EU EXIT INSTRUMENT: THE TECHNICAL STANDARDS (SOLVENCY II DIRECTIVE & INSTITUTIONS FOR OCCUPATIONAL RETIREMENT PROVISION DIRECTIVE) (EU EXIT) INSTRUMENT 2019

Powers exercised

A. The Prudential Regulation Authority (“the PRA”), being the appropriate regulator within the meaning of the Financial Regulators’ Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018 (“the Regulations”), having carried out consultations required by regulation 5 of the Regulations and with the approval of the Treasury, makes this instrument in exercise of the power conferred by regulation 3 of the Regulations.

Pre-conditions to making

B. The PRA is the appropriate regulator for the Solvency II EU Regulations specified in Part 2 of the Schedule to the Regulations.

C. The PRA has consulted the Financial Conduct Authority in accordance with regulation 5 of the Regulations.

D. A draft of this instrument has been approved by the Treasury, the Minister considering that it makes appropriate provision to prevent, remedy or mitigate any failure of retained EU law to operate effectively, or any other deficiency in retained EU law, arising from the withdrawal of the United Kingdom from the European Union.

Interpretation

E. In this instrument –

   (a) “the Act” means the European Union (Withdrawal) Act 2018;
   (b) “the Solvency II EU Regulations” means the EU Regulations specified in Part 2 of the Schedule to the Regulations under the heading “Solvency II” that are not listed in Annex N, as they form part of domestic law by virtue of section 3 of the Act;
   (c) “exit day” has the meaning given in the Act;
   (d) “specified EU Regulations” has the meaning given in regulation 2(l) of the Regulations.

Modifications

F. The PRA makes the modifications specified in Annex A to each of the Solvency II EU Regulations.

G. The PRA makes the modifications contained in the Annex to this instrument listed in column (2) below to the corresponding Solvency II EU Regulation listed in column (1) below.

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<tr>
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<td>B</td>
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<tr>
<td>Commission Implementing Regulation 2015/462</td>
<td>C</td>
</tr>
<tr>
<td>Commission Implementing Regulation 2015/498</td>
<td>D</td>
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<tr>
<td>Commission Implementing Regulation 2015/499</td>
<td>E</td>
</tr>
<tr>
<td>Commission Implementing Regulation 2015/500</td>
<td>F</td>
</tr>
<tr>
<td>Commission Implementing Regulation 2015/2011</td>
<td>G</td>
</tr>
<tr>
<td>Commission Implementing Regulation 2015/2012</td>
<td>H</td>
</tr>
<tr>
<td>Commission Implementing Regulation 2015/2015</td>
<td>I</td>
</tr>
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<td>Commission Implementing Regulation 2015/2016</td>
<td>J</td>
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<td>Commission Implementing Regulation 2015/2450</td>
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Deletions
H. The specified EU Regulations listed in Annex N are deleted.

Commencement
I. This instrument comes into force on exit day.

Citation

By order of the Prudential Regulation Committee
9 April 2019
Annex A

GENERAL MODIFICATIONS

1 INTERPRETATIVE PROVISIONS

1.1 In the Solvency II EU Regulations, unless the context otherwise provides,

1.1.1 a reference to the “supervisory authority” or to “supervisory authorities” is a reference to the Prudential Regulation Authority;

1.1.2 a reference to “the 2015 Regulations” is a reference to the Solvency 2 Regulations 2015 (S.I.2015/575) as amended by EU Exit Instruments made under the Act;

1.1.3 a reference to “the Regulated Activities Order” is a reference to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (S.I. 2001/544) as amended by EU Exit Instruments made under the Act;

1.1.4 a reference to a provision of the PRA Rulebook is a reference to rules made by the Prudential Regulation Authority under the Financial Services and Markets Act 2000 as amended by rule-making instruments made before exit day under that Act or EU Exit Instruments made at any time under the Financial Regulators’ Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018.

1.2 In each of the Solvency II EU Regulations omit the words “This Regulation shall be binding in its entirety and directly applicable in all Member States”.

2 LANGUAGE OF APPLICATIONS FOR APPROVAL

2.1 In the specified articles of the Solvency II EU Regulations listed in 2.2 below, for the references to “one of the official languages of the Member State in which the insurance or reinsurance undertaking has its head office” substitute “an official language of the United Kingdom”.

2.2 The specified articles are:


2.2.3 Article 1(2) of Commission Implementing Regulation (EU) 2015/499 of 24 March 2015 laying down implementing technical standards with regard to the procedures to be used for granting supervisory approval for the use of ancillary own-fund items in accordance with Directive 2009/138/EC of the European Parliament and of the Council; and

Annex B

APPROVALS OF INTERNAL MODELS

3 MODIFICATIONS TO 2015/460/EU

3.1 In this Annex new text is underlined and deleted text is struck through.

3.2 Commission Implementing Regulation (EU) 2015/460 of 19 March 2015 laying down implementing technical standards with regard to the procedure concerning the approval of an internal model in accordance with Directive 2009/138/EC of the European Parliament and of the Council as it forms part of domestic law by virtue of section 3 of the Act, is modified as follows:

Article 1

Subject matter

This Regulation specifies:

(a) the procedure referred to in regulation 48 of the 2015 Regulations and Chapters 2 to 4 of the Solvency Capital Requirement – Internal Models Part of the PRA Rulebook Article 112 of Directive 2009/138/EC as regards the approval of applications submitted by insurance and reinsurance undertakings to use full and partial internal models for the calculation of the Solvency Capital Requirement;

(b) the procedure as regards the approval of applications submitted by insurance and reinsurance undertakings for a major change to the internal model and of changes to the policy for changing the internal model according to rule 6.3 of Solvency Capital Requirement – Internal Models Part of the PRA Rulebook Article 115 of Directive 2009/138/EC.

