

<b>Comments Template on CEIOPS-CP 80</b> <b>Consultation Paper on the Draft L3 Guidance on the pre-application process for internal models</b>		<b>Deadline</b> <b>08.03.2010</b> <b>16.00 CET</b>
Name of Company:	CRO Forum	
Disclosure of comments:	CEIOPS will make all comments available on its website, except where respondents specifically request that their comments remain confidential.  Please indicate if your comments should be treated as confidential:	Confidential/Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> <li>⇒ <b>Do not change the numbering</b> in the column "reference".</li> <li>⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph, keep the row <u>empty</u>.</li> <li>⇒ Our IT tool does not allow processing of comments which do not refer to the specific paragraph numbers below.               <ul style="list-style-type: none"> <li>○ If your comment refers to multiple paragraphs, please insert your comment at the first relevant paragraph and mention in your comment to which other paragraphs this also applies.</li> <li>○ If your comment refers to sub bullets/subparagraphs, please indicate this in the comment itself.</li> </ul> </li> </ul> <p><b>Please send the completed template, <u>in Word Format</u>, to <a href="mailto:secretariat@ceiops.eu">secretariat@ceiops.eu</a>. Our IT tool does not allow processing of any other formats.</b></p> <p>The numbering of the paragraphs refers to Consultation Paper No. 80 (CEIOPS-CP-80/10).</p>		
Reference	Comment	
General Comment	<u>Key messages</u>  The CRO Forum welcomes the opportunity to comment this consultation paper on pre-application process for Internal Model. The timing for this paper is good as many supervisors are already starting a	

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	<p>pre-application process and it will promote necessary harmonization. This paper is of high quality and the CRO Forum strongly supports CEIOPS in aiming for one unique pre-application process led by the lead/group supervisor in cooperation with the other supervisors concerned. We have some remarks or concerns listed below:</p> <p>A. <u>Role of the Group supervisor and alignment with the spirit and letter of art. 231 of the Directive</u>  We are strongly concerned that we have to manage a potentially uncoordinated process for each Member State, leading to an inefficient process and duplication of work, and would urge the Commission and CEIOPS to ensure full participation by all of the solo supervisors in the pre-application process (EEA) and a sufficient level of cooperation of non-EEA supervisors (dependent on the materiality of the respective legal entities to the group).</p> <p>There is a need to establish a harmonized process to ensure consistency across solo supervisors. Some supervisors have started to set up restrained “College of Supervisors” to start the pre-application. That’s clearly a step in the right direction, and we definitely believe that the pre-approval process should be coordinated within the entire college of supervisors led by the lead/group supervisor. This equally applies to equivalent third country supervisors. We urge supervisors to align with the process as outlined for internal model approval in art. 231 of the Directive.</p> <p>Member States from the EEA that choose not to participate in the pre-application or approval process organized by the lead supervisor, should not be allowed to run their own process as this would lead to unnecessary replication of work for undertakings and would not be conform to the spirit of group supervision in the Directive.</p> <p>B. <u>Times scales and deliverable per step</u>  The CRO Forum has concerns about paragraph 4.1 “the Supervisory Authority plan is an indication of timescales and resources and will change during the course of the plan. Thus, the plan is not a commitment from the Supervisory Authority to deliver to the plan timescales.”</p>	

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	<p>The Supervisory Authority’s plan is of great importance for Groups to organize internally efforts and resources over the next 2 years. We note that pre-application process is not a pre-approval process, but the high-level timetable agreed should be binding for both sides per concrete step.</p> <p>C. <u>Cost / benefit implications</u>  We are concerned by the level of documentation and validation requirements which would emerge if the pre-application process would be implemented like a ticking box exercise for all companies without considering the appropriate context. We believe that all documentation and validation requirements should be materiality-based and should rely on other control processes where they exist, e.g. SOX, four-eye reviews, external audits, etc.</p> <p>An open dialogue between Supervisory Authorities and companies during the pre-application process is crucial. This means that Supervisory Authorities should be prepared to share feedback, both positive and negative, with the companies during the process in order for companies to make a preliminary assessment on the overall development of the pre-application process. If Supervisory Authorities refrain from providing balanced feedback during the process, this may negatively affect the pre-application process.</p> <p>D. <u>Resource constraints from Supervisory Authorities may not be a sufficient reason to reject internal model use</u>  Paragraph 2.12 explains the required “unanimous agreement between the relevant Supervisory Authorities” to approve an internal model. This means that if one of the relevant Supervisory Authorities does not have sufficient resources this could lead to rejection of internal model for the Group.</p> <p>Also some Supervisory Authorities having more resources, and therefore are able to assess more internal models, than others, could lead to a distortion of the level playing field.</p>	

