



BANK OF ENGLAND

News release

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25 October 2017

PRA launches series of improvements to the implementation of Solvency II

Today the PRA publishes the first in a short series of consultation papers on reform to the implementation of Solvency II starting with the Matching Adjustment (MA). MA has the effect of cushioning certain life insurers' capital resources, subject to conditions and prior approval, when they can demonstrate that the cash flow of a designated portfolio of assets is matched to the life insurance liabilities.

The series of targeted improvements will support the PRA's commitment to the Treasury Committee made in February 2017 to explore reform of some areas of the PRA's implementation of Solvency II, which came into force on 1 January 2016. The PRA has worked closely with firms and the Association of British Insurers (ABI) in developing these measures.

The series is intended to improve the implementation of certain aspects of Solvency II, consistent with the PRA's role in this framework and its statutory objectives.

Sam Woods, Deputy Governor for Prudential Regulation, said: "We have now had 21 months' experience of operating the new Solvency II regime. In light of that experience, we have identified a number of areas where we can improve our implementation, and are today publishing our first set of proposals".

Today's consultation paper includes additional guidance on the eligibility of assets for the MA and provides greater clarity on our expectations for firms in relation to the application of MA. It also consolidates and updates material previously published.

Over the coming months, further consultation papers will follow in the series:

- **December 2017 – Model change process:** the PRA will consult on proposals on the minor model change process with the aim of reducing burden on firms and making better use of supervisory resources in pursuit of the PRA's objectives; and
- **January 2018 – Reporting:** the PRA will consult on proposals to reduce the reporting burden on firms. This will include reducing the content required in the PRA's National Specific Templates, and a revised approach to how the PRA grants quarterly reporting waivers.

In parallel, the PRA is continuing to work on a number of other areas for potential improvements which include:

- **Recalculation of the Transitional Measure on Technical Provisions:** the PRA is continuing to assess the feasibility of further simplification to the recalculation process; and
- **External audit of Solvency and Financial Condition Report:** the PRA is gathering evidence from firms to support its review of whether the policy remains proportionate, particularly for smaller firms.

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Notes to Editors

1. Consultation Paper 21/17: "Solvency II: Matching Adjustment".
<http://www.bankofengland.co.uk/pr/Pages/publications/cp/2017/cp2117.aspx>
2. David Rule speech, 6 July 2017: "Changing risks and the search for yield on Solvency II capital":
<http://www.bankofengland.co.uk/publications/Pages/speeches/2017/987.aspx>
3. Sam Woods speech, 20 March 2017: "Insurance supervision at the PRA":
<http://www.bankofengland.co.uk/publications/Pages/speeches/2017/967.aspx>
4. David Rule speech, 21 February 2017: "Solvency II one year in":
<http://www.bankofengland.co.uk/publications/Pages/speeches/2017/961.aspx>
5. Treasury Committee – EU Insurance Regulation inquiry:
<https://www.parliament.uk/business/committees/committees-a-z/commons-select/treasury-committee/inquiries1/parliament-2015/eu-insurance-regulation-16-17/>