



FINANCIAL REGULATOR
Rialtóir Airgeadais

Update on the Response to the Internal Models Questionnaire

Insurance Supervision Department – January 2010

Background

In August 2009 the Financial Regulator wrote to all Irish authorised insurance and reinsurance undertakings requesting the submission of certain information in relation to the use of internal models under Solvency II. The information was requested from 60 Life undertakings, 130 Non Life Insurance undertakings and 120 Reinsurance undertakings.

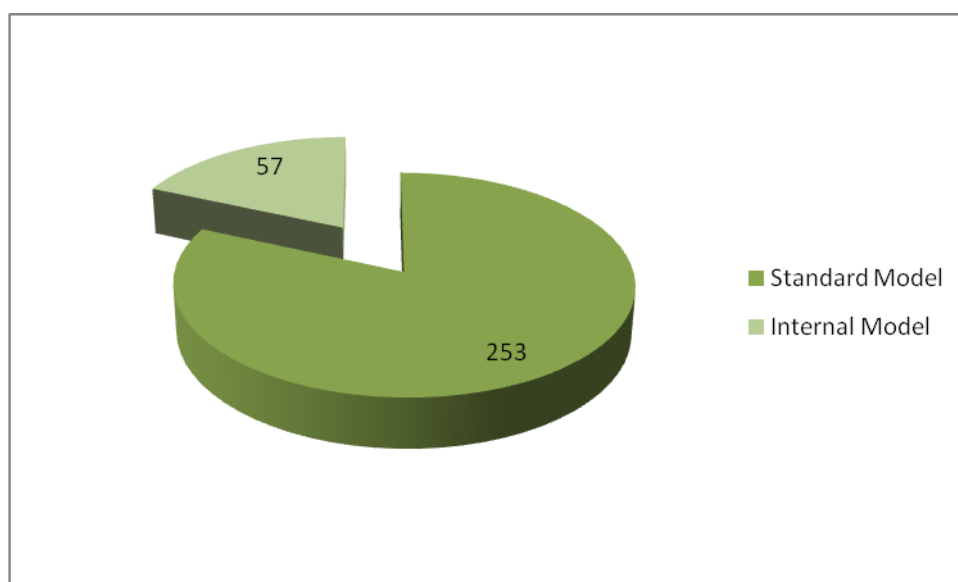


Figure 1 – Breakdown of respondents – Standard vs Internal Model

The vast majority of insurance undertakings indicated that they would be using the Standard Formula. Of the 310 responses received from undertakings, 253 indicated that they intend to use the Standard Formula¹. 16 responses indicated a preference to build a partial or full internal model which will require approval from the Financial Regulator. 41 undertakings responded that they will be using a partial or internal group model that will require approval from another EU supervisory body.

¹ The Standard Formula Approach encompasses Simplified Calculations and Undertaking-Specific Parameters.

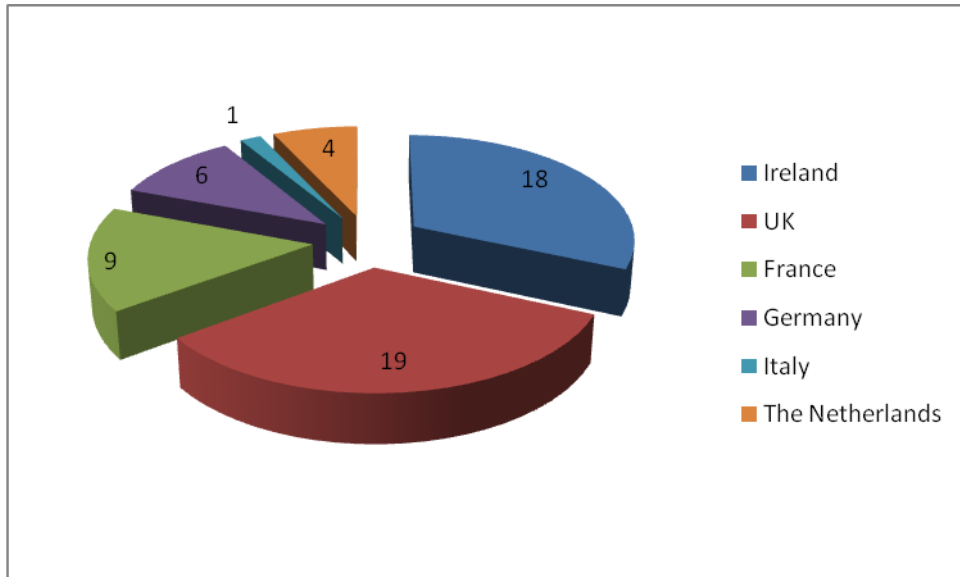


Figure 2 - Internal Models by proposed approving supervisor

An analysis of the responses received suggests that there is considerable variation in terms of undertakings preparation, specifically in relation to internal models and more generally in relation to the Solvency II process. The results of the questionnaire highlighted the fact that a number of firms were undecided on the question of using an internal model. Those firms that were undecided on the internal model issue in August 2009 should be concluding on their intentions. Similarly, all firms intending to use full or partial internal models should be well advanced in determining the scope and coverage of their models.

Second Questionnaire

All undertakings that have opted for an internal model should complete the second questionnaire (available [here](#) on our website) and return it to solvencyii@financialregulator.ie by end March 2010.

On January 28th 2010 CEIOPS issued a [Consultation Paper on Draft Level III Guidance on Solvency II - Pre-application process for Internal Models](#). Following a review of the second questionnaire and after considering the January 2010 paper the Financial Regulator will engage with the relevant companies that will be involved in the pre-application phase.



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