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	<p>Resource constraints may never be a sufficient reason to reject internal model approval.</p> <p>E. <u>Approval in time for Solvency II</u>            If a company complies with the time lines as set in the plan from the supervisors, supervisors should give their judgement to (dis)approve in time such that in case of approval the company can use its internal model from the first reporting required from Solvency II.</p>	
1.		
1.1.		
1.2.		
1.3.	<p><i>"Although the Level 2 measures have not yet been agreed, CEIOPS considers that it is important to publish this guidance now. The European Commission has also indicated that they consider the pre-application process to be important and that they would welcome guidance from CEIOPS in this field."</i></p> <p>The CRO Forum strongly supports this view, especially since many supervisors are already starting a pre-application process.</p>	
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1.12.	<p><i>"In the advice on the approval process for internal models, CEIOPS recommended that the initial</i></p>	

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	<p><i>discussion during the pre-application process should include discussion of at least the following information:</i></p> <p><i>f) Access to any <b>draft</b> documentation of the internal model as set out by Article 125 of the Level 1 text. This may give the Supervisory Authority more information about how the internal model works, or is planned to work. The documentation might be of technical aspects of the internal model, or of other aspects such as governance."</i></p> <p>Access to documentation should be restricted to final versions of documentation. The undertaking may decide to provide some draft documentation to the Supervisory Authorities; however it should be the undertaking's decision whether or not to provide documentation in draft format. Draft versions have not had sufficient level of internal review and can therefore contain mistakes and lead to unnecessary confusion. This will not be in line with internal control / governance policies around distribution of documentation.</p>	
1.13.		
1.14.		
1.15.	<p><b>What is not covered</b></p> <p><i>"This paper does not directly cover:</i></p> <p><i>a) the application, assessment or decision processes for the approval of an internal model</i></p> <p><i>b) the tests and standards for approval of an internal model. More guidance will be produced on these at a later date."</i></p> <p>We would like to point out that there is a strong relation between the tests and standards for approval of an internal model and the items to be assessed in the pre-application process to determine whether the undertaking is well prepared to submit an application for internal model approval. Clarification on this matter will also support alignment with the internal model validation process of the undertaking.</p>	

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1.25.	<p>The opportunity to liaise with their Supervisory Authorities already in the pre-application phase is an important element of the pre-application process. An open dialogue between the undertaking and the Supervisory Authorities (for groups at the level of the college) is therefore crucial. This dialogue may be negatively affected by the guidance provided in paragraph 6.7 (refrain from positive communication about the quality of the internal model). We acknowledge the need for Supervisory Authorities to have some flexibility in forming their views on the model during the pre-application process. However, undertakings should be entitled to receive both negative communication as well as positive communication, in order to be able to give appropriate attention to those areas that require this attention and place less focus on the elements that already seem to be appropriately addressed.</p>	
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2.		
2.1.		
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2.5.	We support the view that, if the pre-application regime is introduced in the regulatory system of the Member States, the regime is kept as flexible as possible. However timetable and planned resources allocated from both side will help to make the pre-application process as efficient and beneficial as possible for the company and the supervisors.	
2.6.		
2.7.		
2.8.		
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2.11.	<p>We would suggest reformulating the first sentence to read: ‘there is a further complication for a group that includes undertakings in more than one Member State and wishes to use a group internal model to calculate their group <b>and solo</b> SCR.</p> <p>As mentioned in the key messages, we are strongly concerned that we have to manage a potentially uncoordinated process for each Member State, leading to an inefficient process and duplication of work, and would urge supervisors to align with the process as outlined for internal model approval in art. 231 of the Directive.</p> <p><i>“However, if the Level 1 and Level 2 measures are not transposed into national law in a Member State where a group internal model operates, there is unlikely to be approval of a group internal model shortly after the first date of operation of Solvency II.”</i></p> <p>It is our understanding that in case of a late transposition of the Level 1 and 2 texts, the Directive and</p>	

