

Commission Delegated Regulation (EU) 2015/35 of 10 October 2014  
supplementing Directive 2009/138/EC of the European Parliament  
and of the Council on the taking-up and pursuit of the business of  
Insurance and Reinsurance (Solvency II) (Text with EEA relevance)

TITLE I

[<sup>X1</sup>VALUATION AND RISK-BASED CAPITAL REQUIREMENTS  
(PILLAR I), ENHANCED GOVERNANCE (PILLAR II)  
AND INCREASED TRANSPARENCY (PILLAR III)]

CHAPTER VI

SOLVENCY CAPITAL REQUIREMENT —  
FULL AND PARTIAL INTERNAL MODELS

SECTION 4

*Calibration standards*

*Article 238*

[<sup>F1</sup>A1 Where insurance and reinsurance undertakings cannot derive the Solvency Capital Requirement directly from the probability distribution forecast generated by the internal model, the PRA 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 rules 3.2 to 3.5 of the Solvency Capital Requirement – General Provisions part of the PRA Rulebook.]

1 The option referred to in Article 122 of Directive 2009/138/EC to use a different time period or risk measure than that set out in Article 101(3) of that Directive shall apply both to the internal model as a whole and to different risk categories or major business units within that internal model.

2 The requirement to demonstrate the protection provision for policy holders referred to in [<sup>F2</sup>paragraph A1] shall include evidence that the approximations referred to in that Article do not introduce a material error in the Solvency Capital Requirement or do not lead to a lower Solvency Capital Requirement than that which is calculated in accordance with the requirements set out in [<sup>F3</sup>the Solvency Capital Requirement – General Provisions part of the PRA Rulebook].

Where the approximations are based on the rescaling of modelled risks, the undertakings referred to in [<sup>F2</sup>paragraph A1] shall demonstrate that the rescaling does not impair the outcome of the approximations.

Where the time period of the risk measure used is different from the one provided in Article 101(3) of Directive 2009/138/EC, the undertakings referred to in Article 122(3) of that Directive shall take into account all of the following:

- a whether events are equally distributed over time and if not, how it is reflected in the approximations;
- b whether all significant risks over a one year period are properly managed;

**Changes to legislation:** Commission Delegated Regulation (EU) 2015/35, SECTION 4 is up to date with all changes known to be in force on or before 11 October 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- c where the time period used is longer than that provided in Article 101(3) of Directive 2009/138/EC, whether due consideration to the solvency position during that time period has been given by the undertaking;
  - d whether the time period used is appropriate taking into account the average duration of the liabilities of the insurance or reinsurance undertaking, the business of the undertaking and, where relevant, the uncertainties associated with long time periods;
  - e any assumptions made in the approximations about the dependencies between risks over consecutive periods of time.
- 3 Insurance and reinsurance undertakings shall demonstrate the level of protection required by [<sup>F4</sup>paragraph A1] once a year and each time the risk profile of the insurance or reinsurance undertaking changes significantly.
- 4 The approximations referred to in [<sup>F5</sup>paragraph A1] shall be considered to be part of the internal model.

#### Textual Amendments

- F1** Art. 238(A1) inserted (31.12.2020) by The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(37)(a)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)
- F2** Words in Art. 238(2) substituted (31.12.2020) by The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(37)(b)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)
- F3** Words in Art. 238(2) substituted (31.12.2020) by The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(37)(c)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)
- F4** Words in Art. 238(3) substituted (31.12.2020) by The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(37)(b)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)
- F5** Words in Art. 238(4) substituted (31.12.2020) by The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(37)(b)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)

### Changes to legislation:

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### Changes and effects yet to be applied to :

- Regulation revoked by [2023 c. 29 Sch. 1 Pt. 3](#)
- Recital 53 Sentence 1 replacement by [EUR 2016/2283](#) Regulation

### Changes and effects yet to be applied to the whole legislation item and associated provisions

- Art. 177(2)(b) words omitted by [S.I. 2019/407 reg. 11\(25\)\(a\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)
- Art. 177(2)(h)(i) words omitted by [S.I. 2019/407 reg. 11\(25\)\(b\)\(ii\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)
- Art. 177(2)(h)(i) words substituted by [S.I. 2019/407 reg. 11\(25\)\(b\)\(i\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)
- Art. 177(2)(r) words substituted by [S.I. 2019/407 reg. 11\(25\)\(c\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)
- Art. 177(2)(s) words substituted by [S.I. 2019/407 reg. 11\(25\)\(c\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)
- Art. 177(2)(t) words substituted by [S.I. 2019/407 reg. 11\(25\)\(d\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)
- Art. 177(5)(a) words substituted by [S.I. 2019/407 reg. 11\(25\)\(f\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)
- Art. 177(5)(c) words substituted by [S.I. 2019/407 reg. 11\(25\)\(f\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)