



Modification by consent of the Solvency II Group Supervision rules 20.1 and 20.2 with reference to US-parented undertakings. This modification is available to insurance and reinsurance undertakings authorised by the PRA, the parent undertaking of which is an insurance holding company or mixed financial holding company which has its head office in the United States.

The 'group supervision' provisions of the Covered Agreement signed by the EU and US on 22 September 2017 have come into effect on 08 April 2018, and as a result provisions of Article 4 dealing with group supervision for US parented groups are fully applicable.

Solvency II, as currently transposed in the UK by the Solvency 2 Regulations 2015, requires the PRA to achieve the 'objectives of group supervision' through 'other methods' if not by imposing the Solvency II group capital requirement and other group requirements at the level of the head of the insurance group.

The PRA is inviting firms with US-parented groups to apply a rule modification to reflect the Covered Agreement. The Solvency 2 Regulations 2015 are modified to align the Solvency II framework with the provisions of the Covered Agreement. The application process is standardised and this should improve the administrative efficiency for US-headed insurance groups in meeting UK regulatory requirements. The PRA will continue to issue bespoke individual 'other methods' directions only to those firms that meet the conditions set out in Article 4g) of the Covered Agreement.

The effect of the modification is that Solvency II Group Supervision rules 20.1 and 20.2 are amended to incorporate the 'other methods'.

As a result, each relevant insurance group undertaking and UK insurance holding company will need to provide the PRA a copy of their most recently available Own Risk and Solvency Assessment (ORSA, or equivalent group risk report) within one month of it being reported to a US supervisor. The submission will need to provide at a minimum the elements set out in Article 4d) of the Covered Agreement, as follows:

- a description of the insurance or reinsurance group's risk management framework;
- an assessment of the insurance or reinsurance group's risk exposure; and
- a group assessment of risk capital and a prospective solvency assessment.

The directions to be issued through this standardised application process will be applicable for a 3 year period, unless the rule is revoked or ceases to apply.

If a firm wishes to take advantage of this modification, it should read the direction (available on the Bank of England website)¹ and contact the Assessment and Monitoring Team with a suitable request:

Assessment and Monitoring
Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA

Or

PRA-Waivers@bankofengland.co.uk.

The PRA will confirm in writing whether the request has been granted and will publish the approved modification direction on the Financial Services Register.

26 July 2018

¹ www.bankofengland.co.uk/prudential-regulation/authorisations/waivers-and-modifications-of-rules.