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	Level 2 Implementing Measures would be applicable directly, thus not constituting a reason to hinder application of internal model from day 1.	
2.12.	<p><i>"Nevertheless it would be necessary in both of these ways to have unanimous agreement between the relevant Supervisory Authorities".</i></p> <p>What happens if not all "relevant Supervisory Authorities" participate in both the pre-application and internal model approval process? All "relevant Supervisory Authorities" should participate in both the pre-application as well as the internal model approval process.</p> <p>The CRO Forum doubts whether a full unanimous approval requirement is workable. This effectively allows any one member state to derail the entire group assessment. The CRO Forum would be in favor of a more practical solution, which practically addresses what needs to happen when there is a minority disagreement.</p> <p>We believe that unanimous agreement should not be a prerequisite, but rather the pre-application process should follow the spirit of the Directive in terms of decision making process within the college of supervisor. Concretely we propose that in case of (minority) disagreement the lead supervisor should have the final say, in line with Art. 231 of the Directive.</p>	
2.13.		
2.14.		
3.	<p>Paragraph 2.12 explains the required "unanimous agreement between the relevant Supervisory Authorities" to enter into the pre-application process for internal models.</p> <p>This means that if one of the relevant Supervisory Authorities does not have sufficient resources this could lead to delays in the application and possibly the rejection of the use of internal model for the Group.</p> <p>Also some Supervisory Authorities having more resources, and therefore are able to assess more internal models, than others, could lead to a distortion of the level playing field.</p> <p>Resource constraints may never be a sufficient reason to reject internal model approval.</p> <p>The requirement for unanimous agreement appears disproportionate for the pre-application process. In</p>	



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	absence of formal dispute resolution mechanisms, CoCos involved in the pre-application process should go back on existing mechanisms and best practices that were established earlier, where available.	
3.1.		
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3.5.	Sec 3.2 (Discussion of criteria) (paragraph 3.5 onwards) and Section 5 (review of information): In our opinion the pre-application process should focus on preparing for the internal model approval specifically (and not so much on other wider/more general SII requirements), e.g. requirements on ORSA should only be limited to that information used to support evidence of the use test, and at this stage full compliance with ORSA should not be considered as a prerequisite.	
3.6.		
3.7.	<p><i>"One possible criterion would be the point in time when the undertaking first informed the Supervisory Authority of its interest in entering the pre-application phase. Other things being equal the earlier an undertaking indicated its interest the higher its chances of resources being allocated to review its internal model."</i></p> <p>This is not a valid criterion. We believe that this is very arbitrary and it would not be consistent with creating a level playing field.</p>	
3.8.		
3.9.		
3.10.	<i>"A third criterion could be an undertaking's prospects for developing an approvable model in a reasonable period of time, i.e., how achievable their implementation plan is and what planning timescales are being used. This prospect depends on the current model development state and the</i>	

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	<p><i>resources available for model improvement."</i></p> <p>The aim of the pre-application process is to assess the companies readiness for internal model approval, i.e. "prospects depending on the current development state" as outlined in this criterion will be the output of the pre-application process. For this reason it cannot be an entry criterion.</p>	
3.11.		
3.12.		
3.13.	<p>B) <i>"Compliance is also required for the Level 2 Implementing Measures and Level 3 Guidance (as far as published)."</i></p> <p>Compliance with Level 3 <u>Guidance</u> may not be required.</p> <p>G) The emphasize should be on participation in and quality of QIS5 instead of QIS4. As QIS4 was on a best efforts basis and at that time it was not communicated that it would be an entry criterion to internal model pre-application, therefore undertaking could not account for this in their decision at that time to allocate the scarce resources to QIS4 or for example development of the internal model. We note here that the quality of the internal model results should be the key indicator.</p>	
3.14.		
3.15.		
4.		
4.1.	<p>The paragraph is a concern to us. The Supervisory Authority plan is of major importance for Groups to organize internal efforts and resources over the next 2 years. We note that pre-application process is not a pre-approval process, but the high-level timetable agreed should be binding for both sides, at least till the next step in the process.</p>	
4.2.		

