Terms	Definition as proposed
Calibration test	A test to demonstrate that the regulatory capital requirement determined by an internal model satisfies the specified modelling criteria.
Capital	The financial resources of an insurer. Different variations/calculations of capital may be referred to as equity capital (ie paid-up, share, subscribed), economic capital or regulatory capital.
Capital requirement add-on	An additional regulatory capital requirement imposed by the supervisor to address any identified weaknesses in an internal model or in another more tailored approach.
Capital adequacy	The adequacy of regulatory capital resources relative to regulatory capital requirements.
Capital resources	Financial resources that are capable of absorbing losses; broadly given as excess of assets over liabilities.
Tiering approach	An approach that uses criteria to determine the category of regulatory capital resources in which a capital instrument is included.
Continuum-based approach	Involves the setting of characteristics against which individual capital elements can be assessed as to their quality; instruments are ranked against other instruments to determine whether they are included as regulatory capital resources.
Control level	A threshold solvency level that requires intervention by the supervisor or imposes certain restrictions on the insurer if the actual solvency level falls below this level.
Double gearing	Occurs whenever one entity holds regulatory capital issued by another entity within the same group and the issuer is allowed to count the capital in its own balance sheet.
Going concern capital	Capital resources which achieve the objectives of reducing the probability of insolvency by absorbing losses on a going concern basis and reducing the loss to policyholders in the event of liquidation or resolution.
Regulatory capital resources	The amount of capital resources that were subject to a quality and suitability test that can be used to meet regulatory capital requirements.

Run-off	A process under which an insurer ceases to write new business but continues to administer existing contractual obligations. A 'solvent run-off' is a run-off in which the insurer is expected to be able to pay all of its debts when due. An 'insolvent run-off' is a run-off in which the insurer is no longer expected to be able to pay all of its debts when due.
Statistical quality test	A test to assess the base quantitative methodology of an internal model, which demonstrates the appropriateness of the model inputs and parameters and justifies the assumptions underlying the model.
Total balance sheet approach	An overall concept which recognises the interdependence between all assets, all liabilities, all regulatory capital requirements and all regulatory capital resources. Under a total balance sheet approach the impacts of all relevant material risks on an insurer's overall financial position should be appropriately and adequately recognised.
Use test	A test to assess whether an internal model, its methodologies and results, are appropriately embedded into the insurer's risk strategy, risk management, and operational processes.