



WRITTEN NOTICE
Internal model approval

To: **The National Farmers' Union Mutual Insurance Society Limited (FRN 117664)**
Avon Insurance Plc (FRN 202029)
(the "firm")

Of: NFU Mutual Head Office
Tiddington Road
Stratford-upon-Avon
Warwickshire
CV37 7BJ

Reference Number: 2248975; 2249904

Date: 5 December 2015

DECISION:

- (1) In accordance with Regulation 48 and 49 of The Solvency 2 Regulations 2015, the Prudential Regulation Authority (the 'PRA') has decided to grant the firm approval to use a partial internal model for the calculation of its group and solo Solvency Capital Requirements (SCRs) as set out in Annex 1.
- (2) The PRA has also decided to grant the firm approval of its policy for changing an approved internal model.
- (3) This approval is granted on the basis of the information set out in the firm's application dated 1 July 2015 and correspondence dated 16 October 2015.
- (4) The integration technique to be used to integrate the partial internal model into the SCR standard formula is integration technique 1 as set out in Annex XVIII of the Commission Delegated Regulation (EU) 2015/35.

Effective date

- (5) This permission takes effect on 1 January 2016.

Decision maker

- (6) The decision which gave rise to the obligation to give this Notice was made by the Supervision, Risk and Policy Committee ('SRPC') of the PRA.



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Publication

(7) Details of this approval will be published on the Financial Services Register on 1 January 2016.

PRA contacts

(8) For more information concerning this matter generally, the firm should contact their usual supervisory contact.

Supervision, Risk and Policy Committee

For and on behalf of the PRA



ANNEX 1

The approved Internal Model

Definition

1. The approved internal model is as set out in the internal model application documents submitted to the PRA on 1 July 2015 and correspondence dated 16 October 2015.
2. The internal model is approved to calculate part of the group SCR at the level of The National Farmers' Union Mutual Insurance Society Limited. The entities and risks within the scope of the partial model for the calculation of the group SCR are set out below.
3. Avon Insurance plc is included in the calculation of the Group SCR using Method 1 (Consolidation) on the basis of the standard formula and is integrated with the partial internal model using integration technique 1 as set out in the Annex XVIII of the Commission Delegated Regulation (EU) 2015/35.
4. The internal model is approved to calculate the solo SCR for The National Farmers' Union Mutual Insurance Society Limited. The risks within the scope of the partial model for the calculation of the solo SCR are set out in Table 1.

Table 1 - Risk categories

Risk Categories	Group SCR	Solo SCR for National Farmers Union Mutual Insurance Society Limited
General Insurance:		
Non-Life Underwriting risk	Yes	Yes
Market risk	Yes	Yes
Credit risk	Yes	Yes
Life Insurance:		
Life Underwriting Risk	Yes	Yes
Market Risk	Yes	Yes
Credit Risk	Yes	Yes



Reasons for the Decision

5. The PRA's assessment is that the internal model met the tests and standards at the time the decision was made. Specifically, the PRA is satisfied that:
 - a. the internal model complies with the rules contained in Chapters 2 to 4 and 10 to 15 of the Solvency Capital Requirement – Internal Models part of the PRA Rulebook;
 - b. the internal model complies with the requirements set out in Title 1 Chapter VI Solvency capital requirement – full and partial internal models of the Commission Delegated Regulation (EU) 2015/35;
 - c. the systems of the undertaking for identifying, measuring, monitoring, managing and reporting risk are adequate;
 - d. the model complies with the requirements of Title 2 Chapter II Section 2 of the Commission Delegated Regulation (EU) 2015/35; and
 - e. the policy for changing the approved internal model complies with the rules contained in chapter 6 of the Solvency Capital Requirement – Internal Models part of the PRA Rulebook.