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4.3.		
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4.8.	e) and f) have similar comments as noted under 1.12.	
4.9.		
4.10.	We suggest deleting the last sentence of the paragraph i) ("This will not be communicated to undertakings"). We believe transparency about and understanding of the Supervisory Authorities' internal plan can contribute to an effective cooperation between undertaking and the Supervisory Authorities concerned. We do realize and agree that not all details of the plan should be communicated to the undertakings (as stated in 4.11) but an appropriate level of transparency from the Supervisory Authorities is beneficial to the pre-application process (incl. communication on letters c and d).	
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4.21.	<p><i>"Examples of situations when the plan may be changed are:</i></p> <p><i>b) The Supervisory Authority's or the undertaking's capability of implementing the plan changes significantly."</i></p> <p>Given the importance of timely internal model approval, both undertakings and supervisors should strive to limit the risk of decreasing capabilities so much that it will endanger timely internal model approval.</p>	
4.22.	<p><i>"The approval process for group internal models, as described in Article 231 of the Level 1 text, shall be led by the group supervisor the other Supervisory Authorities concerned within the college of supervisors. CEIOPS considers that it is therefore logical that <b>the pre-application process is conducted by the same supervisors</b>. Prior to the implementation of Solvency II, CEIOPS considers that <b>the pre-application process should be led by the lead supervisors in co-operation with the other Supervisory Authorities concerned in the Coordination Committees (Co-Cos)</b>. Therefore, the guidance in this Chapter should apply to both colleges and Co-Cos. Annex 2 provides further background information on the role of Co-Cos."</i></p> <p>The CRO Forum supports this proposed set-up of the process. All relevant supervisors to approving the internal model should participate in both processes. Referring back to 2.12 which reads "Nevertheless it would be necessary in both of these ways to have unanimous agreement between the relevant Supervisory Authorities".</p>	
4.23.		
4.24.		
4.25.	<p><i>"It is desirable that there is one unique pre-application process when the group is willing to use its internal model both for group and solo purposes, led by the lead/group supervisor in cooperation with the other concerned supervisors."</i></p>	

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	The CRO Forum strongly supports this provision.	
4.26.	<p><i>"This implies that a strong cooperation between European Supervisory Authorities is highly encouraged. In particular, it is recommended that Supervisory Authorities liaise before asking the group to provide specific information in the context of pre-application. This would for example ensure that the group does not waste time providing the same or very similar information for different Supervisory Authorities in the cases when it would make sense to provide this information in a unique document sent to the group supervisor who would be responsible for forwarding it to the other concerned Supervisory Authorities."</i></p> <p>The CRO Forum strongly agrees with this paragraph.</p>	
4.27.		
4.28.		
4.29.	The flowchart does explain how the process works for subsidiaries in Member States; however it does not explain how the process works for non-EEA entities which are impacted by Solvency II.	
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4.34.	It is highly likely that such an situation would only arise in case a group runs the standard formula on a group level and an internal model at a specific solo undertaking.	
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4.38.		
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4.40.	<p><i>"As the internal models regime is new to insurance prudential regulation, CEIOPS encourages supervisors to play an active role in the pre-application process to familiarise themselves with internal models and the assessment process. This is particularly relevant for group internal models where there may be a high degree of variance and complexity in the approaches to modelling."</i></p> <p>The CRO Forum strongly agrees with this recommendation by CEIOPS.</p>	
4.41.		
4.42.		
4.43.	All relevant supervisors to approving the internal model should participate in both the pre-application as well as the approval process. Referring back to 2.12 which reads "Nevertheless it would be necessary in both of these ways to have unanimous agreement between the relevant Supervisory Authorities".	
4.44.	All relevant supervisors to approving the internal model should participate in both the pre-application as well as the approval process. Referring back to 2.12 which reads "Nevertheless it would be necessary in both of these ways to have unanimous agreement between the relevant Supervisory Authorities".	
4.45.	This step should be coordinated and all requests related to the internal model should be channelled through the group supervisor. Carrying 'due diligence' at local level would undermine the necessary coordination that would lead to an efficient approach, since it would move away from the single process.	
4.46.		

