

**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:	International Underwriting Association of London (IUA)	
Disclosure comments:	of Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ <u>Do not change the numbering</u> in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇒ Leave the last column <u>empty</u>. ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. <p>Please send the completed template, in Word Format, to CP-13-011@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.</p>		
Reference	Comment	Resolution
General Comment	We believe it to be important that firms should not be kept in a prolonged state of uncertainty, where they maintain heavy annual investment in complying with new regulatory requirements that remain subject to potentially substantial future alterations. It will also be important to ensure that insurers are not subject to parallel legislative regimes: Solvency I , Solvency II and national requirements. Regulated firms should be able to operate in a context of minimum uncertainty and clarity, while appropriate flexibility should also be maintained to enable each jurisdiction and each firm to comply with the law in the context of changing national circumstances. For those reasons, we propose that, prior to the effective implementation of Solvency II, each jurisdiction should implement flexible phasing-in plans for interim compliance with internal model requirements that are adapted to the needs of each individual jurisdiction and each individual firm, subject to phased-in compliance with the spirit of Solvency II. Supervisors should also take care not to implement new regulations that will not fit into the Solvency	

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framework when it does come into effect. Given the reigning uncertainty, they should, furthermore, operate through dialogue and avoid imposing abrupt changes to previously approved aspects of applications for internal models, or indeed the standard formula. Alterations, unless essential, should be made after discussion and over time.

The setting of timeframes also needs to be flexible to take into account future possible postponements in the implementation of Solvency II. If it is delayed for additional years, then requirements dependent on implementation should be delayed also.

NCA's will also need to take into account the difficulty in complying for groups operating in different member states where different rules will apply. It will also be important to consider how to take into account fairly and consistently subsidiaries, branches and indeed parents outside the EEA.

**Introduction.
General Comment**

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Section I. General Comments		
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Section II. General Comments		
Chapter 1. General Comments		
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1.22.	In addition to feedback, we believe that there should be a close dialogue throughout the process to enable the firm to be fully aware of how the NCA views its application and its strengths and weaknesses. Time and resources will be saved if there is a minimum of uncertainty.	
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1.24.	We suggest that significant changes should be notified, but that reporting minor adjustments and improvements would not be useful and would overload the supervisor.	
1.25.	We suggest that the NCA should advise the firm of any concerns it may entertain following notification. Without feedback and dialogue, firms will respond inefficiently and waste resources.	
Chapter 2. General		

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Comments		
1.26.	We suggest that the NCA should approach changes in a spirit of dialogue and flexibility that reflects proportionality and outcomes.	
1.27.	We would advocate that the approach to the indicators should be holistic, with due attention being paid to qualitative elements.	
1.28.	We believe it to be important to recognise the specificity of each firm and group and for the supervisor to ensure that it is reflected in the model and processes of modification.	
1.29.	We would advocate that the approach to the indicators should be holistic, with due attention being paid to qualitative elements.	
1.30.	We would advocate that the approach to the indicators should be holistic, with due attention being paid to qualitative elements.	
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Chapter 3. General Comments		
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1.45.	In our view, many factors are taken into account in decision-making. We suggest that the emphasis should rather be on ensuring that the internal model outputs are given due consideration in decision-making.	
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Chapter 4. General Comments	We believe that it will be important to ensure that the processes of documentation of assumption setting, expert judgement, governance and validation do not require the generation of disproportionate quantities of detailed reporting which would only obscure understanding and judgement,	
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Chapter 5. General Comments		
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Chapter 6. General Comments		
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Chapter 7. General Comments		
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Chapter 8. General Comments	In our view, the P&L attribution should be used to focus on risks as they affect the company or group as a whole, rather than individual legal entities.	
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1.106.	The level of detail required for the proposed approach to ensuring consistency would be disproportionate. We suggest that appropriate comparisons could be made without analysis of detail which would in any case be likely to be misleading.	
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Chapter 9. General Comments		
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Chapter 10. General Comments		
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1.146.	The scope of the proposed requirement is vast, with a potential for infinite expansion. We suggest that firms will not be able to comply with it in a meaningful way.	
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1.149.	In our view, the number of relevant audiences should be limited to no more than a few. Otherwise, the entailing workload will be disproportionate.	
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Chapter 11. General Comments		
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Chapter 12. General Comments		
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1.179.	We agree that the effective and efficient allocation of tasks amongn supervisors and with group supervisors is vital. If it is not achieved, significant costs and inefficiencies will arise. We would also suggest that dialogue with the group should be maintained permanently, so that it is kept informed of all significant findings and decisions and can respond to new requirements quickly and effectively with solutions and appropriate actions.	
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Compliance and Reporting Rules		
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1.202.	We believe that regulated firms need to be aware of any inconsistencies in the regulatory framework in which they operate at home and abroad. We suggest, therefore, that they should be informed about any differences between national regulatory frameworks and the European standard.	
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Impact Assessment – General Coments		
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