}$

		<p>where:</p> <p>(a) the sum includes all possible combinations of the sub-modules i set out in paragraph 1;</p> <p>(b) SCR_i denotes the capital requirement for sub-module i.</p>
	88 NLUR8	<p style="text-align: center;"><i>Windstorm risk sub-module</i></p> <p>1. The capital requirement for windstorm risk shall be equal to the following:</p> $SCR_{windstorm} = \sqrt{\left(\sum_{(r,s)} CorrWS_{(r,s)} \cdot SCR_{(windstorm,r)} \cdot SCR_{(windstorm,s)} \right) + SCR_{(windstorm,other)}^2}$ <p>where:</p> <p>(a) the sum includes all possible combinations (r,s) of the regions set out in Annex NLUR5;</p> <p>(b) $CorrWS_{(r,s)}$ denotes the correlation coefficient for windstorm risk for region r and region s as set out in Annex NLUR5;</p> <p>(c) $SCR_{(windstorm,r)}$ and $SCR_{(windstorm,s)}$ denote the capital requirements for windstorm risk in region r and s respectively;</p> <p>(d) $SCR_{(windstorm,other)}$ denotes the capital requirement for windstorm risk in regions other than those set out in Annex NLUR12.</p> <p>2. For all regions set out in Annex NLUR5 the capital requirement for windstorm risk in a particular region r shall be the larger of the following two capital requirements:</p> <p>(a) the capital requirement for windstorm risk in region r according to scenario A as defined in paragraph 3;</p> <p>(b) the capital requirement for windstorm risk in region r according to scenario B as defined in paragraph 4.</p> <p>3. For all regions set out in Annex NLUR5 the capital requirement for windstorm risk in a particular region r according to scenario A shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from the following sequence of events:</p> <p>(a) an instantaneous loss of an amount that, without deduction of the amounts recoverable from reinsurance</p>

		<p>contracts and special purpose vehicles, is equal to 80 % of the specified windstorm loss in region r;</p> <p>(b) a loss of an amount that, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles, is equal to 40 % of the specified windstorm loss in region r.</p> <p>4. For all regions set out in Annex NLUR5 the capital requirement for windstorm risk in a particular region r according to scenario B shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from the following sequence of events:</p> <p>(a) an instantaneous loss of an amount that, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles, is equal to 100 % of the specified windstorm loss in region r;</p> <p>(b) a loss of an amount that, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles, is equal to 20 % of the specified windstorm loss in region r.</p> <p>5. For all regions set out in Annex NLUR5, the specified windstorm loss in a particular region r shall be equal to the following amount:</p> $L_{(windstorm,r)} = Q_{(windstorm,r)} \cdot \sqrt{\sum_{(i,j)} Corr_{(windstorm,r,i,j)} \cdot WSI_{(windstorm,r,i)} \cdot WSI_{(windstorm,r,j)}}$ <p>where:</p> <p>(a) $Q_{(windstorm,r)}$ denotes the windstorm risk factor for region r as set out in Annex NLUR5;</p> <p>(b) the sum includes all possible combinations of risk zones (i,j) of region r set out in Annex CATZONES;</p> <p>(c) $Corr_{(windstorm,r,i,j)}$ denotes the correlation coefficient for windstorm risk in risk zones i and j of region r set out in Annex CATWS;</p> <p>(d) $WSI_{(windstorm,r,i)}$ and $WSI_{(windstorm,r,j)}$ denote the weighted sums insured for windstorm risk in risk zones i and j of region r set out in Annex CATZONES.</p> <p>6. For all regions set out in Annex NLUR5 and all risk zones of those regions set out in Annex CATZONES the weighted sum insured for windstorm risk in a particular windstorm zone i of a particular region r shall be equal to the following:</p> $WSI_{(windstorm,r,i)} = W_{(windstorm,r,i)} \cdot SI_{(windstorm,r,i)}$
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		<p>where:</p> <p>(a) $W_{(windstorm,r,i)}$ denotes the risk weight for windstorm risk in risk zone i of region r set out in Annex CATRW;</p> <p>(b) $SI_{(windstorm,r,i)}$ denotes the sum insured for windstorm risk in windstorm zone i of region r.</p> <p>7. For all regions set out in Annex NLUR5 and all risk zones of those regions set out in Annex CATZONES, the sum insured for windstorm risk in a particular windstorm zone i of a particular region r shall be equal to the following:</p> $SI_{(windstorm,r,i)} = SI_{(property,r,i)} + SI_{(onshore-property,r,i)}$ <p>where:</p> <p>(a) $SI_{(property,r,i)}$ denotes the sum insured by the insurance or reinsurance undertaking for lines of business 7 and 19 as set out in Annex I in relation to contracts that cover windstorm risk and where the risk is situated in risk zone i of region r;</p> <p>(b) $SI_{(onshore-property,r,i)}$ denotes the sum insured by the insurance or reinsurance undertaking for lines of business 6 and 18 as set out in Annex I in relation to contracts that cover onshore property damage by windstorm and where the risk is situated in risk zone i of region r.</p> <p>8. The capital requirement for windstorm risk in regions other than those set out in Annex NLUR12 shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from an instantaneous loss in relation to each insurance and reinsurance contract that covers one or both of the following insurance or reinsurance obligations:</p> <p>(a) obligations of lines of business 7 or 19 as set out in Annex I that cover windstorm risk and where the risk is not situated in one of the regions set out in Annex NLUR12;</p> <p>(b) obligations of lines of business 6 or 18 as set out in Annex I in relation to onshore property damage by windstorm and where the risk is not situated in one of the regions set out in Annex NLUR12.</p> <p>9. The amount of the instantaneous loss, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles, referred to in paragraph 8 shall be equal to the following amount:</p> $L_{(windstorm,other)} = 1.75 \cdot (0.5 \cdot DIV_{windstorm} + 0.5) \cdot P_{windstorm}$
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		<p>where:</p> <p>(a) $DIV_{windstorm}$ is calculated in accordance with Annex NLUR2, but based on the premiums in relation to the obligations referred to in points (a) and (b) of paragraph 8 and restricted to the regions 5 to 18 set out in point (8) of Annex NLUR2;</p> <p>(b) $P_{windstorm}$ is an estimate of the premiums to be earned by insurance and reinsurance undertakings for each contract that covers the obligations referred to in points (a) and (b) of paragraph 8 during the following 12 months; for this purpose premiums shall be gross, without deduction of premiums for reinsurance contracts.</p>
	89 NLUR9	<p style="text-align: center;"><i>Earthquake risk sub-module</i></p> <p>1. The capital requirement for earthquake risk shall be equal to the following</p> $SCR_{earthquake} = \sqrt{\left(\sum_{(r,s)} CorrEQ_{(r,s)} \cdot SCR_{(earthquake,r)} \cdot SCR_{(earthquake,s)} \right) + SCR_{(earthquake,other)}^2}$ <p>where:</p> <p>(a) the sum includes all possible combinations (r,s) of the regions set out in Annex NLUR6;</p> <p>(b) $CorrEQ_{(r,s)}$ denotes the correlation coefficient for earthquake risk for region r and region s as set out in Annex NLUR6;</p> <p>(c) $SCR_{(earthquake,r)}$ and $SCR_{(earthquake,s)}$ denote the capital requirements for earthquake risk in region r and s respectively;</p> <p>(d) $SCR_{(earthquake,other)}$ denotes the capital requirement for earthquake risk in regions other than those set out in Annex NLUR12.</p> <p>2. For all regions set out in Annex NLUR7, the capital requirement for earthquake risk in a particular region r 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 equal to the following amount:</p>

		$L_{(earthquake,r)} = Q_{(earthquake,r)} \cdot \sqrt{\sum_{(i,j)} Corr_{(earthquake,r,i,j)} \cdot WSI_{(earthquake,r,i)} \cdot WSI_{(earthquake,r,j)}}$ <p>where:</p> <p>(a) $Q_{(earthquake,r)}$ denotes the earthquake risk factor for region r as set out in Annex NLUR6;</p> <p>(b) the sum includes all possible combinations of risk zones (i,j) of region r set out in Annex CATZONES;</p> <p>(c) $Corr_{(earthquake,r,i,j)}$ denotes the correlation coefficient for earthquake risk in risk zones i and j of region r set out in Annex CATEQ;</p> <p>(d) $WSI_{(earthquake,r,i)}$ and $WSI_{(earthquake,r,j)}$ denote the weighted sums insured for earthquake risk in risk zones i and j of region r set out in Annex CATZONES.</p> <p>3. For all regions set out in Annex NLUR6 and all risk zones of those regions set out in Annex CATZONES, the weighted sum insured for earthquake risk in a particular earthquake zone i of a particular region r shall be equal to the following:</p> $WSI_{(earthquake,r,i)} = W_{(earthquake,r,i)} \cdot SI_{(earthquake,r,i)}$ <p>where:</p> <p>(a) $W_{(earthquake,r,i)}$ denotes the risk weight for earthquake risk in risk zone i of region r set out in Annex CATRW;</p> <p>(b) $SI_{(earthquake,r,i)}$ denotes the sum insured for earthquake risk in earthquake zone i of region r.</p> <p>4. For all regions set out in Annex NLUR6 and all risk zones of those regions set out in Annex CATZONES, the sum insured for earthquake risk in a particular earthquake zone i of a particular region r shall be equal to the following:</p> $SI_{(earthquake,r,i)} = SI_{(property,r,i)} + SI_{(onshore-property,r,i)}$ <p>where:</p> <p>(a) $SI_{(property,r,i)}$ denotes the sum insured of the insurance or reinsurance undertaking for lines of business 7 and 19 as set out in Annex I in relation to contracts that cover earthquake risk and where the risk is situated in risk zone i of region r;</p>
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		<p>(b) $SI_{(onshore-property,r,i)}$ denotes the sum insured of the insurance or reinsurance undertaking for lines of business 6 and 18 as set out in Annex I in relation to contracts that cover onshore property damage by earthquake and where the risk is situated in risk zone i of region r.</p> <p>5. The capital requirement for earthquake risk in regions other than those set out in Annex NLUR12 shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from an instantaneous loss in relation to each insurance and reinsurance contract that covers one or both of the following insurance or reinsurance obligations:</p> <p>(a) obligations of lines of business 7 or 19 as set out in Annex I that cover earthquake risk, where the risk is not situated in one of the regions set out in Annex NLUR12;</p> <p>(b) obligations of lines of business 6 or 18 as set out in Annex I in relation to onshore property damage by earthquake, where the risk is not situated in one of the regions set out in Annex NLUR12.</p> <p>6. The amount of the instantaneous loss, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles, referred to in paragraph 6 shall be equal to the following amount:</p> $L_{(earthquake,other)} = 1.2 \cdot (0.5 \cdot DIV_{earthquake} + 0.5) \cdot P_{earthquake}$ <p>where:</p> <p>(a) $DIV_{earthquake}$ is calculated in accordance with Annex NLUR2, but based on the premiums in relation to the obligations referred to in points (a) and (b) of paragraph 5 and restricted to the regions 5 to 18 set out in Annex NLUR2;</p> <p>(b) $P_{earthquake}$ is an estimate of the premiums to be earned by insurance and reinsurance undertakings for each contract that covers the obligations referred to in points (a) and (b) of paragraph 5 during the following 12 months; for this purpose premiums shall be gross, without deduction of premiums for reinsurance contracts.</p>
	90 NLUR10	<p style="text-align: center;"><i>Flood risk sub-module</i></p> <p>1. The capital requirement for flood risk shall be equal to the following :</p>

		$SCR_{flood} = \sqrt{\left(\sum_{(r,s)} CorrFL_{(r,s)} \cdot SCR_{(flood,r)} \cdot SCR_{(flood,s)} \right)} + SCR_{(flood,other)}^2$ <p>where:</p> <ul style="list-style-type: none"> (a) the sum includes all possible combinations (r,s) of the regions set out in Annex NLUR7; (b) $CorrFL_{(r,s)}$ denotes the correlation coefficient for flood risk for region r and region s as set out in Annex NLUR7; (c) $SCR_{(flood,r)}$ and $SCR_{(flood,s)}$ denote the capital requirements for flood risk in region r and s respectively; (d) $SCR_{(flood,other)}$ denotes the capital requirement for flood risk in regions other than those set out in Annex NLUR12. <p>2. For all regions set out in Annex NLUR7, the capital requirement for flood risk in a particular region r shall be the larger of the following two capital requirements:</p> <ul style="list-style-type: none"> (a) the capital requirement for flood risk in region r according to scenario A as defined in paragraph 3; (b) the capital requirement for flood risk in region r according to scenario B as defined in paragraph 4. <p>3. For all regions set out in Annex NLUR7, the capital requirement for flood risk in a particular region r according to scenario A shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from the following sequence of events:</p> <ul style="list-style-type: none"> (a) an instantaneous loss of an amount that, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles, is equal to 65 % of the specified flood loss in region r; (b) a loss of an amount that, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles, is equal to 45 % of the specified flood loss in region r. <p>4. For all regions set out in Annex NLUR7, the capital requirement for flood risk in a particular region r according to scenario B shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from the following sequence of events:</p> <ul style="list-style-type: none"> (a) an instantaneous loss of an amount that, without deduction of the amounts recoverable from reinsurance
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		<p>contracts and special purpose vehicles, is equal to 100 % of the specified flood loss in region r;</p> <p>(b) a loss of an amount that, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles, is equal to 10 % of the specified flood loss in region r.</p> <p>5. For all regions set out in Annex NLUR7, the specified flood loss in a particular region r shall be equal to the following amount:</p> $L_{(flood,r)} = Q_{(flood,r)} \cdot \sqrt{\sum_{(i,j)} Corr_{(flood,r,i,j)} \cdot WSI_{(flood,r,i)} \cdot WSI_{(flood,r,j)}}$ <p>where:</p> <p>(a) $Q_{(flood,r)}$ denotes the flood risk factor for region r as set out in Annex NLUR7;</p> <p>(b) the sum includes all possible combinations of risk zones (i,j) of region r set out in Annex CATZONES;</p> <p>(c) $Corr_{(flood,r,i,j)}$ denotes the correlation coefficient for flood risk in flood zones i and j of region r set out in Annex CATFL;</p> <p>(d) $WSI_{(flood,r,i)}$ and $WSI_{(flood,r,j)}$ denote the weighted sums insured for flood risk in risk zones i and j of region r set out in Annex CATZONES.</p> <p>6. For all regions set out in Annex NLUR7 and all risk zones of those regions set out in Annex CATZONES, the weighted sum insured for flood risk in a particular flood zone i of a particular region r shall be equal to the following:</p> $WSI_{(flood,r,i)} = W_{(flood,r,i)} \cdot SI_{(flood,r,i)}$ <p>where:</p> <p>(a) $W_{(flood,r,i)}$ denotes the risk weight for flood risk in risk zone i of region r set out in Annex CATRW;</p> <p>(b) $SI_{(flood,r,i)}$ denotes the sum insured for flood risk in flood zone i of region r.</p> <p>7. For all regions set out in Annex NLUR7 and all risk zones of those regions set out in Annex CATZONES, the sum insured for a particular flood zone i of a particular region r shall be equal to the following:</p> $SI_{(flood,r,i)} = SI_{(property,r,i)} + SI_{(onshore-property,r,i)} + 1.5 \cdot SI_{(motor,r,t)}$
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		<p>where:</p> <p>(a) $SI_{(property,r,i)}$ denotes the sum insured by the insurance or reinsurance undertaking for lines of business 7 and 19 as set out in Annex I in relation to contracts that cover flood risk, where the risk is situated in risk zone i of region r;</p> <p>(b) $SI_{(onshore-property,r,i)}$ denotes the sum insured by the insurance or reinsurance undertaking for lines of business 6 and 18 as set out in Annex I in relation to contracts that cover onshore property damage by flood and where the risk is situated in risk zone i of region r;</p> <p>(c) $SI_{(motor,r,i)}$ denotes the sum insured by the insurance or reinsurance undertaking for lines of business 5 and 17 as set out in Annex I in relation to contracts that cover flood risk, where the risk is situated in risk zone i of region r.</p> <p>8. The capital requirement for flood risk in regions other than those set out in Annex NLUR12, shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from an instantaneous loss in relation to each insurance and reinsurance contract that covers one or more of the following insurance or reinsurance obligations:</p> <p>(a) obligations of lines of business 7 or 19 as set out in Annex I that cover flood risk, where the risk is not situated in one of the regions set out in Annex NLUR12;</p> <p>(b) obligations of lines of business 6 or 18 as set out in Annex I in relation to onshore property damage by flood, where the risk is not situated in one of the regions set out in Annex NLUR12;</p> <p>(c) obligations of lines of business 5 or 17 as set out in Annex I that cover flood risk, where the risk is not situated in one of the regions set out in Annex NLUR12.</p> <p>9. The amount of the instantaneous loss, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles, referred to in paragraph 9 shall be equal to the following amount:</p> $L_{(flood,other)} = 1.1 \cdot (0.5 \cdot DIV_{flood} + 0.5) \cdot P_{flood}$ <p>where:</p> <p>(a) DIV_{flood} is calculated in accordance with Annex NLUR2, but based on the premiums in relation to the</p>
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		<p>obligations referred to in points (a), (b) and (c) of paragraph 8 and restricted to the regions 5 to 18 set out in point (8) of Annex NLUR2;</p> <p>(b) P_{flood} is an estimate of the premiums to be earned by the insurance or reinsurance undertaking for each contract that covers the obligations referred to in points (a), (b) and (c) of paragraph 8 during the following 12 months; for this purpose, premiums shall be gross, without deduction of premiums for reinsurance contracts.</p>
	91 NLUR11	<p style="text-align: center;"><i>Hail risk sub-module</i></p> <p>1. The capital requirement for hail risk shall be equal to the following:</p> $SCR_{hail} = \sqrt{\left(\sum_{(r,s)} CorrHL_{(r,s)} \cdot SCR_{(hail,r)} \cdot SCR_{(hail,s)} \right) + SCR_{(hail,other)}^2}$ <p>where:</p> <p>(a) the sum includes all possible combinations (r,s) of the regions set out in Annex NLUR8;</p> <p>(b) $CorrHL_{(r,s)}$ denotes the correlation coefficient for hail risk for region r and region s as set out in Annex NLUR8;</p> <p>(c) $SCR_{(hail,r)}$ and $SCR_{(hail,s)}$ denote the capital requirements for hail risk in regions r and s respectively;</p> <p>(d) $SCR_{(hail,other)}$ denotes the capital requirement for hail risk in regions other than those set out in Annex NLUR12.</p> <p>2. For all regions set out in Annex NLUR8, the capital requirement for hail risk in a particular region r shall be the larger of the following two capital requirements:</p> <p>(a) the capital requirement for hail risk in region r according to scenario A;</p> <p>(b) the capital requirement for hail risk in region r according to scenario B.</p> <p>3. For all regions set out in Annex NLUR8, the capital requirement for hail risk in a particular region r according to scenario A shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from the sequence of the following events:</p>