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4.59.	The undertaking should also be involved in the process of defining a language for pre-application. The language should not only be used on a group level but should also be feasible on a solo level to avoid translations as far as possible.	
4.60.		
4.61.	The undertaking should also be involved in this process. This could be via a consultation between the group supervisor and the undertaking.	
4.62.	The question of Third countries is a major concern for all European Groups that perform a major part of their business outside the EEA. The related pre-application for internal model (idem for the approval process) will be subject to a "certain level of collaboration" from third country regulators. However at this stage, it's too early to commit on their implication, especially in the pre-application process.	

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	<p>The interpretation of this paragraph is ambiguous, we would therefore appreciate further clarification (in particular for the first sentence).</p> <p>In our view independent review is a very useful tool to increase the level of comfort, especially in third countries. Therefore we are concerned with the wording in paragraph 4.62, we suggest to delete "<i>but in many cases this might not be sufficient to satisfy the group supervisor and the other concerned Supervisory Authorities.</i>"</p>	
4.63.		
4.64.		
4.65.		
4.66.	<p>This paragraph could be misleading and we suggest reformulating appropriately.</p> <p>Our reading (confirmed by CEIOPS at the hearing on equivalence) is that an equivalent third country supervisor takes on all rights and duties of the group supervisor, which includes the approval process according to Art. 231 (covering also the solo models in the EEA) and consequently also the pre-application process. In case where equivalence is not (yet) determined but no EU sub-holding is in place, we believe that the EU Group supervisor should lead the process according to Art. 231 for application at solo level.</p>	
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4.68.		
4.69.		
5.	<p>Sec 5 (Review of information). Supervisors should be aware that much of the information given might be preliminary/draft/planning. It should not be expected that all of this will be fully comprehensive at the pre-application stage. In some cases, for example with respect to the ORSA, it should be sufficient that the undertaking demonstrates an appropriate appreciation of these issues, and has a clear plan to rectify in time before the full application.</p>	



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5.1.		
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5.7.	<p><i>"As an example, consider the review of the risk management process of the internal model:</i></p> <ul style="list-style-type: none"> <li><i>• The supervisory authority may want to review the overall risk management process of the internal model and to consider this in the context of the model. The supervisory authority may also want to review how the risk management processes of the internal model ties in with the quantitative part of the internal model.</i></li> <li><i>• The supervisory authority may also want to review the individual parts of the risk management process supported by the internal model.</i></li> <li><i>• For some areas, the supervisory authority may want to review the risk management processes linked to the internal model in detail, for example by meeting with the individuals that perform certain tasks and / or by closely examining policies and evidence that these policies have been followed."</i></li> </ul> <p>The internal model approval (and pre-application process) should be limited to assess those areas which are unique to an undertaking which is using an internal model. Every company should have a well functioning risk management system; this should not be required from internal model users only.</p>	
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5.12.		
5.13.	<p>It should be noted that the internal model may be used for the ORSA but that the ORSA itself expands beyond the internal model. Thus only parts of the ORSA are relevant in the context of the internal model, e.g. not relevant would be a multi-year risk assessment including future new business and its strategic risks, since the time-horizon of the SCR calculation is one-year.</p> <p>We suggest deleting the 4<sup>th</sup> bullet point for two reasons;</p> <ol style="list-style-type: none"> <li>1. The ORSA does not stipulate 'compliance' with the capital requirements of the internal model (which could be calibrated to a higher standard than 99.5% VaR over 1-year time horizon). Rather it should reflect the internal risk assessment carried out by each undertaking.</li> <li>2. Current compliance with the solvency capital requirements stemming from internal model should not be a requirement for internal model pre-application. Companies still have time to work towards compliance, which may be a simple case of redistribution of capital when moving from the current regime to Solvency II (at the moment companies need to comply with Solvency I on a legal entity basis). The aim of the pre-application is to judge the quality of the model, not if it would lead to a breach of the SCR.</li> </ol>	
5.14.		
5.15.		
5.16.		
5.17.		
5.18.	<p>Scope and purpose of this paragraph could be clarified. The internal model approval (and pre-application process) should be limited to assess those areas which are unique to an undertaking which is using an internal model.</p> <p><i>"CEIOPS considers that this does not mean that the risk management system is part of the internal model. Undertakings may define parts of the risk management system to be within the internal model."</i></p> <p>The paragraph recognises a distinction between internal model and ORSA (first sentence) but then</p>	