Article 2

Application to calculate the Solvency Capital Requirement using an internal model

3. Where applying to use an internal model to calculate the Solvency Capital Requirement, insurance and reinsurance undertakings shall submit documentary evidence setting out how the internal model fulfils the requirements set out in rules 3.2 to 3.5 of the Solvency Capital Requirement – General Provisions Part of the PRA Rulebook and Chapters 10 to 15 of the Solvency Capital Requirement – Internal Models Part of the PRA Rulebook Articles 101 and 120 to 125 of Directive 2009/138/EC, and in the case of a partial internal model also rule 4.2 and Chapter 5 of the Solvency Capital Requirement – Internal Models Part of the PRA Rulebook Article 113 of Directive 2009/138/EC. The supervisory authority may request additional information in accordance with Article 3.

4. The documentary evidence referred to in paragraph 3 shall include, at least, the following:

(a) a cover letter including:
(ii) a confirmation of the period prior to the application for which the internal model has been used in the risk management system and decision making processes in accordance with the requirements set out in Chapter 10 of Solvency Capital Requirement - Internal Models Part of the PRA Rulebook Article 120 of Directive 2009/138/EC;

(v) a list of other applications submitted by the insurance or reinsurance undertaking or currently foreseen within the next 6 months for approval under Part 4 of the 2015 Regulations and of special purpose vehicles to be established to carry out the regulated activity specified at article 13A of the Regulated Activities Order of any of the items listed in Article 308a(1) of Directive 2009/138/EC, together with the corresponding application dates;

(b) an explanation of how the internal model covers all the material and quantifiable risks of the insurance or reinsurance undertaking. Where the application for the approval relates to a partial internal model, the explanation shall be limited to the material and quantifiable risks within the scope of the partial internal model and the insurance or reinsurance undertaking shall also provide an explanation of how the additional conditions referred to in rule 4.2 and Chapter 5 of the Solvency Capital Requirement - Internal Models Part of the PRA Rulebook Article 113 of Directive 2009/138/EC have been satisfied;

(c) an explanation of the adequacy and effectiveness of the integration of the internal model into the risk management system and the role it plays in the system of governance, including how the internal model allows the insurance or reinsurance undertaking to identify, measure, monitor, manage and report risks on a continuous basis; for this purpose, the application shall include the relevant extracts of the risk management policy referred to in rule 2.5 of the Conditions Governing Business Part of the PRA Rulebook Article 41(3) of Directive 2009/138/EC;

(i) the policy for changing the internal model referred to in rule 3.3 of Solvency Capital Requirement - Internal Models Part of the PRA Rulebook Article 115 of Directive 2009/138/EC;

(j) a description of the process which ensures the consistency between the methods used to calculate the probability distribution forecast with the methods used to calculate technical provisions according to rules 11.2 to 11.3 of the Solvency Capital Requirement – Internal Models Part of the PRA Rulebook Article 121(2) of Directive 2009/138/EC;

(l) the results of the last profit and loss attribution and the specification of the profit and loss attribution in accordance with rules 13.1 to 13.3 of the Solvency Capital Requirement – Internal Models Part of the PRA Rulebook Article 123 of Directive 2009/138/EC including the profit and loss, the major business units of the undertaking and the attribution of the overall profit or loss to the risk categories and major business units;
(m) a description of the independent validation process of the internal model and a report of the results of the last validation in accordance with rule 14.1 of the Solvency Capital Requirement – Internal Models Part of the PRA Rulebook Article 124 of Directive 2009/138/EC, including what recommendations were made and how they were acted upon;

(n) the inventory of the documents that form part of the documentation of the internal model set out in rule 15.1 to 15.2 of the Solvency Capital Requirement – Internal Models Part of the PRA Rulebook Article 125 of Directive 2009/138/EC;

(o) where an insurance or reinsurance undertaking uses a model or data obtained from a third party as referred to in rule 16.1 of the Solvency Capital Requirement – Internal Models Part of the PRA Rulebook Article 126 of Directive 2009/138/EC, a demonstration that the use of such external model or data does not impair the ability of the insurance or reinsurance undertaking to meet the requirements set out in rules 3.2 to 3.5 of the Solvency Capital Requirement – General Provisions Part of the PRA Rulebook and Chapters 10 to 15 of the Solvency Capital Requirement – Internal Models Part of the PRA Rulebook Article 125 of Directive 2009/138/EC, and in the case of a partial internal model pursuant to rules 4.2 and Chapter 5 of the Solvency Capital Requirement – Internal Models Part of the PRA Rulebook Article 113 of that Directive, the suitability for the use of that model or data within the internal model and an explanation of the preference of external models or data to internal models or data;

(r) in the case of partial internal models, an explanation of how the integration technique proposed fulfils the requirements set out in rule 4.2 of the Solvency Capital Requirement – Internal Models Part of the PRA Rulebook Article 113(1) of Directive 2009/138/EC, and, in case of a technique different from the default one referred to in Article 239(1) of the Commission Delegated Regulation (EU) 2015/35, a justification of the integration technique proposed;

5. The insurance and reinsurance undertaking shall submit documentary evidence of the approval of the application by the administrative, management or supervisory bodies as set out in rule 7.1 of the Solvency Capital Requirement – Internal Models Part of the PRA Rulebook Article 116 of Directive 2009/138/EC.

