

Comments Template on Consultation Paper on Proposal for Guidelines on Pre-application for Internal Models		Deadline 19 June 2013 12:00 CET
Name of Company:	Insurance Europe	
Disclosure comments:	of Please indicate if your comments should be treated as confidential:	Public
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Reference	Comment	Resolution
General Comment	<p>The Guidelines are overall useful and provide practical guidance for national competent authorities to start reviewing undertakings readiness according to the Guidelines from 1 January 2014.</p> <p>Considering this goal we stress the importance of not basing any supervisory enforcement actions on the outcome of the Guidelines. We would welcome a statement making this recommendation clear.</p> <p>We further believe that the following - the comments apply to both individual and group level - should be taken into consideration:</p> <ul style="list-style-type: none"> - The Guidelines should state that undertakings and national competent authorities should develop a joint realistic plan towards compliance and demonstrate progress over time. 	

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It is not totally clear if the Guidelines establish requirements for undertakings to demonstrate compliance with all criteria at 1 January 2014.

It should be recognized that undertakings plan a phased progress towards compliance up to formal application date.

As such, we would welcome a statement in the Guidelines regarding this review process stating that undertakings and national competent authorities should develop a joint realistic plan towards compliance and demonstrate progress over time.

- Supervisory assessments and findings during the pre-application process should be regularly notified to the insurance undertakings.

The review process should be supported by formal reports produced by the national competent authorities summarising their findings and concerns along the review process.

- More binding commitments should be requested from national competent authorities in regard the pre-application process and should be clarified what is sufficient for finalising the pre-application process.

The Guidelines state that the national supervisor should form a view of how the undertaking “develops”, “plans to” or “does” something. Further clarification on the content of this view would be helpful.

Assurance should be given that the pre-application processes are further fostered. Intensive discussions and pre-application activities have already been taking place for years. Several (partial) internal models have been subject to extensive supervisory reviews and show a high degree of maturity.

Therefore, it is appropriate to raise the pre-application-process to a higher level of commitment: it should be possible for national competent authorities to give more binding feedbacks based on the assessments already made. One possible solution could be to allow for a so called Model-Change-Approach. This would allow national competent authorities to remove uncertainties and potentially reduce effort in the final approval process.

- Some of the requirements, especially on documentation, extend somewhat beyond what was originally intended by creating an unnecessary level of detail.

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	This envisaged level of detail may not bring any added value on the assessment on the quality of the models and risks to turn the supervisory assessment into a compliance exercise requiring significantly more resources for both undertakings and supervisors, instead of spending time in creating a constructive dialogue. We refer to the user manual in guideline 57 as an example to confirm our argument.	
Introduction. General Comment	EIOPA should consider how to best align or even integrate these Guidelines with the already issued pre-application Guidelines (former CP 80).	
1.1.		
1.2.	<p>Solvency II Directive does not require a pre-application process. Undertakings must be able to apply for the use of internal models when they consider that are ready and NCAs should have the necessary means to assess the application within the 6 months' time included in Article 112(4) of the Solvency II Directive. It should be included in the guidelines that entering into the pre-application process is not a pre-requisite before sending the formal application for the use of the internal model.</p> <p>It is unclear on what level of detail the NCA should give their view on the preparedness, and what is actually enough to end the pre-application phase.</p> <p>References to Articles 230 and 231 of the Solvency II Directive should also be included.</p>	
1.3.		
1.4.		
1.5.		
1.6.		
1.7.		
1.8.		
1.9.	It is not clarified how an undertaking or a group would enter the application for approval, or how the NCA would act in this case, even though stated in paragraph 1.9 that the Guidelines " also extend the pre-application process for an undertaking aiming at submitting an application for decision on the use of an internal model from the first	