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	<p>goes on to contradict it self by suggesting that risk management system be considered as part of the internal model and therefore covered by the model change policy.</p> <p>Article 45(5) has an ORSA equivalent of model change policy whereby insurers are required to notify any significant change to their risk profile in the context of risk management systems which are applicable to both internal model and standard formula.</p> <p>We would encourage CEIOPS not to confuse the two, namely; internal models and ORSA and remove the reference of increasing the scope of the model change policy (see suggestion below).</p> <p><u>Suggested redraft:</u>  <i>"As described above in the qualitative example (5.7), supervisory authorities are reviewing an internal model in the context of a risk management system. Therefore it is important to review the risk management system. However CEIOPS considers that this does not mean that the risk management system is part of the internal model. <del>Undertakings may define parts of the risk management system to be within the internal model. In practice there are likely to be parts of the risk management function (e.g., sign-off of the technical provisions, setting of risk policies and reporting procedures) that are so closely related to the internal model that undertakings are likely to wish to include them in the internal model change policy</del><sup>17</sup>. Other elements of the risk management system that are not included in the model change policy may be monitored over time when the ongoing compliance with the requirements of the Directive and Level 2 implementing measures is reviewed [as per Article 36.2(f)]."</i></p>	
5.19.		
5.20.	<p>In our view the justification is that the undertaking wants to steer its risks in its portfolio appropriately and thus uses an internal model. This is demonstrated by the use-test as lined out in the final advice. In case requirements beyond this are required, further clarification would be necessary.</p>	
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5.22.		
5.23.		

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5.32.	<p>No additional duties for the board should be created over and above what has been specified in the framework directive.</p> <p>We would suggest deleting the reference to c) as we do not believe there is a requirement, in particular under the Level 1 Directive, establishing that the Board itself needs to sign-off roles and responsibilities of internal model governance as well as on the strategic direction of the model.</p>	
5.33.	It should be stressed that the independent review can be both internal and external	
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5.38.	The additional requests to calculate the standard formula should be kept at a minimum. It is questionable whether the additional insight per se can be gained from this exercise. It is unclear how the calculation of the SCR with the standard formula can be used to form an opinion on the state of the	

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	development in respect of the internal model.  In this context we also refer to our remark with regard to ORSA under the above comments on 5.13.	
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5.57.		
5.58.	<p><b>Ad hoc conversations</b></p> <p><i>"5.58. In some cases the Supervisory Authority may find it more effective to collect information by having conversations with the undertaking. These conversations may be face to face or over the telephone, or by email.</i></p> <p><i>5.59. The Supervisory Authority may also want to take into account any other information that the Supervisory Authority has collected, through conversations that are not part of the pre-application process.</i></p> <p><i>5.60. The Supervisory Authority may want to consider how to document information that has been gathered through conversations."</i></p> <p>Documentation of the information gathered in these meetings should be made. This documentation should be shared with the other supervisors approving the internal model in order to prevent duplication of work, for both supervisors and undertakings.</p>	
5.59.		
5.60.		
5.61.	<p><i>"During the pre-application process, there is an opportunity for the undertaking to test the scope of the model and the change policy."</i></p> <p>We appreciate the sentiment behind the proposal to test the change policy as part of the pre-application process; however this should only be done on a voluntary basis. We note that at the time of the model development in the pre-application stage the model would likely go through changes; to test model change policy at a time when model is evolving would required extra time and resources while adding no value to the quality of the internal model.</p>	

