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# Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (recast) (Text with EEA relevance)

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# ANNEX IV

## SOLVENCY CAPITAL REQUIREMENT (SCR) STANDARD FORMULA

### 1. Calculation of the Basic Solvency Capital Requirement

The Basic Solvency Capital Requirement set out in Article 104(1) shall be equal to the following:

$$\text{Basic SCR} = \sqrt{\sum_{i,j} \text{Corr}_{i,j} \times \text{SCR}_i \times \text{SCR}_j}$$

where $SCR_i$ denotes the risk module i and $SCR_j$ denotes the risk module j, and where 'i,j' means that the sum of the different terms should cover all possible combinations of i and j. In the calculation, $SCR_i$ and $SCR_j$ are replaced by the following:

— $SCR_{non\text{-}life}$ denotes the non-life underwriting risk module,

— $SCR_{life}$ denotes the life underwriting risk module,

— $SCR_{health}$ denotes the health underwriting risk module,

— $SCR_{market}$ denotes the market risk module,

— $SCR_{default}$ denotes the counterparty default risk module,

The factor $Corr_{i,j}$ denotes the item set out in row i and in column j of the following correlation matrix:

| ji | Market | Default | Life | Health | Non-life |
|---|---|---|---|---|---|
| Market | 1 | 0,25 | 0,25 | 0,25 | 0,25 |
| Default | 0,25 | 1 | 0,25 | 0,25 | 0,5 |
| Life | 0,25 | 0,25 | 1 | 0,25 | 0 |
| Health | 0,25 | 0,25 | 0,25 | 1 | 0 |
| Non-life | 0,25 | 0,5 | 0 | 0 | 1 |

### 2. Calculation of the non-life underwriting risk module

The non-life underwriting risk module set out in Article 105(2) shall be equal to the following:

$$\text{SCR}_{\text{non-life}} = \sqrt{\sum_{i,j} \text{Corr}_{i,j} \times \text{SCR}_i \times \text{SCR}_j}$$

where $SCR_i$ denotes the sub-module i and $SCR_j$ denotes the sub-module j, and where 'i,j' means that the sum of the different terms should cover all possible combinations of i and j. In the calculation, $SCR_i$ and $SCR_j$ are replaced by the following:

— $SCR_{nl\ premium\ and\ reserve}$ denotes the non-life premium and reserve risk sub-module,

— $SCR_{nl\ catastrophe}$ denotes the non-life catastrophe risk sub-module,

### 3. Calculation of the life underwriting risk module

The life underwriting risk module set out in Article 105(3) shall be equal to the following:

$$\text{SCR}_{\text{life}} = \sqrt{\sum_{i,j} \text{Corr}_{i,j} \times \text{SCR}_i \times \text{SCR}_j}$$

where $SCR_i$ denotes the sub-module i and $SCR_j$ denotes the sub-module j, and where 'i,j' means that the sum of the different terms should cover all possible combinations of i and j. In the calculation, $SCR_i$ and $SCR_j$ are replaced by the following:

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— $SCR_{mortality}$ denotes the mortality risk sub-module,
— $SCR_{longevity}$ denotes the longevity risk sub-module,
— $SCR_{disability}$ denotes the disability – morbidity risk sub-module,
— $SCR_{life\ expense}$ denotes the life expense risk sub-module,
— $SCR_{revision}$ denotes the revision risk sub-module,
— $SCR_{lapse}$ denotes the lapse risk sub-module,
— $SCR_{life\ catastrophe}$ denotes the life catastrophe risk sub-module,

4. Calculation of the market risk module

Structure of the market risk module

The market risk module, set out in Article 105(5) shall be equal to the following:

$$SCR_{market} = \sqrt{\sum_{i,j} Corr_{i,j} \times SCR_i \times SCR_j}$$

where $SCR_i$ denotes the sub-module i and $SCR_j$ denotes the sub-module j, and where 'i,j' means that the sum of the different terms should cover all possible combinations of i and j. In the calculation, $SCR_i$ and $SCR_j$ are replaced by the following:

— $SCR_{interest\ rate}$ denotes the interest rate risk sub-module,
— $SCR_{equity}$ denotes the equity risk sub-module,
— $SCR_{property}$ denotes the property risk sub-module,
— $SCR_{spread}$ denotes the spread risk sub-module,
— $SCR_{concentration}$ denotes the market risk concentrations sub-module,
— $SCR_{currency}$ denotes the currency risk sub-module,