... Article 3

Assessment of the application

...

6. The insurance or reinsurance undertaking shall ensure that all documents referred to in rules 15.1 to 15.2 of the Solvency Capital Requirement – Internal Models Part of the PRA Rulebook Article 125 of Directive 2009/138/EC are made available, including in electronic form whenever possible, to the supervisory authorities throughout the assessment of the application.

7. The assessment of the application shall involve ongoing communication with the insurance or reinsurance undertaking and may include requests for adjustments to the internal model and,
in the case of a partial internal model, for a transitional plan as set out in rule 4.2 and Chapter 5 of the Solvency Capital Requirement – Internal Models Part of the PRA Rulebook Article 113 of Directive 2009/138/EC.

9. Where supervisory authorities request further information or adjustments to the internal model, the insurance or reinsurance undertaking may request a suspension of the 6-month approval period referred to in regulation 48 of the 2015 Regulations Article 112(4) of Directive 2009/138/EC. That suspension shall end once the insurance or reinsurance undertaking has made the necessary adjustments and the supervisory authorities have received an amended application providing documentary evidence of the adjustments. The supervisory authorities shall then inform the insurance or reinsurance undertaking of the new expiry date of the approval period.

Article 5

Decision on the application

1. The supervisory authority shall only approve the application for the use of an internal model if it is satisfied that the systems of the insurance or reinsurance undertaking for identifying, measuring, monitoring, managing and reporting risk are adequate, and in particular if it is satisfied that the internal model fulfils the requirements set out in rules 3.2 to 3.5 of the Solvency Capital Requirement – General Provisions Part of the PRA Rulebook, and Chapters 2 to 3 and rule 4.1 and Chapters 10 to 15 of the Solvency Capital Requirement – Internal Models Part of the PRA Rulebook and regulation 48 of the 2015 Solvency 2 Articles 101, 112 and 120 to 125 of Directive 2009/138/EC and also rules 4.2 and Chapter 5 of the Solvency Capital Requirement – Internal Models Part of the PRA Rulebook Article 113 of that Directive in the case of a partial internal model.

2. In addition, the supervisory authority shall only approve the application for the use of an internal model if it is satisfied that the policy for changing the model fulfils the requirements set out in rules 3.3, 6.1, 6.2, 6.3 of the Solvency Capital Requirement – Internal Models Part of the PRA Rulebook Article 115 of Directive 2009/138/EC. When the supervisory authority has reached a decision on an application, it shall, without delay, notify its decision in writing to the insurance or reinsurance undertaking. That decision shall include:

   (d) where the supervisory authority has requested a transitional plan in accordance with Chapter 5 of the Solvency Capital Requirement – Internal Models Part of the PRA Rulebook Article 113 of Directive 2009/138/EC, a decision about the approval of the transitional plan referred to in Article 6
Article 6

Transitional plan to extend the scope of the model

1. In the case referred to in Chapter 5 of the Solvency Capital Requirement – Internal Models Part of the PRA Rulebook Article 113(2) of Directive 2009/138/EC, the supervisory authority shall explain the reasons for requiring a transitional plan and set the minimum scope which the internal model must cover after the implementation of the transitional plan.

3. When the undertaking fails to implement the transitional plan to extend the scope of the model, the supervisory authority may, without prejudice to any other available supervisory measures, take any of the following measures:

   (c) require the insurance or reinsurance undertaking to calculate the Solvency Capital Requirement according to the standard formula set out in Chapters 2 to 7 of the Solvency Capital Requirement – Standard Formula Part of the PRA Rulebook and Chapter V of Title I of Commission Delegated Regulation (EU) 2015/35 Articles 103 to 111 of Directive 2009/138/EC;

Article 7

Changes to the internal model

1. The insurance or reinsurance undertaking shall include in the application for approval of a major change to the internal model documentary evidence that after applying the major changes to the internal model the requirements set out in rules 3.2 to 3.5 of the Solvency Capital Requirement – General Provisions Part of the PRA Rulebook, and Chapters 2 to 3 and rule 4.1 and Chapters 10 to 16 of the Solvency Capital Requirement – Internal Models Part of the PRA Rulebook and regulation 48 of the 2015 Regulations Articles 101, 112 and 120 to 125 of Directive 2009/138/EC, and also Article 113 of that Directive in the case of a partial internal model rules 4.2 and Chapter 5 of the Solvency Capital Requirement – Internal Models Part of the PRA Rulebook, would be complied with.

Article 8

Changes to the policy for changing the internal model

2. Supervisory authorities shall approve the application to change the policy for changing the internal model only if they are satisfied that the scope of the policy is comprehensive and that the procedures described in the policy for changing the internal model ensure that the internal model meets on a continuous basis the requirements set out in rules 3.2 to 3.5 of the Solvency Capital Requirement – General Provisions Part of the PRA Rulebook, Chapters 2 to 4 and 10 to 15 of the Solvency Capital Requirement – Internal Models Part of the PRA Rulebook and regulation 48 of the 2015 Regulations Articles 101, 112 and 120 to 125 of Directive 2009/138/EC and, in the case of a partial internal model, also rules 4.2 and Chapter 5 of the
Solvency Capital Requirement – Internal Models Part of the PRA Rulebook of that Directive...
Annex C

APPROVALS TO ESTABLISH SPECIAL PURPOSE VEHICLES

4 MODIFICATIONS TO 2015/462/EU

4.1 Commission Implementing Regulation (EU) 2015/462 of 19 March 2015 laying down implementing technical standards with regard to the procedures for supervisory approval to establish special purpose vehicles, for the cooperation and exchange of information between supervisory authorities regarding special purpose vehicles as well as to set out formats and templates for information to be reported by special purpose vehicles in accordance with Directive 2009/138/EC of the European Parliament and of the Council as it forms part of domestic law by virtue of section 3 of the Act, is modified as follows:

4.1.1 Article 1(b) and Articles 8 to 12 are deleted.

4.1.2 In Articles 3 and 4 deleted text is struck through as shown:

Article 3

Supervisory approval to establish special purpose vehicles

The special purpose vehicle shall seek authorisation from the supervisory authority of the Member State to establish its head office within the territory of that Member State.

