BANK OF ENGLAND
PRUDENTIAL REGULATION AUTHORITY

Publication

Consultation Paper | CP11/21

Review of Solvency II: Reporting (Phase 1)

July 2021

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Responses are requested by Friday 8 October 2021.

In light of current measures to help prevent the spread of COVID-19, please address any comments or enquiries by email to: CP11_21@bankofengland.co.uk.

Alternatively, please address any comments or enquiries to:
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Contents

1 Overview

1.1 This Consultation Paper (CP) sets out the Prudential Regulation Authority's (PRA) proposed changes to the Solvency II reporting requirements and expectations.[1] The PRA has developed these proposals in line with HM Treasury's review of Solvency II, on which HM Treasury sought evidence between Monday 19 October 2020 and Friday 19 February 2021.[2]

1.2 The proposals in this CP would result in changes to policy material as described in the table below:

Policy material	**Proposals**
The onshored version of the Commission Implementing Regulation (EU) 2015/2450 Instrument 2021 (Appendix 1)	The proposed PRA Technical Standards instrument would amend the onshored version of Regulation (EU) 2015/2450 including the removal of reporting requirements against templates that are proposed for deletion, and change of reporting frequency and proportionality threshold of the specified templates as outlined in this CP.
Minimum Capital Requirement Part of the PRA Rulebook (Appendix 2)	The proposed instrument would amend Rule 4.1 of the Minimum Capital Requirement Part of the PRA Rulebook to reflect the change in reporting frequency proposed in this CP.
Supervisory Statements (SS) (Appendix 3 to 6)	This CP proposes to amend: • SS11/15 'Solvency II: Regulatory Reporting and exemptions';[3] • SS40/15 'Solvency II: reporting and public disclosure options provided to supervisory authorities';[4] • SS41/15 'Solvency II: applying EIOPA Set 2, System of Governance and ORSA Guidelines'; and[5] • SS44/15 'Solvency II: third-country insurance and pure reinsurance branches'.[6]
Statement of Policy (SoP) (Appendix 7)	This CP would amend SoP 'Interpretation of EU Guidelines and Recommendations: Bank of England and PRA approach after the UK's withdrawal from the EU'.[7]

1.3 The CP is relevant to all UK Solvency II firms, the Society of Lloyd's and its managing agents, insurance and reinsurance undertakings that have a UK branch (third-country branch undertakings), and firms within the PRA's Temporary Permissions Regime for (re)insurers.

1 References to 'Solvency II' in this CP refer to the UK's implementation of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking up and pursuit of the business of Insurance and Reinsurance (amended) and onshored versions of EU regulations made thereunder. See table in 1.2 for a summary of the specific provisions that are proposed to be amended.
2 HM Treasury published a policy paper, 'Solvency II Review: Call for Evidence', October 2020: https://www.gov.uk/government/publications/solvency-ii-review-call-for-evidence.
3 March 2015: https://www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-regulatory-reporting-and-exemptions-ss.
4 October 2015: https://www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-reporting-and-public-disclosure-options-provided-to-supervisory-authorities-ss.
5 October 2015: https://www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-applying-eiopa-set2-system-of-governance-and-orsa-guidelines-ss.
6 November 2015: https://www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-third-country-insurance-and-pure-reinsurance-branches-ss.
7 April 2019: https://www.bankofengland.co.uk/paper/2019/interpretation-of-eu-guidelines-and-recommendations-boe-and-pra-approach-sop.

1.4 The PRA has considered the interaction between its primary and secondary objectives and the 'have regards', including in relation to the principle that a burden imposed should be proportionate to the benefit resulted from the imposition, and the need to use the PRA's resources in the most efficiency and economic way. The proposals outlined in this CP have been developed to preserve the PRA's ability to meet its statutory objectives, and the PRA considers changes that are intended to embed requirements in a proportionate manner could improve the overall efficiency of the market, leading to a more competitive UK insurance sector.

1.5 The proposals in this CP are intended to remove duplications and reduce areas of reporting that are of less relevance to most firms. The PRA considers the operational impact by ceasing the reporting of certain templates to be minimal and therefore the associated one-off cost of effecting these changes is expected to be negligible, and hence less significant than the longer-run benefit to firms and the PRA.

Background

1.6 HM Treasury's Call for Evidence invited feedback on how certain areas of Solvency II could better reflect the particular structures, products, and business models of the UK insurance sector. Specifically for insurance reporting and disclosure, it sought feedback regarding whether any changes should be made to supervisory reporting and public disclosure requirements, and whether the consolidation of the various layers of insurance reporting was necessary. As noted in HM Treasury's Call for Evidence response, there was clear support from respondents for reforms to the current reporting and disclosure regime.[8]

1.7 The PRA intends to consult on changes to Solvency II reporting and disclosure in two phases. The first phase, reflected in this CP, focuses on proposals to reduce the volume of financial information reported to the PRA which potentially could be implemented by firms and the PRA relatively quickly, and with a low operational impact. The second phase will be a more in-depth review of all the components that make up the UK reporting and disclosure framework, taking into account reform proposals in other areas of the Solvency II review.[9] This phase could result in more extensive changes in order to deliver an overall framework that can be operated more effectively by the PRA, and more efficiently applied by firms. This second phase will be undertaken over the remainder of 2021, with a view to consulting on additional proposals in 2022.

1.8 This two-phase approach recognises the potential operational impact and lead-times necessary for firms to implement changes within existing requirements. In considering any future changes, the PRA would also expect to take into account available insights from the Data Collection Transformation Plan being implemented by the Bank of England and Financial Conduct Authority (FCA).[10]

8 Review of Solvency II: Call for Evidence Response is available at: https://www.gov.uk/government/publications/solvency-ii-review-call-for-evidence.

9 Regarding financial reporting, the PRA therefore expects the second phase will include review of the Solvency II Quantitative Reporting Templates, and the collections that were PRA-owned prior to the end of the EU withdrawal transition period including but not limited to National Specific Templates (NSTs) reporting expectations in supervisory statements, and ad-hoc requests. The PRA also expects it will include narrative reporting.

10 The Bank of England published 'Transforming data collection from the UK financial sector: a plan for 2021 and beyond' in February 2021. The paper sets out data collection issues that the industry and the Bank of England face, and the Bank's plan to deliver a multi-year, multi-phased transformation programme. It is available at: https://www.bankofengland.co.uk/paper/2021/transforming-data-collection-from-the-uk-financial-sector-a-plan-for-2021-and-beyond.

1.9 The intention of the proposals in this CP is to better align the information that firms report under the Solvency II regime with the PRA's supervisory use, by addressing aspects of the onshored Solvency II reporting requirements where:

- the PRA does not currently use certain templates extensively or the templates are not relevant to the majority of UK insurers; and
- the frequency of certain templates may not be proportionate to the risks, size, and complexity of business of the majority of UK insurers.

1.10 In developing the proposals in this CP, the PRA has considered its own work reviewing and evaluating the usefulness of existing reporting requirements, its past contribution towards the European Insurance and Occupational Pensions Authority's (EIOPA) and the European Commission's ongoing review of Solvency II, and the responses provided to HM Treasury's Call for Evidence. The proposals aim to reduce the overall volume of data submitted to the PRA by insurers, which may in turn increase the efficiency of complying with reporting requirements for some firms.

Summary of proposals

1.11 The policy proposals included in this CP are:

(a) removing the requirement to report a number of Solvency II Quantitative Reporting Templates (QRTs) for all insurance and reinsurance undertakings;

(b) the reduction of reporting frequency of the minimum capital requirements (MCR) collected via S.28 templates from a quarterly to a semi-annual basis;

(c) the amendment of a reporting proportionality threshold to further exempt reinsurance undertakings from reporting template S.16.01 on annuities stemming from non-life insurance obligations;

(d) expanding the PRA's modification by consent to waive certain quarterly returns, to firms that the PRA designates as Category 3 under its Potential Impact Framework; and[11]

(e) amendments to the PRA's SSs and SoP to:

    i. reflect the above proposed reporting changes;

    ii. remove sections that are no longer required to be included in the supervisory statements; and

    iii. clarify references to EU based provisions following the UK's withdrawal from the EU.