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	day on which Solvency II is applicable.”	
1.10.		
1.11.	We consider important to stress that the group supervisor should communicate – as far as possible – the results and assessments that NCAs reach within the colleges. We therefore would propose to add the following: “Communication between the group supervisor and the ultimate parent undertaking of a group should cover the assessment of the college of supervisors including any views and reservations expressed by the national competent authorities concerned during the applicable period .”	
1.12.		
1.13.		
1.14.		
1.15.	We consider that given the different implications namely in terms of the level of participation of the NCAs concerned, the Guidelines would benefit if definitions clearly distinguish IM under article 230 and article 231. The same applies for the definitions of NCAs concerned/involved. We underline that although a definition of NCA concerned is given, the Guidelines seem to just refer to NCAs involved even when just referring to applications under article 231	
1.16.		
Section I. General Comments		
1.17.		
1.18.		
1.19.	We agree that the principles set out in this paragraph are sound, however we would like to bring to the attention of the NCAs that decisions taken at this stage would not necessarily be based on those internal models intended for SII compliance, and especially not capital planning.	
1.20.	We understand that NCAs cannot be expected to publicly disclose their respective progress report. However undertakings should be informed about cases where the national legal framework is currently in contradiction with the Guidelines. We therefore would propose to add: “EIOPA will disclose cases where the current binding national	

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	legal framework hinders compliance to specific Guidelines”	
Section II. General Comments		
Chapter 1. General Comments		
1.21.		
1.22.	<p>It is critical that the undertaking get the feedback in a timely manner and not at the end of the process. As such, we would propose adding “ continuous “: “National competent authorities should provide continuous feedback to the undertaking on the reviews they carry out on the internal model for the purposes of pre-application “.</p> <p>The feedback should also be specific so that the undertaking can take appropriate actions and developed towards a binding commitment of the NCAs for the purpose of a «provisional approval» of mature and stable model parts.</p> <p>The feedback of NCAs should indicate if according to current Level2 / Level3 drafts the internal model is compliant with the requirements of the Directive. We therefore would propose to add: “National competent authorities should indicate in their feedback if the internal model, or parts thereof, are compliant with the requirement set out in Directive 2009/138/EC, in particular Articles 112, 113, 115, 116, 120 to 126, 230 and 231.”</p>	
1.23.		
1.24.	<p>A notification should not be required for any changes. This requirement is too extensive. We would suggest that only major changes would be reported.</p> <p>Also, often model changes result from feedback provided by the NCA. We would propose that EIOPA includes in the Guideline that in this cases the undertaking should refer to this feedback in their notification of changes.</p>	
1.25.	The NCA should assess whether the model change alters the degree of compliance of the undertaking to the relevant requirements and should communicate its assessment to the undertaking. We therefore would propose to add: “The national competent authority should assess whether the model change requires the update of any feedback given to the undertaking.”	
Chapter 2. General Comments	Time-critical model changes that are proven necessary in the context of regular model updates, the introduction of new products or by external factors (e. g. legislative amendments) call for the implementation of a fast track	

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	<p>model change approach.</p> <p>Example:</p> <ol style="list-style-type: none"> 1. A change in the legal environment comes into force on 1st of December. 2. The impact of the change is classified as major according to the Model change policy. 3. The undertaking is prepared. The procedures are in place and the application for model change including calculations and documentation is sent to the NCA. 4. NCA takes 6 months for approval (plus 1 month for a final decision by EIOPA). 5. This means that on the key date 31 December there are two models in place and for the “Solvency Balance sheet” and “SCR” two sets of numbers are available. <p>First approach: The undertaking considers the numbers of the approved model. However these numbers are not adequate.</p> <p>Second approach: The undertaking considers the numbers of the changed model. The numbers are considered adequate, but the model is not approved. A pragmatic solution must be found for such cases.</p>	
1.26.		
1.27.	We’re not convinced that the definition of a ‘major change’ can be entirely objective, as opposed to evidenced and justified	
1.28.	It is necessary to ensure enough leeway on the qualitative side. We underline the fact that measures under Solvency II are principles-based	
1.29.		
1.30.		
1.31.	The requirement to evaluate should be restricted to changes that are connected.	
1.32.	This Guideline describes the process for a group internal model under Article 231, and does not apply to an internal model that is only used for the consolidated group (Article 230). As the situation of NCAs involved (but not concerned) is similar in both situations, this guideline should only be directed to NCAs concerned.	
1.33.	See 1.32. We propose an amendment: “national competent authorities involved” to “national competent authorities concerned”.	
1.34.	See. 1.32.	