Article 4

Decision of the supervisory authority

1. The supervisory authority of the Member State in which the special purpose vehicle is established or is to be established shall decide on an application for authorisation within six months of the date of its receipt.

...
Annex D

APPROVALS TO USE UNDERTAKING-SPECIFIC PARAMETERS

5 MODIFICATIONS TO 2015/498/EU

5.1 In this Annex new text is underlined and deleted text is struck through.

5.2 Articles 1 and 6 of Commission Implementing Regulation (EU) 2015/498 of 24 March 2015 laying down implementing technical standards with regard to the supervisory approval procedure to use undertaking-specific parameters in accordance with Directive 2009/138/EC of the European Parliament and of the Council as it forms part of domestic law by virtue of section 3 of the Act, are modified as follows:

Article 1

Application for approval of the use of undertaking-specific parameters

... 3. The application by the insurance or reinsurance undertaking shall contain the following:

... (g) a justification that each standardised method to calculate the undertaking-specific parameter for a single segment provides the most accurate result for the fulfilment of the requirements set out in rules 3.2 to 3.5 of the Solvency Capital Requirement - General Provisions Part of the PRA Rulebook Article 101 of Directive 2009/138/EC.

4. In addition to the material specified in paragraph 3, the application shall also list all other applications submitted by the insurance or reinsurance undertaking, or currently foreseen within the next six months, for approval under Part 4 of the 2015 Regulations and of special purpose vehicles to be established to carry out the regulated activity specified at article 13A of the Regulated Activities Order of any of the items listed in Article 308a(1) of Directive 2009/138/EC together with the corresponding application dates.

...  

Article 6

Revocation of approval by the supervisory authority

The supervisory authority may revoke its approval granted to an insurance or reinsurance to use the USP method, when

(a) an undertaking which has been granted approval to use undertaking-specific parameters has ceased to comply with the conditions set out in rules 3.2 to 3.5 of the Solvency Capital Requirement - General Provisions Part of the PRA Rulebook Article 101 of Directive 2009/138/EC and Articles 218, 219 and 220 of Commission Delegated Regulation (EU) 2015/35;
Annex E

APPROVALS TO USE ANCILLARY OWN FUNDS ITEMS

6 MODIFICATIONS TO 2015/499/EU

6.1 In this Annex new text is underlined and deleted text is struck through.

6.2 Articles 2 to 4 of Commission Implementing Regulation (EU) 2015/499 of 24 March 2015 laying down implementing technical standards with regard to the procedures to be used for granting supervisory approval for the use of ancillary own-fund items in accordance with Directive 2009/138/EC of the European Parliament and of the Council as it forms part of domestic law by virtue of section 3 of the Act, are modified as follows:

Article 2

Cover letter

The insurance or reinsurance undertaking shall submit a cover letter. That cover letter shall confirm all of the following:

... (b) the amount ascribed to the ancillary own-fund item in the application complies with rule 2.7 of the Own Funds Part of the PRA Rulebook Article 90(2) of Directive 2009/138/EC;

... The cover letter shall also list other applications submitted by the insurance or reinsurance undertaking or currently foreseen within the next 6 months for approval under Part 4 of the 2015 Regulations and of special purpose vehicles to be established to carry out the regulated activity specified at article 13A of the Regulated Activities Order of any items listed in Article 308a(1) of Directive 2009/138/EC, together with corresponding application dates.

Article 3

Supporting evidence regarding the amount or method

... Where the insurance or reinsurance undertaking seeks approval of a specified monetary amount, the application shall include an explanation of the calculation of the amount, based on prudent and realistic assumptions in accordance with rule 2.7 of the Own Funds Part of the PRA Rulebook Article 90(2) of Directive 2009/138/EC.
Article 4

Supporting evidence regarding the criteria for approval

The supporting evidence shall contain sufficient information to allow the supervisory authority to assess whether the application complies with the criteria determined in rules 2.5 to 2.7 of the Own Funds Part of the PRA Rulebook Article 90 of Directive 2009/138/EC and Articles 62 to 65 of Commission Delegated Regulation (EU) 2015/35. It shall contain at least the information described in the second to seventh paragraphs of this Article.

... Where the counterparty is a member of the same group or subgroup as the insurance or reinsurance undertaking by virtue of rules 2.1, 2.2 and 2.4 of the Group Supervision Part of the PRA Rulebook Article 213 of Directive 2009/138/EC and has commitments under ancillary own-fund items to different entities within the group, the information in points (b) to (f) of the third paragraph shall include evidence of the ability of the counterparty to satisfy multiple calls on ancillary own-funds items at the same time, having regard to the circumstances and the entities of the group. ...
Annex F

APPROVALS TO APPLY A MATCHING ADJUSTMENT

7 MODIFICATIONS TO 2015/500/EU

7.1 In this Annex new text is underlined and deleted text is struck through.

7.2 Commission Implementing Regulation (EU) 2015/500 of 24 March 2015 laying down implementing technical standards with regard to the procedures to be followed for the supervisory approval of the application of a matching adjustment in accordance with Directive 2009/138/EC of the European Parliament and of the Council as it forms part of domestic law by virtue of section 3 of the Act, is modified as follows:

...  