1.12 The drafting changes referred to in (e)(ii) and (iii) above are intended to assist the reader and reflect the PRA's existing approach as set out in SS2/19 'PRA approach to interpreting reporting and

11 October 2018: https://www.bankofengland.co.uk/prudential-regulation/publication/pras-approach-to-supervision-of-the-banking-and-insurance-sectors.

disclosure requirements and regulatory transactions forms after the UK's withdrawal from the EU'.[12] This CP does not propose a comprehensive update to all the amended material to reflect the UK's withdrawal from the EU. The PRA will consider these issues in due course.

Implementation

1.13 The PRA proposes that the implementation date for the proposals set out in this CP would be for quarterly and annual reporting reference dates falling on and after Thursday 31 March 2022.

Responses and next steps

1.14 This consultation closes on Friday 8 October 2021. The PRA invites feedback on the proposals set out in this consultation. Please address any comments or enquiries to CP11_21@bankofengland.co.uk.

1.15 The proposals in this CP have been designed in the context of the UK having now left the EU and the transition period having come to an end. Unless otherwise stated, any references to EU or EU derived legislation refer to the version of that legislation which forms part of retained EU law.

1.16 These proposals should be read in conjunction with SS1/19 'Non-binding PRA materials: The PRA's approach after the UK's withdrawal from the EU',[13] SS2/19,[14] and the SoP 'Interpretation of EU Guidelines and Recommendations: Bank of England and PRA approach after the UK's withdrawal from the EU'.[15] Firms within the PRA's Temporary Permission Regimes for (re)insurers should read the proposals alongside the transitional relief that the PRA has granted as the end of the transition period.

12 April 2019: https://www.bankofengland.co.uk/prudential-regulation/publication/2019/pra-approach-to-interpreting-reporting-and-disclosure-reqs-and-reg-trans-forms-ss.
13 April 2019: https://www.bankofengland.co.uk/prudential-regulation/publication/2019/non-binding-pra-materials-the-pras-approach-after-the-uks-withdrawal-from-the-eu-ss.
14 See footnote 13.
15 See footnote 8.

2 Proposals

2.1 This chapter sets out in detail the PRA's proposals under the first phase of the review of the Solvency II reporting requirements.

Proposed changes to the reporting requirements of Solvency II Quantitative Reporting Templates (QRTs)

2.2 The PRA proposes to remove the requirement to report in respect of the following templates by amending the onshored Commission Implementing Regulation (EU) 2015/2450. These proposed deletions would apply to all firms currently required to submit each such template, for all reporting frequencies. The templates proposed for deletion are:

- S.06.01 summary of assets;
- S.15.01 description of guarantees of variable annuities;
- S.15.02 hedging of guarantees of variable annuities;
- S.29.01 excess of assets over liabilities;
- S.29.02 excess of assets over liabilities - explained by investments and financial liabilities;
- S.29.03 excess of assets over liabilities - explained by technical provisions;
- S.29.04 detailed analysis per period - technical flows versus technical provisions; and
- All templates submitted under the financial stability reporting requirements contained in EIOPA Guidelines on Financial Stability Reporting (as at the end of the transition period), which in the UK are only reported by firms with total assets in the Solvency II balance sheet that are equal to or more than €12 billion, as expected under SS41/15:
  - annual financial stability reporting for solo entities: S.01.01.10, S.01.02.01, S.14.01.10, S.38.01.10, S.40.01.10;
  - quarterly financial stability reporting for solo entities: S.01.01.11, S.01.02.01, S.25.04.11, S.39.01.11, S.41.01.11;
  - annual financial stability reporting for group entities: S.01.01.12, S.01.02.04, S.14.01.10, S.38.01.10, S.40.01.10; and
  - quarterly financial stability reporting for group entities: S.01.01.13, S.01.02.04, S.02.01.02, S.05.01.13, S.06.02.04, S.23.01.13, S.25.04.13, S.39.01.11, S.41.01.11.

2.3 The PRA considers that the information reported in the templates listed in paragraph 2.2 either has limited prudential value to its supervisory approach, or could be derived from other information reported without additional burden. A number of the proposed templates have been reported by only a few firms in the past, and provide limited incremental informational value on these firms. The financial stability templates in particular have declined in relevance, as data from UK insurers no longer forms part of EIOPA macroprudential monitoring work.

2.4 The PRA proposes that firms select 'not reported' in the content of the submission template (S.01.01 series) against the templates proposed for removal in this CP.

2.5 By removing the reporting requirements that have become less relevant to firms, the PRA expects these proposals would better meet its supervisory needs and improve the efficiency of supervisory oversight for the PRA in advancing its statutory objectives.

2.6 The PRA considers that the most relevant 'have regards' in relation to all proposed changes to reporting requirements outlined in this Chapter is the regulatory principle that a burden imposed should be proportionate to the benefit resulted from the imposition. The PRA has had regards to this principle in that the proposals have been based on an evaluation of the relative usefulness of certain templates, and the utility of the insights provided in support of the PRA's ability to supervise effectively. Detailed considerations to the relevant 'have regards' are outlined in Chapter 3.

2.7 The PRA expects the cost for firms to implement the proposals outlined in this Chapter would be negligible since the effort required to cease reporting, or report on a less frequent basis, would be low. Further details on the cost benefit analysis are set out in Chapter 3.

Change in the minimum capital requirements (MCR) reporting frequency

2.8 The PRA proposes to reduce the reporting frequency of the following templates, by removing the requirement for all firms to report the following information at the first and third quarter of their financial year:

- S.28.01 minimum capital requirements – only life or only non-life insurance or reinsurance activity; and
- S.28.02 minimum capital requirements – both life and non-life insurance activity.

2.9 Given the relative stability of this metric for most firms, the reporting of detailed calculation of the MCR on a semi-annual basis would be better aligned with supervisory review needs. Where a breach of the MCR is expected or has occurred, UK Solvency II firms continue to be subject to the requirements set out in the Minimum Capital Requirement and Undertakings in Difficulty Parts of the PRA Rulebook, including the immediate notification requirement of the breach, and a supporting requirement to submit a restoration plan within one month.[16]

2.10 Many firms would continue to report the result of the MCR calculation quarterly via template S.23.01 (own funds), and semi-annually for firms with an existing quarterly reporting waiver.

Change to the reporting proportionality threshold for S.16.01

2.11 The PRA proposes to amend the reporting proportionality threshold for the Solvency II QRT S.16.01 (information on annuities stemming from non-life insurance obligations) by further exempting pure reinsurance businesses from reporting this template. Reinsurers who write direct business would not fall into this threshold for exemption.

16 Rule 4.1 in the Undertakings in Difficulty Part of the PRA Rulebook.

2.12 The PRA recognises that pure reinsurers often have little exposure to annuity-type businesses, and few have had to report this template to the PRA in the past. The amendment to the threshold is intended to increase the relevance of S.16.01 to the business model of UK reinsurers.

Extension to the quarterly reporting waivers

2.13 In SS11/15, the PRA states that firms designated as Category 4 and 5 in the PRA's impact framework, whether solo or part of a group, are eligible for the limitation of quarterly reporting through the PRA's modification by consent waiver, unless specifically instructed by its supervisory team. The PRA has previously considered applications from other Solvency II firms to waive aspects of quarterly reporting on a case-by-case basis.

2.14 The PRA has evaluated its usage of quarterly data since the implementation of Solvency II for both supervisory and statistical purposes. The PRA considers that there remains a need to collect some quarterly data from some, but not all, firms in order to supervise the potential development of threats to the PRA objectives and inform policy committees on macroeconomic trends. However, for firms that pose a relatively lower risk under the PRA's potential impact framework, there is greater scope to make quarterly reporting more proportionate.

2.15 Recognising the extensive uptake of the existing quarterly reporting modification by consent, and the PRA's increased powers following the end of the transition period to waive Solvency II quarterly reporting, the PRA proposes to extend the eligibility of the modification by consent to Category 3 firms, whether solo or part of a group.[17] The existing expectations as set out in SS11/15 would continue to apply to firms benefitting from the quarterly reporting modification by consent.

