

14th April 2010

RE: Pre-Application Process for Internal Models

Dear Sir/Madam

Further to your recent response to our second questionnaire on Internal Models, I am now writing to the firms that have indicated their intention to seek internal model approval.

As you may be aware, CEIOPS recommends that a “pre-application” process should be carried out in advance of a formal application. The pre-application concept was introduced in [Consultation Paper 37](#) (‘CP37’). Level III guidance has recently been issued through the publication of [Consultation Paper 80](#) (‘CP80’), which discusses, inter alia, the objectives of the process and how it might operate in practice.

While the pre-application process is voluntary for firms, and a firm will be able to submit an application to use an internal model without having gone through the pre-application process, I would recommend that all firms that intend seeking approval for their internal models participate in pre-application. The aim of the pre-application process is for Supervisory Authorities to give a view on how prepared the firm is to submit an application and to allocate resources accordingly. However, as CP80 outlines, the process should also benefit firms, for example, in receiving an early view on whether their internal model is on the right track to meet the Solvency II requirements for use in calculating regulatory capital.

To commence the pre-application process, I would ask your firm to submit a detailed response to the “pre-application readiness assessment process” document that can be downloaded from our website. Further details on our process are contained in the initial sections of the document.

If you have any queries in relation to the questions or our assessment process, please e-mail solvencyii@financialregulator.ie or alternatively please contact John O’Donnell or Dermot Marron via our switch at 01-224 4894. Thank you for your continued co-operation in this regard.

Yours sincerely

A handwritten signature in black ink, appearing to be 'P. Brady', written in a cursive style.

Patrick Brady

Head of Insurance Supervision Department