# Internal Model Application and Internal Model Ongoing Review Processes Practitioner Q&A

This Q&A provides practical information for practitioners planning to submit an Internal Model application and/or engage with the Internal Model Ongoing Review (IMOR) framework. It should be read in conjunction with the statement of policies (SoPs) - Solvency II internal models: Permissions and ongoing monitoring,[[1]](#footnote-1)Solvency II: Capital add-ons[[2]](#footnote-2) and the relevant forms available on the Bank of England website.[[3]](#footnote-3)

1. **When will the new process take effect, and what should firms do to prepare ahead of this date?**

The PRA’s reforms to the Solvency II Internal Model (IM) framework are scheduled to take effect on 31 December 2024.

The PRA has provided firms with additional time to implement some of the new rules, including:

* + Allowing firms up to two years from the effective date of the final rules to make consequential changes to their IM change policies to reflect model limitation adjustments (MLAs).
  + Commencing the annual submissions of analysis of change (AoC) exercises from a firm or group’s first financial year-end on or after 31 December 2025.

Firms are strongly encouraged to notify their usual supervisory contact, with as much notice as possible, of all planned IM development and activity.

1. **What should firms submit with an IM application?**

A firm should submit the following:

1. S138BA FSMA Application Form
2. Supplementary Information Form
3. Internal Model Application Template (IMAT)

These should be submitted to PRA Authorisations by email at [PRA-Waivers@bankofengland.co.uk](mailto:PRA-Waivers@bankofengland.co.uk), cc’ing the firm’s usual supervisory contact.

Where large files are submitted to the PRA, firms have an option to use the Online Document Exchange (ODE) to exchange files. The ODE facility has already been set up for a subset of firms across the PRA. If your firm would like to use the ODE facility, please reach out to your supervisory contact.

1. **What other information may firms need to submit with an IM application?**
   * As set out in section 10 of SS17/16[[4]](#footnote-4), the PRA may request a firm submit an AoC exercise to support the assessment of an IM application.
   * In addition, where a firm considers a safeguard is needed due to residual model limitations identified in the IM, this should be communicated to the PRA as soon as possible.
2. **How should firms submit information for the IMOR framework to the PRA?**

Details of the four strands of the IMOR framework are set out in section 5 of the IM SoP.

Firms should provide the relevant submissions (including the AoC exercise, quarterly model change information, attestation of ongoing compliance and corresponding validation report) via the PRA BEEDs portal as 'occasional submissions’.

The PRA will consider the information provided by the firm set out in paragraph 6.4 of the capital add-on SoP[[5]](#footnote-5) when deciding whether to maintain, vary or remove a safeguard. Firms should send relevant information to their supervisory contact.

For all other questions, please reach out to your supervisory contact.

1. [**Solvency II internal models: Permissions and ongoing monitoring | Bank of England**](https://www.bankofengland.co.uk/prudential-regulation/publication/2024/february/solvency-ii-internal-models-permissions-and-ongoing-monitoring-sop#:~:text=Solvency%20II%20internal%20models%3A%20Permissions%20and%20ongoing%20monitoring,-Statement%20of%20policy&text=This%20statement%20of%20policy%20(SoP,Solvency%20Capital%20Requirement%20(SCR).) [↑](#footnote-ref-1)
2. [**Solvency II: Capital add-ons | Bank of England**](https://www.bankofengland.co.uk/prudential-regulation/publication/2024/february/solvency-ii-capital-add-ons-sop) [↑](#footnote-ref-2)
3. [**Solvency II approvals and rule permissions | Bank of England**](https://www.bankofengland.co.uk/prudential-regulation/authorisations/solvency-ii-approvals) [↑](#footnote-ref-3)
4. [**SS17/16 – Solvency II: internal models – assessment, model change and the role of non-executive directors | Bank of England**](https://www.bankofengland.co.uk/prudential-regulation/publication/2016/solvency2-internal-models-assessment-model-change-and-the-role-of-non-executive-directors-ss) [↑](#footnote-ref-4)
5. [**Solvency II: Capital add-ons | Bank of England**](https://www.bankofengland.co.uk/prudential-regulation/publication/2024/february/solvency-ii-capital-add-ons-sop) [↑](#footnote-ref-5)