Proposed implementation

2.16 The EU Solvency II taxonomy version 2.6 is due to be published by EIOPA in July 2021 with implementation within the EU for reporting as at Friday 31 December 2021. The PRA will adopt the package as published by EIOPA without amending it for the proposals set out in this CP to avoid causing delays to firms' implementation. The existing taxonomy and version 2.6 already contain options for firms to submit reporting to the PRA in a manner that reflects the proposals in this CP, and therefore it is not necessary to modify the current Solvency II taxonomy or version 2.6. Firms would be required to implement the changes proposed with their reports as at Thursday 31 March 2022.

2.17 The PRA may issue an updated taxonomy at a later stage to reflect any changes to reporting requirements that may stem from the second phase of the Solvency II review, so that any associated systems redevelopment is undertaken at the same time.

Amendments to the relevant PRA supervisory statements (SS)

2.18 The PRA proposes to remove from the relevant SSs the sections originally prepared on cost benefit analysis, references to publication consultation and consultation with the FCA, because these requirements would be updated via this CP and are no longer required to be included in the SSs.

[17] The PRA's power to waive reporting requirements as set out under s138A (4) of FSMA continues to be applicable. Following EU withdrawal, the PRA is no longer subject to the additional requirement contained in Article 35(6) of the Solvency II Directive, which states that such waivers may only be granted to 20% of the market share.

2.19 The PRA also proposes to introduce amendments in order to reflect the onshored legislation following the UK's withdrawal from the EU. In addition, where the proposed changes to reporting requirements outlined in this CP may impact the interpretation of EIOPA guidelines being referenced by the relevant SSs and the SoP, the PRA proposes to amend the relevant sections in order to clarify the relevance of the specific guidelines.

3 The PRA's statutory obligations

3.1 In carrying out its policy making functions, the PRA is required to comply with several legal obligations. The PRA has a statutory duty to consult when introducing new rules (FSMA s138J), or new standards instruments (FSMA s138S). When not making rules, the PRA has a public law duty to consult widely where it would be fair to do so.

3.2 The PRA fulfils its statutory obligations and public law duties by providing the following in relation to the proposed policy:[18]

(i) a cost benefit analysis;

(ii) compatibility with the PRA's objectives: an explanation of the PRA's reasons for believing that making the proposed rules and policy are compatible with the PRA's duty to act in a way that advances its general objective,[19] insurance objective[20] (if applicable), and secondary competition objective;[21]

(iii) FSMA regulatory principles: an explanation of the ways in which having regard to the regulatory principles has affected the proposed rules and policy;[22]

(iv) impact on mutuals: a statement as to whether the impact of the proposed rules and policy will be significantly different to mutuals than to other persons;[23]

(v) HM Treasury recommendation letter: the Prudential Regulation Committee (PRC) should have regard to aspects of the Government's economic policy as recommended by HM Treasury;[24] and

(vi) equality and diversity: the PRA is also required by the Equality Act 2010[25] to have due regard to the need to eliminate discrimination and to promote equality of opportunity in carrying out its policies, services and functions.

Cost benefit analysis

3.3 The proposed removal of a number of QRTs, change in the MCR reporting frequency, and amendment to reporting proportionality listed in Chapter 2 of this CP are intended to reduce the reporting burden on firms, including a reduction in the ongoing costs of regular reporting. The PRA considers the cost to cease reporting or report on a less frequent basis to be negligible. While these proposals should reduce some of the burden on firms to submit the required information, there may be an additional one-off cost to firms in amending existing systems to accommodate the updates for the first submission after the publication of the final policy.

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18 The requirements for the PRA to 'have regard' to several further matters when making CRR rules as set out in FSMA and the Financial Services Act are not relevant, as the proposed changes outlined in the CP are in relation to Solvency II reporting requirements for insurers.
19 Section 2B of FSMA.
20 Section 2C of FSMA.
21 Section 2H(1) of FSMA.
22 Sections 2H(2) and 3B of FSMA.
23 Section 138K of FSMA.
24 Section 30B of the Bank of England Act 1998.
25 Section 149.

3.4 The delivery of the proposed change to reporting waivers via the modification by consent process seeks to limit the administrative burden on firms of applying to the PRA for reporting waivers. The PRA considers the cost to be negligible to firms to accept the modification by consent and cease reporting in scope of the proposed waiver expansion.

3.5 There may be a risk to the PRA in not receiving information that was previously received; but this risk is considered to be small following the review work carried out, that focused on streamlining areas where duplicate information exists or where information could be derived from other templates. The proposals have been considered carefully to ensure the PRA continues to receive the reporting required to supervise firms effectively, and bearing in mind the benefits to firms and the PRA of time consistency.

3.6 Given that firms are already using the EIOPA taxonomy as part of their current processes, the PRA expects there to be minimal additional cost associated with the proposed implementation approach.

PRA objectives

3.7 The PRA considers the proposals outlined in Chapter 2 of this CP are compatible with its statutory objectives to promote the safety and soundness of PRA-authorised firms, and in the context of insurance, to contribute to policyholder protection. The proposals have been developed to preserve the PRA's ability to meet its statutory objectives and supervise firms in an efficient and effective manner. By removing duplication and templates that are of limited relevance to firms, and extending the waiver in a proportionate manner, the PRA expects the proposals to lower the reporting burden for firms and enhance the efficiency of supervisory oversight, without unduly compromising the PRA's ability to monitor threats to its objectives.

3.8 The PRA has assessed whether these proposals facilitate effective competition. The PRA expects that the removal of certain reporting requirements may reduce the ongoing cost and lead to better utilisation of resources for firms. The proposed amendments to the relevant SSs would aid firms in their compliance with the PRA's reporting requirements, and reduce the likelihood of erroneous reporting. In turn, the PRA considers these proposals could contribute positively to the facilitation of effective competition in the insurance sector.

Have regards

FSMA regulatory principles

3.9 In developing these proposals, the PRA has had regard to the regulatory principles. The following four of the principles are of particular relevance:

(i) the principle that a burden or restriction which is imposed on a person should be proportionate to the benefits which are expected to result from the imposition of that burden;

(ii) the need to use the PRA's resources in the most efficient and economic way;

(iii) the desirability of the PRA exercising its functions in a way that recognises differences in the nature of businesses carried on by different persons; and

(iv) the principle that the PRA should exercise its functions transparently.

3.10 The PRA has had regard to principle (i), and evaluated the relative usefulness of certain templates, the utility of the insights provided in relation to the submission, and processing costs for both the PRA and firms in developing these proposals. Where data is not considered essential and insightful, the PRA has proposed that reporting is removed. Following the same principle, the PRA considers that there remains to be a need to have quarterly data for some firms, but not all firms, in meeting both the supervisory and statistical needs. The proposed extension to the quarterly reporting waivers enhances the proportionality of the existing approach to these waivers, and would reduce the burden to firms that pose a relatively lower risk under the PRA's potential impact framework.

3.11 The PRA has had regard to principle (ii), when evaluating proposals that could reduce the reporting burden of firms without imposing undue burden on the PRA's resources or negatively affecting the PRA's ability to supervise effectively. The proposals in this CP have been developed with the aim of ensuring that the data the PRA collects to supervise insurers better reflects its own supervisory, macroprudential, and statistical analysis needs. The implementation impact of the proposals on the PRA is also reflected in the two-phase nature of the overall reporting and disclosure review.

3.12 Following principle (iii), the PRA recognised that the information required in certain templates may not be equally relevant to the different business models in developing this proposal, and the proposed amendment to reporting proportionality threshold, as listed in Chapter 2 of this CP, is intended to better reflect this relevancy.

3.13 The PRA has followed principle (iv), in that the proposed amendments to the relevant SSs and SoP intend to clarify the relevance of the specific EIOPA guidelines that could be affected as a result of the proposals outlined in Chapter 2 of this CP. The PRA considers that the proposed amendments would further support the SoP, and provide clarity of the PRA's expectations on firms in relation to reporting requirements after the UK's withdrawal from the EU.[26]

3.14 The PRA has considered the remaining FSMA regulatory principles (see Appendix 8), and considers that they are not relevant to this proposal.

Impact on mutuals

3.15 The PRA considers that the impact of the proposed rule changes on mutuals is expected to be no different from the impact on other firms, as mutuals are not subject to the reporting requirements included in the proposals.

HM Treasury recommendation letter

3.16 HM Treasury has made recommendations to the Prudential Regulation Committee (PRC) about aspects of the Government's economic policy to which the PRC should have regard when considering how to advance the PRA's objectives and apply the regulatory principles.[27]

3.17 **Competition:** The PRA has considered competition as detailed in paragraph 3.8 above.