Article 2

Content of the application relating to the assigned portfolio of assets

In relation to the assigned portfolio of assets required by regulation 42(4)(a) and (b) of the Solvency 2 Regulations 2015 paragraph 1(a) of Article 77b of Directive 2009/138/EC, the application shall include at least the following:

(a) evidence that the assigned portfolio of assets meets all of the relevant conditions specified in regulation 42(4)(6) of the Solvency 2 Regulations 2015 Article 77b(1) of Directive 2009/138/EC;

(b) details of the assets within the assigned portfolio, which shall consist of line-by-line asset information together with the procedure used to group such assets by asset class, credit quality and duration for the purposes of determining the fundamental spread referred to in rule 7.2(2) of the Technical Provisions Part of the PRA Rulebook paragraph 1(b) of Article 77c of Directive 2009/138/EC;

(c) a description of the process used to maintain the assigned portfolio of assets in accordance with regulation 42(4)(a) and (b) of the Solvency 2 Regulations 2015 paragraph 1(a) of Article 77b of Directive 2009/138/EC, including the process for maintaining the replication of expected cash-flows where these have materially changed.

Article 3

Content of the application relating to the portfolio of insurance or reinsurance obligations

In relation to the portfolio of insurance or reinsurance obligations to which the matching adjustment is intended to apply, the application shall contain at least the following:

(a) evidence that the insurance or reinsurance obligations meet all of the criteria specified in points (d), (e), (g) and (j) of regulations 42(4)(g), (h), (i) and 42(5) of the Solvency 2 Regulations 2015 paragraph 1 of Article 77b of Directive 2009/138/EC;
Article 4

Content of the written application relating to cash-flow matching and portfolio management

In relation to the cash-flow matching and management of the eligible portfolio of obligations and the assigned portfolio of assets, the application shall contain at least the following:

(a) quantitative evidence that the criteria of regulation 42(4)(e) and (f) of the Solvency 2 Regulations 2015 paragraph 1(c) of Article 77b of Directive 2009/138/EC are met, including a quantitative and qualitative assessment of whether any mismatch gives rise to risks which are material in relation to the risks inherent in the insurance business to which the matching adjustment is intended to be applied;

(b) evidence that adequate processes will be in place to properly identify, organise and manage the portfolio of obligations and assigned portfolio of assets separately from other activities of the undertaking, and to ensure that the assigned assets will not be used to cover losses arising from other activities of the undertaking, in accordance with regulation 42(4)(c) and (d) of the Solvency 2 Regulations 2015 paragraph 1(b) of Article 77b of Directive 2009/138/EC;

(c) evidence of how the own funds will be adjusted in accordance with Article 81 of Directive 2009/138/EC Chapter 11 of the Technical Provisions Part of the PRA Rulebook to reflect any reduced transferability;

....

Article 5

Additional content of the written application

In addition to the information specified in Articles 3 to 4 of this Regulation, the application shall also include the following:

(a) confirmation that the conditions of regulation 42(4)(l) and (m) of the 2015 Regulations Article 77b(3) of Directive 2009/138/EC will be met if supervisory approval to apply a matching adjustment is granted;

(b) the liquidity plan required under rules 2.5 and 3.1(2) of the Conditions Governing Business Part of the PRA Rulebook Article 44(2) of Directive 2009/138/EC;

(c) the assessments required under rule 3.2(2) of the Conditions Governing Business Part of the PRA Rulebook Article 44(2a) of Directive 2009/138/EC;

(d) the assessments required under rule 3.8(4) of the Conditions Governing Business Part of the PRA Rulebook Article 45(2a) of Directive 2009/138/EC;

(e) a detailed explanation and demonstration of the calculation process used to determine the matching adjustment in accordance with the requirements of rules 7.2 - 7.5 of the Technical Provisions Part of the PRA Rulebook Article 77c of Directive 2009/138/EC;
a list of the other applications submitted by the insurance or reinsurance undertaking, or currently foreseen within the next six months, for approval of any of the items of the phasing-in listed in Article 308a(1) of Directive 2009/138/EC Part 4 of the 2015 Regulations and of special purpose vehicles to be established to carry out the regulated activity specified at article 13A of the Regulated Activities Order;

Article 7

Decision on the application

1. The supervisory authority may consider other evidence than that listed in Articles 2-5 of this Regulation, where this evidence is relevant for assessing compliance with the conditions set out in regulation 42(4)-(6) of the 2015 Regulations and rules 7.2 - 7.5 of the Technical Provisions Part of the PRA Rulebook Article 77b(1) and 77c of Directive 2009/138/EC when reaching a decision on the approval of the application.

5. Where insurance and reinsurance undertakings are granted approval to apply a matching adjustment to a portfolio of insurance and reinsurance obligations, the scope of that approval decision shall be considered to cover future insurance and reinsurance obligations and assets that are added to that matching portfolio, provided that undertakings can demonstrate the following:

(b) the matching portfolio continues to meet the relevant conditions of Directive 2009/138/EC in the PRA Rulebook and the 2015 Regulations.