		<p>(a) an instantaneous loss of an amount that, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles, is equal to 70 % of the specified hail loss in region r;</p> <p>(b) a loss of an amount that, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles, is equal to 50 % of the specified hail loss in region r.</p> <p>4. For all regions set out in Annex NLUR8, the capital requirement for hail risk in a particular region r according to scenario B shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from the sequence of the following events:</p> <p>(a) an instantaneous loss of an amount that, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles, is equal to 100 % of the specified hail loss in region r;</p> <p>(b) followed by a loss of an amount that, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles, is equal to 20 % of the specified hail loss in region r.</p> <p>5. For all regions set out in Annex NLUR8, the specified hail loss in a particular region r shall be equal to the following amount:</p> $L_{(hail,r)} = Q_{(hail,r)} \cdot \sqrt{\sum_{(i,j)} Corr_{(hail,r,i,j)} \cdot WSI_{(hail,r,i)} \cdot WSI_{(hail,r,j)}}$ <p>where:</p> <p>(a) $Q_{(hail,r)}$ denotes the hail risk factor for region r as set out in Annex NLUR8;</p> <p>(b) the sum includes all possible combinations of risk zones (i,j) of region r set out in Annex CATZONES;</p> <p>(c) $Corr_{(hail,r,i,j)}$ denotes the correlation coefficient for hail risk in risk zones i and j of region r set out in Annex CATHA;</p> <p>(d) $WSI_{(hail,r,i)}$ and $WSI_{(hail,r,j)}$ denote the weighted sums insured for hail risk in risk zones i and j of region r set out in Annex CATZONES.</p> <p>6. For all regions set out in Annex NLUR8 and all risk zones of those regions set out in Annex CATZONES, the weighted sum insured for hail risk in a particular hail zone i of a particular region r shall be equal to the following:</p>
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		$WSI_{(hail,r,i)} = W_{(hail,r,i)} \cdot SI_{(hail,r,i)}$ <p>where:</p> <p>(a) $W_{(hail,r,i)}$ denotes the risk weight for hail risk in risk zone i of region r set out in Annex CATRW;</p> <p>(b) $SI_{(hail,r,i)}$ denotes the sum insured for hail risk in hail zone i of region r.</p> <p>7. For all regions set out in Annex NLUR8 and all hail zones, the sum insured for hail risk in a particular hail zone i of a particular region r shall be equal to the following:</p> $SI_{(hail,r,i)} = SI_{(property,r,i)} + SI_{(onshore-property,r,i)} + 5 \cdot SI_{(motor,r,i)}$ <p>where:</p> <p>(a) $SI_{(property,r,i)}$ denotes the sum insured by the insurance or reinsurance undertaking for lines of business 7 and 19 as set out in Annex I in relation to contracts that cover hail risk, where the risk is situated in risk zone i of region r;</p> <p>(b) $SI_{(onshore-property,r,i)}$ denotes the sum insured by the insurance or reinsurance undertaking for lines of business 6 and 18 as set out in Annex I in relation to contracts that cover onshore property damage by hail risk, where the risk is situated in risk zone i of region r;</p> <p>(c) $SI_{(motor,r,i)}$ denotes the sum insured by the insurance or reinsurance undertaking for insurance or reinsurance obligations for lines of business 5 and 17 as set out in Annex I in relation to contracts that cover hail risk, where the risk is situated in risk zone i of region r.</p> <p>8. The capital requirement for hail risk in regions other than those set out in Annex NLUR12, shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from an instantaneous loss in relation to each insurance and reinsurance contract that covers one or more of the following insurance or reinsurance obligations:</p> <p>(a) obligations of lines of business 7 or 19 as set out in Annex I that cover hail risk, where the risk is not situated in one of the regions set out in Annex NLUR12;</p> <p>(b) obligations of lines of business 6 or 18 as set out in Annex I in relation to onshore property damage by hail,</p>
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		<p>where the risk is not situated in one of the regions set out in Annex NLUR12;</p> <p>(c) obligations of lines of business 5 or 17 as set out in Annex I that cover hail risk, where the risk is not situated in one of the regions set out in Annex NLUR12.</p> <p>9. The amount of the instantaneous loss, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles, referred to in paragraph 9 shall be equal to the following amount:</p> $L_{(hail, other)} = 0.3 \cdot (0.5 \cdot DIV_{hail} + 0.5) \cdot P_{hail}$ <p>where:</p> <p>(a) DIV_{hail} is calculated in accordance with Annex NLUR2, but based on the premiums in relation to the obligations referred to in points (a), (b) and (c) of paragraph 8 and restricted to the regions 5 to 18 set out in Annex NLUR2;</p> <p>(b) P_{hail} is an estimate of the premiums to be earned by the insurance or reinsurance undertaking for each contract that covers the obligations referred to in points (a), (b) and (c) of paragraph 8 during the following 12 months; for this purpose premiums shall be gross, without deduction of premiums for reinsurance contracts.</p>
	92 NLUR12	<p style="text-align: center;"><i>Subsidence risk sub-module</i></p> <p>1. The capital requirement for subsidence risk 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 equal to the following:</p> $L_{subsidence} = 0.0005 \cdot \sqrt{\sum_{(i,j)} Corr_{(subsidence,i,j)} \cdot WSI_{(subsidence,i)} \cdot WSI_{(subsidence,j)}}$ <p>where:</p> <p>(a) the sum includes all possible combinations of risk zones (i,j) of the French Republic set out in Annex CATZONES;</p>

		<p>(b) $Corr_{(subsidence,i,j)}$ denotes the correlation coefficient for subsidence risk in risk zones i and j set out in Annex CATSU;</p> <p>(c) $WSI_{(subsidence,i)}$ and $WSI_{(subsidence,j)}$ denote the weighted sums insured for subsidence risk in risk zones i and j of the French Republic set out in Annex CATZONES.</p> <p>2. For all subsidence zones the weighted sum insured for subsidence risk in a particular risk zone i of the French Republic set out in the Annex CATZONES shall be equal to the following:</p> $WSI_{(subsidence,i)} = W_{(subsidence,i)} \cdot SI_{(subsidence,i)}$ <p>where:</p> <p>(a) $W_{(subsidence,i)}$ denotes the risk weight for subsidence risk in risk zone i set out in Annex CATRW;</p> <p>(b) $SI_{(subsidence,i)}$ denotes the sum insured of the insurance or reinsurance undertaking for lines of business 7 and 19 as set out in Annex I in relation to contracts that cover subsidence risk of residential buildings in subsidence zone i.</p>
	93 NLUR13	<p style="text-align: center;"><i>Interpretation of catastrophe scenarios</i></p> <p>For the purpose of Articles NLUR8(3) and (4), NLUR10(3) and (4) and NLUR11(3) and (4), insurance and reinsurance undertakings shall base the calculation of the capital requirement on the following assumptions:</p> <p>(1) the two consecutive events referred to in these Articles are independent;</p> <p>(2) insurance and reinsurance undertakings do not enter into new insurance risk mitigation techniques between the two events.</p> <p>Notwithstanding point (d) of Article BSCRx(1), where current reinsurance contracts allow for reinstatements, insurance and reinsurance undertakings shall take into account future management actions in relation to the reinstatements between the first and the second event. The assumptions about future management actions should be realistic, objective and verifiable.</p>
	94 NLUR14	<p style="text-align: center;"><i>Sub-module for catastrophe risk of non-proportional property reinsurance</i></p> <p>1. The capital requirement for catastrophe risk of non-proportional property reinsurance shall be equal to the loss in</p>

		<p>basic own funds of insurance and reinsurance undertakings that would result from an instantaneous loss in relation to each reinsurance contract that covers reinsurance obligations of line of business 28 as set out in Annex I other than non-proportional reinsurance obligations relating to insurance obligations included in lines of business 9 and 21 as set out in Annex I.</p> <p>2. The amount of the instantaneous loss, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles, referred to in paragraph 1 shall be equal to the following:</p> $L_{npproperty} = 2.5 \cdot (0.5 \cdot DIV_{npproperty} + 0.5) \cdot P_{npproperty}$ <p>where:</p> <p>(a) $DIV_{npproperty}$ is calculated in accordance with Annex NLUR2, but based on the premiums earned by the insurance and reinsurance undertaking in line of business 28 as set out in Annex I, other than non-proportional reinsurance obligations relating to insurance obligations included in lines of business 9 as set out in Annex I, and restricted to the regions 5 to 18 set out in point (8) of Annex NLUR2;</p> <p>(b) $P_{property}$ is an estimate of the premiums to be earned by the insurance or reinsurance undertaking during the following 12 months for each contract that covers the reinsurance obligations of line of business 28 as set out in Annex I other than non-proportional reinsurance obligations relating to insurance obligations included in lines of business 9 as set out in Annex I; for this purpose premiums shall be gross, without deduction of premiums for reinsurance contracts.</p>
	95 NLUR15	<p style="text-align: center;"><i>Man-made catastrophe risk sub-module</i></p> <p>1. The man-made catastrophe risk sub-module shall consist of the following sub-modules:</p> <p>(a) the motor vehicle liability risk sub-module;</p> <p>(b) the marine risk sub-module;</p> <p>(c) the aviation risk sub-module;</p> <p>(d) the fire risk sub-module;</p>

		<p>(e) the liability risk sub-module;</p> <p>(f) the credit and suretyship risk sub-module.</p> <p>2. The capital requirement for the man-made catastrophe risk shall be equal to the following:</p> $SCR_{mmCAT} = \sqrt{\sum_i SCR_i^2}$ <p>where:</p> <p>(a) the sum includes all sub-modules set out in paragraph 1;</p> <p>(b) SCR_i denotes the capital requirements for sub-module i.</p>
	96 NLUR16	<p style="text-align: center;"><i>Motor vehicle liability risk sub-module</i></p> <p>1. The capital requirement for motor vehicle liability risk shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from an instantaneous loss that, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles, is equal to the following euro amount:</p> $L_{motor} = \max\left(6\,000\,000; 50\,000 \cdot \sqrt{N_a + 0.05 \cdot N_b + 0.95 \cdot \min(N_b; 20\,000)}\right)$ <p>where:</p> <p>(a) N_a is the number of vehicles insured by the insurance or reinsurance undertaking in lines of business 4 and 16 as set out in Annex I with a deemed policy limit above 24 000 000 euro;</p> <p>(b) N_b is the number of vehicles insured by the insurance or reinsurance undertaking in lines of business 4 and 16 as set out in Annex I with a deemed policy limit below or equal to 24 000 000 euro.</p> <p>The number of motor vehicles covered by the proportional reinsurance obligations of the insurance or reinsurance undertaking shall be weighted by the relative share of the undertaking's obligations in respect of the sum insured of the motor vehicles.</p> <p>2. The deemed policy limit referred to in points (a) and (b) of paragraph 1 shall be the overall limit of the motor vehicle liability insurance policy or, where no such overall limit is specified in the terms and conditions of the policy,</p>

		the sum of the limits for damage to property and for personal injury. Where the policy limit is specified as a maximum per victim, the deemed policy limit shall be based on the assumption of ten victims.
	97 NLUR17	<p style="text-align: center;"><i>Marine risk sub-module</i></p> <p>1. The capital requirement for marine risk shall be equal to the following:</p> $SCR_{marine} = \sqrt{SCR_{tanker}^2 + SCR_{platform}^2}$ <p>where:</p> <p>(a) SCR_{tanker} is the capital requirement for the risk of a tanker collision;</p> <p>(b) $SCR_{platform}$ is the capital requirement for the risk of a platform explosion.</p> <p>2. The capital requirement for the risk of a tanker collision 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 equal to the following:</p> $L_{tanker} = \max_t (SI_{(hull,t)} + SI_{(liab,t)} + SI_{(pollution,t)})$ <p>where:</p> <p>(a) the maximum relates to all oil and gas tankers insured by the insurance or reinsurance undertaking in respect of tanker collision in lines of business 6, 18 and 27 as set out in Annex I;</p> <p>(b) $SI_{(hull,t)}$ is the sum insured by the insurance or reinsurance undertaking for marine hull insurance and reinsurance in relation to tanker t;</p> <p>(c) $SI_{(liab,t)}$ is the sum insured by the insurance or reinsurance undertaking for marine liability insurance and reinsurance in relation to tanker t;</p> <p>(d) $SI_{(pollution,t)}$ is the sum insured by the insurance or reinsurance undertaking for oil pollution insurance and reinsurance in relation to tanker t.</p> <p>3. The capital requirement for the risk of a platform explosion shall be equal to the loss in basic own funds of</p>

		<p>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 equal to the following:</p> $L_{platform} = \max_p(SI_p)$ <p>where:</p> <ul style="list-style-type: none"> (a) the maximum relates to all oil and gas offshore platforms insured by the insurance or reinsurance undertaking in respect of platform explosion in lines of business 6, 18 and 27 as set out in Annex I; (b) SI_p is the accumulated sum insured by the insurance or reinsurance undertaking for the following insurance and reinsurance obligations in relation to platform p: <ul style="list-style-type: none"> (i) obligations to compensate for property damage; (ii) obligations to compensate for the expenses for the removal of wreckage; (iii) obligations to compensate for loss of production income; (iv) obligations to compensate for the expenses for capping of the well or making the well secure; (v) liability insurance and reinsurance obligations.
	98 NLUR18	<p style="text-align: center;"><i>Aviation risk sub-module</i></p> <p>The capital requirement for aviation risk 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 equal to the following:</p> $L_{aviation} = \max_a(SI_a)$ <p>where:</p> <ul style="list-style-type: none"> (a) the maximum relates to all aircrafts insured by the insurance or reinsurance undertaking in lines of business 6, 18 and 27 as set out in Annex I; (b) SI_a is the sum insured by the insurance or reinsurance undertaking for aviation hull insurance and reinsurance and

		aviation liability insurance and reinsurance in relation to aircraft <i>a</i> .
	99 NLUR19	<p style="text-align: center;"><i>Fire risk sub-module</i></p> <ol style="list-style-type: none"> 1. The capital requirement for fire risk 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 equal to the sum insured by the insurance or reinsurance undertaking with respect to the largest fire risk concentration. 2. The largest fire risk concentration of an insurance or reinsurance undertaking is the set of buildings with the largest sum insured that meets the following conditions: <ol style="list-style-type: none"> (a) the insurance or reinsurance undertaking has insurance or reinsurance obligations in lines of business 7 and 19 as set out in Annex I, in relation to each building which cover damage due to fire or explosion, including as a result of terrorist attacks. (b) all buildings are partly or fully located within a radius of 200 meters. 3. For the purpose of paragraph 2, the set of buildings may be covered by one or several insurance or reinsurance contracts.
	101 NLUR21	<p style="text-align: center;"><i>Liability risk sub-module</i></p> <ol style="list-style-type: none"> 1. The capital requirement for liability risk shall be equal to: $SCR_{liability} = \sqrt{\sum_{(i,j)} Corr_{(liability,i,j)} \cdot SCR_{(liability,i)} \cdot SCR_{(liability,j)}}$ <p>where:</p> <ol style="list-style-type: none"> (a) the sum includes all possible combinations of liability risk groups (i,j) as set out in Annex NLUR10; (b) $Corr_{(liability,i,j)}$ denotes the correlation coefficient for liability risk of liability risk groups i and j as set out in Annex NLUR10; (c) $SCR_{(liability,i)}$ denotes the capital requirement for liability risk of liability risk group i.