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5.62.		
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6.4.	It needs to be considered that internal models are tailor made to the portfolio of an undertaking. Even if there may be better methods to model certain risks the undertaking may nevertheless decide to use an approximation in case the respective risk is not important to its overall risk position. Thus, proportionality should be taken into account.	
6.5.		
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6.8.		
6.9.	<p><i>"Whilst the views communicated during the process are generally expected to be negative, CEIOPS considers that this is still useful for undertakings as understanding where the Supervisory Authority has come to the view that there are deficiencies in the internal model:</i></p> <ul style="list-style-type: none"> <li><i>• gives the undertaking the opportunity to develop an alternative method of calculating the SCR;"</i></li> </ul> <p>We would like to point out here that companies have been developing their internal model for many years now; the efforts involved with developing an alternative method to calculate the SCR should not be underestimated. An open dialogue between Supervisory Authorities and companies during the pre-application process is crucial. This means that Supervisory Authorities should also be prepared to share</p>	

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	positive feedback with the companies during the process in order for companies to make a preliminary assessment on the overall development of the pre-application process. If Supervisory Authorities refrain from providing balanced feedback during the process, this may negatively affect the pre-application process.	
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6.12.	<p>The feedback should be given both in oral and in written form to enable common understanding and put the undertaking into a position to initiate improvements if such are necessary.</p> <p>An open dialogue between Supervisory Authorities and companies during the pre-application process is crucial. This means that Supervisory Authorities should be prepared to share feedback, both positive and negative, with the companies during the process in order for companies to make a preliminary assessment on the overall development of the pre-application process. If Supervisory Authorities refrain from providing balanced feedback during the process, this may negatively affect the pre-application process.</p>	
6.13.		
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6.17.	While we do understand and support CEIOPS plans to develop further guidelines, due attention should be paid to the fact that pre-application processes have already started and are run simultaneously to the development of further guidelines by CEIOPS. Due consideration should be given to the impact of further and potentially revised guidelines on the pre-application processes that are in progress.	
6.18.		
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7.1.	<p><i>"As set out in CP 37 the idea of the pre-application is to help supervisors to plan resources for assessing internal models effectively and efficiently."</i></p> <p>The Final Advice reads: <i>"The aim of the pre-application would be for the supervisory authorities to give a view on how prepared the undertaking is to submit an application, including the scope of the application and the time schedule for the submission of the formal application; the supervisory authority's view shall be communicated to the undertaking, so that the undertaking is aware of the completeness of its application."</i></p> <p>We propose to change the sentence here with the sentence as quoted above from the Final Advice (former CP37).</p>	
7.2.		
7.3.		
7.4.		
Annex 1	<p>The question of Third countries is a major concern for all European Groups that perform a major part of their business outside the EEA. The related pre-application for internal model (idem for the approval process) will be subject to a "certain level of collaboration" from third country regulators. However at this stage, it's too early to commit on their implication, especially in the pre-application process.</p> <p>We support the view expressed in this paragraph .In our view independent review is a very useful tool to increase the level of comfort, especially in third countries.</p>	
A1..1.		
A1..2.		
A1..3.		
A1..4.		

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A1..5.		
A1..6.		
A1..7.		
A1..8.		
A1..9.		
A1..10.		
A1..11.		
A1..12.		
A1..13.		
A1..14.		
A1..15.		
A1..16.		
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A1..20.		
A1..21.		
A1..22.		
A1..23.		
A1..24.		
A1..25.		

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A1..26.		
A1..27.		
A1..28.		
A1..29.		
A1..30.		
A1..31.		
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A1..46.		

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A1..49.		
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A1..59.		
A1..60.		
A1..61.		
A1..62.		
A1..63.		
A1..64.		
A1..65.		
A1..66.		
A1..67.		

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Annex 2		
A2.1.		
A2.2.		
A2.3.		
A2.4.		
A2.5.		
A2.6.		
A2.7.		
A2.8.		
A2.9.		
A2.10.		