Article 8

Revocation of approval by the supervisory authority

Where the supervisory authority considers that an insurance or reinsurance undertaking granted approval to use a matching adjustment has ceased to comply with the conditions set out in regulations 42(4) to 42(6) of the 2015 Regulations or rules 7.1 to 7.5 of the Technical Provisions Part of the PRA Rulebook Articles 77b(1) or 77c of Directive 2009/138/EC, that the supervisory authority shall inform the insurance or reinsurance undertaking immediately and explain the nature of the non-compliance.
Annex G

STANDARD FORMULA: LIST OF REGIONAL GOVERNMENTS

8 MODIFICATIONS TO 2015/2011/EU

8.1 In this Annex new text is underlined and deleted text is struck through.

8.2 Article 1 of Commission Implementing Regulation (EU) 2015/2011 of 11 November 2015 laying down implementing technical standards with regard to the lists of regional governments and local authorities, exposures to whom are to be treated as exposures to the central government in accordance with Directive 2009/138/EC of the European Parliament and of the Council as it forms part of domestic law by virtue of section 3 of the Act, is modified as follows:

Article 1

Lists of regional governments and local authorities

The Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly—following regional governments and local authorities shall be considered as entities, exposures to whom are to be treated as exposures to the central government of the United Kingdom for the calculation of the market risk and the counterparty default risk modules of the solvency capital requirement standard formula, jurisdiction in which they are established, as referred to in point (a) of Article 109a(2) of Directive 2009/138/EC:

(1) in Austria: any ‘Land’ or ‘Gemeinde’;
(2) in Belgium: any ‘communauté’ or ‘gemeenschap’, ‘région’ or ‘gewest’, ‘province’ or ‘provincie’, or ‘commune’ or ‘gemeente’;
(3) in Denmark: any ‘region’ or ‘kommune’;
(4) in Finland: any ‘kaupunki’ or ‘stad’, ‘kunta’ or ‘kommun’, or the — ‘Ahvenanmaan maakunta’ or the ‘Landskapet Åland’;
(5) in France: any ‘région’, ‘département’ or ‘commune’;
(6) in Germany: any ‘Land’, ‘Gemeindeverband’ or ‘Gemeinde’;
(7) in Liechtenstein: any ‘Gemeinde’;
(8) in Lithuania: any ‘savivaldybė’;
(9) in Luxembourg: any ‘commune’;
(10) in the Netherlands: any ‘provincie’, ‘waterschap’ or ‘gemeente’;
(12) in Portugal: the ‘Região Autónoma dos Açores’ or the ‘Região Autónoma da Madeira’;
(13) in Spain: any ‘comunidad autónoma’ or ‘corporación local’;
(14) in Sweden: any ‘region’, ‘landsting’ or ‘kommun’;
(15) in the United Kingdom: the Scottish Parliament, the National Assembly for Wales or the Northern Ireland Assembly.
Annex H

CAPITAL ADD-ONS

9 MODIFICATIONS TO 2015/2012/EU

9.1 In this Annex new text is underlined and deleted text is struck through.

9.2 Article 5 of Commission Implementing Regulation (EU) 2015/2012 of 11 November 2015 laying down implementing technical standards with regard to the procedures for decisions to set, calculate and remove capital add-ons in accordance with Directive 2009/138/EC of the European Parliament and of the Council as it forms part of domestic law by virtue of section 3 of the Act, is modified as follows:

Article 5

Progress report

In the cases set out in Article 37(1)(b) and (c) of Directive 2009/138/EC Where the supervisory authority concludes that either:-

(a) the risk profile of the insurance or reinsurance undertaking deviates significantly from the assumptions underlying the Solvency Capital Requirement, as calculated using an internal model or partial internal model, because certain quantifiable risks are captured insufficiently and the adaptation of the model to better reflect the given risk profile has failed within an appropriate timeframe; and

(b) the system of governance of an insurance or reinsurance undertaking deviates significantly from the rules set out in Chapters 2 and 4 of Insurance - Fitness and Propriety Part of the PRA Rulebook, and rules 2.2-2.6, Chapter 3, rules 4.1-4.2, Chapter 5, Chapter 6 and rules 7.1-7.3 of the Conditions Governing Business Part of the PRA Rulebook, and that those deviations prevent it from being able to properly identify, measure, monitor, manage and report the risks that it is or could be exposed to and that the application of other measures is in itself unlikely to improve the deficiencies sufficiently within an appropriate timeframe, and

if requested by the supervisory authority, the insurance or reinsurance undertaking shall inform the supervisory authority about the progress it has made in remedying the deficiencies that led to the setting of the capital add-on and what relevant actions it has taken.

…
Annex I

PROCEDURES FOR ASSESSING EXTERNAL CREDIT ASSESSMENTS

10 MODIFICATIONS TO 2015/2015/EU

10.1 In this Annex new text is underlined and deleted text is struck through.

10.2 Articles 1 and 4 of Commission Implementing Regulation (EU) 2015/2015 of 11 November 2015 laying down implementing technical standards on the procedures for assessing external credit assessments in accordance with Directive 2009/138/EC of the European Parliament and of the Council as they form part of domestic law by virtue of section 3 of the Act, are modified as follows:

Article 1

Policy on risk management

For the purpose of assessing the appropriateness of external credit assessments used in the calculation of technical provisions and the Solvency Capital Requirement by way of additional assessments referred to in rule 3.6 of the Conditions Governing Business Part of the PRA Rulebook Article 44(4a) of Directive 2009/138/EC, insurance and reinsurance undertakings shall include in their policy on risk management the following:

...  

Article 4

Review of additional assessments

1. In accordance with rule 2.4 of the Conditions Governing Business Part of the PRA Rulebook Article 41(3) of Directive 2009/138/EC, insurance and reinsurance undertakings shall at least annually review their additional assessments.