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	<p>We propose an amendment: “national competent authorities involved” to “national competent authorities concerned”.</p> <p>It also should be noted that a change that is major at an individual undertaking (which could be small at group level) may not always be required to be a ‘major change’ at group level</p>	
Chapter 3. General Comments	<p>Review of the use test pre-application should be focused on how the undertaking is preparing to use the internal model rather than how the requirements of the use test are already met. Whilst final requirements are not available and the existing Solvency I regime remains in force, it is unrealistic to expect undertakings to fully utilise the model in the same way that the model will be used once Solvency II is in force.</p>	
1.35.		
1.36.	<p>We agree that the use test can only be judged in taking into account the specifics of each undertaking, e.g. the business and risk steering.</p>	
1.37.	<p>We underline that the requirement to demonstrate incentive to improve the model is typically the kind of requirement difficult to demonstrate in the initial phases of model use (see general comments).</p> <p>The guideline should be redrafted in order not to imply that the high quality of the model is regarded as conservative calibration.</p>	
1.38.	<p>The model needs to be fit to business. However this does not mean that all of the aspects listed under a) to f) need to be fulfilled for the internal model to be fit for business. The risk model certainly needs to play a role in the key business decisions; however certain business decision will also require the use of additional models and/or considerations.</p> <p>We also suggest deleting point f. other relevant ones as this doesn’t provide any guidance and can leave room for interpretation..</p>	
1.39.	<p>Regular discussions of models in the risk committees should also serve the purpose. Formal trainings should not be a requirement. Undertakings should have sufficient flexibility to planify the integration and implementation of their internal model over time.</p> <p>This also seems too extensive during the pre-application process when it comes to “staff”.</p>	
1.40.		
1.41.		

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1.42.	It is important to keep in mind that an internal model should support – and not replace – decision making. Decisions are made by people taking into account a variety of sources and tools, the results of the internal model being one of them. However, all the results produced must be weighed against costs . We see a danger of reducing decisions within an undertaking to a pure mechanical exercise which is neither desirable nor sensible in our view. We may need to have the freedom to use other methods for risk assessment than the ones of the approved internal model (see 1.43).	
1.43.	We welcome the comment in the explanatory text that “National competent authorities consider that the internal model is not the only tool used to make decisions in the business, and it is expected that an undertaking has a number of tools used to support decisions made within the business.” However we do not understand what the requirement to identify inconsistencies and consider them to improve the internal model would mean in practice. Different frameworks exist with different objectives, assumptions, models. They are known by the undertakings and the management. The internal model cannot be a “reconciliation” tool.	
1.44.	Decision making processes use different tools/measures that provide different views to fully inform decisions and as such cannot rely on a single source/model of information. As the business decisions cannot be based only on internal model outputs, neither justification or retrospective verification of such decisions according solely to what internal model outputs are saying are relevant. We agree that it is essential to perform regular verification (e.g. through the P&L attribution) to ensure the internal model is appropriate to the business profile and therefore to feed decision-making processes. If this is what is meant by “retrospective verification”, as reflected in the explanatory text, then we suggest clearly stated it in the Guideline to avoid inadequate interpretation.	
1.45.	We agree that evidence should be provided about the fact that the internal model output was used to inform decisions. However, since business decisions are not only based on internal model outputs and sometimes other indicators may be more material in the decision, justification of such decisions alignment with the internal model should not be part of the requirements. We would suggest to reformulate the sentence “... and how the output is aligned with the decision” in this way: “...and whether the decision is considering the output of the internal model”	
1.46.	We agree that evidence should be provided about the fact that the internal model output was used to inform decisions. However, since business decisions are not only based on internal model outputs and sometimes other indicators may be more material in the decision, justification of such decisions alignment with the internal model	