3.18 **Competitiveness:** The PRA has had regard to the competitiveness aspect of the Government's economic policy when forming these proposals, which are intended to improve the overall efficiency of the market by streamlining existing reporting requirements while still ensuring sufficient supervisory oversight in line with the PRA's objectives. The PRA considers the proposals would lead

[26] See footnote 8.

[27] Information about the PRC and the recommendations from HM Treasury are available on the Bank's website at https://www.bankofengland.co.uk/about/people/prudential-regulation-committee.

to positive contributions to financial stability and make the UK an attractive domicile for both UK and internationally active firms.

3.19 The PRA has considered the remaining aspects of government economic policy as laid out in the HM Treasury recommendation letter (see Appendix 8), and considers that they are not relevant to this proposal.

Equality and diversity

3.20 The PRA considers that the proposals do not give rise to equality and diversity implications because they are designed to enhance the relevance of reporting requirements to firms and proportionality, and should not unfairly disadvantage any one group or characteristic.

Appendices

1 Draft PRA STANDARDS INSTRUMENT: THE TECHNICAL STANDARDS (REGULAR SUPERVISORY REPORTING) INSTRUMENT 2021

PRA STANDARDS INSTRUMENT: THE TECHNICAL STANDARDS (REGULAR SUPERVISORY REPORTING) INSTRUMENT 2021

Powers exercised

A. The PRA makes this instrument in the exercise of powers under section 138P (Technical Standards) of the Act.

B. For the purposes of section 138P of the Act, the power to make technical standards which the PRA relies on is conferred on the PRA by Regulation 3 and Schedule 2, para.1 of The Solvency 2 and Insurance (Amendment, etc.)(EU Exit) Regulations 2019.

C. Pursuant to section 138P(2)(b) of the Act, the power to make technical standards includes the power to modify, amend or revoke any EU tertiary legislation made by an EU entity under the original EU power which forms part of retained EU law. Commission Implementing Regulation (EU) 2015/2450 constitutes EU tertiary legislation (as defined in section 20 of the EUWA) for these purposes.

D. This instrument amends Commission Implementing Regulation (EU) 2015/2450.

E. The powers referred to above are specified for the purpose of section 138Q(2) (Standards instruments) of the Act.

Pre-conditions to making[1]

F. The FCA has been consulted on the changes made by this instrument pursuant to section 138P(4) of the Act.

G. In accordance with section 138J of the Act, the PRA published a draft of the proposed instrument and had regard to representations made.

H. A draft of this instrument has been approved by the Treasury, as required by section 138R of the Act.

Interpretation

I. In this instrument, any reference to any provision of direct EU legislation is a reference to it as it forms part of retained EU law.

J. In this instrument:

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[1] These conditions will be completed prior to the making of any final instrument.

"EUWA" means the European Union (Withdrawal) Act 2018;

"PRA" means the Prudential Regulation Authority;

"Retained EU law" has the meaning given it in section 6 of the EUWA; and

"the Act" means the Financial Services and Markets Act 2000.

Modifications

K. The PRA makes the modifications in the Annex to Commission Implementing Regulation (EU) 2015/2450.

Commencement

L. This instrument comes into force on [Date].[2]

Citation

M. This instrument may be cited as PRA Standards Instrument: The Technical Standards (Regular Supervisory Reporting) Instrument 2021.

By order of the Prudential Regulation Committee

[Date]

[2] Commencement date to be confirmed in due course.

ANNEX

MODIFICATIONS TO COMMISSION IMPLEMENTING REGULATION (EU) 2015/2450

1. Commission Delegated Regulation (EU) 2015/2450 of 2 December 2015 laying down implementing technical standards 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 retained EU law (and as amended by the Technical Standards (Solvency II Directive & Institutions for Occupational Retirement Provision Directive) (EU Exit) Instrument 2019), is modified as follows:

2. The following changes are made as shown below, with deleted text shown in strike-through and new text underlined.

Article 6 Quarterly / Semi-annual quantitative templates for individual undertakings

[…]

(l) ~~where insurance and reinsurance undertakings are engaged in only life or only non-life insurance or reinsurance activity, template S.28.01.01 of Annex I, specifying the Minimum Capital Requirement, following the instructions set out in section S.28.01 of Annex II;~~ [NOT USED]

(m) ~~where insurance undertakings are engaged in both life and non-life insurance activity, template S.28.02.01 of Annex I, specifying the Minimum Capital Requirement, following the instructions set out in section S.28.02 of Annex II.~~[NOT USED]

[…]

3. Insurance and reinsurance undertakings shall submit semi-annually, unless the scope or frequency of the reporting is limited in accordance with a direction given by the PRA under section 138A of the Act, the information required under PRA Rulebook: Solvency II Firms: Minimum Capital Requirement 4.1 using the following templates:

(a) where insurance and reinsurance undertakings are engaged in only life or only non-life insurance or reinsurance activity, template S.28.01.01 of Annex I, specifying the Minimum Capital Requirement, following the instructions set out in section S.28.01 of Annex II;

(b) where insurance undertakings are engaged in both life and non-life insurance activity, template S.28.02.01 of Annex I, specifying the Minimum Capital Requirement, following the instructions set out in section S.28.02 of Annex II.

[…]

Article 10 Annual quantitative templates for individual undertakings — Investments information

[…]

(a) ~~where the undertaking is exempted from the annual submission of information in templates S.06.02.01 or S.08.01.01 in accordance with A direction given by the PRA under section 138A of the Act, template S.06.01.01 of Annex I to this Regulation, providing summary information of assets, following the instructions set out in section S.06.01 of Annex II to this Regulation~~[NOT USED]

[…]

Article 11 Annual quantitative templates for individual undertakings — Technical provisions information

[…]

(e) ~~template S.15.01.01 of Annex I, specifying information on description of the guarantees of variable annuities by product issued by the undertaking under direct insurance business, following the instructions set out in section S.15.01 of Annex II;~~[NOT USED]

(f) ~~template S.15.02.01 of Annex I, specifying information on the hedging of guarantees of variable annuities by product issued by the undertaking under direct insurance business, following the instructions set out in section S.15.02 of Annex II;~~ [NOT USED]

[…]

Article 16 ~~Annual quantitative templates for individual undertakings — Variation analysis information~~ [NOT USED]

~~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:~~

(a) ~~template S.29.01.01 of Annex I, specifying information on the variation of the excess of assets over liabilities during the reporting year providing a summary of main sources of this variation, following the instructions set out in section S.29.01 of Annex II;~~

(b) ~~template S.29.02.01 of Annex I, specifying information on the part of variation of the excess of assets over liabilities during the reporting year explained by investments and financial liabilities, following the instructions set out in section S.29.02 of Annex II;~~

(c) ~~templates S.29.03.01 and S.29.04.01 of Annex I, specifying information on the part of variation of the excess of assets over liabilities during the reporting year explained by technical provisions, following the instructions set out in section S.29.03 and S.29.04 of Annex II.~~

[…]

Article 27 Annual quantitative templates for groups — Investments information

(a) ~~where the group is exempted from the annual submission of information in templates S.06.02.04 or S.08.01.04 in accordance with the third subparagraph of a direction given by the PRA under section 138A of the Act, template S.06.01.01 of Annex I to this Regulation, providing summary information of assets, following the instructions set out in section S.06.01 of Annex III to this Regulation;~~ [NOT USED]

[…]

Article 28 ~~Annual quantitative templates for groups — Variable annuities information~~ [NOT USED]

~~Participating insurance and reinsurance undertakings, insurance holding companies and mixed financial holding companies shall submit annually the information referred to in Article 304(1)(d) of Delegated Regulation (EU) 2015/35, in conjunction with Article 372(1) of that Delegated Regulation, using the following templates:~~

(a) ~~template S.15.01.04 of Annex I, specifying information on the description of the guarantees of variable annuities by product issued under direct business by undertakings in the scope of the group and established outside the EEA, following the instructions set out in section S.15.01 of Annex III;~~

(b) ~~template S.15.02.04 of Annex I, specifying information on the hedging of guarantees of variable annuities by product issued under direct business by undertakings in the scope of the~~

~~group and established outside the EEA, following the instructions set out in section S.15.02 of Annex III~~

[…]

Annex II

Instructions regarding reporting templates for individual undertakings

[…]

S.01.01 — Content of the submission

General comments:

This section relates to opening, quarterly, semi-annual and annual submission of information for individual entities, ring fenced–funds, matching portfolios and remaining part.