...
Annex J
ADJUSTMENT OF THE STANDARD EQUITY CAPITAL CHARGE

11 MODIFICATIONS TO 2015/2016/EU

11.1 In this Annex new text is underlined and deleted text is struck through.

11.2 Commission Implementing Regulation (EU) 2015/2016 of 11 November 2015 laying down the implementing technical standards with regard to the equity index for the symmetric adjustment of the standard equity capital charge in accordance with Directive 2009/138/EC of the European Parliament and of the Council as it forms part of domestic law by virtue of section 3 of the Act, is modified as follows:

Article 2
Calculation of the equity index

1. The level of the equity index referred to in Article 106(2) of Directive 2009/138/EC Article 172 of Commission Delegated Regulation (EU) 2015/35 (as amended by the Solvency 2 and Insurance (Amendments etc.) (EU Exit) Regulations 2019) shall be determined for each working day.

...
Annex K

REPORTING TO SUPERVISORY AUTHORITIES

12 MODIFICATIONS TO 2015/2450/EU

12.1 Commission Implementing Regulation (EU) 2015/2450 of 2 December 2015 laying down implementing technical standards with regard to the templates for the submission of information to the supervisory authorities according to Directive 2009/138/EC of the European Parliament and of the Council as it forms part of domestic law by virtue of section 3 of the Act, is modified as follows:


12.3 For each reference to Article 75 of Directive 2009/138/EC substitute “rules 2.1 and 2.2 of the Valuation Part of the PRA Rulebook and Chapter II of Title I of Commission Delegated Regulation (EU) 2015/35”.


12.6 For each reference to “Article 245(3) of Directive 2009/138/EC” substitute “regulation 24(1)(a) of the 2015 Regulations”.

12.7 For each reference to "points (a), (b) or (c) of Article 213(2) of Directive 2009/138/EC" substitute "rule 2.1(1)-(3) of the Group Supervision Part of the PRA Rulebook".

12.8 For each reference to "Article 265 of that Directive" substitute "Regulation 37 of the 2015 Regulations and rule 21.1 of the Group Supervision Part of the PRA Rulebook".

12.9 For each reference to "Article 244(3) of Directive 2009/138/EC" and “Article 244(3) of that Directive” substitute "regulation 24 of the 2015 Regulations".

12.10 For each reference to "second subparagraph of Article 245(2) of that Directive" occurring in Article 20 and 21 substitute “rule 16.2 of the Group Supervision Part of the PRA Rulebook”.

12.11 In the remainder of this Annex new text is underlined and deleted text is struck through:

Article 1

Subject matter

This Regulation lays down implementing technical standards on regular supervisory reporting by establishing the templates for the submission of information to the supervisory authorities referred to in Article 35(1) and (2) of Directive 2009/138/EC required by rule 2.1 and 2.2 of the Reporting Part of the PRA Rulebook for individual insurance and reinsurance undertakings and in rules 16.1 and 16.2 of the Group Supervision Part of the PRA Rulebook Article 244(2) and Article 245(2) of Directive 2009/138/EC for groups.
... 

Article 7

Simplifications allowed on quarterly reporting for individual undertakings

1. With regard to the information referred to in point (c) of Article 6(1), quarterly measurements may rely on estimates and estimation methods to a greater extent than measurements of annual financial data. The measurement procedures for the quarterly reporting shall be designed to ensure that the resulting information is reliable and complies with the standards laid down in the laws of the United Kingdom (or a part of the United Kingdom) that were relied on immediately before exit day to implement Directive 2009/138/EC and that all material information that is relevant for the understanding of the data is reported.

Article 9

Annual quantitative templates for individual undertakings — Balance sheet and other general information

Insurance and reinsurance undertakings shall submit annually the information referred to in Article 304(1)(d) of Delegated Regulation (EU) 2015/35 using the following templates:

...  

(g) template S.04.02.01 of Annex I, specifying information on class 10 in Part 1 of Schedule 1 to the Regulated Activities Order Part A of Annex I of Directive 2009/138/EC, excluding carrier's liability, following the instructions set out in section S.04.02 of Annex II to this Regulation;

... 

Article 24

Simplifications allowed on quarterly reporting for groups

With regard to the information referred to in point (c) of Article 23(1), quarterly measurements may rely on estimates and estimation methods to a greater extent than measurements of annual financial data. The measurement procedures for the quarterly reporting shall be designed to ensure that the resulting information is reliable and complies with the standards laid down in the laws of the United Kingdom (or a part of the United Kingdom) that were relied on immediately before exit day to implement Directive 2009/138/EC and that all material information that is relevant for the understanding of the data is reported.

...
Article 36

Quantitative templates for groups — intra-group transactions and risk concentrations

Participating insurance and reinsurance undertakings, insurance holding companies and mixed financial holding companies shall report:

(a) significant and very significant intra-group transactions referred to in rules 16.2(1) and (2) of the Group Supervision Part of the PRA Rulebook the first and second subparagraphs of Article 245(2) of Directive 2009/138/EC and intra-group transactions to be reported in all circumstances referred to in Regulation 24(1)(a) of the 2015 Regulations Article 245(3) of that Directive using, as appropriate, templates S.36.01.01, S.36.02.01, S.36.03.01 and S.36.04.01 of Annex I to this Regulation, following the instructions set out in section S.36.01 to S.36.04 of Annex III to this Regulation;

(b) significant risk concentrations referred to in rule 16.1 of the Group Supervision Part of the PRA Rulebook Article 244(2) of Directive 2009/138/EC and risk concentrations risks to be reported in all circumstances referred to in Regulation 24(1)(a) of the 2015 Regulations Article 244(3) of that Directive using template S.37.01.04 of Annex I to this Regulation, following the instructions set out in section S.37.01 of Annex III to this Regulation.
Annex L