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	<p>should not be part of the requirements.</p> <p>Moreover, a significant amount of effort would be required if an undertaking should have to formalize and document every decision making process in the business and produce and update the documentation on a regular basis. Key uses like the monitoring of limits and triggers are typically already well formalized and documented. We would expect that the NCA reviews the uses throughout the pre-application/application process and points out areas where the uses are unclear. A costly metadocumentation should be avoided.</p>	
1.47.		
1.48.		
1.49.		
1.50.		
1.51.	<p>This Guideline seems to just refer to an application under article 231. As such, the Guideline should only refer to NCAs concerned.</p> <p>Also it could be helpful to address applications under article 230 including in terms of the envisaged cooperation between NCAs and respective roles.</p>	
1.52.	<p>See 1.51 including suggestion to change “national competent authorities involved” to “national competent authorities concerned”</p> <p>It would be helpful if the responsibility between NCAs could be dealt with explicitly.</p>	
1.53.	<p>See 1.51 including suggestion to change “national competent authorities involved” to “national competent authorities concerned”</p>	
Chapter 4. General Comments	<p>We consider that the requirements under Guidelines 22 and 23 are not enforceable from an operational point of view. We agree it is important to document and validate formally key material assumptions but Guidelines 22 and 23 are very demanding and could create adverse effects. For instance, the risk that the fulfilment of extensive documentation requirements in itself becomes a compliance exercise. This could distract knowledgeable resources from ensuring quality and adequacy of assumptions to an administrative documentation exercise.</p>	
1.54.		

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1.55.		
1.56.		
1.57.	<p>It is important to note that an internal model could have several hundreds model assumptions. We propose to amend the text to focus on material assumptions setting and not all assumptions setting.</p> <p>We also would suggest deleting “and the use of expert judgment in particular” and replace it with “follows a validated and documented process that would include requiring expert judgment to be justified” .</p>	
1.58.		
1.59.	<p>Assumptions should be subjected to an appropriate senior management validation. However this could and would be perfectly reached through a dedicated Assumption committee or equivalent of which CFO, CRO and other senior executives are members and provide sign-off, thereby providing opportunity for a real challenge that could not be reached in some extent through a full Executive Committee. So in order to focus on what is to be achieved and not on how to achieve it, we propose to delete the text “<u>up to and including the administrative, management or supervisory body.</u>”</p>	
1.60.		
1.61.		
1.62.		
1.63.	See 1.57	
1.64.		
1.65.	See 1.57	
1.66.		
1.67.		
1.68.		
1.69.		

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1.70.		
1.71.		
1.72.	<p>We view this rule as an extension to the intended goal of ensuring that internal models and their underlying assumptions are well understood by imposing additional requirements that are not needed and would uselessly complicate the work of both undertakings and NCAs. Requiring undertakings to monitor circumstances under which assumptions are false is paramount to requiring undertakings to monitor circumstances under which a decision would be considered a bad decision instead of a good one. This would suppose that all possible outcomes have been considered and those outcomes are seldom finite.</p> <p>Practical clarification would be requested as to what criteria exactly would be used to define this kind of a process other than those already required by internal model validation in which assumptions are challenged by being tested and justified.</p>	
Chapter 5. General Comments	<p>Chapter 5 “methodological consistency” discusses the requirement of consistency of methods used in the risk mode and the calculation of technical provisions.</p> <p>Consistency should not be rigorously read as “the same methods” – methods have to be chosen with respect to the specific use. While a certain method will be adequate to calculate technical provisions another one might be better to capture the aspects of risk measurement. Consistency in this cases means differences are not material if these methods are used for the same purpose e.g. to calculate the best estimate.</p> <p>The “solution” should never be to prescribe the usage of the same methods for both – the method chosen should be adequate for the task. Risk measurement and calculation of the best estimate might very well force the usage of different but consistent methods. Therefore, the discussion of consistency should be handled carefully – “consistency” is not synonym to “identity”.</p> <p>Often discussions concerning consistency seem not really relevant and do not have a satisfying solution. This is shown by the following example that covers the topic of paid and incurred methods for the assessment of claims provisions in nonlife insurance: The best estimate for claims provisions is usually calculated using paid and incurred methods for the assessment for the Solvency II balance sheet. For calculating the one-year reserve risk only paid methods (for example Bootstrap of paid triangles) are used, as there do not exist any standard actuarial methods combining paid and incurred information for this purpose. As such, the suggestion would be just using paid methods for calculating provisions for the balance sheet. The Best estimate provision will be much lower as well as the corresponding SCR. That solution would probably not be acceptable to a NCA.</p>	

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	Therefore, the discussion of consistency should be handled carefully and the relevance of methodological consistency should not be overestimated.	
1.73.		
1.74.		
1.75.		
1.76.		
1.77.	A quantitative assesment of consistency is often difficult. Sometimes it will be even impossible, for example because there don't exist any consistent actuarial methods. Therefore an assessment has to be based mostly on expert judgement.	
1.78.		
1.79.	It should be noted that it will be difficult to assess the impact of deviations. This will be especially true for cases where don't exist consistent actuarial methods for valuation and risk measurement (For example valuation of best estimate provisions in nonlife-insurance using paid and incurred methods).	
1.80.		
Chapter 6. General Comments		
1.81.		
1.82.		
1.83.		
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1.85.		
1.86.		
1.87.		

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1.88.	NCA should consider as a necessary but not sufficient condition the current progress in actuarial science and the generally accepted market practice to assess the richness of the probability distribution forecast. We don't understand the aim of this requirement as the internal model is supposed to represent the risk profile of the entity with its own characteristics, so not necessarily in line with market practices. This is inconsistent with the aim of the internal model. The assumptions should be verified depending on undertakings profile.	
1.89.		
1.90.		
Chapter 7. General Comments	It needs to be pointed out that all models are only approximations of reality. Therefore the guidelines on calibration should be applied to the mathematical risk measure only (and the related time horizons). Other approximations used in internal models, e.g. certain limited number of risk factors should not be treated by the guidelines of chapter 7. This should be clarified.	
1.91.	This aspect should only be applied to the mathematical risk measure, as all models are approximations of realities per se.	
1.92.	We would oppose any interpretation that requires undertakings to quantify the impact of the approximation (also because if it is possible to quantify, it should also be possible to avoid it). We understand the term "considers" in point a) as the possibility for the undertaking to evaluate with a qualitative statement the error introduced by the approximation, without having to necessarily measure it. We would also strongly support deleting points b) and c) as we perceive them as far too detailed and containing a high risk of being interpreted by NCAs in quantitative terms.	
1.93.		
1.94.		
1.95.	For the purpose of calculating the SCR, the variation of the variable from which the SCR is derived should be controlled especially in scenarios that define the SCR. The main focus should thus lie with extreme losses. We propose to amend "even under extreme losses" to "especially under extreme losses".	
1.96.	The requirement in (b) to be able to understand the difference in any situation until t=1 is too extensive. It should be sufficient at t=1. At least this should not be expected during the pre-application phase. Further, this could be a problem as long as Pillar 1 is not agreed on.	