When a special justification is needed, the explanation is not to be submitted within the reporting template but shall be part of the dialogue between undertakings and national competent authorities.

	ITEM	INSTRUCTIONS

[…]

C0010/R0130	S.06.01 — Summary of Assets	~~One of the options in the~~ The following ~~closed list~~ option shall be used: ~~1 — Reported~~ ~~4 — Not due as S.06.02 and S.08.01 reported quarterly~~ ~~5 — Not due as S.06.02 and S.08.01 reported annually~~ 0 — Not reported ~~(in this case special justification is needed)~~

[...]

C0010/R0260	S.15.01 — Description of the guarantees of variable annuities	~~One of the options in the~~ The following ~~closed list~~ option shall be used: ~~1 — Reported~~ ~~2 — Not reported as no unlimited guarantees received~~ 0 — Not reported other reason ~~(in this case~~

		~~special justification is needed)~~
C0010/R0270	S.15.02 — Hedging of guarantees of variable annuities	~~One of the options in the~~ The following ~~closed list~~ option shall be used: ~~1 — Reported~~ ~~2 — Not reported as no unlimited guarantees received~~ 0 — Not reported other reason ~~(in this case special justification is needed)~~

[...]

C0010/R0580	S.28.01 — Minimum Capital Requirement — Only life or only non–life insurance or reinsurance activity	One of the options in the following closed list shall be used: 1– Reported 2 — Not reported as both life and non–life insurance or reinsurance activity 0– Not reported other reason (in this case special justification is needed) In order to report information that is required on a semi-annual basis, the following option shall be used at the first and third quarter of their financial year where reporting of the S.28.01 is not required: 0– Not reported other reason
C0010/R0590	S.28.02 — Minimum Capital Requirement — Both life and non–life insurance activity	One of the options in the following closed list shall be used: 1 — Reported 2 — Not reported as only life or only non–life insurance or reinsurance activity or only reinsurance activity 0 — Not reported other reason (in this case special justification is needed) In order to report information that is required on a semi-annual basis, the following option shall be used at the first and third quarter of their financial year where reporting of the S.28.02 is

		not required: 0– Not reported other reason
C0010/R0600	S.29.01 — Excess of Assets over Liabilities	~~One of the options in the~~ The following ~~closed list~~ option shall be used: ~~1 — Reported~~ 0 — Not reported other reason ~~(in this case special justification is needed)~~
C0010/R0610	S.29.02 — Excess of Assets over Liabilities — explained by investments and financial liabilities	~~One of the options in the~~ The following ~~closed list~~ option shall be used: ~~1 — Reported~~ 0 — Not reported other reason ~~(in this case special justification is needed)~~
C0010/R0620	S.29.03 — Excess of Assets over Liabilities — explained by technical provisions	~~One of the options in the~~ The following ~~closed list~~ option shall be used: ~~1 — Reported~~ 0 — Not reported other reason ~~(in this case special justification is needed)~~
C0010/R0630	S.29.04 — Detailed analysis per period — Technical flows versus Technical provisions	~~One of the options in the~~ The following ~~closed list~~ option shall be used: ~~1 — Reported~~ 0 — Not reported other reason ~~(in this case special justification is needed)~~

[…]

S.16.01. — Information on annuities stemming from Non–Life Insurance obligations

General comments:

[…]

This template shall be reported only for annuities formally settled stemming from non–life contracts and relating to health insurance obligations and relating to insurance obligations other than health insurance obligations.

Reinsurance undertakings (ie excluding those who write direct business) are exempt from reporting this template.

[…]

S.28.01 — Minimum Capital Requirement — Only life or only non–life insurance or reinsurance activity

General comments:

This section relates to opening, ~~quarterly~~ semi-annual and annual submission of information for individual entities.

[…]

S.28.02 — Minimum Capital Requirement — Both life and non–life insurance activity

General comments:

This section relates to opening, ~~quarterly~~ semi-annual and annual submission of information for individual entities.

[…]

Annex III

Instructions regarding reporting templates for groups

[…]

S.01.01 — Content of the submission

[…]

	ITEM	INSTRUCTIONS

[...]

C0010/R0130	S.06.01 — Summary of Assets	~~One of the options in the~~ The following ~~closed list~~ option shall be used: ~~1 — Reported~~ ~~4 — Not due as S.06.02 and S.08.01 reported quarterly~~ ~~5 — Not due as S.06.02 and S.08.01 reported annually~~ 0 — Not reported ~~(in this case special justification is needed)~~

[...]

C0010/R0260	S.15.01 — Description of the guarantees of variable annuities	~~One of the options in the~~ The following ~~closed list~~ option shall be used:

		~~1 — Reported~~ ~~2 — Not reported as no variable annuities~~ ~~[F418 — Not reported as no direct insurance business]~~ 0 — Not reported other reason ~~(in this case special justification is needed)~~
C0010/R0270	S.15.02 — Hedging of guarantees of variable annuities	~~One of the options in the~~ The following ~~closed list~~ option shall be used: ~~1 — Reported~~ ~~2 — Not reported as no variable annuities~~ ~~[F418 — Not reported as no direct insurance business]~~ 0 — Not reported other reason ~~(in this case special justification is needed)~~

3. Each of the following templates in Annex I is deleted and replaced with "NOT USED" (but is not shown in strike-through and underline in this instrument):

a) Annex I (S.06.01.01)
b) Annex I (S.15.01.01)
c) Annex I (S.15.02.01)
d) Annex I (S.15.01.04)
e) Annex I (S.15.02.04)
f) Annex I (S.29.01.01)
g) Annex I (S.29.02.01)
h) Annex I (S.29.03.01)
i) Annex I (S.29.04.01)

4. Instructions regarding reporting templates for individual undertakings contained in Annex II in respect to the following templates are deleted and replaced with "NOT USED" (but is not shown in strike-through and underline in this instrument):

a) Annex II (S.06.01)
b) Annex II (S.15.01)
c) Annex II (S.15.02)
d) Annex II (S.29.01)
e) Annex II (S.29.02)

f) Annex II (S.29.03)
g) Annex II (S.29.04)

5. Instructions regarding reporting templates for groups contained in Annex III in respect to the following templates are deleted and replaced with "NOT USED" (but is not shown in strike-through and underline in this instrument):

a) Annex III (S.06.01)
b) Annex III (S.15.01)
c) Annex III (S.15.02)

2 Draft PRA RULEBOOK: SOLVENCY II FIRMS: MINIMUM CAPITAL REQUIREMENT INSTRUMENT 2021

PRA RULEBOOK: SOLVENCY II FIRMS: MINIMUM CAPITAL REQUIREMENT INSTRUMENT 2021

Powers exercised

A. The Prudential Regulation Authority ("PRA") makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

(1) section 137G (The PRA's general rules); and
(2) section 137T (General supplementary powers).

B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Rulebook: Solvency II Firms: Minimum Capital Requirement Instrument 2021

D. The PRA amends the rule in the Annex to this instrument.

Commencement

E. This instrument comes into force on dd/mm/yy. [1]

Citation

F. This instrument may be cited as the PRA Rulebook: Solvency II Firms: Minimum Capital Requirement Instrument 2021

By order of the Prudential Regulation Committee
[DATE]

[1] Commencement date to be confirmed in due course.

ANNEX A

Amendment to the Minimum Capital Requirement Part

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

…

4 FREQUENCY AND REPORTING IN RELATION TO THE MINIMUM CAPITAL REQUIREMENT

4.1 A *firm* must calculate the *MCR* and report the results of that calculation to the *PRA* at least <u>semi-annually</u>~~quarterly~~.

...

3 Draft amendments to SS11/15 'Solvency II: regulatory reporting and limitations'

1 Introduction

1.1 This Supervisory Statement is addressed to all UK Solvency II firms and the Society of Lloyd's. It should be read alongside all relevant onshored EU legislation, and the Reporting Part of the Prudential Regulation Authority (PRA) Rulebook. It clarifies the PRA's expectations of the Solvency II regime's requirements in relation to supervisory reporting.