SOLVENCY & FINANCIAL CONDITION REPORT

13 MODIFICATIONS TO 2015/2452/EU

13.1 In this Annex new text is underlined and deleted text is struck through.

13.2 Commission Implementing Regulation (EU) 2015/2452 of 2 December 2015 laying down implementing technical standards with regard to the procedures, formats and templates of the solvency and financial condition report in accordance with Directive 2009/138/EC of the European Parliament and of the Council and as it forms part of domestic law by virtue of section 3 of the Act, is modified as follows:

Article 1

Subject matter

This Regulation lays down implementing technical standards on the solvency and financial condition report by establishing procedures, formats and the templates for the disclosure of information referred to in rules 3.1 to 3.7 of the Reporting Part of the PRA Rulebook Article 51 of Directive 2009/138/EC for individual insurance and reinsurance undertakings and in Article 256 of Directive 2009/138/EC rule 18.1 of the Group Supervision Part of the PRA Rulebook for groups.

...}

Article 4

Templates for the solvency and financial condition report of individual undertakings

Insurance and reinsurance undertakings shall publicly disclose as part of their solvency and financial condition report at least the following templates:

(a) template S.02.01.02 of Annex I specifying balance sheet information using the valuation in accordance with rules 2.1 and 2.2 of the Valuation Part of the PRA Rulebook and Chapter II of Title I of Commission Delegated Regulation (EU) 2015/35 Article 75 of Directive 2009/138/EC, following the instructions set out in section S.02.01 of Annex II to this Regulation;

...}

Article 5

Templates for the solvency and financial condition report of groups

Participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies shall publicly disclose as part of their group solvency and financial condition report at least the following templates:

...}

(b) where, for the calculation of the group solvency, the group uses method 1 as defined in Article 230 of Directive 2009/138/EC, either exclusively or in combination with method 2 as those methods are defined in rule 1.2 of the Group Supervision Part of the
PRA Rulebook Article 233 of Directive 2009/138/EC, template S.02.01.02 of Annex I to this Regulation, specifying balance sheet information, using the valuation in accordance with rules 2.1-2.2 of the Valuation Part of the PRA Rulebook and Chapter II of Title I of Commission Delegated Regulation (EU) 2015/35 Article 75 of Directive 2009/138/EC, following the instructions set out in section S.02.01 of Annex III to this Regulation;

... (g) where, for the calculation of group solvency, the group uses method 1 as defined in Article 230 of Directive 2009/138/EC, either exclusively or in combination with method 2 as those methods are defined in rule 1.2 of the Group Supervision Part of the PRA Rulebook Article 233 of that Directive, template S.25.01.22 of Annex I to this Regulation, specifying information on the Solvency Capital Requirement, calculated using the standard formula, following the instructions set out in section S.25.01 of Annex III to this Regulation;

(h) where, for the calculation of group solvency, the group uses method 1 as defined in Article 230 of Directive 2009/138/EC, either exclusively or in combination with method 2 as those methods are defined in rule 1.2 of the Group Supervision Part of the PRA Rulebook Article 233 of that Directive, template S.25.02.22 of Annex I to this Regulation, specifying information on the Solvency Capital Requirement, calculated using the standard formula and a partial internal model, following the instructions set out in section S.25.02 of Annex III to this Regulation;

(i) where, for the calculation of group solvency, the group uses method 1 as defined in Article 230 of Directive 2009/138/EC, either exclusively or in combination with method 2 as those methods are defined in rule 1.2 of the Group Supervision Part of the PRA Rulebook Article 233 of that Directive, template S.25.03.22 of Annex I to this Regulation, specifying information on the Solvency Capital Requirement, calculated using a full internal model, following the instructions set out in section S.25.03 of Annex III to this Regulation.
Annex M

TRANSITIONAL MEASURE FOR THE EQUITY RISK SUB-MODULE

14 MODIFICATIONS TO 2016/1630/EU

14.1 In this Annex new text is underlined and deleted text is struck through.

14.2 Commission Implementing Regulation (EU) 2016/1630 of 9 September 2016 laying down implementing technical standards with regard to the procedures for the application of the transitional measure for the equity risk sub-module in accordance with Directive 2009/138/EC of the European Parliament and of the Council as it forms part of domestic law by virtue of section 3 of the Act, is modified as follows:

Article 1

1. Where the weight for the standard parameter referred to in rule 5.2(2) of the Transitional Measures Part of the PRA Rulebook point (b) of the first subparagraph of Article 308b(13) of Directive 2009/138/EC is lower than 100%, insurance and reinsurance undertakings shall keep a record of the equities referred to in Article 173 of Delegated Regulation (EU) 2015/35 and the dates of their purchase. Where those equities are held within a collective investment undertaking or other investments packaged as funds and the look-through approach is not possible, undertakings shall only keep a record of the units or shares of the collective investment undertaking or other investment packaged as funds to which Article 173(2) applies and the dates of their purchase.

3. The records referred to in paragraph 1 shall be updated each time the insurance or reinsurance undertaking calculates the solvency capital requirement using the transitional measure set out in rules 5.2 to 5.4 of the Transitional Measures Part of the PRA Rulebook Article 308b(13) of Directive 2009/138/EC.
Annex N

DELETIONS


15.1 The following specified EU Regulations, as they as they form part of domestic law by virtue of section 3 of the Act, are deleted:


