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)

TITLE I

GENERAL RULES ON THE TAKING-UP AND PURSUIT OF
DIRECT INSURANCE AND REINSURANCE ACTIVITIES

CHAPTER VI

**Rules relating to the valuation of assets and liabilities, technical provisions, own funds,
Solvency Capital Requirement, Minimum Capital Requirement and investment rules**

Section 4

Solvency capital requirement

Subsection 3

Solvency capital requirement full and partial internal models

Article 122

Calibration standards

1   Insurance and reinsurance undertakings may use a different time period or risk
measure than that set out in Article 101(3) for internal modelling purposes as long as the outputs
of the internal model can be used by those undertakings to calculate the Solvency Capital
Requirement in a manner that provides policy holders and beneficiaries with a level of protection
equivalent to that set out in Article 101.

2   Where practicable, insurance and reinsurance undertakings shall derive the Solvency
Capital Requirement directly from the probability distribution forecast generated by the internal
model of those undertakings, using the Value-at-Risk measure set out in Article 101(3).

3   Where insurance and reinsurance undertakings cannot derive the Solvency Capital
Requirement directly from the probability distribution forecast generated by the internal model,
the supervisory authorities may allow approximations to be used in the process to calculate the
Solvency Capital Requirement, as long as those undertakings can demonstrate to the supervisory
authorities that policy holders are provided with a level of protection equivalent to that provided
for in Article 101.

4   Supervisory authorities may require insurance and reinsurance undertakings to run
their internal model on relevant benchmark portfolios and using assumptions based on external
rather than internal data in order to verify the calibration of the internal model and to check that
its specification is in line with generally accepted market practice.