1.2 In particular, this statement:

- lists the reporting requirements that are subject to ~~this~~ an exemption; and
- explains the steps a firm must take to apply for ~~the~~ an exemption, and how the decision will be communicated to the firm.

1.3 ~~This Statement expands on the PRA's general approach as set out in its insurance approach document.[1] By clearly and consistently explaining its expectations of firms in relation to the particular areas addressed, the PRA seeks to advance its statutory objectives of ensuring the safety and soundness of the firms it regulates, and contributing to securing an appropriate degree of protection for policyholders. The PRA has considered matters to which it is required to have regard, and it considers that this statement is compatible with the Regulatory Principles and relevant provisions of the Legislative and Regulatory Reform Act 2006. This statement is not expected to have any direct or indirect discriminatory impact under existing UK law~~. [Deleted]

1.4 ~~This Statement has been subject to public consultation[2] and reflects the feedback that was received by the PRA.~~ [Deleted]

1.5 Firms should also refer to:

- Bank of England and PRA Statement of Policy 'Interpretation of EU Guidelines and Recommendations: Bank of England and PRA approach after the UK's withdrawal from the EU';[3]
- Supervisory Statement (SS) 1/19 'Non-binding materials: The PRA's approach after the UK's withdrawal from the EU';[4] and
- Supervisory Statement (SS) 2/19 'PRA approach to interpreting reporting and disclosure requirements and regulatory transactions forms after EU withdrawal'.[5]

~~1 The Prudential Regulation Authority's approach to insurance supervision , June 2014; available at www.bankofengland.co.uk/publications/Pages/other/pra/supervisoryapproach.aspx~~

~~2 PRA Consultation Paper CP24/14, 'Solvency II: further measures for implementation', November 2014; www.bankofengland.co.uk/pra/Pages/publications/cp/2014/cp2414.aspx.~~

3 April 2019: https://www.bankofengland.co.uk/paper/2019/interpretation-of-eu-guidelines-and-recommendations-boe-and-pra-approach-sop.

4 April 2019: https://www.bankofengland.co.uk/prudential-regulation/publication/2019/non-binding-pra-materials-the-pras-approach-after-the-uks-withdrawal-from-the-eu-ss.

5 April 2019: https://www.bankofengland.co.uk/prudential-regulation/publication/2019/pra-approach-to-interpreting-reporting-and-disclosure-reqs-and-reg-trans-forms-ss.

1.6 Any reference to any provision of direct EU legislation is a reference to it as it forms part of retained EU law.

2 Solvency II reporting

2.1 The submission of National Specific Templates is in addition to those set out in the Solvency II Regulations as it forms part of retained EU law, and as referred to in Chapter 2 in the Reporting Part of the PRA Rulebook.

…

3 Scope of quarterly reporting limitation

3.1 The PRA considers that some firms may be eligible to apply for a modification by consent to ~~for the~~ limit~~ation of~~ regular supervisory reporting where the predefined submission period is less than one year. ~~, as set out in Article 35(6) of the Solvency II Directive. The PRA will grant this limitation via a rule waiver. Specifically, t~~The PRA considers that firms designated as Category 3, 4, ~~and~~or 5 by the PRA under the potential impact framework , whether solo or part of a group, are eligible to apply for this exemption from quarterly reporting. ~~meet the requirements of exemption from quarterly reporting~~. ~~While the PRA expects that Category 3 firms should report on a quarterly basis, it may consider waivers on a case-by-case basis.~~ The PRA will grant this limitation via a rule modification under s138A FSMA.[6] The PRA may ~~also~~ consider limitations for Category 1 and 2 firms on an exceptional basis. These cases could include small firms that are part of groups, where the group is designated as category 1, or 2~~or 3~~ by the PRA.

3.2 The reporting requirements are set out in the Solvency II Regulations (as they form part of retained EU law), and in Reporting 2.1–2.14 in the Reporting Part of the PRA Rulebook. ~~Article 35(6) of the Solvency II Directive states that supervisory authorities may limit reporting with a frequency shorter than one year where 'submission of that information would be overly burdensome in relation to the nature, scale and complexity of the risks inherent in the business of the undertaking'. This exemption is only available to firms that cumulatively represent less than 20% of a Member State's life and non-life insurance and reinsurance market shares respectively.~~ ~~On this basis~~, ~~t~~The PRA has determined that firms categorised by the PRA as Category 3, 4 ~~and~~or 5, both solo and part of a group, are eligible for the limitation of quarterly reporting through a modification by consent, unless specifically instructed by its supervisory team. Other firms may also be eligible.

…

3.4 As shown in the table, the exemption from quarterly reporting at the solo level does not apply to:

- Minimum Capital Requirement (MCR) semi-annual ~~quarterly~~ reporting, as this is a separate requirement set out in ~~Article 129(4) of the Solvency II Directive~~ Rule 4.1 of the Minimum Capital Requirements Part of the PRA Rulebook;

…

6 While the term 'waiver' is used throughout this document, the exemption would be granted by a modification by consent.

Table A: Aspects of QRT required of firms granted a QRT exemption[7]

~~Quarter 1~~	Quarter 2	~~Quarter 3~~	Quarter 4
~~Basic information — S.01.02.01~~	Basic information — S.01.02.01	~~Basic information — S.01.02.01~~	Basic information — S.01.02.01
~~Content of the submission — S.01.01.02~~	Content of the submission — S.01.01.02	~~Content of the submission — S.01.01.02~~	Content of the submission — S.01.01.02
	Balance sheet — S.02.01.02		
	Information on own funds — S.23.01.01		
~~Minimum capital requirement – non-composite undertakings S.28.01.01~~	Minimum capital requirement – non-composite undertakings S.28.01.01	~~Minimum capital requirement – non-composite undertakings S.28.01.01~~	Minimum capital requirement – non-composite undertakings S.28.01.01
~~Minimum capital requirement – composite undertakings S.28.02.01~~	Minimum capital requirement – composite undertakings S.28.02.01	~~Minimum capital requirement – composite undertakings S.28.02.01~~	Minimum capital requirement – composite undertakings S.28.02.01

3.5 ~~Article 254 of the Solvency II Directive states that the group supervisor may limit reporting with a frequency shorter than a year at the level of the group when all (re)insurance firms within the group benefit from the exemption from quarterly reporting at the solo level.~~ The PRA has determined that groups subject to group supervision by the PRA which meet this criteria set out in Article 254 of the Solvency II Directive (as at the end of the transition period)[8] may be eligible for this exemption from quarterly reporting at the level of the group. Groups that are granted this exemption may not be required to submit any group level quarterly reporting templates.

...

Application for Solvency II quarterly reporting exemptions

3.7 Category 1 ~~to 3~~ or 2 solo firms and groups that believe they are eligible for limitations to quarterly reporting should discuss this limitation with their supervisor prior to submitting a formal application. Similarly, groups subject to group supervision by the PRA that believe they are eligible for limitations to quarterly reporting at the level of the group should discuss this limitation with their group supervisor prior to submitting a formal application. An application should then be submitted by completing the relevant questionnaire published on the Bank of England website.[9] ~~Given that the group level reporting limitation may only be granted once all solo firms within a group have been granted the solo level limitation, t~~The timing of decisions on the two types of applications may differ.

...

4 ~~Cost benefit analysis~~ [Deleted]

7 Although there has been no change to the content of Table A, the template reference numbers have been updated to reflect those published in the Commission Implementing Regulation (EU) 2015/2450 of 2 December 2015.
8 The UK's membership of the EU came to an end on Friday 31 January 2020. The UK entered into a transition period lasting until 11pm on Thursday 31 December 2020, which marked the end of the transition period, during which EU law continued to apply to the UK.
9 See www.bankofengland.co.uk/prudential-regulation/authorisations/waivers-and-modifications-of-rules.