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1.97.		
1.98.		
1.99.	This seems to be a softer but more appropriate approach than previously expected. However, the explanatory text seems to provide a different understanding.	
1.100.		
1.101.		
Chapter 8. General Comments	<p>The use of the P&L Attribution also indicates the level at which it should be performed. In certain cases risks are predominantly steered across legal structures, as such it is not necessary to further drill it down into each legal entity. An example for such an overarching steering of risks is accumulation risks like natural catastrophes where the board of a group typically needs to have an overview of the overall exposure of the group. The drilling down into smaller entities is of less importance.</p> <p>The level at which the P&L Attribution is performed should therefore follow its use, i.e. risk and business steering, and not the legal structures. Major business units should thus follow steering objects rather than legal structures, i.e. not every legal entity forms a major business unit</p>	
1.102.		
1.103.		
1.104.		
1.105.	It is important to note that this predominantly applies to insurance risks where there is not, in many cases, market data but only undertaking specific data available to calibrate the internal model. For market risks it appears more important that the calibration of the internal model is tested against market data rather than the concrete profit and loss attribution of the undertaking, as this may be skewed due to trading activities throughout the one year risk horizon.	
1.106.	The P&L Attribution should explain the causes and sources of profits and losses using a certain categorization of risks. This categorization should be consistent with the categorization of risks as applied in the internal model in order to allow for a validation of e.g. the completeness of the risks modelled. For this purpose it is, however, not necessary to perform the P&L attribution at the same level of granularity as the internal model specifies. A drill	

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	down to a more granular level should only be performed in cases where the more aggregated P&L attribution exhibits unexpected behaviour of risks. An example would be the interest rate risk, where a drill down into sources of P&L from yield curve movements in different currencies might not be necessary in case only one currency is currently material for the portfolio. Only consistency but not identity of risk drivers with the internal model should therefore be required in the context of the P&L attribution.	
1.107.	It appears overly burdensome to document on an annual basis how the results of the profit and loss attribution are used in risk management and decision-making. Also the profit and loss attribution provides a retrospective view on the performance of the business. The decision-making contains a forward-looking element. Therefore it should not be requested that decisions need to take into account the outcome of the profit and loss attribution in each and every case.	
1.108.		
Chapter 9. General Comments		
1.109.		
1.110.		
1.111.		
1.112.		
1.113.		
1.114.		
1.115.	No formal process should be required in this regard from undertakings.	
1.116.		
1.117.	See comment under 1.115.	
1.118.		
1.119.		
1.120.	This appears overly burdensome. It is the validation of the validation itself. It should only be asked that the	

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	validation (carried out by the risk management function) is regularly reviewed by the internal audit.	
1.121.	This appears overly burdensome. It is unclear how such a quantification could look like and what conclusions should be drawn from it. We would suggest to delete this aspect.	
1.122.		
1.123.		
1.124.		
1.125.		
1.126.		
1.127.		
1.128.		
1.129.	It should not be requested that the validation policy covers also the allocation of tasks. The validation policy should only specify how the allocation of tasks is governed.	
1.130.	The independence of the validation process within risk management does not require an incorporation of any additional organisational structure. We very much agree with the point made in para 3.325: "A degree of independence can also be maintained by separating out tasks by different employees within the risk management function."	
1.131.		
1.132.	This Guideline describes the process for the group internal model under Article 231, and does not apply to an internal model that is only used for the consolidated group (Article 230). As such, the Guideline should only refer to NCAs concerned. Could be helpful if EIOPA would clearly differentiate in the future Guidelines for applications under art 231 and for applications under art 230.	
1.133.		
1.134.		
1.135.		

