

Solvency II and internal models

Under Solvency II, undertakings will be able to calculate the Solvency Capital Requirement (SCR) using a 'standard formula' or their own full internal model as approved by the relevant supervisory authorities. Although detailed requirements for the internal modelling framework have not been finalised and agreed yet, the principles contained in the Solvency II Directive and CEIOPS draft advice to the European Commission are already clear.

This presentation will explore the evolution of the regulators thinking on internal models for (re)insurance undertakings. It will also provide an indication and rationale for the requirements that (re)insurance undertakings will have to satisfy to get their models approved for use to determine capital requirements under Solvency II.