		<p>2. For all liability risk groups set out in Annex NLUR10 the capital requirement for liability risk of a particular liability risk group i 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 equal to the following:</p> $L_{(liability,i)} = f_{(liability,i)} \cdot P_{(liability,i)}$ <p>where:</p> <p>(a) $f_{(liability,i)}$ denotes the risk factor for liability risk group i as set out in Annex NLUR10;</p> <p>(b) $P_{(liability,i)}$ denotes the premiums earned by the insurance or reinsurance undertaking during the following 12 months in relation to insurance and reinsurance obligations in liability risk group i; for this purpose premiums shall be gross, without deduction of premiums for reinsurance contracts;</p> <p>3. The calculation of the loss in basic own funds referred to in paragraph 2 shall be based on the following assumptions:</p> <p>(a) the loss of liability risk group i is caused by n_i claims;</p> <p>(b) the number of claims n_i is equal to the lowest integer that exceeds the following amount:</p> $\frac{f_{(liability,i)} \cdot P_{(liability,i)}}{1.15 \cdot Lim_{(i,1)}}$ <p>where:</p> <p>(i) $f_{(liability,i)}$ and $P_{(liability,i)}$ are defined as in paragraph 2,</p> <p>(ii) $Lim_{(i,1)}$ denotes the largest liability limit of indemnity provided by the insurance or reinsurance undertaking in liability risk group i;</p> <p>(c) notwithstanding point (b), where the insurance or reinsurance undertaking provides unlimited cover in liability risk group i, the number of claims n_i is equal to one;</p>
	102 NLUR22	Credit and suretyship risk sub-module

		<p>1. The capital requirement for credit and suretyship risk shall be equal to the following:</p> $SCR_{credit} = \sqrt{SCR_{default}^2 + SCR_{recession}^2}$ <p>where:</p> <p>(a) $SCR_{default}$ is the capital requirement for the risk of a large credit default;</p> <p>(b) $SCR_{recession}$ is the capital requirement for recession risk.</p> <p>2. The capital requirement for the risk of a large credit default shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from an instantaneous default of the two largest exposures relating to obligations included in the lines of business 9 and 21 of an insurance or reinsurance undertaking. The calculation of the capital requirement shall be based on the assumption that the loss-given-default, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles, of each exposure is 10 % of the sum insured in relation to the exposure.</p> <p>3. The two largest credit insurance exposures referred to in paragraph 2 shall be determined based on a comparison of the net loss-given-default of the credit insurance exposures, being the loss-given-default after deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles.</p> <p>4. The capital requirement for recession risk 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 equal to 100 % of the premiums earned by the insurance or reinsurance undertaking during the following 12 months in lines of business 9 and 21.</p>
	103 NLUR23	<p style="text-align: center;"><i>Sub-module for other non-life catastrophe risk</i></p> <p>The capital requirement for other non-life catastrophe risk shall be equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from an instantaneous loss, without deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles, that is equal to the following amount:</p> $L_{other} = \sqrt{(c_1 \cdot P_1 + c_2 \cdot P_2)^2 + (c_3 \cdot P_3)^2 + (c_4 \cdot P_4)^2 + (c_5 \cdot P_5)^2}$

		<p>where:</p> <p>(a) P_1, P_2, P_3, P_4 and P_5 denote estimates of the gross premium, without deduction of the amounts recoverable from reinsurance contracts, expected to be earned by the insurance or reinsurance undertaking during the following 12 months in relation to the groups of insurance and reinsurance obligations 1 to 5 set out in Annex NLUR11;</p> <p>(b) c_1, c_2, c_3, c_4 and c_5 denote the risk factors for the groups of insurance and reinsurance obligations 1 to 5 set out in Annex NLUR11.</p>
	105 LUR2	<p style="text-align: center;"><i>Mortality risk sub-module</i></p> <p>1. The capital requirement for mortality risk referred to in point (a) of Article 105(3) 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</p> <p>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:</p> <p>(a) multiple insurance policies in respect of the same insured person may be treated as if they were one insurance policy;</p> <p>(b) where the calculation of technical provisions is based on groups of policies as referred to in Article TP16, 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.</p> <p>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</p>

		out in accordance with paragraph 2.
	107 LUR3	<p style="text-align: center;"><i>Longevity risk sub-module</i></p> <ol style="list-style-type: none"> 1. The capital requirement for longevity risk referred to in point (b) of Article 105(3) 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: <ul style="list-style-type: none"> multiple insurance policies in respect of the same insured person may be treated as if they were one insurance policy; where the calculation of technical provisions is based on groups of policies as referred to in Article TP16, 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.
	109 LUR4	<p style="text-align: center;"><i>Disability-morbidity risk sub-module</i></p> <p>The capital requirement for disability-morbidity risk referred to in point (c) of Article 105(3) 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:</p> <ol style="list-style-type: none"> (1) 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; (2) an increase of 25 % in the disability and morbidity rates which are used in the calculation of technical

		<p>provisions to reflect the disability and morbidity experience for all months after the following 12 months;</p> <p>(3) 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.</p>
	134 HUR17	<p style="text-align: center;"><i>Health catastrophe risk sub-module</i></p> <p>1. The capital requirement for the health catastrophe risk sub-module shall be equal to the following:</p> $SCR_{healthCAT} = \sqrt{SCR_{ma}^2 + SCR_{ac}^2 + SCR_p^2}$ <p>where:</p> <p>(a) SCR_{ma} denotes the capital requirement of the mass accident risk sub-module;</p> <p>(b) SCR_{ac} denotes the capital requirement of the accident concentration risk sub-module;</p> <p>(c) SCR_p denotes the capital requirement of the pandemic risk sub-module.</p> <p>2. Insurance and reinsurance undertakings shall apply:</p> <p>(a) the mass accident risk sub-module to health insurance and reinsurance obligations other than workers' compensation insurance and reinsurance obligations;</p> <p>(b) the accident concentration risk sub-module to workers' compensation insurance and reinsurance obligations and to group income protection insurance and reinsurance obligations;</p> <p>(c) the pandemic risk sub-module to health insurance and reinsurance obligations other than workers' compensation insurance and reinsurance obligations.</p>
	135 HUR18	<p style="text-align: center;"><i>Mass accident risk sub-module</i></p> <p>1. The capital requirement for the mass accident risk sub-module shall be equal to the following:</p> $SCR_{ma} = \sqrt{\sum_s SCR_{(ma,s)}^2}$ <p>where:</p> <p>(a) the sum includes all countries set out in Annex HUR3;</p>

		<p>(b) $SCR_{(ma,s)}$ denotes the capital requirement for mass accident risk of country s.</p> <p>2. For all countries set out in Annex HUR3, 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:</p> $L_{(ma,s)} = r_s \cdot \sum_e x_e \cdot E_{(e,s)}$ <p>where:</p> <p>(a) r_s denotes the ratio of persons affected by the mass accident in country s as set out in Annex HUR3;</p> <p>(b) the sum includes the event types e set out in Annex HUR3;</p> <p>(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 HUR3;</p> <p>(d) $E_{(e,s)}$ denotes the total value of benefits payable by insurance and reinsurance undertakings for event type e in country s.</p> <p>3. For all event types set out in Annex HUR3 and all countries set out in Annex HUR3, 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:</p> $E_{(e,s)} = \sum_i SI_{(e,i)}$ <p>where:</p> <p>(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;</p> <p>(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.</p> <p>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</p>
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		<p>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.</p>
	136 HUR 19	<p style="text-align: center;"><i>Accident concentration risk sub-module</i></p> <p>1. The capital requirement for the accident concentration risk sub-module shall be equal to the following:</p> $SCR_{ac} = \sqrt{\sum_c SCR_{(ac,c)}^2}$ <p>where:</p> <p>(a) the sum includes all countries c;</p> <p>(b) $SCR_{(ac,c)}$ denotes the capital requirement for accident concentration risk of country c.</p> <p>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:</p> $L_{(ac,c)} = C_c \cdot \sum_e x_e \cdot CE_{(e,c)}$ <p>where:</p> <p>(a) C_c denotes the largest accident risk concentration of insurance and reinsurance undertakings in country c;</p> <p>(b) the sum includes the event types e set out in Annex HUR3;</p> <p>(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 HUR3;</p> <p>(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.</p>

		<p>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 the following conditions are met:</p> <ul style="list-style-type: none"> (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 HUR3; (c) the persons are working in the same building which is situated in country c. <p>4. For all event types and countries, the average sum insured of an insurance or reinsurance undertakings for event type e for the largest accident risk concentration in country c shall be equal to the following:</p> $CE_{(e,c)} = \frac{1}{N_e} \sum_{i=1}^{N_e} SI_{(e,i)}$ <p>where:</p> <ul style="list-style-type: none"> (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. <p>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.</p>
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	137 HUR20	<p style="text-align: center;"><i>Pandemic risk sub-module</i></p> <p>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:</p> $L_p = 0.000075 \cdot E + 0.4 \cdot \sum_c N_c \cdot M_c$ <p>where:</p> <ul style="list-style-type: none"> (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 the following conditions: <ul style="list-style-type: none"> (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. <p>2. The income protection pandemic exposure of an insurance or reinsurance undertaking shall be equal to the following:</p> $E = \sum_i E_i$ <p>where:</p> <ul style="list-style-type: none"> (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
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		<p>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.</p> <p>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:</p> $M_c = \sum_h H_h \cdot CH_{(h,c)}$ <p>where:</p> <ul style="list-style-type: none"> (a) the sum includes the types of healthcare utilisation h set out in Annex HUR3; (b) H_h denotes the ratio of insured persons with clinical symptoms utilising healthcare h as set out in Annex HUR3; (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.
	144 MR3	<p style="text-align: center;">LOOK-THROUGH APPROACH</p> <p>1. The Solvency Capital Requirement shall be calculated on the basis of each of the underlying assets of collective investment undertakings and other investments packaged as funds (look-through approach).</p> <p>2. The look-through approach shall also apply to the following:</p> <ul style="list-style-type: none"> (a) indirect exposures to market risk other than collective investment undertakings and investments packaged as funds; (b) indirect exposures to underwriting risk to which the provisions in Title I, Chapter V, Sections 2,3 and 4 shall apply; (c) indirect exposures to counterparty risk, to which the provisions in Title I, Chapter V, Section 7 shall apply. <p>3. Notwithstanding paragraph 1, where the look-through approach cannot be applied to collective investment</p>

		<p>undertakings or investments packaged as funds, the Solvency Capital Requirement may be calculated on the basis of the target underlying asset allocation of the collective investment undertaking or fund, provided such a target allocation is available to the undertaking at the level of granularity necessary for calculating the Solvency Capital Requirement, and the underlying assets are managed strictly according to this target allocation. For the purpose of this calculation, data groupings may be used, provided they are applied in a prudent manner, and that they do not apply to no more than 20 % of the total value of the assets of the insurance or reinsurance undertaking.</p> <p>4. Notwithstanding paragraph 2, the look-through approach shall not apply to investments in related undertakings within the meaning of Article 212(1)(b) and 212(2) of Directive 2009/138/EC.</p>
	144ter	<p style="text-align: center;">MATERIAL BASIS RISK</p> <p>Notwithstanding paragraph 2 of Article SCRRM2, where reinsurance undertakings transfer underwriting risk using a reinsurance contracts or special purpose vehicles that result in material basis risk from a currency mismatch between underwriting risk and the risk-mitigation technique, insurance or reinsurance undertakings may take into account the risk-mitigation technique in the calculation Solvency Capital Requirement according to the standard formula, provided that the risk-mitigation technique meets the requirements set out in Articles SCRRM1, SCRM2 except paragraph 2 and SCRRM3, and the calculation is carried out in accordance with the following:</p> <ol style="list-style-type: none"> 1. the currency basis risk stemming from the risk-mitigation technique shall be taken into account in the relevant underwriting module, submodule or scenario of the standard formula at the most granular level by adding to the capital requirement calculated in accordance with the relevant module, submodule or scenario 25% of the difference between the following: <ol style="list-style-type: none"> (a) the hypothetical capital requirement for the relevant underwriting risk module, submodule or scenario that would result from a simultaneous occurrence of the stress defined in Article 172; (b) the capital requirement for the relevant underwriting risk module, submodule or scenario. 2. Where the risk-mitigation technique covers more than one module, submodule or scenario, the calculation determined in paragraph (1) shall be carried out for each of these modules, submodules and scenarios. The capital requirement resulting from these calculations shall not exceed 25% of the capacity of the non-

		proportional reinsurance contract or special purpose vehicle.
	Article 150 ER3	<p style="text-align: center;"><i>Standard equity risk sub-module</i></p> <ol style="list-style-type: none"> 1. The capital requirement for type 1 equities referred to in Article ER1 shall be equal to the loss in the basic own funds that would result from an instantaneous decrease: <ol style="list-style-type: none"> (a) equal to 22 % in the value of type 1 equity investments in related undertakings within the meaning of Article 212(1)(b) and 212(2) of Directive 2009/138/EC where these investments are of a strategic nature; (b) equal to the sum of 39 % and the symmetric adjustment (SA) as referred to in Article 153 SA, in the value of type 1 equities other than those referred to in point (a). 2. The capital requirement for type 2 equities referred to in Article ER1 shall be equal to the loss in the basic own funds that would result from an instantaneous decrease : <ol style="list-style-type: none"> (a) equal to 22 % in the value of type 2 equity investments in related undertakings with the meaning of Article 212(1)(b) and 212(2) of Directive 2009/138/EC where these investments are of a strategic nature; (b) equal to the sum of 49 % and the symmetric adjustment (SA) as referred to in Article 153 SA, in the value of type 2 equities, other than those referred to in point (a).
	Article 152 ER4	<p style="text-align: center;"><i>Strategic participations</i></p> <p>For the purpose of paragraphs 1(b) and 2(b) of Article ER2 and paragraphs 1(a) and 2(a) of Article ER3, equity investments of a strategic nature shall mean equity investments for which the participating insurance or reinsurance undertaking demonstrates the following:</p> <ol style="list-style-type: none"> (a) that the value of the equity investment is likely to be materially less volatile for the following 12 months than the value of other equities over the same period as a result of both the nature of the investment and the influence exercised by the participating undertaking in the related undertaking;

