

CEIOPS Internal Models Expert Group:

Work programme 2009

1. Mandate

1. The tasks of the Expert Group as approved by the June 2007 Members Meeting are:
 - to conduct preparatory work on the general and specific provisions for the design, review and approval of full and partial internal models for the calculation of the SCR at solo and group level, in line with the design of the Solvency II prudential system and with the aim to ensure a level playing field between firms and to guarantee equal protection of policyholders across Europe;
 - to deal with issues related to the model governance, use test, statistical quality, calibration, validation, documentation and data requirements standards for full and partial internal models;
 - to deal with issues related to the use of external (e.g. non-proprietary) models;
 - to act as an information sharing platform to facilitate the transfer of knowledge in the field of internal models across national supervisors within the EU/EEA.

2. Organisation and Structure

2.1 Chair

Paul Sharma (FSA, UK).

2.2 CEIOPS Secretariat

Juan Lumbreras (secretariat@ceiops.eu)

2.3 Quantitative Issues Subgroup (“Quantis” sg)

The tasks of this subgroup encompass the **articles 119-122** of the Directive on the taking-up and pursuit of the business of insurance and reinsurance.

Deliverables: implementing measures (article 125 with reference to articles 119-122) and Level 3 guidance.

Statistical quality standards, Calibration standards, Profit and loss attribution and Validation standards.

2.4 Qualitative Issues Subgroup (“Qualis” sg)

The tasks of this subgroup encompass the **articles 110 para 3, 114, 118 and 123** of the Directive on the taking-up and pursuit of the business of insurance and reinsurance.

Deliverables: implementing measures (article 125 with reference to articles 118 and 123) and Level 3 guidance.

Use test, Documentation standards and General requirements for documentary evidence.
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2.5 Boundary Issues with the standard formula Subgroup (“Boundies” sg)

The tasks of this subgroup encompass the **articles 110, 111, 112, 113, 115, 116, 117 and 229** of the Directive on the taking-up and pursuit of the business of insurance and reinsurance.

Deliverables: implementing measures (art. 112) and Level 3 guidance.

Procedure to be followed for the approval of an internal model (solo and group internal model); identify situations where standards would need to be adapted to take account of the limited scope of application of the partial internal models.
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3. Priorities of the Internal Models Expert Group

3.1 Implementing measures

- i. Delivery of the implementing measures to the EC by October 2009.¹
 - a first non-technical paper on the **internal models approval process** to be published for consultation around March 2009, and
 - a technical paper on the **standards required for internal models' approval** and on the adaptation of standard to take account of the limited scope of application of the **partial internal models** to be published for consultation around June 2009. Consulted advice to be provided to the EC by October 2009.
- ii. Impact assessment accompanying the implementing measures.

CEIOPS' advice will be accompanied by an impact assessment which will serve as an input for the European Commission's impact assessment on Level 2 measures. Liaison with CEIOPS Financial Stability Committee and impact assessment task force on the impact assessment methodology.

- iii. Input from pre-visits to undertakings.

The aim of such pre-visits is to increase the knowledge of Int.Mod EG members on current practices in view of drafting Level 2 implementing measures, ultimately aiming at ensuring optimal acceptance of the standards and high quality of the implementing measures.

- iv. Input from stakeholders during the development of the implementing measures (Groupe Consultatif, CEA, AMICE, CRO Forum...)

3.2 Solvency II Level 3 Guidance

In its workplan, CEIOPS foresees publishing the bulk of its Level 3 guidance necessary for the entry into force of Solvency II by the end of 2010, the latest by Spring 2011 (18 months before the implementation of the Solvency II Framework).

¹ See letter from the EC of 19 July 2007.

However, on certain issues, depending on the stage of the work and the relevance for the implementation, Int.Mod EG will aim at outlining potential Level 3 guidance accompanying the Level 2 advice by October 2009.

On other issues, it will be more appropriate to publish guidance once Solvency II is implemented to take into account the actual experience.

3.3 Consultation of stakeholders

In carrying out its tasks, Int.Mod EG will exchange views with stakeholders (eg. Groupe Consultatif, CEA, AMICE, CRO Forum...) and consult on draft advice according to CEIOPS' general principles.

3.4 Training on Internal Models

Int.Mod EG will continue providing input in the seminars and training sessions organised by CEIOPS on issues that are of relevance to the expert group.

4. Deliverables and deadlines for Level 2 implementing measures

Issue, Reference and Description of issue	Priority	Draft Advice
Article 112 1) approval of internal models	High	March 2009 See also Article 114 and 110 para 3.
Article 112 2) adaptations of standards for partial internal models	High	June 2009 See Article 111.
	High	See also 110 ("complete application") March 2009
	High	See Article 113: policy for changing the model March 2009
	Medium	See Article 115: reversion to the standard formula June 2009, some input in March
	Medium	See Article 116: non compliance of the IM June 2009, some input in March
	Medium	See Article 117: deviations from assumptions underlying the SCR June 2009, some input in March
	High	See Article 229: group internal model March 2009

Issue, Reference and Description of issue	Priority	Draft Advice
Article 125 with reference to Articles 118 use test	High	June 2009
Article 125 with reference to Articles 119 statistical quality standards	High	June 2009
Article 125 with reference to Articles 120 calibration standards	High	June 2009
Article 125 with reference to Articles 121 profit and loss attribution	High	June 2009
Article 125 with reference to Articles 122 validation standards	High	June 2009
Article 125 with reference to Articles 123 documentation standards and	High	June 2009
Article 125 with reference to Articles 124 external models	High	June 2009