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1.136.		
1.137.	Independence is not a quality of the validation tool. It should therefore be deleted in this context. Guideline 47 already deals with independence.	
1.138.		
1.139.		
1.140.	We fear that this results in very onerous documentation requirements. Guideline 51 should rather be assessed during on-site visits throughout the pre-application phase than by requirements to document all of those aspects listed from a) to d).	
1.141.	This could result in very extensive as-if calculations. Its application should therefore be limited to very few selected cases.	
Chapter 10. General Comments	See general comments on documentation.	
1.142.		
1.143.		
1.144.		
1.145.		
1.146.	The history of the development of the methodology is part of the documentation of model changes (compare Article 125, Article 234 TSIM23). A documentation of all methodologies which were considered but not subsequently used is excessive and virtually impossible in the long run. We suggest to delete para 1.146.	
1.147.		
1.148.		
1.149.	We interpret "the undertaking considers having documentation (...) that consists of more than one level" as the need to demonstrate that the undertaking has considered (in a policy or otherwise) the circumstances of being	

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	<p>necessary to adapt documentation to the needs of the different stakeholders in such a way as to better inform them, or if internal practice naturally leads the undertaking to do so.</p> <p>We would strongly oppose any interpretation that requires undertakings to document differently according to the different levels of stakeholders under all circumstances as we would find this requirement unreasonable and an extension of the original text.</p>	
1.150.	<p>We consider that the format of detailed user instructions for operation of the internal model should not be subject to specific standards and requirements.</p> <p>The requirement for a user manual for operation of the internal model is too excessive. . We propose to amend “a user manual” with “process descriptions”</p>	
1.151.		
1.152.	<p>Often the internal model will not be restricted to specific hardware platforms. The assessment should be restricted to the requirements of Article 232 TSM21(1)(d)</p> <p>We suggest to delete “hardware systems”.</p>	
1.153.	<p>See 1.152</p> <p>We suggest to delete “hardware systems”.</p>	
Chapter 11. General Comments		
1.154.	<p>We are concerned that if expectations regarding the understanding of an external model get excessive, SMEs will get virtually excluded from the internal models application process.</p>	
1.155.	<p>To establish formalised processes as proposed, in addition to the ordinary validation process, is excessive.</p> <p>We also suggest to change point d) in the following manner “...timely consistency checks including, if possible and considered appropriate by the undertaking, comparisons with other relevant sources.” Although we agree that it should be up to the undertaking to demonstrate the quality of the external data used and how well it understands</p>	

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	and mitigates the limits and pitfalls of the data, we consider it to be unreasonable to additionally require that consistency checks be necessarily conducted with other sources. It should be made possible for the undertaking to define under what circumstances this might be necessary also considering how onerous it could be to do so.	
1.156.	It should be clarified to what extent “IT platforms” should be classified as external models. We suggest a very narrow interpretation, i.e. an external model is an implemented risk modelling methodology rather than a software platform. The explanatory text (3.426) is not helpful as a guidance.	
1.157.		
1.158.	It is not clear what information a “periodical review” of the justification for selecting a particular model should generate. An external model should instead be scrutinized in a strict validation process. As long as the validation process indicates that the external model is valid and appropriate there is no need for an additional periodical review.	
1.159.	It should be made clear that this does not mean that insurance undertakings cannot choose one single provider. The suggested “multi-model approach” (cf. explanatory text 3.437, 3.438) is neither practical from an operational point of view, nor it is necessary when validation shows that a model is appropriate.	
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Chapter 12. General Comments	Guidelines on the functioning of colleges do not differentiate applications under article 230 and 231. It would be helpful for both undertakings and NCAs to have more clarity on the envisaged cooperation between the group supervisor, the other NCAs concerned, NCAs involved and other NCAs identified by the college of supervisors as well as their respective roles for applications under art 230 and applications under art 231	
1.177.	<p>We would like to point out, that only (re-)insurance undertakings are subject to an individual Solvency Capital Requirement. As related insurance undertakings, that are not subsidiary undertakings shall be excluded from consolidated model [cf. 323 ter SCG3(1)(a) and (c)] we propose to focus on subsidiary (re)insurance undertakings. Albeit not part of this consultation we would like to point out, that final version of the implementing measures should consider this reasoning as well [Article 327 IMG1 (6)(a)(iv)].</p> <p>We suggest to replace “related undertaking” with “subsidiary insurance or reinsurance undertaking” in (d) and (e).</p> <p>Moreover it is not clear whether the scope of the model refers to the scope as used for the calculation of the SCR of the consolidated group, or the application of the internal model for the purpose of calculating the SCR of individual solo undertakings. The Guideline seems to mix applications under art 230 and 231. It would be helpful to distinguish the different roles of the NCAs concerned, NCAs involved and other NCAs identified by the college of supervisors, for applications under art 230 and applications under art 231</p>	
1.178.	See comments above	
1.179.	Is unclear if refers to an application under art 230 or 231	