		<p>(b) that the nature of the investment is strategic, taking into account all relevant factors, including:</p> <ul style="list-style-type: none"> (i) the existence of a clear decisive strategy to continue holding the participation for long period; (ii) the consistency of the strategy referred to in point (a) with the main policies guiding or limiting the actions of the undertaking; (iii) the participating undertaking's ability to continue holding the participation in the related undertaking; (iv) the existence of a durable link; (v) where the insurance or reinsurance participating company is part of a group, the consistency of such strategy with the main policies guiding or limiting the actions of the group.
	170 CO6	<p style="text-align: center;"><i>Specific exposures</i></p> <p>3. Notwithstanding Article CO5, the following exposures shall be assigned a risk factor g_i for market risk concentration of 0 %:</p> <ul style="list-style-type: none"> (a) exposures to the European Central Bank; (b) exposures to Member States' central government and central banks denominated and funded in the domestic currency of that central government and central bank; (c) exposures to multilateral development banks referred to in paragraph 2 of Article 117 of Regulation 575/2013; (d) exposures to international organisations referred to in Article 118 of Regulation 575/2013 (e) exposures that are fully, unconditionally and irrevocably guaranteed by the European Investment Bank or the European Investment Fund.
	174 CDR1	<p style="text-align: center;"><i>Scope</i></p> <p>...</p> <p>(2) Type 1 exposures shall consist of exposures in relation to:</p> <ul style="list-style-type: none"> (a) Risk-mitigation contracts including reinsurance arrangements, insurance securitisations and derivatives;

		<p>(b) Cash at bank as defined in Article 6 item F of Directive 91/674/EEC ;</p> <p>(c) Deposits with ceding undertakings, where the number of single name exposures does not exceed 15;</p> <p>(d) Commitments received by an insurance or reinsurance undertaking which have been called up but are unpaid, where the number of single name exposures does not exceed 15, including called up but unpaid ordinary share capital and preference shares, called up but unpaid legally binding commitments to subscribe and pay for subordinated liabilities, called up but unpaid initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings, called up but unpaid guarantees, called up but unpaid letters of credit, called up but unpaid claims which mutual or mutual-type associations may have against their members by way of a call for supplementary contributions;</p> <p>(e) Legally binding commitments which the undertaking has provided or arranged and which may create payment obligations depending on the credit standing or default on a counterparty including guarantees, letters of credit, letters of comfort which the undertaking has provided...</p>
	175 CDR2	<p style="text-align: center;"><i>Loss-given-default</i></p> <p>...</p> <p>(5) The loss-given-default on a legally binding commitment as referred to in Article 174 CDR1 (2)(e) shall be equal to the difference between its nominal value and its value in accordance with Article 75 of Directive 2009/138/EC;</p> <p>...</p>
	184bis SCRRMX	<p style="text-align: center;"><i>Methods and Assumptions</i></p> <p>1. Where insurance or reinsurance undertakings transfer underwriting risks using reinsurance contracts or special purpose vehicles that meet the requirements set out in SCRRM1, SCRRM3 and SCRRM5, and where these arrangement provide for protection in several of the scenario-based calculations set out in Title I, Chapter V, Sections 2, 3 and 4, the risk-mitigating effects of these contractual arrangements shall be allocated to the scenario-based calculations in a manner that, without double-counting, captures the economic effect of the protections provided. In particular, the economic effect of the protections provided shall be captured in determining the loss in basic own funds in the scenario-based calculations.</p>

		<p>2. Where insurance or reinsurance undertakings transfer underwriting risks using finite reinsurance, as defined in Article 210(3) of Directive 2009/138/EC, that meet the requirements set out in SCRRM1, SCRRM3 and SCRRM5, these contracts shall be recognised in the scenario based calculations set out in Title I, Chapter V, Sections 2, 3 and 4 only to the extent underwriting risk is transferred to the counterparty of the contract. Notwithstanding the previous sentence, finite reinsurance, or similar arrangements, where the lack of effective risk transfer is comparable to that of finite reinsurance, shall not be taken into account for the purpose of determining the volume measures for premium and reserve risk in accordance with in Article NLUR3 and Article HUR4, or for the purpose of calculating undertaking-specific parameters in accordance with Section 13 of this Chapter.</p>
	184 SCRRM1	<p style="text-align: center;"><i>Qualitative Criteria</i></p> <p>1. When calculating the Basic Solvency Capital Requirement, insurance or reinsurance undertakings shall only take into account risk-mitigation techniques as referred to in Article 101(5) of Directive 2009/138/EC where the following qualitative criteria are met:</p> <ul style="list-style-type: none"> (a) the contractual arrangements and transfer of risk are legally effective and enforceable in all relevant jurisdictions; (b) the insurance or reinsurance undertaking has taken all appropriate steps to ensure the effectiveness of the arrangement and to address the risks related to that arrangement; (c) the insurance or reinsurance undertaking is able to monitor the effectiveness of the arrangement and the related risks on an ongoing basis; (d) the insurance or reinsurance undertaking has, in the event of a default, insolvency or bankruptcy of a counterparty or other credit event set out in the transaction documentation for the arrangement, a direct claim on that counterparty; (e) there is no double counting of risk-mitigation effects in own funds and in the calculation of the Solvency Capital Requirement or within the calculation of the Solvency Capital Requirement. <p>2 Only risk-mitigation techniques that are in force for at least the next 12 months and which meet the qualitative criteria set out in this Section shall be fully taken into account in the Basic Solvency Capital Requirement. In all other cases, the risk-mitigation effect of risk-mitigation techniques that are in force for a period shorter than 12</p>

		<p>months and which meet the qualitative criteria set out in this Section shall be taken into account in the Basic Solvency Capital Requirement prorata temporis for the shorter of the full term of the risk exposure or the period that the risk-mitigation technique is in force.</p> <p>3 Where contractual arrangements governing the risk-mitigation techniques will be in force for a period shorter than the next 12 months and the insurance or reinsurance undertaking intends to replace that risk-mitigation technique at the time of its expiry with a similar arrangement, the risk-mitigation technique shall be fully taken into account in the Basic Solvency Capital Requirement provided the following qualitative criteria are met:</p> <ul style="list-style-type: none"> (a) the insurance or reinsurance undertaking has a written policy on the replacement of that risk-mitigation technique; (b) the replacement of the risk-mitigation technique shall not take place more often than every three months; (c) the replacement of the risk-mitigation technique is not conditional on any future event, which is outside of the control of the insurance or reinsurance undertaking. Where the replacement of the risk-mitigation technique is conditional on any future event, that is within the control of the insurance or reinsurance undertaking, then the conditions should be clearly documented in the written policy referred to in point (a); (d) the replacement of the risk-mitigation technique shall be realistic based on replacements undertaken previously by the insurance or reinsurance undertaking and consistent with its current business practice and business strategy; (e) the risk that the risk-mitigation technique cannot be replaced due to an absence of liquidity in the market is not material; (f) the risk that the cost of replacing the risk-mitigation technique increases during the following 12 months is reflected in the Solvency Capital Requirement; (g) the replacement of the risk-mitigation technique would not be contrary to requirements that apply to future management actions set out in TP6 (5).
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	185 SCRRM2	<p style="text-align: center;"><i>Effective Transfer of Risk</i></p> <p>...</p> <p>2. The contractual arrangement shall not result in material basis risk or in the creation of other risks.</p> <p>3. Basis risk is material if it leads to a misstatement of the risk-mitigating effect on the insurance or reinsurance undertaking's Basic Solvency Capital Requirement that could influence the decision-making or judgement of the intended user of that information, including the supervisory authorities.</p>
	189 SCRRM6	<p style="text-align: center;"><i>Collateral Arrangements</i></p> <p>1. In the calculation of the Basic Solvency Capital Requirement, collateral arrangements shall only be recognised where, in addition to the qualitative criteria in Articles SCRRM1 and SCRRM2, the following criteria are met:</p> <ul style="list-style-type: none"> (a) the insurance or reinsurance undertaking transferring the risk shall have the right to liquidate or retain, in a timely manner, the collateral in the event of a default, insolvency or bankruptcy or other credit event of the counterparty; (b) there is sufficient certainty as to the protection achieved by the collateral because either: <ul style="list-style-type: none"> (i) it is of sufficient credit quality, is of sufficient liquidity and is sufficiently stable in value, or (ii) it is guaranteed by a counterparty, other than a counterparty referred to in Article CO6(5) and CO3(2) who has been assigned a risk factor for concentration risk of 0 %; (c) there is no material positive correlation between the credit quality of the counterparty and the value of the collateral; (d) the collateral is not securities issued by the counterparty or a related undertaking of that counterparty. <p>2. Where a collateral arrangement meets the definition in Article 1bis (27)(b) and involves collateral being held by a custodian or other third party, the insurance or reinsurance undertaking shall ensure that the following criteria are met:</p> <ul style="list-style-type: none"> (a) the relevant third party segregates the assets held as collateral from its own assets; (b) the segregated assets are held by a deposit-taking institution that has a credit quality which has been

		<p>assigned to credit quality step 3 or better in accordance with Section ECAI;</p> <p>(c) the segregated assets are individually identifiable and can only be changed or substituted with the consent of the insurance or reinsurance undertaking or a person acting as a trustee in relation to the insurance or reinsurance undertaking's interest in such assets;</p> <p>(d) the insurance or reinsurance undertaking or a person acting as a trustee in relation to the insurance or reinsurance undertaking's interest in such assets shall have the right to liquidate or retain, in a timely manner, the segregated assets in the event of a default, insolvency or bankruptcy or other credit event of the custodian or other third party;</p> <p>(e) the segregated assets shall not be used to pay, or to provide collateral in favour of, any person other than the insurance or reinsurance undertaking or as directed by the insurance or reinsurance undertaking.</p>
	191 ALAC1	<p style="text-align: center;"><i>General provisions</i></p> <p>The adjustment referred to in Article 103(c) of Directive 2009/138/EC for the loss-absorbing capacity of technical provisions and deferred taxes shall be the sum of the following items:</p> <p>(1) the adjustment for the loss-absorbing capacity of technical provisions;</p> <p>(2) the adjustment for the loss-absorbing capacity of deferred taxes.</p>
	192 ALAC2	<p style="text-align: center;"><i>Adjustment for the loss-absorbing capacity of technical provisions</i></p> <p>1. The adjustment for the loss-absorbing capacity of technical provisions shall be equal to the following:</p> $Adj_{TP} = -\max(\min(BSCR - nBSCR; FDB); 0)$ <p>where:</p> <p>(a) <i>BSCR</i> denotes the Basic Solvency Capital Requirement referred to in Article 103(a) of Directive 2009/138/EC;</p> <p>(b) <i>nBSCR</i> denotes the net Basic Solvency Capital Requirement as referred to in paragraph 2;</p> <p>(c) <i>FDB</i> denotes the technical provisions without risk margin in relation to future discretionary benefits</p> <p>2. The net Basic Solvency Capital Requirement shall be calculated in accordance with Section 1, Subsection 1</p>

		<p>to 9 of Chapter V with the following modifications:</p> <ul style="list-style-type: none"> (a) where the calculation of a module or sub-module of the Basic Solvency Capital Requirement is based on the impact of a scenario on the basic own funds of insurance and reinsurance undertakings, the scenario can change the value of the future discretionary benefits included in technical provisions; (b) the scenario based calculations of the life underwriting risk module, the SLT health underwriting risk sub-module, the health catastrophe risk sub-module, the market risk module and the counterparty default risk module as well as the scenario-based calculation set out in points (c) and (d) shall take into account the impact of the scenario on future discretionary benefits included in technical provisions; this shall be done on the basis of assumptions on future management actions that comply with Article TP6. (c) instead of the capital requirement for counterparty default risk on type 1 exposures referred to in Article CDR1(1), the calculation shall be based on the capital requirement that is equal to the loss in basic own funds that would result from an instantaneous loss, due to default events relating to type 1 exposures, of the amount of the capital requirement for counterparty default risk on type 1 exposures referred to in Article CDR1(1); (d) where insurance and reinsurance undertakings use a simplified calculation for a specific capital requirement as set out in Article SCRS2, SCRS3, SCRS5, SCRS6(1), SCRS6(2), SCRS7, SCRS5b, SCRSC3(1)(a), SCRSC3(1)(b), SCRS8 or SCRS4, the undertakings shall base the calculation on the capital requirement that is equal to the loss in basic own funds that would result from an instantaneous loss of the amount of the capital requirement referred to in the relevant Article and shall assume that the instantaneous loss is due to the risk that the capital requirement referred to in that Article captures; <p>3. For the purpose of point (b) of paragraph 2, insurance and reinsurance undertakings shall take into account any legal, regulatory or contractual restrictions in the distribution of future discretionary benefits.</p>
	193 ALAC3	<p style="text-align: center;"><i>Adjustment for the loss-absorbing capacity of deferred taxes</i></p> <p>1. The adjustment for the loss-absorbing capacity of deferred taxes shall be equal to the change in the value of deferred taxes of insurance and reinsurance undertakings that would result from an instantaneous loss of an amount that is equal to the sum of the following:</p>

		<p>(a) the Basic Solvency Capital Requirement referred to in Article 103(a) of Directive 2009/138/EC;</p> <p>(b) the adjustment for the loss-absorbing capacity of technical provisions referred to in Article ALAC2;</p> <p>(c) the capital requirement for operational risk referred to in Article 103(b) of Directive 2009/138/EC.</p> <p>2. For the purpose of paragraph 1, deferred taxes shall be valued in accordance with Article V7. Where the loss referred to in paragraph 1 would result in the increase in deferred tax assets, insurance and reinsurance undertakings shall not utilise this increase for the purpose of the adjustment unless they are able to demonstrate that future profits will be available in accordance with Article V7(3), taking into account the magnitude of the loss referred to in paragraph 1 and its impact on the undertaking's current and future financial situation.</p> <p>3. For the purpose of paragraph 1, a decrease in deferred tax liabilities or an increase in deferred tax assets shall result in a negative adjustment for the loss-absorbing capacity of deferred taxes.</p> <p>4. Where the calculation of the adjustment in accordance with paragraph 1 results in a positive change of deferred taxes, the adjustment shall be nil.</p> <p>5. Where it is necessary to allocate the loss referred to in paragraph 1 to its causes in order to calculate the adjustment for the loss-absorbing capacity of deferred taxes, insurance and reinsurance undertakings shall allocate the loss to the risks that are captured by the Basic Solvency Capital Requirement and the capital requirement for operational risk. The allocation shall be consistent with the contribution of the modules and sub-modules of the standard formula to the Basic Solvency Capital Requirement. Where an insurance or reinsurance undertaking uses a partial internal model where the adjustment to the loss-absorbing capacity of technical provisions and deferred taxes are not within the scope of the model, the allocation shall be consistent with the contribution of the modules and sub-modules of the standard formula which are outside of the scope of the model to the Basic Solvency Capital Requirement.</p>
	194 RFFSCR1	<p><i>Calculation of the Solvency Capital Requirement in the case of ring-fenced funds and matching adjustment portfolios</i></p> <p>1. In the case of ring-fenced funds determined in accordance with Article RFFOF2 or in the case insurance or reinsurance undertakings have received approval to apply a matching adjustment to the risk-free interest term structure in accordance with Article 77b of Directive 2009/138/EC, insurance and reinsurance undertakings shall make an adjustment to the calculation of the Solvency Capital Requirement following the method that</p>

