

Bank of England

Prudential Regulation Authority

Internal models, including major change applications

Pursuant to regulation 48 of the Financial Services and Markets (The Solvency II Regulations 2015) ('the Statutory Instrument') a firm or group may apply to the PRA for approval of:

- a) a full or partial internal model, a model change, or major changes to an approved internal model; and a full or partial internal model, a model change, or major changes to an approved internal model; and
- b) the policy for changing an approved internal model.

This document covers the process for these applications.

Pre-application

Prospective applicants should discuss their proposals with their PRA supervisor prior to submitting a formal application for a full or partial internal model. Pre-application meetings are held to offer the PRA the opportunity to provide feedback on the internal model proposals. The pre-application stage is aimed at increasing the likelihood of a complete application being submitted.

During pre-application meetings, the PRA will outline to the prospective applicant what the pre-application stage may involve, including information to be included in the application. Prospective applicants will have the opportunity to discuss the overall process, the supporting documentation requirements, timelines and to ask preliminary questions.

Completing the EIOPA Self-Assessment Template

The European Insurance and Occupational Pensions Authority (EIOPA) published the Common Application Package ('CAP') for Internal Models which contains the instructions and templates for firms intending to submit a formal application to use an internal model.

All firms intending to submit a formal internal model application to the PRA should use the EIOPA Self-Assessment Template (EIOPA SAT) which is part of the CAP.

The EIOPA CAP is divided into separate Excel spreadsheet tabs:

- Contents;
- Instructions;
- Self-Assessment Template (SAT);
- Background information; and
- Application package ('tabs related to ITS on Internal Models Approval process (article 2)').

Firms should read and review the 'Instructions' tab before completing any of the spreadsheets in the SAT. In the 'Background Information' tab, PRA-authorized firms submitting an application to the PRA, and groups where the PRA is the group supervisor, should only complete the sections entitled 'General Requirements' and, where relevant, 'Additional Requirements for Groups'.

If firms have any questions regarding the completion of the CAP, including the SAT, they should refer to the 'Instructions' tab. The explanatory note is also a useful reference. Other questions should be addressed to the firm's usual supervisory contact.

The logistics of submitting a formal internal model application

The PRA may be unable to receive inward email submissions if the attachments are too large. The way firms need to submit formal internal model applications will therefore vary depending upon the size of the application. To agree a mutually acceptable approach, firms should speak to their usual supervisory contact well in advance of the planned application date.

Major changes to an approved internal model

All firms seeking approval for major changes to an approved internal model should submit a completed Solvency II approval application form, available on the Solvency II approvals page, together with relevant supporting documentation that is in accordance with the requirements of Article 7 of Commission Implementing Regulation (EU) 2015/460, the Implementing Technical Standard for internal models.

Changes to the policy for changing the internal model

All firms seeking approval for an updated version of an approved policy for changing an approved internal model should submit a copy of the proposed policy to the PRA with a completed Solvency II approval application form, available on the Solvency II approvals page, together with relevant supporting documentation that is in accordance with the requirements of Article 8 (1) of Commission Implementing Regulation (EU) 2015/460, the Implementing Technical Standard for internal models (IM ITS).

[Solvency II Approval application form](#)

[EIOPA Common Application Package for internal models](#)

[Commission Implementing Regulation \(EU\) 2015/460](#)

[EU EXIT INSTRUMENT: THE TECHNICAL STANDARDS \(SOLVENCY II DIRECTIVE & INSTITUTIONS FOR OCCUPATIONAL RETIREMENT PROVISION DIRECTIVE\) \(EU EXIT\) INSTRUMENT 2019](#)

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