~~4.1 The PRA regards the costs are proportionate to the benefits as the impact on policyholder protection is likely to be minimal. The PRA would still receive sufficient information to enable a proportionate level of supervision but with lower administrative compliance costs for exempted firms.~~

4 Draft amendments to SS40/15 'Solvency II: reporting and public disclosure – options provided to supervisory authorities'

1 Introduction

~~**Update July 2016:** Chapter 4 of this statement was updated to address the options for supervisory authorities in accident or underwriting year reporting and disclosure. It also includes references to template S.29.03.01 (the instructions for template S.29.03 give supervisory authorities discretion to stipulate accident or underwriting year reporting).~~

1.1 This supervisory statement is of interest to all UK insurance firms and groups within the scope of Solvency II, the Society of Lloyd's and, where applicable, to third country branches. For third country branches it should be read alongside the EIOPA Guidelines (as at the end of the transition period)[1] and the Prudential Regulation Authority's (PRA's) Rules[2] and supervisory statement[3] on third country branches.

1.2 This supervisory statement ~~has been subject to public consultation[4] and reflects the feedback that was received by the PRA. It~~ sets out the PRA's expectations of firms in relation to either specific alternative approaches set out in the ~~where the~~ Solvency II supervisory reporting Implementing Technical Standards (ITS) (as it forms part of retained EU law) and the Solvency II public disclosure ITS[5] (as it forms part of retained EU law), or in areas that require the PRA to issue additional ~~allows supervisory authorities to specify different approaches to the default set out in the standards, or requires supervisory authorities to issue~~ instruction~~s~~. This supervisory statement sets out the PRA's expectations of how firms are to comply with the options contained in the ITS (as it forms part of retained EU law) ~~standards when options are provided to supervisory authorities~~ in the following areas:

…

1.3 ~~The PRA has consulted with the Financial Conduct Authority (FCA) on this supervisory statement.~~ [Deleted]

1.4 Firms should also refer to:

1 The UK's membership of the EU came to an end on Friday 31 January 2020. The UK entered into a transition period lasting until 11pm on Thursday 31 December 2020, which marks the end of the transition period, during which EU law continued to apply to the UK.

2 ~~PRA~~ PS2/15 'Solvency II: a new regime for insurers', March 2015: ~~www.bankofengland.co.uk/pra/Pages/publications/ps/2015/ps215.aspx~~https://www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency-2-a-new-regime-for-insurers.

3 ~~PRA~~ SS44/15 'Solvency II third country branches', November 2015: https://www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-third-country-insurance-and-pure-reinsurance-branches-ss. ~~SS10/15 'Solvency II: third country branches', March 2015. www.bankofengland.co.uk/pra/Pages/publications/ss/2015/ss1015.aspx.~~

~~4 PRA CP25/15, 'Solvency II: reporting and public disclosure - options provided to supervisory authorities', August 2015; www.bankofengland.co.uk/pra/Pages/publications/cp/2015/cp2515.aspx.~~

5 Commission Implementing Regulation (EU) 2015/2450 (ITS for Solvency II templates submitted to supervisory authorities under Solvency II) (as it forms part of retained EU law) and Commission Implementing Regulation (EU) 2015/2452 (ITS for the Solvency and Financial Condition Report which includes templates in the SFCR) (as it forms part of retained EU law).

- Bank of England and PRA Statement of Policy 'Interpretation of EU Guidelines and Recommendations: Bank of England and PRA approach after the UK's withdrawal from the EU';[6]

- Supervisory Statement (SS) 1/19 'Non-binding materials: The PRA's approach after the UK's withdrawal from the EU';[7] and

- Supervisory Statement (SS) 2/19 'PRA approach to interpreting reporting and disclosure requirements and regulatory transactions forms after EU withdrawal'.[8]

1.5 Any reference to any provision of direct EU legislation is a reference to it as it forms part of retained EU law.

2 Solvency II reporting currency

2.1 Article 1 of the Solvency II supervisory reporting ITS (as it forms part of retained EU law) and Article 1 of the Solvency II public disclosure ITS (as it forms part of retained EU law) ~~allows supervisory authorities~~ enables the PRA to specify the reporting currency to be other than that used for the preparation of financial statements.

…

3 Exchange rates

3.1 Article 3(4) of the Solvency II supervisory reporting ITS (as it forms part of retained EU law) and Article 3(4) of the Solvency II public disclosure ITS (as it forms part of retained EU law) ~~allows supervisory authorities~~ enables the PRA to specify the conversion to the reporting currency to be other than the exchange rates used in the firm's financial statements.

…

4 Accident or underwriting year reporting

4.1 Articles 11(g), 11(k), 11(l), 11(m) and 16(c) of the Solvency II supervisory reporting ITS (as it forms part of retained EU law) require firms to submit claims information on templates S.16.01.01, S.19.01.01, S.20.01.01 and S.21.01.01 ~~and S.29.03.01~~ of Annex I following instructions set out in S.16.01, S.19.01, S.20.01 and S.21.01 ~~and S.29.03~~ of Annex II respectively. Article 4(f) of the Solvency II public disclosure ITS (as it forms part of retained EU law) requires firms to disclose claims information in S.19.01.21 of Annex I following the instruction set out in S.19.01 of Annex II.

4.2 These instructions allow the PRA ~~supervisory authorities~~ to specify whether the information is to be reported by accident year (ie the information is aggregated by the year the claim event occurred) or reported by underwriting year (ie the information is aggregated by the year the insurance or

6 April 2019: https://www.bankofengland.co.uk/paper/2019/interpretation-of-eu-guidelines-and-recommendations-boe-and-pra-approach-sop.

7 April 2019: https://www.bankofengland.co.uk/prudential-regulation/publication/2019/non-binding-pra-materials-the-pras-approach-after-the-uks-withdrawal-from-the-eu-ss.

8 April 2019: https://www.bankofengland.co.uk/prudential-regulation/publication/2019/pra-approach-to-interpreting-reporting-and-disclosure-reqs-and-reg-trans-forms-ss.

reinsurance obligations were recognised), and whether the information is to be disclosed by accident year or by underwriting year.

4.3 For the supervisory reporting templates referred to in 4.1 (where information is required at line of business (LoB) level of granularity~~, though on S.29.03.01 LoBs are not reported individually)~~ the PRA is not stipulating which of accident year or underwriting year basis to use. Therefore firms have the choice of whether to report all information for LoB, as defined in the relevant instructions, by accident year or by underwriting year. Once a choice of reporting basis is made, the PRA expects that choice to be applied for future reporting periods.

…

5 Claim size brackets for loss distribution risk profile

5.1 Article 11(m) of the Solvency II supervisory reporting ITS (as it forms part of retained EU law) requires firms to submit in template S.21.01.01 of Annex I non-life loss distribution information aggregated by claim incurred size brackets within an accident or underwriting year within a LoB. The instructions set out in S.21.01 of Annex II require the PRA ~~supervisory authorities~~ to define the start and end point of each bracket where the reporting currency is not Euro.[9] These instructions also allow the PRA ~~supervisory authorities~~ to specify claim size brackets where incurred losses are small.

…

6 Sum insured size brackets for non-life distribution of underwriting risks by sum insured

6.1 Article 11(o) of the Solvency II supervisory reporting ITS (as it forms part of retained EU law) requires firms to submit in template S.21.03.01 of Annex I information on non-life underwriting risks aggregated by sum insured size brackets within a LoB. The instructions set out in S.21.03 of Annex II require the PRA ~~supervisory authorities~~ to define the start and end points of each bracket where the reporting currency is not Euro. These instructions also allow the PRA ~~supervisory authorities~~ to specify sum insured size brackets where sums insured are small.

…

7 Lines of business to be reported for non-life distribution of underwriting risks by sum insured

7.1 Article 11(o) of the Solvency II supervisory reporting ITS (as it forms part of retained EU law) requires firms to submit information on non-life underwriting risks in template S.21.03.01 of Annex 1 following instructions set out in S.21.03 of Annex II. These instructions give the PRA ~~supervisory authority~~ some discretion on the LoBs to be reported.

…

8 Reporting of annuities stemming from non-life obligations by currency

9 The treatment to reporting where Euro is given as an example of a currency is set out in Supervisory Statement SS2/19.

8.1 Article 11(g) of the Solvency II supervisory reporting ITS (as it forms part of retained EU law) requires firms to submit information on annuities stemming from non-life obligations in template S.16.01.01 of Annex I following the instructions set out in S.16.01 of Annex II. These instructions allow the PRA ~~supervisory authorities~~ to specify currencies other than the original currency of the contracts.