		<p>is set out in Article RFFSCR2.</p> <p>2. Notwithstanding paragraph 1, where an insurance or reinsurance undertaking has received supervisory approval to apply the provisions set out in Article 304 of Directive 2009/138/EC to a ring-fenced funds, it shall not adjust the calculation in accordance with Article RFFSCR2, but base the calculation of the assumption of full diversification between the assets and liabilities of the ring-fenced funds and the rest of the undertaking.</p>
	195 RFFSCR2	<p><i>Solvency Capital Requirement calculation method for ring-fenced funds and matching adjustment portfolios</i></p> <p>1. Insurance and reinsurance undertakings shall calculate a notional Solvency Capital Requirement for each ring-fenced fund and each matching adjustment portfolio, as well as for the remaining part of the undertaking, in the same manner as if those ring-fenced funds and matching adjustment portfolio and the remaining part of the undertaking were separate undertakings.</p> <p>2. Insurance and reinsurance undertakings shall calculate their Solvency Capital Requirement as the sum of the notional Solvency Capital Requirements for each of the ring-fenced funds and each matching adjustment portfolio and for the remaining part of the undertaking.</p> <p>3. Where the calculation of the capital requirement for a risk module or sub-module of the Basic Solvency Capital Requirement is based on the impact of a scenario on the basic own funds of the insurance or reinsurance undertaking, the impact of the scenario on the basic own funds at the level of the ring-fenced fund and matching adjustment portfolio and the remaining part of the undertaking shall be calculated.</p> <p>4. The basic own funds at the level of the ring-fenced fund or matching adjustment portfolio shall be those restricted own-fund items that meet the definition of basic own funds set out in Article 88 of Directive 2009/138/EC.</p> <p>5. Where profit participation arrangements exist in the ring-fenced fund, insurance and reinsurance undertakings shall apply the following approach when adjusting the Solvency Capital Requirement:</p> <p>(a) where the calculation referred to in paragraph 3 would result in an increase in the basic own funds at the level of the ring-fenced fund, the estimated change in those basic own funds shall be adjusted to reflect the existence of profit participation arrangements in the ring-fenced fund; in this case, the adjustment to the change in the basic own funds of the ring-fenced fund shall be the amount by which</p>

		<p>technical provisions would increase due to the expected future distribution to policy holders or beneficiaries of that ring-fenced fund;</p> <p>(b) where the calculation referred to in paragraph 3 would result in a decrease in the basic own funds at the level of the ring-fenced fund, the estimated change in those basic own funds for the calculation of the net Basic Solvency Capital Requirement, as referred to in Article [ALAC2](2), shall be adjusted to reflect the reduction in future discretionary benefits payable to policy holders or beneficiaries of that ring-fenced fund; the adjustment shall not exceed the amount of future discretionary benefits within the ring-fenced fund.</p> <p>6. Notwithstanding the requirement to calculate the Solvency Capital Requirement for each ring-fenced fund and each matching adjustment portfolio in the same manner as if those ring-fenced funds and matching adjustment portfolios were separate undertakings, the notional Solvency Capital Requirement for each ring-fenced fund and each matching adjustment portfolio shall be calculated using the scenario-based calculations under which basic own funds for the undertaking as a whole are most negatively affected.</p> <p>7. For the purpose of determining the scenario under which basic own funds are most negatively affected for the undertaking as a whole, the undertaking shall first calculate the sum of the results of the impacts of the scenarios on the basic own funds at the level of each ring-fenced fund and each matching adjustment portfolio, in accordance with paragraphs 3 and 5. The totals at the level of each ring-fenced fund and each matching adjustment portfolio shall be added to one another and to the results of the impact of the scenarios on the basic own funds in the remaining part of the insurance or reinsurance undertaking.</p> <p>8. The notional Solvency Capital Requirement for each ring-fenced fund and each matching adjustment portfolio shall be determined by aggregating the capital requirements for each sub-module and risk module of the Basic Solvency Capital Requirement.</p> <p>9. Insurance and reinsurance undertakings shall assume that there is no diversification of risks between each of the ring-fenced funds and each matching adjustment portfolio and the remaining part of the insurance or reinsurance undertaking.</p>
	196 USP1	<p><i>Subset of standard parameters that may be replaced by undertaking-specific parameters</i></p> <p>1. The subset of standard parameters that may be replaced by undertaking-specific parameters as set out in</p>

		<p>Article 104(7) shall comprise the following parameters:</p> <ul style="list-style-type: none"> (a) in the non-life premium and reserve risk sub-module, for each segment set out in Annex NLUR1: <ul style="list-style-type: none"> (i) the standard deviation for non-life premium risk referred to in Article 83(2)(a); (ii) the standard deviation for non-life gross premium risk referred to in Article 83(3); (iii) the adjustment factor for non-proportional reinsurance referred to in Article 83(3), provided that there is a recognisable excess of loss reinsurance contract for that segment as set out in paragraph 2; (iv) the standard deviation for non-life reserve risk referred to in Article 83(2)(b); (b) in the life revision risk sub-module, the increase in the amount of annuity benefits referred to in Article LUR6, provided that the annuities falling under that sub-module are not subject to material inflation risk; (c) in the NSLT health premium and reserve risk sub-module, for each segment set out in Annex HUR1: <ul style="list-style-type: none"> (i) the standard deviation for NSLT health premium risk referred to in Article 121(2)(a); (ii) the standard deviation for NSLT health gross premium risk referred to in Article 121(3); (iii) the adjustment factor for non-proportional reinsurance referred to in Article 121(3), provided that there is a recognisable excess of loss reinsurance contract for that segment as set out in paragraph 2; (iv) the standard deviation for NSLT health reserve risk referred to in Article 121(2)(b); (d) in the health revision risk sub-module, the increase in the amount of annuity benefits referred to in Article HUR15, provided that the annuities falling under that sub-module are not subject to material inflation risk. <p>Insurance and reinsurance undertakings shall not replace both the standard parameters referred to in point (a)(ii) and (iii) of the same segment or both the standard parameters referred to in point (c)(ii) and (iii) of the same segment.</p> <p>2. An excess of loss reinsurance contract for a segment shall be considered recognisable provided it meets the following conditions:</p>
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		<p>(a) it provides, to the extent that losses of the ceding undertaking that relate either to single insurance claims or all insurance claims under the same policy during a specified time period are larger than a specified retention, complete compensation for such losses up to a specified limit or without limit;</p> <p>(b) it covers all insurance claims that the insurance or reinsurance undertaking may incur in the segment or homogenous risk groups within the segment during the following 12 months;</p> <p>(c) it allows for a sufficient number of reinstatements so as to ensure that all claims of multiple events incurred during the following 12 months are covered;</p> <p>(d) it applies to the gross insurance claims, without deduction of the recoverables from other reinsurance contracts or special purpose vehicles;</p> <p>(e) it meets the requirements set out in Articles SCRRM1 to SCRRM3 and SCRRM5.</p> <p>For the purpose of this Article ‘excess of loss reinsurance contract’ shall also denote arrangements with special purpose vehicles that provide risk transfer which is equivalent to that of an excess of loss reinsurance contract.</p> <p>2bis. Notwithstanding paragraph 2, where insurance or reinsurance undertakings have concluded several excess of loss reinsurance contracts that each meet the requirements set out in point (e) of paragraph 2, and that in combination meet the requirements set out in points (a) to (d) of paragraph 2, their combination shall be considered as one recognisable excess of loss insurance contract.</p> <p>3. For the purposes of points (b) and (d) of paragraph 1, inflation risk shall be considered to be material where ignoring it in the calculation of the capital requirement for revision risk could influence the decision-making or the judgement of the users of that information, including the supervisory authorities.</p>
	197 USP2	<p style="text-align: center;"><i>Data criteria</i></p> <p>1. Data used to calculate undertaking-specific parameters shall only be considered to be complete, accurate and appropriate where they satisfy the following criteria:</p> <p>(a) the data meet the conditions set out in Article 14(1) to (3), and the insurance or reinsurance undertaking complies in relation to that date with the requirements set out in Article TP3(4), where any reference to the calculation of technical provisions shall be understood as referring to the calculation of the undertaking-specific parameter;</p>

		<ul style="list-style-type: none"> (b) the data are capable of being incorporated into the standardised methods; (c) the data do not prevent the insurance or reinsurance undertaking from complying with the requirements of Article 101(3) of Directive 2009/13/EC; (d) the data meet any additional data requirement necessary to use each standardised method. (e) the data and its production are thoroughly documented, including: <ul style="list-style-type: none"> (i) the collection of data and analysis of its quality; (ii) the choice of assumptions used in the production and adjustment of the data, including adjustments with regard to reinsurance and catastrophe claims and about the allocation of expenses; (iii) the selection and application of actuarial and statistical methods for the production and the adjustment of the data; (iv) the validation of the data. <p>For the purposes of point (e)(i), the documentation referred to in point (e) shall include a directory of the data, specifying their source, characteristics and usage and the specification for the collection, processing and application of the data;</p> <p>For the purposes of point (e)(ii), the documentation referred to in point (e) shall include a directory of all the relevant assumptions that the calculation of technical provisions are based upon and a justification for the choice of the assumptions;</p> <p>2. Where external data are used, they shall satisfy the following additional criteria:</p> <ul style="list-style-type: none"> (a) the process for collecting data is transparent, auditable and known by the insurance or reinsurance undertaking that uses the data to calculate undertaking-specific parameters on its basis; (b) where the data stem from different sources, the assumptions made in the collection, processing and application of data ensure that the data are comparable; (c) the data stem from insurance and reinsurance undertakings whose business and risk profile is similar to that of the insurance or undertaking whose undertaking-specific parameter is calculated in the basis
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		<p>of those data;</p> <p>(e) undertakings using the external data are able to verify that there is sufficient statistical evidence that the probability distributions underlying their own data and that of the underlying external data have a high degree of similarity, in particular with respect to the level of volatility they reflect.</p> <p>(f) external data only comprises data from undertakings with a similar risk profile and this risk profile is similar to the risk profile of the undertaking using the data, in particular that the external data comprise data from undertakings whose business nature and risk profile with respect to the external data is similar and for which there is sufficient statistical evidence that the probability distributions underlying the external data will exhibit a high degree of homogeneity.</p>
	198 USP3	<p><i>Standardised methods to calculate the undertaking-specific parameters</i></p> <p>1. Where insurance and reinsurance undertakings calculate undertaking-specific parameters they shall use, for each parameter, the standardised methods set out in Annex USP as follows:</p> <p>(a) the premium risk method for undertaking-specific parameters replacing the standard parameters referred to in Article 196(a)(i), (a)(ii), (c)(i) and (c)(ii);</p> <p>(b) the reserve risk method 1 or the reserve risk method 2 for undertaking-specific parameters replacing the standard parameters referred to in Article 196(a)(iv), and (c)(iv);</p> <p>(c) the non-proportional reinsurance method for undertaking-specific parameters replacing the standard parameters referred to in Article 196(a)(iii) and (c)(iii);</p> <p>(d) the revision risk method for undertaking-specific parameters replacing the standard parameters referred to in Article 196(b) and (d).</p> <p>2. Where the undertaking is able to use more than one standardised method, the method that provides the most accurate result for the purpose of fulfilling the calibration requirements included in Article 101(3) of Directive 2009/138/EC shall be used.</p> <p>3. Notwithstanding paragraph 2, where undertaking is not able to demonstrate the accuracy of the results of one standardised method over the other standardised methods to calculate an undertaking-specific parameter, the method providing the most conservative result shall be used.</p>

	200bis USP5bis	<p style="text-align: center;">Method 1: group-specific parameters</p> <ol style="list-style-type: none"> 1. Subject to approval by the group supervisor, the consolidated group Solvency Capital Requirement may, within the framework of the standard formula, be calculated by replacing a subset of the standard parameters laid down in Article 196 USP1 by parameters specific to the group (hereinafter referred to as “group-specific parameters”). 2. Data used to calculate group-specific parameters shall satisfy the criteria set out in Article 104(7) of Directive 2009/138/EC and Article 197 USP2. 3. The standardised methods used to calculate the group-specific parameters are the methods set out in Article 198 USP3. 4. For the purposes of this article, any reference in Articles 196 USP1, 197 USP2 and 198 USP3 to 'undertaking-specific parameters' shall be understood as a reference to 'group-specific parameters' and any reference to 'insurance and reinsurance undertakings' shall be understood as a reference to 'the participating insurance or reinsurance company, the insurance holding company or the mixed financial holding company' applying for the use of group-specific parameters.
Group Solvency	321 SCG1	<p style="text-align: center;"><i>Article 321 SCG1</i></p> <p style="text-align: center;">(Art. 220 (2) of Directive 2009/138/EC)</p> <p style="text-align: center;">Choice of method</p> <ol style="list-style-type: none"> 1. In assessing whether the calculation of the group solvency should be carried out in accordance with method 2 or a combination of methods 1 and 2 laid down in Articles 230 to 233 of Directive 2009/138/EC, the group supervisor shall, in consultation with the other supervisory authorities concerned and the participating insurance or reinsurance undertaking or the insurance holding company or the mixed financial holding company, consider the following elements in deciding whether the exclusive application of method 1 is not appropriate: <ol style="list-style-type: none"> (a) (...) (b) (...);

		<p>(c) (...);</p> <p>(d) (...;</p> <p>(e) whether intra-group transactions are not significant both in terms of volume and value of the transaction;</p> <p>(f) (...).</p>
	322 SCG2	<p style="text-align: center;"><i>Article 322 SCG2</i></p> <p style="text-align: center;">(Art. 220 (2) of Directive 2009/138/EC)</p> <p>(...)</p> <p>2. For the purpose of applying the provisions set out in Article 235 of Directive 2009/138/EC, in case the parent insurance holding company or mixed financial holding company has issued subordinated debt or has other eligible own funds subject to the limits set out in Article 98 of that Directive, Article 226(2) of that Directive shall apply;</p> <p>3. Special purpose vehicles to which the participating undertaking or one of its subsidiaries has transferred risk, shall be excluded from the calculation of group solvency in either of the two following situations:</p> <p>(a) the special purpose vehicle is as defined in Article 13(26) and complies with the requirements set out in Article 211 of Directive 2009/138/EC, or where applicable with the Member State law in accordance with Article 211(3) of Directive 2009/138/EC;</p> <p>(b) the special purpose vehicle is regulated by a third country supervisory authority, and complies with requirements equivalent to those set out in Article 211(2) of Directive 2009/138/EC, .</p> <p>In the situations referred to in this paragraph, Article 186 SCR3 shall apply at the level of the group.</p>
	323 SCG3	<p style="text-align: center;"><i>Article 323 SCG3</i></p> <p style="text-align: center;">(Art. 222 (2) to (5) of Directive 2009/138/EC)</p> <p style="text-align: center;">Availability at group level of the eligible own funds of related undertakings</p>

		<ol style="list-style-type: none"> 1. (....) 4. The following items shall not be considered as effectively available to cover the group Solvency Capital Requirement: <ol style="list-style-type: none"> (a) any minority interest in a subsidiary exceeding the contribution of that subsidiary to the group Solvency Capital Requirement, where the subsidiary is an insurance or reinsurance undertaking, a third country insurance or reinsurance undertaking, an insurance holding company or a mixed financial holding company; (b) any minority interest in a subsidiary ancillary services undertaking; (c) any restricted own funds item in ring-fenced funds as referred to in point (b) of Article 99 of Directive 2009/138/EC and in Article RFFOF1. 5. Where an own-fund item of a related insurance or reinsurance undertaking, third-country insurance or reinsurance undertaking insurance holding company or mixed financial holding company cannot effectively be made available to cover the group Solvency Capital Requirement, this own fund item may only be included in the calculation of group solvency up to the contribution of the related insurance or reinsurance undertaking, third-country insurance or reinsurance undertaking, insurance holding company or mixed financial holding company to the group Solvency Capital Requirement. 6. Where a related insurance or reinsurance undertaking, third-country insurance or reinsurance undertaking, insurance holding company or mixed financial holding company is included in the consolidated data pursuant to points (a) or (c) of Article 323bis, its contribution to the consolidated group Solvency Capital Requirement shall reflect diversification benefits and be calculated as follows: <ol style="list-style-type: none"> (d) where the consolidated group Solvency Capital Requirement is calculated, in relation to that related undertaking, on the basis of the standard formula, the proportional share of the Solvency Capital Requirement of that related undertaking multiplied by a percentage corresponding to the proportion that the diversified component of the consolidated group Solvency Capital Requirement, as laid down in Article 323ter SCG3(1)(a), bears to the sum of the Solvency Capital Requirements of each of the undertakings included in the calculation of that diversified component of the consolidated group Solvency Capital Requirement; (e) where the consolidated group Solvency Capital Requirement is calculated, in relation to that related
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		<p>undertaking, on the basis of an internal model, the Solvency Capital Requirement of that related undertaking multiplied by a percentage corresponding to the proportion of the diversification effects at group level that are attributed to that related undertaking, determined by that internal model, provided that the sum of such percentages for all the related insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies included in the consolidated calculation based on the internal model equals 100%.</p>
	324c SCGc	<p style="text-align: center;"><i>Article 324c SCGc</i></p> <p style="text-align: center;">(Art. 230 (1) Directive 2009/138/EC)</p> <p style="text-align: center;">Classification of own-fund items of residual related undertakings</p> <ol style="list-style-type: none"> 1. The own-fund items of related undertakings referred to in Article 323bis SCG3(1)(f) shall be considered as part of the reconciliation reserve at the group level. 2. Notwithstanding paragraph 1, when practicable and when the own-fund items referred to in paragraph 1 materially affect the amount of group own funds or the group solvency, the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company shall classify these own-fund items into one of the three tiers based on the criteria set out in Title I, Chapter IV, Section 2.
	323bis SCG3	<p style="text-align: center;"><i>Article 323 bis SCG3</i></p> <p style="text-align: center;">(Art. 230 (1) of Directive 2009/138/EC)</p> <p style="text-align: center;">Method 1: determination of consolidated data</p> <ol style="list-style-type: none"> 1. Consolidated data for the calculation of group solvency according to method 1 shall include: <ol style="list-style-type: none"> (a) full consolidation of data of all the insurance or reinsurance undertakings, third-country insurance or reinsurance undertakings, insurance holding companies mixed financial holding companies and ancillary services undertakings which are subsidiaries of the parent undertaking; (b) full consolidation of data of special purpose vehicles to which the participating undertaking or one of its subsidiaries has transferred risk and which are not excluded from the scope of the group solvency calculation pursuant to Article 322 SCG2 (3); (c) proportional consolidation of data of the insurance or reinsurance undertakings, third-country