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	Allocation of tasks should allow for appropriate knowledge and ensure consistency in approaches of checking a particular area. In particular the work plan should include consistent approaches to be agreed for on-site and off-site activities. It would be inefficient that supervisors do not follow the same approach when verifying the pre-application documentation in different countries. E.g. the same part of the documentation could meet the standards of the supervisor in one country and not in another country (or validation or any other standard).	
1.180.	See 1.179 It is important to set up an appropriate monitoring of the agreed work plan among the supervisors in order to ensure that each authority follows the agreed allocation of tasks and work plan. In case an authority does not follow the allocation of tasks and / or work plan, the group supervisor should have authority to impact the respective authority actions and if appropriate override its decisions.	
1.181.	See 1.179	
1.182.	See 1.179 As far as possible, the work plan should be made available to the undertakings that intend to use the group internal model to calculate their individual Solvency Capital Requirement and the ultimate parent undertaking.	
1.183.	See 1.179 Following our argument of 1.177 we suggest to restrict the last sentence to subsidiary undertakings in (b) and to change "insurance or reinsurance" with "subsidiary insurance or reinsurance" in last sentence of (b).	
1.184.	See 1.179	
1.185.	See 1.179 In line with the explanatory text (cf. 3.503), on-site visits of the NCAs concerned are of special importance. As such we suggest to add in the Guideline the following: "One important focus should be joint on-site visits of NCAs concerned, especially in relation to the specificities of the group internal model designed at group level"	
1.186.	See 1.179	

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	The same rules (cf. 1.185) should apply for on-site visits proposed by the group supervisor. As such we would propose to add: "Similarly the group supervisor can propose on-site examinations"	
1.187.	See 1.179	
1.188.		
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1.190.	See 1.179	
1.191.	See 1.179	
1.192.	It should be clear that no supervisory action could be triggered by on-site examinations until Solvency II becomes fully applicable.	
1.193.	The undertaking should be informed about the outcome of the joint on-site inspection	
1.194.	See 1.179	
1.195.	See 1.179	
1.196.	See 1.179	
1.197.	See 1.179	
1.198.	See 1.179 The possibility to consult third country NCAs can be useful when the third country undertakings uses the group internal model (possibly with small alterations) to calculate the local regulatory capital requirement. We thus suggest to add a corresponding statement.	
1.199.		
Compliance and Reporting Rules		
1.200.		
1.201.		
1.202.	The same comment as in 1.20 applies in this context:	

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	Whereas we understand that national competent authorities cannot be expected to publicly disclose their respective progress report, an undertakings should be informed about cases where the national legal framework is currently in contradiction to the Guidelines. We therefore would propose to add the following: "EIOPA will disclose case, where the current binding national legal framework hinders compliance to specific Guidelines"	
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Impact Assessment – General Coments		
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2.27.	The last sentence in 2.27(c) should be dropped, as in fact a direct endorsement by the management board is not required (cf. 3.315 of the explanatory text) and can be left to the discretion of the undertaking. In addition the most important parts of the above information are typically part of the Own Risk and Solvency Assessment.	
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2.67.	We would suggest to add: “and shared with the group as far as possible” (cf. 1.182)	
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2.73.	We consider the costs/ benefits to consumers as rather indirect and would thus rather state: “No direct costs / benefits [...]”	
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2.77.		
2.78.	We consider the costs/ benefits to consumers as rather indirect and propose to change the paragraph accordingly.	
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