



Recommendations on making an application for approval of an Internal Model

Insurance undertakings may, in accordance with Article 43 para. 3 of the Supervision Ordinance (SO; SR 961.011), use their own models (internal models) in whole or in part to quantify risks so long as these models have been approved by FOPI.

Below we provide notification in terms of recommendations as to the minimum content an application should contain for the Internal Model to be approved:

1. Applicant

If several companies are acting as an applicant (group), then the companies for which the internal model submitted applies, should be specified. For each company either a member of the supervisory board or a member of the executive board must sign the application.

2. Legal bases

The application should refer to Art. 43 para. Abs. 3 SO, and in the case of groups and conglomerates, Art. 201 SO but not to the Swiss Solvency Test (SST) Directive, so long as this is not yet in force.

3. Extent of the Internal Model

The application should mention the areas and in particular the risks which are covered by the Internal Model to be submitted. In case the Standard Model had been used up to that time, it should be clarified in which areas the current Standard Model would be replaced by the Internal Model.

4. Reasoning

The application should contain reasons outlining to what extent the qualitative, quantitative and organisational requirements have been met and consequently how, from the standpoint of the applicant, the internal model meets the authorisation prerequisites of Art. 43 para. 3 SO. This statement concerning the prerequisites in terms of quantitative aspects as a rule is made whereby reference is made to the documentation on the model.

In technical terms, the reasoning may also make reference to the numerous further disclosures in FOPI publications.

5. Documentation

The documentation supporting the application is to be listed and enclosed.