		<p>insurance or reinsurance undertakings, insurance holding companies, mixed financial holding companies and ancillary services undertakings managed by an undertaking referred to in point (a) together with one or more undertakings not included in point (a), where those undertakings' responsibility is limited to the share of the capital they hold;</p> <p>(d) on the basis of the adjusted equity method in accordance with Article 9bis V5bis(3), data of all holdings in related insurance or reinsurance undertakings, third-country insurance or reinsurance undertakings, insurance holding companies, mixed financial holding companies which are not subsidiaries of the parent undertaking and which are not covered by points (a) and (c);</p> <p>(e) the proportional share of the undertakings' own funds calculated according to the relevant sectoral rules, as referred to in Article 2(7) of Directive 2002/87/EC, in relation to holdings in related undertakings which are credit institutions, investment firms and financial institutions, alternative investment fund managers, UCITS management companies, institutions for occupational retirement provision, non-regulated undertakings carrying out financial activities;</p> <p>(f) in accordance with Article 9bis V5bis, data of all related undertakings, including ancillary service undertakings, other than those referred to in points (a) to (e).</p> <p>2. Notwithstanding paragraph 1 point (d), data of related undertakings linked by a relationship referred to in Article 12(1) of Directive 83/349/EEC shall be included in accordance with points (a), (c), (d), (e) or (f) of the first paragraph on the basis of the determination of the proportional share by the group supervisor as referred to in Article 221(2)(a) of Directive 2009/138/EC.</p> <p>3. For the purpose of the calculation of the consolidated group own funds, the data referred to in paragraphs 1 and 2 should be net of any intra-group transaction.</p>
	323 ter SCG3	<p style="text-align: center;"><i>Article 323 ter SCG3</i></p> <p style="text-align: center;">(Art. 230 (2) of Directive 2009/138/EC)</p> <p style="text-align: center;">Method 1: Calculation of the consolidated group Solvency Capital Requirement</p> <p>1. The consolidated group Solvency Capital Requirement shall be calculated as the sum of:</p> <p>(a) a Solvency Capital Requirement calculated on the basis of consolidated data referred to in Article 323bis SCG3 (1)(a), 1(b) and (1)(c) following the rules laid down in Title I, Chapter VI, Section 4 of Directive 2009/138/EC;</p>

		<p>(b) the proportional share of the Solvency Capital Requirement of each undertaking referred to in Article 323bis SCG3 (1)(d); for a related third-country insurance or reinsurance undertaking which is not a subsidiary the Solvency Capital Requirement shall be calculated as if that undertakings had its head office in the Community;</p> <p>(c) for undertakings referred to in Article 323bis SCG3 (1)(e), the proportional share of the capital requirements for credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies, and institutions for occupational retirement provision within the meaning of Directive 2003/41/EC, calculated according to the relevant sectoral rules and the proportional share of the notional capital requirements of non-regulated undertakings carrying out financial activities;</p> <p>(d) for undertakings referred to in Article 323bis SCG3 (1)(f), the amount determined in accordance with Article V5, Articles ER1 to ER4, Articles CO1 to CO6 and Article CR1.</p>
	324 SCG4	<p style="text-align: center;"><i>Article 324 SCG4</i></p> <p style="text-align: center;">(Art. 230 (2) of Directive 2009/138/EC)</p> <p style="text-align: center;">Method 1: determination of the local currency for the purpose of the currency risk calculation</p> <p>Where the consolidated group Solvency Capital Requirement is calculated, wholly or in part, on the basis of the standard formula, the local currency referred to in the first paragraph of Article CR1 shall be understood to be the currency used for the preparation of the consolidated accounts.</p>
	325 SCG5	<p style="text-align: center;"><i>Article 325 SCG5</i></p> <p style="text-align: center;">(Art. 230 (2) of Directive 2009/138/EC)</p> <p style="text-align: center;">Combination of methods 1 and 2: minimum consolidated group Solvency Capital Requirement</p> <p>Where the group supervisor decides, in accordance with Article 220(2) of Directive 2009/138/EC, to apply to the</p>

		group a combination of methods 1 and 2, the consolidated group Solvency Capital Requirement calculated for the part of the group which is covered by method 1 shall have a minimum determined in accordance with the requirements set out in the second, of Article 230(2) of Directive 2009/138/EC.
	340bis CGS4	<p style="text-align: center;">NATIONAL OR REGIONAL SUBGROUP SUPERVISION</p> <p style="text-align: center;"><i>Article 340bis CGS4</i></p> <p style="text-align: center;">(Art. 216 and 217 of Directive 2009/138/EC)</p> <p>Where Member States allow supervisory authorities to exercise group supervision on a subgroup according to Articles 216 or 217 of Directive 2009/138/EC, such a decision by the supervisory authorities shall only be taken in circumstances justified by objective specificities in the operations, the organisation or the risk-profile of the subgroup as compared to the group.</p>
Solvency capital requirement: full and partial internal models	211 TSIM1	<p style="text-align: center;"><i>Use of the internal model</i></p> <p>Insurance and reinsurance undertakings shall explain upon request of the supervisory authorities the different uses of their internal model and how they ensure consistency between the different outputs where the internal model is used for different purposes. Where insurance and reinsurance undertakings decide not to use the internal model for a significant part of the system of governance, they shall explain that decision.</p>
	214 TSIM4	<p style="text-align: center;"><i>Support of decision-making and integration with risk management</i></p> <p>An internal model shall only be considered to be widely used in and to play an important role in the system of governance of an insurance or reinsurance undertaking where it meets at least the following conditions:</p> <p>(a) the internal model supports the relevant decision-making processes in the undertaking, including the setting of the business strategy;</p> <p>(b) the internal model and its results are regularly discussed and reviewed in the administrative, management or</p>

		<p>supervisory body of the insurance or reinsurance undertaking;</p> <p>(c) all material quantifiable risks identified by the risk management system which are within the scope of the internal model are covered by the internal model;</p> <p>(d) the undertaking uses the internal model to assess, where material, the impact on its risk profile of potential decisions, including the impact on expected profit or loss and the variability of the profit or loss resulting from those decisions;</p> <p>(e) the outputs of the internal model, including the measurement of diversification effects, are taken into account in formulating risk strategies, including the development of risk tolerance limits and risk mitigation strategies;</p> <p>(f) the relevant outputs of the internal model are covered by the internal reporting procedures of the risk management system;</p> <p>(g) the quantifications of risks and the risk ranking produced by the internal model trigger risk management actions where relevant;</p> <p>(h) where the results of the model validation process in accordance with Article 124 of Directive 2009/138/EC show that the internal model does not comply with the requirements set out in Articles 101, 113, 120 to 125 of Directive 2009/138/EC, the insurance or reinsurance undertaking changes the internal model in accordance with Article 115 of Directive 2009/138/EC as soon as possible to restore compliance with those requirements;</p> <p>(i) the policy for changing the internal model foresees that the internal model is changed, where relevant, to reflect changes in the risk management system.</p> <p>For the purpose of point (d) a change in the risk profile of the undertaking shall be considered material where the information about the change could influence the decision-making of the undertaking.</p>
	218 TSIM8	<p><i>Methods for the calculation of the probability distribution forecast</i></p> <p>Actuarial and statistical techniques shall only be considered adequate, applicable and relevant for the purposes of Article 121(2) of Directive 2009/138/EC where at least the following conditions are met:</p> <p>(a) the techniques are based on current information and progress in actuarial science and generally</p>

		<p>accepted market practice is taken into account in the choice of the techniques;</p> <p>(b) the insurance or reinsurance undertaking has a detailed understanding of the theory and assumptions underlying them.</p> <p>(c) the outputs of the internal model indicate relevant changes in the risk profile of the insurance or reinsurance undertaking;</p> <p>(d) the outputs of the internal model are stable in relation to changes of the input data that do not correspond to a relevant change of the risk profile of the insurance or reinsurance undertaking;</p> <p>(e) the internal model captures all the relevant characteristics of the risk profile of the insurance or reinsurance undertaking;</p> <p>(f) the techniques are adapted to the data used for the internal model;</p> <p>(g) the outputs of the internal model do not include a material model error or estimation error; where these errors are material and where practicable, the probability distribution forecast takes these errors into account;</p> <p>(h) the generation of the outputs of the internal model can be made transparent</p>
	219 TSIM9	<p><i>Information and assumptions concerning the methods used for the calculation of the probability distribution forecast</i></p> <p>(1) Information shall only be considered credible for the purposes of Article 121(2) of Directive 2009/138/EC where insurance and reinsurance undertakings provide evidence of the credibility of the information, taking into account the consistency and objectivity of that information, the reliability of the source of information and the transparency of the way in which the information is generated and processed.</p> <p>(2) Assumptions shall only be considered realistic for the purposes of Article 121(2) of Directive 2009/138/EC where they satisfy the following requirements:</p> <p>(a) insurance and reinsurance undertakings are able to explain and justify each of the set assumptions, taking into account the significance of the assumption, the uncertainty involved in the assumption as well as relevant alternative assumptions;</p> <p>(b) the circumstances under which the assumptions would be considered false can be clearly identified;</p>

		(c) insurance and reinsurance undertakings establish and maintain a written explanation of the methodology used to set the assumptions used.
	220 TSIM10	<p style="text-align: center;"><i>Data used in the internal model</i></p> <p>(1) Data used in the internal model shall only be considered accurate for the purposes of Article 121(2) of Directive 2009/138/EC where at least the following conditions are met:</p> <ul style="list-style-type: none"> (a) the data are free from material errors; (b) data from different time periods used for the same estimation are consistent; (c) the data are recorded in a timely manner and consistently over time. <p>(2) Data used in the internal model shall only be considered complete for the purposes of Article 121(2) of Directive 2009/138/EC where at least the following conditions are met:</p> <ul style="list-style-type: none"> (a) data include sufficient historical information to assess the characteristics of the underlying risk, in particular to identify trends in the risks; (b) data satisfying the condition in point (a) are available for all relevant model parameters and no such relevant data are excluded from the use in the internal model without justification. <p>(3) Data used in the internal model shall only be considered appropriate for the purposes of Article 121(2) of Directive 2009/138/EC where at least the following conditions are met:</p> <ul style="list-style-type: none"> (a) the data are consistent with the purposes for which it will be used; (b) the amount and nature of the data ensure that the estimations made in the internal model on the basis of the data do not include a material estimation error; (c) the data are consistent with the assumptions underlying the actuarial and statistical techniques that are applied to them in the internal model; (d) the data appropriately reflect the risks to which the insurance or reinsurance undertaking is exposed (e) the data were collected, processed and applied in a transparent and structured manner, based on a specification of at least the following areas:

		<ul style="list-style-type: none"> (i) the definition and assessment of the quality of data, including specific qualitative and quantitative standards for different data sets; (ii) the use and setting of assumptions made in the collection, processing and application of data; (iii) the process for carrying out data updates, including the frequency of regular updates and the circumstances that trigger additional updates.
	221 TSIM11	<p style="text-align: center;"><i>Ability to rank risk</i></p> <ul style="list-style-type: none"> (1) For the purposes of the second subparagraph of Article 121(4) of Directive 2009/138/EC, the internal model shall be able to rank all material risks covered by the internal model. (2) The ability to rank risks shall be consistent with the classification of risks used in the internal model and the classification of risks used in the risk management system. (3) Similar risks shall be ranked consistently throughout the insurance or reinsurance undertaking and ranked consistently over time. (4) The ranking of risks shall be consistent with the capital allocation referred to in point (b) of Article 120 of Directive 2009/138/EC.
	223 TSIM13	<p style="text-align: center;"><i>Diversification effects</i></p> <p>The system used for measuring diversification effects referred to in Article 121(5) of Directive 2009/138/EC shall only be considered adequate where at least the following conditions are met:</p> <ul style="list-style-type: none"> (a) the system used for measuring diversification effects identifies the key variables driving dependencies. (b) the system used for measuring diversification effects takes into account: <ul style="list-style-type: none"> (i) any non-linear dependence and any lack of diversification under extreme scenarios; (ii) any restrictions of diversification which arise from the existence of ring-fenced funds;

		<p>(iii) the characteristics of the risk measure used in the internal model;</p> <p>(c) the assumptions underlying the system used for measuring diversification effects are justified on an empirical basis.</p>
	229 TSIM18(2)	The model validation process shall be independent from the development and operation of the internal model.
	230 TSIM19	<p style="text-align: center;"><i>Validation tools</i></p> <p>(1) Insurance and reinsurance undertakings shall test the results and the key assumptions of the internal model at least annually against experience and other appropriate data to the extent that data are reasonably available. These tests shall be applied at the level of single outputs as well as at the level of aggregated results. Insurance and reinsurance undertakings shall identify the reason for any significant divergence between assumptions and data and between results and data.</p> <p>(2) As part of the testing of the internal model results against experience insurance and reinsurance undertakings shall compare the results of the profit and loss attribution referred to in Article 123 of Directive 2009/138/EC with the risks modelled in the internal model.</p> <p>(3) The statistical process for validating the internal model, referred to in the second subparagraph of Article 124 of Directive 2009/138/EC, shall be based on:</p> <p style="margin-left: 40px;">(a) current information, taking into account, where it is relevant and appropriate, the actuarial progress and the generally accepted market practice;</p> <p style="margin-left: 40px;">(b) a detailed understanding of the theory and assumptions underlying the methods to calculate the probability distribution forecast of the internal model.</p> <p>(4) Where insurance or reinsurance undertakings observe in accordance with the third subparagraph of Article 124 of Directive 2009/138/EC that changes in a key underlying assumption have a significant impact on the Solvency Capital Requirement, they shall be able to explain the reasons for this sensitivity and how the sensitivity is taken into account in their decision-making process. For the purpose of the third subparagraph of Article 124 of Directive 2009/138/EC the key assumptions shall include assumptions on future management actions.</p> <p>(5) The model validation process shall include an analysis of the stability of the outputs of the internal model for different calculations of the internal model using the same input data.</p>

		(6) As part of the demonstration that the capital requirements resulting from the internal model are appropriate, insurance and reinsurance undertakings shall compare the coverage and the scope of the internal model. For this purpose, the statistical process for validating the internal model shall include a reverse stress test, identifying the most probable stresses that would threaten the viability of the insurance or reinsurance undertaking.
	231 TSIM20(3)	The documentation referred to in paragraph 1 shall be appropriately structured, detailed and complete and shall be kept up to date. Outputs of the internal model shall be capable of being reproduced using the internal model documentation and all of the inputs into the internal model.
	232 TSIM21(a)	<p style="text-align: center;"><i>Minimum content of the documentation</i></p> <p>The documentation of the internal model shall include at least the following information:</p> <p>(a) an inventory of all the documents which form part of the documentation;</p>
	233 TSIM22	<p style="text-align: center;"><i>Circumstances under which the internal model does not work effectively</i></p> <p>When assessing and documenting circumstances under which the internal model does not work effectively, insurance and reinsurance undertakings shall take account of at least the following aspects:</p> <p>(a) the risks which are not covered by the internal model;</p> <p>(b) the limitations in risk modelling used in the internal model;</p> <p>(c) the nature, degree and sources of uncertainty connected with the results of the internal model including the sensitivity of the results for the key assumptions underlying the internal model;</p> <p>(d) the deficiencies in data used in the internal model and the lack of data for the calculation of the internal model;</p> <p>(e) the risks arising out of the use of external models and external data in the internal model;</p> <p>(f) the limitations of information technology used in the internal model;</p> <p>(g) the limitations of internal model governance.</p>

System of Governance	249 SG 1	<p style="text-align: center;">General governance requirements</p> <p>1. Insurance and reinsurance undertakings shall:</p> <ul style="list-style-type: none"> (a) establish, implement and maintain effective cooperation, internal reporting and communication of information at all relevant levels of the undertaking; (b) establish, implement and maintain effective decision making procedures and an organisational structure which clearly specifies reporting lines, allocates functions and responsibilities, and takes into account the nature, scale and complexity of the risks inherent in that undertaking's business; (c) ensure that the members of the administrative, management or supervisory body collectively possess the necessary qualifications, competency, skills and professional experience in the relevant areas of the business in order to effectively manage and oversee the undertaking in a professional manner; (d) ensure that each individual member of the administrative, management or supervisory body has the necessary qualifications, competency, skills and professional experience to perform the tasks assigned; (e) employ personnel with the skills, knowledge and expertise necessary to discharge the responsibilities allocated to them properly; (f) ensure that all personnel are aware of the procedures for the proper discharge of their responsibilities; (g) ensure that the performance of multiple tasks by individuals and organisational units does not or is not likely to prevent the persons concerned from discharging any particular function in a sound, honest and objective manner; (h) establish information systems which produce complete, reliable, clear, consistent, timely and relevant information concerning the business activities, the commitments assumed and the risks to which the undertaking is exposed; (i) maintain adequate and orderly records of the undertaking's business and internal organisation; (j) safeguard the security, integrity and confidentiality of information, taking into account the nature of the information in question;

		<p>(k) introduce clear reporting lines that ensure the prompt transfer of information to all persons who need it in a way that enables them to recognise its importance;</p> <p>(l) adopt a written remuneration policy.</p> <p>2. Policies on risk management, internal control, internal audit and, where relevant, outsourcing, shall clearly set out the relevant responsibilities, objectives, processes and reporting procedures to be applied, all of which shall be consistent with the undertaking's overall business strategy.</p> <p>3. Insurance and reinsurance undertakings shall establish, implement and maintain a business continuity policy aimed at ensuring, in the case of an interruption to their systems and procedures, the preservation of essential data and functions and the maintenance of insurance and reinsurance activities, or, where that is not possible, the timely recovery of such data and functions and the timely resumption of their insurance or reinsurance activities.</p> <p>4. Insurance and reinsurance undertakings shall ensure that at least two persons effectively run the undertaking.</p> <p>5. Insurance and reinsurance undertakings shall ensure that effective processes and procedures are in place to prevent conflicts of interest and that potential sources of conflicts of interest are identified and procedures are established in order to ensure that those involved with the implementation of the undertaking's strategies and policies understand where conflicts of interest could arise and how such conflicts are to be addressed.</p> <p>6. Insurance and reinsurance undertakings shall monitor, and on a regular basis evaluate, the adequacy and effectiveness of their system of governance and take appropriate measures to address any deficiencies.</p>
Solvency capital requirement: full and partial internal models	259 SG7 (2)(a)	<p>The risk management function shall:</p> <p>(a) be responsible for the requirements set out in Article 44(5) of Directive 2009/138/EC;</p>

System of Governance	264 SG12	<p style="text-align: center;">Outsourcing</p> <ol style="list-style-type: none"> 1. Any insurance or reinsurance undertaking which outsources or proposes to outsource functions or insurance or reinsurance activities to a service provider shall establish a written outsourcing policy which takes into account the impact of outsourcing on its business and the reporting and monitoring arrangements to be implemented in cases of outsourcing. The undertaking shall ensure that the terms and conditions of the outsourcing agreement are consistent with the undertaking's obligations under the Directive 2009/138/EC. 2. Where the insurance or reinsurance undertaking and the service provider are members of the same group, the undertaking shall, when outsourcing critical or important operational functions or activities take into account the extent to which the undertaking controls the service provider or has the ability to influence its actions. 3. When choosing the service provider referred to in paragraph 1 for any critical or important operational functions or activities, the administrative, management or supervisory body shall ensure that: <ol style="list-style-type: none"> (a) a detailed examination is performed to ensure that the potential service provider has the ability and capacity and any authorisation required by law to deliver the required functions or activities satisfactorily, taking into account the undertaking's objectives and needs; (b) the service provider has adopted all means to ensure that no explicit or potential conflict of interests with the undertaking impairs the needs of the outsourcing undertaking; (c) a written agreement is entered into between the insurance or reinsurance undertaking and the service provider which clearly defines the respective rights and obligations of the undertaking and the service provider; (d) the general terms and conditions of the outsourcing agreement are clearly explained to the undertaking's administrative, management or supervisory body and authorised by them; (e) the outsourcing does not entail the breach of any law in particular with regard to rules on data protection; (f) the service provider is subject to the same provisions on the safety and confidentiality of information relating to the insurance or reinsurance undertaking or to its policyholders or beneficiaries that are

		<p>applicable to the insurance or reinsurance undertaking.</p> <p>4. The written agreement referred to in paragraph 3 (c) to be concluded between the insurance or reinsurance undertaking and the service provider shall in particular clearly state the following requirements:</p> <ul style="list-style-type: none"> (a) the duties and responsibilities of both parties involved; (b) the service provider's commitment to comply with all applicable laws, regulatory requirements and guidelines as well as policies approved by the insurance or reinsurance undertaking and to cooperate with the undertaking's supervisory authority with regard to the outsourced function or activity; (c) the service provider's obligation to disclose any development which may have a material impact on its ability to carry out the outsourced functions and activities effectively and in compliance with applicable laws and regulatory requirements; (d) a notice period for the termination of the contract by the service provider which is long enough to enable the insurance or reinsurance undertaking to find an alternative solution; (e) that the insurance or reinsurance undertaking is able to terminate the arrangement for outsourcing where necessary without detriment to the continuity and quality of its provision of services to policyholders; (f) that the insurance or reinsurance undertaking reserves the right to be informed about the outsourced functions and activities and their performance by the services provider as well as a right to issue general guidelines and individual instructions at the address of the service provider, as to what has to be taken into account when performing the outsourced functions or activities; (g) that the service provider shall protect any confidential information relating to the insurance or reinsurance undertaking and its policyholders, beneficiaries, employees, contracting parties and all other persons; (h) that the insurance or reinsurance undertaking, its external auditor and the supervisory authority have effective access to all information relating to the outsourced functions and activities including carrying out on-site inspections of the business premises of the service provider; (i) that, where appropriate and necessary for the purposes of supervision, the supervisory authority may address questions directly to the service provider to which the service provider shall reply; (j) that the insurance or reinsurance undertaking may obtain information about the outsourced activities
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		<p>and may issue instructions concerning the outsourced activities and functions;</p> <p>(k) the terms and conditions, where applicable, on which the service provider may sub-outsource any of the outsourced functions and activities;</p> <p>(l) that the service provider's duties and responsibilities under its agreement with the insurance or reinsurance undertaking shall remain unaffected by any sub-outsourcing taking place according to point (k).</p> <p>5. The insurance or reinsurance undertaking that is outsourcing critical or important operational functions or activities shall:</p> <p>(a) ensure that relevant aspects of the service provider's risk management and internal control systems are adequate to ensure compliance with Article 49(2)(a) and (b) of Directive 2009/138/EC;</p> <p>(b) adequately take account of the outsourced activities in its risk management and internal control systems to ensure compliance with Article 49(2)(a) and (b) Directive 2009/138/EC.</p> <p>6. The insurance or reinsurance undertaking that is outsourcing critical or important operational functions or activities shall:</p> <p>(a) verify that the service provider has the necessary financial resources to perform the additional tasks in a proper and reliable way, and that all staff of the service provider who will be involved in providing the outsourced functions or activities are sufficiently qualified and reliable;</p> <p>72. ensure that the service provider has adequate contingency plans in place to deal with emergency situations or business disruptions and periodically tests backup facilities where necessary, taking into account the outsourced functions and activities.</p>
	265 SG13	<p style="text-align: center;">Remuneration policy</p> <p>1. When establishing and applying the remuneration policy referred to in Article SG1 249 (l), insurance and reinsurance undertakings shall comply with at least the following principles:</p> <p>(a) the remuneration policy and remuneration practices shall be established, implemented and maintained in line with the undertaking's business and risk management strategy, its risk profile, objectives, risk management practices and the long-term interests and performance of the undertaking as a whole and shall incorporate measures aimed at avoiding conflicts of interest;</p>

		<ul style="list-style-type: none"> (b) the remuneration policy promotes sound and effective risk management and shall not encourage risk-taking that exceeds the risk tolerance limits of the undertaking; (c) the remuneration policy applies to the undertaking as a whole, and contains specific arrangements that take into account the tasks and performance of the administrative, management or supervisory body, persons who effectively run the undertaking or have other key functions and other categories of staff whose professional activities have a material impact on the undertaking's risk profile; (d) the administrative, management or supervisory body of the undertaking which establishes the general principles of the remuneration policy for those categories of staff whose professional activities have a material impact on the undertaking's risk profile is responsible for the oversight of its implementation; (e) there shall be clear, transparent and effective governance with regard to remuneration, including the definition of the remuneration policy and its oversight; (f) an independent remuneration committee shall be created, where appropriate in relation to significance of the insurance or reinsurance undertakings in terms of size and internal organization, in order to periodically support the administrative, management or supervisory body in overseeing the design of the remuneration policy and remuneration practices, their implementation and operation; (g) the remuneration policy shall be disclosed to each member of the undertaking's staff. <p>2. Specific arrangements referred to in point (c) of paragraph 1c shall comply with the following principles:</p> <ul style="list-style-type: none"> (a) where remuneration schemes include both fixed and variable components, such components shall be balanced so that the fixed or guaranteed component represents a sufficiently high proportion of the total remuneration to avoid employees being overly dependent on the variable components and allowing the undertaking to operate a fully flexible bonus policy, including the possibility of paying no variable component; (b) where variable remuneration is performance-related, the total amount of the variable remuneration is based on a combination of the assessment of the performance of the individual and of the business unit concerned and of the overall result of the undertaking or the group to which the undertakings belongs. The variable part of remuneration of the staff engaged in the functions referred to in Articles SG7 to SG10 shall be independent from the performance of the operational units and areas that are submitted to their control;
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		<p>(c) the payment of a substantial portion of the variable remuneration component, irrespective of the form in which it is to be paid, shall contain a flexible, deferred component that takes account of the nature and time horizon of the undertaking's business. The deferral period shall not be less than three years and the period shall be correctly aligned with the nature of the business, its risks, and the activities of the employees in question;</p> <p>(d) when assessing an individual's performance, not only financial but also non-financial criteria shall be taken into account;</p> <p>(e) the measurement of performance, as a basis for variable remuneration, shall include a downwards adjustment for exposure to current and future risks, taking into account the undertaking's risk profile and cost of capital;</p> <p>(f) termination payments shall be related to performance achieved over the whole period of activity and be designed in a way that does not reward failure;</p> <p>(g) persons subject to the remuneration policy should commit to not using any personal hedging strategies or remuneration and liability-related insurance which would undermine the risk alignment effects embedded in their remuneration arrangement.</p> <p>73. The remuneration policy shall take into account the internal organization of the insurance or reinsurance undertaking, and the nature, scale and complexity of the risks inherent in its business.</p>
		2.
Solvency capital requirement: full and partial internal models	327 IMG1(2) and (5)	<p>3. For the purpose of this Chapter, the supervisory authorities of all the Member States in which the head offices of related undertakings included in the scope of the internal model are situated are referred to as "the supervisory authorities involved in the assessment of the application".</p> <p>5. In addition to the documents and information required pursuant to Articles 112 and 113 of Directive 2009/138/EC, an application to use an internal model to calculate the consolidated group Solvency Capital Requirement shall include the following documents and information:</p> <p>(a) regarding the scope of the model:</p> <p>(i) a list of the related undertakings that are included in the scope of the internal model for the calculation of the consolidated group Solvency Capital Requirement; for each undertaking, the</p>

		<p>list shall include a reference to the relevant supervisory authority, the material lines of business written by the related insurance and reinsurance undertaking, the method used for the purpose of determining the consolidated data in accordance with Article 323bis and the proportional share applied in accordance with Article 221 of Directive 2009/138/EC;</p> <ul style="list-style-type: none"> (ii) the legal and organisational structure of the group, with a description of all subsidiaries and material participations and information on relevant operations and transactions within the group, unless this information has not changed since the last reported group regular supervisory reporting; (iii) where applicable, a list of the related undertakings excluded from the scope of the partial internal model for the calculation of the consolidated group Solvency Capital Requirement, together with an explanation of the reasons for their exclusion; a description shall be provided of the methods used to assess the risks in these excluded related undertakings in order to demonstrate that the exclusion does not lead to an underestimation of the overall risks to which the group is exposed; the application shall demonstrate that the consolidated group Solvency Capital Requirement calculated using a combination of the internal model and the standard formula will adequately reflect the overall risk profile of the group; (iv) for each related undertaking included in the scope of the internal model for the calculation of the consolidated group Solvency Capital Requirement, a justification of the reasons why the internal model covers a related undertaking for the calculation of the consolidated group Solvency Capital Requirement but it is not used to calculate the Solvency Capital Requirement of that related undertaking; for this purpose and in order to justify that an application is not submitted in accordance with the procedure laid down in Article 231 of Directive 2009/138/EC, the application shall include an explanation of how the internal model used to calculate the consolidated group Solvency Capital Requirement differs from and interacts with an internal model used for the calculation of the Solvency Capital Requirement of any of the related insurance or reinsurance undertakings, previously approved by the relevant supervisory authority; the participating undertaking shall provide information on any future plans to extend the use of the internal model to calculate the Solvency Capital Requirement of any related insurance or reinsurance undertaking;
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	329 IMG3(2)	<p>During the assessment of the application el, the supervisory authorities within the college of supervisors, that are not one of the supervisory authorities referred to in Article IMG1(2), shall also be allowed to participate in the assessment of the application. Their participation shall be limited to identifying and preventing circumstances where:</p> <ul style="list-style-type: none"> (a) the exclusion of parts of the business from the scope of the internal model leads to a material underestimation of the risks of the group; (b) where the internal model conflicts with an internal model previously approved or in the process of approval by the relevant supervisory authority used for the calculation of the Solvency Capital Requirement of any of the related insurance or reinsurance undertakings.
	331 IGM1(2) and (5)	<ul style="list-style-type: none"> 2. For the purpose of this Section, the supervisory authorities of all the Member States in which the head offices of each related insurance and reinsurance undertakings applying for the use of the group internal model to calculate their Solvency Capital Requirement are situated are referred to as “the supervisory authorities concerned”. 5. An application to use a group internal model shall include the following documents and information, where applicable: <ul style="list-style-type: none"> (a) the documents and information required in accordance with Article 327 IMG1(6) in relation to the use of an internal model for the calculation of the consolidated group Solvency Capital Requirement; in relation to Article 327 IMG1(6)(a)(i), the documentation shall also include a list of all the insurance and reinsurance undertakings applying for the use of the group internal model to calculate their Solvency Capital Requirement.
Public Disclosure	288 PDS7 (2)(b)	<p style="text-align: center;">Capital Management</p> <ul style="list-style-type: none"> 2. The following information shall be disclosed by insurance and reinsurance undertakings regarding their Solvency Capital Requirement and their Minimum Capital Requirement:

		<ul style="list-style-type: none"> (a) the amounts of the undertaking's Solvency Capital Requirement and the Minimum Capital Requirement at the end of the reporting period, accompanied, where applicable, by an indication that the final amount of the Solvency Capital Requirement is still subject to supervisory assessment; (b) the amount of the undertaking's Solvency Capital Requirement split by risk modules where the undertaking applies the standard formula, and by risk categories where the undertaking applies an internal model;
Supervisory reporting	300 SRS7 (2)(a)	<p style="text-align: center;">Capital Management</p> <p>2. The following information shall be reported by insurance and reinsurance undertakings regarding their Solvency Capital Requirement and their Minimum Capital Requirement:</p> <ul style="list-style-type: none"> (a) quantitative information on the undertaking's Solvency Capital Requirement split by risk modules where the undertaking applies the standard formula, and by risk categories where the undertaking applies an internal model;
Solvency capital requirement: standard formula	339bis CGS3	<p style="text-align: center;">Supervisory approval of group-specific parameters</p> <ol style="list-style-type: none"> 1. An application to use group-specific parameters, as referred to in Article 200bis USP5bis, shall be provided in writing to the group supervisor, by the participating insurance or reinsurance undertaking, the insurance holding company or the mixed financial holding company (for the purpose of this Article, referred to as "the applicant") in one of the official languages of the group supervisor's Member State. 2. The group supervisor shall inform the other supervisory authorities within the college of supervisors without delay of the receipt of the application and shall also forward the application to the other supervisory authorities within the college of supervisors. 3. Prior to making its final decision, the group supervisor shall consult the other supervisory authorities within the college of supervisors. After this consultation, the group supervisor shall make its own decision on the application. The group supervisor shall provide its decision to the applicant and to the other supervisory

		authorities within the college of supervisors. The decision shall be written in an official language of the Member State of the group supervisor.
Third Country Equivalence	366 GTCE1	<p style="text-align: center;">Criteria for assessing third country equivalence</p> <p>In accordance with Article 227(3) of Directive 2009/138/EC, the criteria to be taken into account in order to assess whether the solvency regime of a third country applied to all domestic insurance and reinsurance undertakings in that third country is equivalent to that laid down in Title I , Chapter VI of Directive 2009/138/EC are the following:</p> <ul style="list-style-type: none"> (a) whether the assessment of the financial position of domestic insurance and reinsurance undertakings relies on sound economic principles and whether solvency requirements are based on an economic valuation of all assets and liabilities; (b) whether the solvency regime of that third country requires domestic insurance or reinsurance undertakings to hold adequate financial resources including: <ul style="list-style-type: none"> (i) a requirement that those undertakings establish technical provisions with respect to all of their insurance and reinsurance obligations towards policy holders and beneficiaries of insurance and reinsurance contracts; (ii) a requirement that assets held to cover technical provisions are invested in the best interests of all policy holders and beneficiaries taking into account any disclosed policy objective; (iii) a requirement that those undertakings only invest in assets and instruments whose risks the undertaking concerned can properly identify, measure, monitor, manage, control and report; (iv) a requirement that those undertakings meet capital requirements set at a level which ensures that in the event of significant losses policy holders and beneficiaries are adequately protected and continue to receive payments as they fall due to a level of confidence equivalent to that achieved by Article 101 of Directive 2009/138/EC; (v) a requirement that those undertakings maintain a minimum level of capital, non-compliance with which triggers immediate and ultimate supervisory intervention;

		<p>(vi) a requirement that those undertakings meet the capital requirements referred to in points (iv) and (v) with own funds that are of a sufficient quality and which are able to absorb significant losses, and that own-fund items considered by the supervisory authorities to be of a high quality shall absorb losses both in a going concern and in case of a winding up;</p> <p>(c) whether the capital requirements of the solvency regime of that third country are risk-based with the objective of capturing quantifiable risks and that where a significant risk is not quantifiable and cannot be captured in the capital requirements, then that risk is addressed through another supervisory mechanism;</p> <p>(d) whether the solvency regime of that third country ensures timely intervention by supervisory authorities of the third country in the event that the capital requirement referred to in point (b)(iv) is not complied with;</p> <p>(e) whether the solvency regime of the third country provides that all persons who are working or who have worked for the supervisory authorities of that third country, as well as auditors and experts acting on behalf of those authorities, are bound by obligations of professional secrecy and whether such obligations of professional secrecy extend to information received from all supervisory authorities;</p> <p>(f) whether the solvency regime of the third country provides that, without prejudice to cases covered by criminal law, any confidential information received by all persons who are working or who have worked for the supervisory authorities of that third country is not divulged to any person or authority whatsoever, except in summary or aggregate form, such that individual insurance and reinsurance undertakings cannot be identified;</p> <p>(g) whether the solvency regime of the third country provides that, where an insurance or reinsurance undertaking has been declared bankrupt or is being compulsorily wound up, confidential information which does not concern third parties involved in attempts to rescue that undertaking may be divulged in civil or commercial proceedings;</p> <p>(h) whether third country supervisory authorities which receive confidential information from supervisory authorities only use that information in the course of their duties and for the following purposes:</p> <p>(i) to check that the conditions governing the taking-up of business, system of governance and public</p>
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		<p>disclosure and solvency assessment have been met;</p> <p>(ii) to impose sanctions;</p> <p>(iii) in administrative appeals against decisions of the supervisory authorities;</p> <p>(iv) in court proceedings relating to the solvency regime in that third country;</p> <p>(i) whether third country supervisory authorities are permitted to exchange information received from supervisory authorities, in the discharge of their supervisory functions or the detection and investigation of breaches of company law, with other authorities, bodies or persons where that authority, body or person is subject to the obligation of professional secrecy in the relevant third country and whether that information is only disclosed once the express agreement of the supervisory authority from which it originates has been obtained and, where appropriate, has been obtained solely for the purposes for which the authority gave its agreement.</p>
	368 GSTCE1	<p style="text-align: center;">Criteria for assessing third country equivalence</p> <p>In accordance with Article 260(2) of Directive 2009/138/EC, the criteria to be taken into account in order to assess whether the prudential regime in a third country for the supervision of groups is equivalent to that laid down in Title III of Directive 2009/138/EC are the following:</p> <p>(a) whether the supervisory authorities of the third country have the necessary means, the relevant expertise, capacities including financial and human resources, and mandate to effectively protect policy holders and beneficiaries, regardless of their nationality or place of residence;</p> <p>(b) whether the supervisory authorities of the third country are empowered by law or regulation to:</p> <p style="padding-left: 40px;">(i) determine which undertakings fall under the scope of supervision at group level;</p> <p style="padding-left: 40px;">(ii) supervise insurance and reinsurance undertakings which are part of a group;</p> <p style="padding-left: 40px;">(iii) impose sanctions or take enforcement action where necessary;</p> <p>(c) whether the supervisory authorities of the third country are able to effectively assess the risk profile and solvency and financial position of insurance and reinsurance undertakings which are part of a</p>

		<p>group as well as that group's business strategy;</p> <p>(d) whether the scope of supervision at group level at least includes all undertakings over which a participating undertaking, as defined by point (a) of Article 212(1) of Directive 2009/138/EC, exercises dominant or significant influence unless where this would be inappropriate to the objectives of group supervision;</p> <p>(e) whether the supervisory authorities of the third country, in the exercise of their general duties, duly consider the potential impact of their decisions on the stability of financial systems globally, particularly during emergency situations, on the basis of the information available at the time;</p> <p>(f) whether the supervisory authorities of that third country take into account the potential pro-cyclical effects of their actions where exceptional movements in the financial markets occur;</p> <p>(g) whether the prudential regime of that third country requires an effective system of governance at the group level which provides for sound and prudent management of the business and includes at least:</p> <p>(i) an adequate transparent organisational structure with a clear allocation and appropriate segregation of responsibilities;</p> <p>(ii) requirements for ensuring that persons who effectively run the undertaking are fit and proper, which are equivalent to Article 42 of Directive 2009/138/EC;</p> <p>(iii) effective processes to ensure the timely transmission of information both within the group and to the relevant supervisory authorities;</p> <p>(iv) requirements for ensuring that the outsourced functions or activities are effectively supervised;</p> <p>(h) whether the prudential regime of that third country requires an effective risk-management system in place at the group level comprising at least:</p> <p>(i) strategies, processes and internal reporting procedures necessary to identify, measure, monitor, manage and report risks on a continuous basis, to which the group is or could be exposed and their interdependencies;</p> <p>(ii) an effective internal control system;</p> <p>(i) whether the prudential regime of that third country requires the group to have sound reporting and</p>
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		<p>accounting procedures to monitor and manage the intra-group transactions and the risk concentrations;</p> <p>(j) whether the prudential regime of that third country requires that effective risk-management, compliance, internal audit and actuarial functions are established and maintained by the group;</p> <p>(k) whether the prudential regime of that third country requires the group to:</p> <p>(i) provide third country supervisory authorities with any information necessary for the purposes of supervision;</p> <p>(ii) report significant risk concentration at the level of the group and significant intra-group transactions, on at least an annual basis;</p> <p>(ii) disclose publicly, on at least an annual basis, a report on the solvency and financial condition of the group which is equivalent to that specified in Article 51 of Directive 2009/138/EC;</p> <p>(l) whether the prudential regime of that third country requires that proposed changes to the business policy or management of the group, or to qualifying holdings in the group, are consistent with the sound and prudent management of the group;</p> <p>(m) whether the assessment of the financial position of the group relies on sound economic principles and whether the assessment of solvency is based on an economic valuation of all assets and liabilities;</p> <p>(n) whether the prudential regime of that third country requires the group to hold adequate financial resources including:</p> <p>(i) a requirement that the group establishes technical provisions with respect to all of its insurance and reinsurance obligations towards policy holders and beneficiaries of insurance and reinsurance undertakings which are part of the group;</p> <p>(ii) a requirement that assets held to cover technical provisions are invested in the best interests of all policy holders and beneficiaries taking into account any disclosed policy objective;</p> <p>(iii) a requirement that the group only invests in assets and instruments whose risks it can properly identify, measure, monitor, manage, control and report;</p> <p>(iv) whether the supervisory authorities of the third country require that the group meet capital</p>
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		<p>requirements set at a level which ensures that in the event of significant losses policy holders and beneficiaries are adequately protected and continue to receive payments as they fall due to a level of confidence equivalent to that achieved by Article 101 of Directive 2009/138/EC;</p> <p>(v) a requirement that insurance or reinsurance undertakings which are part of the group maintain a minimum level of capital, non-compliance with which triggers immediate and ultimate supervisory intervention;</p> <p>(vi) a requirement that the group capital requirement is met with own funds that are of a sufficient quality and which are able to absorb significant losses, and that own-fund items considered by the supervisory authorities to be of a high quality shall absorb losses both in a going concern and in case of a winding up;</p> <p>(o) whether the capital requirements of the prudential regime of that third country are risk-based with the objective of capturing quantifiable risks and that where a significant risk is not quantifiable and cannot be captured in the capital requirements, then that risk is addressed through another supervisory mechanism;</p> <p>(p) whether the prudential regime of that third country ensures timely intervention by supervisory authorities of the third country in the event that the capital requirement referred to in point (n)(iv) is not complied with;</p> <p>(q) whether the supervisory authorities of the third country restrict the use of own-fund items of a related insurance or reinsurance undertaking where they consider that they cannot effectively be made available to cover the capital requirement of the participating undertaking for which the group solvency is calculated;</p> <p>(r) whether the calculation of group solvency in the third country's prudential regime produces a result that is at least equivalent to the result achieved by either one of the calculation methods set out in Articles 230 and 233 of Directive 2009/138/EC, or a combination of them, and that calculation ensures that there is no double use of own funds to meet the group capital requirement and that the intra-group creation of capital through reciprocal financing is eliminated;</p> <p>(s) whether the solvency regime of the third country provides that all persons who are working or who have worked for the supervisory authorities of that third country, as well as auditors and experts acting on behalf of those authorities, are bound by obligations of professional secrecy and whether</p>
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		<p>such obligations of professional secrecy extend to information received from all supervisory authorities;</p> <p>(t) whether the solvency regime of the third country provides that, without prejudice to cases covered by criminal law, any confidential information received by all persons who are working or who have worked for the supervisory authorities of that third country is not divulged to any person or authority whatsoever, except in summary or aggregate form, such that individual insurance and reinsurance undertakings cannot be identified;</p> <p>(u) whether the solvency regime of the third country provides that, where an insurance or reinsurance undertaking has been declared bankrupt or is being compulsorily wound up, confidential information which does not concern third parties involved in attempts to rescue that undertaking may be divulged in civil or commercial proceedings;</p> <p>(v) whether country supervisory authorities which receive confidential information from other supervisory authorities only use that information in the course of their duties and for the following purposes:</p> <p>(i) to check that the conditions governing the taking-up of business, system of governance and public disclosure and solvency assessment have been met;</p> <p>(ii) to impose sanctions;</p> <p>(iii) in administrative appeals against decisions of the supervisory authorities;</p> <p>(iv) in court proceedings relating to the solvency regime in that third country;</p> <p>(w) whether third country supervisory authorities are permitted to exchange information received from supervisory authorities, in the discharge of their supervisory functions or the detection and investigation of breaches of company law, with other authorities, bodies or persons where that authority, body or person is subject to the obligation of professional secrecy in the relevant third country and whether that information is only disclosed once the express agreement of the supervisory authority from which it originates has been obtained and, where appropriate, has been obtained solely for the purposes for which the authority gave its agreement.</p>
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Solvency capital requirement: standard formula	Annex HUR3	GEOGRAPHICAL SEGMENTATION AND RISK FACTORS FOR THE MASS ACCIDENT RISK SUB-MODULE	
		Country s	rs - Ratio of persons affected by the mass accident in country s
		Republic of Austria	0.30 %
		Kingdom of Belgium	0.25 %
		Republic of Bulgaria	0.30 %
		Republic of Croatia	0.40 %
		Republic of Cyprus	1.30 %
		Czech Republic	0.10 %
		Kingdom of Denmark	0.35 %
		Republic of Estonia	0.45 %
		Republic of Finland	0.35 %
		French Republic; Principality of Monaco	0.05 %
		Hellenic Republic	0.30 %
		Federal Republic of Germany	0.05 %
		Republic of Hungary	0.15 %
		Republic of Iceland	2.45 %
		Ireland	0.95 %

			Italian Republic; Republic of San Marino; Vatican City State	0.05 %	
			Republic of Latvia	0.20 %	
			Republic of Lithuania	0.20 %	
			Grand Duchy of Luxemburg	1.05 %	
			Republic of Malta	2.15 %	
			Kingdom of the Netherlands	0.15 %	
			Kingdom of Norway	0.25 %	
			Republic of Poland	0.10 %	
			Portuguese Republic	0.30 %	
			Romania	0.15 %	
			Slovak Republic	0.30 %	
			Republic of Slovenia	0.40 %	
			Kingdom of Spain; Principality of Andorra	0.10 %	
			Kingdom of Sweden	0.25 %	
			Swiss Confederation	0.25 %	
			United Kingdom of Great Britain and Northern Ireland	0.05 %	
DEFINITION OF EVENTS AND RISK FACTORS FOR THE MASS ACCIDENT RISK SUB-MODULE AND ACCIDENT					

CONCENTRATION RISK SUB-MODULE

Event type e	x_e - Ratio of persons which will be affected by event type e as the result of the accident
Death caused by an accident	10 %
Permanent disability caused by an accident	1.5 %
Disability that lasts 10 years caused by an accident	5 %
Disability that lasts 12 months caused by an accident	13.5 %
Medical treatment caused by an accident	30 %

DEFINITION OF HEALTHCARE UTILISATION AND RISK FACTORS FOR THE PANDEMIC RISK SUB-MODULE

Healthcare utilisation type h	H_h - Ratio of persons with clinical symptoms which will utilise healthcare of type h
Hospitalisation	1 %
Consultation with a medical practitioner	20 %

			No formal medical care sought	79 %	
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