…

9 Development of the distribution of reported but not settled (RBNS) claims - reporting number of claims

9.1 Article 11(l) of the Solvency II supervisory reporting ITS (as it forms part of retained EU law) requires firms to submit information on RBNS claims in template S.20.01.01 of Annex I following the instructions set out in S.20.01 of Annex II. These instructions allow the PRA ~~supervisory authorities~~ to specify the definition of number of claims.

…

10 Reporting external ratings

10.1 Articles 10(b) and 10(e), of the Solvency II supervisory reporting ITS (as it forms part of retained EU law) requires individual firms to submit individual asset data on template S.06.02.01 and individual open position derivative data on template S.08.01.01 of Annex 1 following the instructions set out in S.06.02 and S.08.01 of Annex II respectively. Articles 27(b) and 27(e) require groups to submit individual asset data on template S.06.02.04 and individual open position derivative data on template S.08.01.04 following instructions set out in S.06.02 and S.08.01 of Annex III.

10.2 These instructions allow the PRA ~~supervisory authorities~~ to exempt a firm from reporting external ratings and nominated external credit assessment institutions (ECAI) at individual asset or derivative level in specific circumstances. The PRA does not envisage exempting UK firms from complying with the instructions in the Solvency II reporting ITS (as it forms part of retained EU law) set out in S.06.02 of Annexes II and III under items 'external rating' (C0320) and 'nominated ECAI' (C0330), or set out in S.08.01 of Annexes II and III under items 'external rating' (C0290) and 'nominated ECAI' (C0300). This data is important for firms' understanding of their risks and for the PRA to use in the supervision of firms.

11 Group reporting where the PRA is the group supervisor and there are no consolidated financial statements at the head of the insurance or reinsurance group

11.1 There are various sections in the Solvency II supervisory reporting ITS (as it forms part of retained EU law) and the Solvency II public disclosure ITS (as it forms part of retained EU law) for groups that reference a group's consolidated financial statements. The PRA is aware that in some cases consolidated financial statements are not produced at the same level at which the PRA exercises group supervision under Solvency II. Where this is the case, the PRA expects a firm to discuss and agree with its usual supervisory contact how best to provide meaningful information for inclusion in the ITS templates. This discussion should include the agreement of the reporting currency and exchange rates to be used for its reporting and disclosure.

…

11.3 Firms should analyse which templates may be impacted by not having consolidated financial statements at the level of the Solvency II reporting group. These will include:

- the balance sheet reporting template S.02.01.01 as required under Article 26(a) of the Solvency II supervisory reporting ITS (as it forms part of retained EU law). The "statutory accounts value" column in the template relates to financial statements produced by the group;
- the premiums claims and expenses reporting templates S.05.01.01 and S.05.02.01 as required under Articles 26(f) and 26(g) of the Solvency II supervisory reporting ITS (as it forms part of retained EU law);
- the premiums claims and expenses disclosure templates S.05.01.02 and S.05.02.02 as required under Articles 5(1)(c) and 5(1)(d) of the Solvency II public disclosure ITS (as it forms part of retained EU law);
- own funds reporting template S.23.01.04 as required under Article 30(a) of the Solvency II supervisory reporting ITS (as it forms part of retained EU law). The item at row R0220 relates to own funds from the financial statements;
- own funds disclosure template S.23.01.22 as required under Article 5(1)(f) of the Solvency II public disclosure ITS (as it forms part of retained EU law). The item at row R0220 relates to own funds from the financial statements; and
- own funds by tiers reporting template S.23.02.01 as required under Articles 30(b) of the Solvency II supervisory reporting ITS (as it forms part of retained EU law). The items at rows R0630 to R0650 relate to reserves from the financial statements.

11.4 The information groups propose to include in the templates, where consolidated financial statements are not available at the level at which the PRA exercises Solvency II group supervision, should:

- be a meaningful representation of the size and nature of the group in question;
- be consistent with the undertakings in the scope of the group as reported in template S.32.01.04;
- be linked (by reconciliation) to the relevant information included in the Solvency II group;
- enable a meaningful comparison between the template in question and other templates in the Solvency II supervisory reporting or disclosure ITS (as it forms part of retained EU law); and
- in cases where only specific items of a template are impacted, be meaningful in the context of the rest of the template.

11.5 Firms should consider the impact on public disclosure information in the group solvency and financial condition report (for example, Commission Delegated Regulation (EU) 2015/35 articles 293(2) to (4), 296(1)(b), 296(2)(c), and 296(3)(b) (as they form part of retained EU law) refer to financial statements). They should also consider the impact on the regular supervisory report (for example, Commission Delegated Regulation (EU) 2015/35 Articles 307(2) and (3) (as they form part of retained EU law) refer to financial statements).

Annex – SS40/15 updates

Update July 2016: Chapter 4 of this statement was updated to address the options for supervisory authorities in accident or underwriting year reporting and disclosure. It also includes references to template S.29.03.01 (the instructions for template S.29.03 give supervisory authorities discretion to stipulate accident or underwriting year reporting).

5 Draft amendments to SS41/15 'Solvency II: applying EIOPA's Set 2, System of Governance and ORSA Guidelines'

1 Introduction

1.1 This supervisory statement is addressed to all UK firms that fall within the scope of Solvency II, and the Society of Lloyd's. It sets out the Prudential Regulation Authority's (PRA's) expectations of firms and its general approach to the following European Insurance and Occupational Pensions Authority's (EIOPA's) Guidelines (as at the end of the transition period)[1]:

…

1.2 Guidelines on supervision of branches of third-country insurance undertakings are ~~may be~~ covered in ~~a separate~~ supervisory statement 44/15.[2] ~~to be published at a later date~~.

1.3 ~~This supervisory statement expands on the PRA's general approach set out in its approach to insurance supervision.[3] By clearly and consistently explaining its expectations of firms with respect to the particular areas addressed, the PRA seeks to advance its statutory objectives of ensuring the safety and soundness of the firms it regulates, and of securing an appropriate degree of protection for policyholders. The PRA has considered matters to which it is required to have regard, and it considers that this statement is compatible with the Regulatory Principles[4] and relevant provisions of the Legislative and Regulatory Reform Act 2006.[5] The PRA may not act in an unlawfully discriminatory manner. It is required, under the Equality Act 2010, to have due regard to the need to eliminate discrimination and to promote equality of opportunity in carrying out its policies, services and functions.[6] This statement is not expected to have any direct or indirect discriminatory impact under existing UK law.~~ [Deleted]

1.4 ~~This statement has been subject to public consultation[7] and reflects the feedback that was received by the PRA. It sets out the PRA's expectation that all firms must comply with all of the Set 2, System of Governance and ORSA Guidelines. It does not address the expected EIOPA Guidelines relating to third-country branches as these have not yet been published in all official languages of the European Union. It also provides further commentary on certain Guidelines where additional considerations, largely set out in previous PRA supervisory statements, should be taken into account by firms.~~ [Deleted]

1.5 ~~The PRA has consulted with the Financial Conduct Authority (FCA) on this supervisory statement.~~ [Deleted]

1.6 Firms should also refer to:

1 The UK's membership of the EU came to an end on Friday 31 January 2020. The UK entered into a transition period lasting until 11pm on Thursday 31 December 2020, which marked the end of the transition period, during which EU law continued to apply to the UK.

2 PRA Supervisory Statement 44/15, 'Solvency II: third-country insurance and pure reinsurance branches', November 2015; https://www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-third-country-insurance-and-pure-reinsurance-branches-ss.

~~3 PRA's approach to insurance supervision: www.bankofengland.co.uk/publications/Documents/praapproach/insuranceappr1406.pdf~~

~~4 See s.2H and s.3B of the Financial Services and Markets Act 2000 (FSMA): http://www.legislation.gov.uk/ukpga/2000/8/contents.~~

~~5 Legislative and Regulatory Reform Act 2006: www.legislation.gov.uk/ukpga/2006/51/contents.~~

~~6 Equality Act 2010, section 149(1).~~

~~7 *PRA Consultation Paper 30/15*, 'Solvency II: applying EIOPA's Set 2, System of Governance and ORSA Guidelines', September 2015; http://www.bankofengland.co.uk/pra/Pages/publications/cp/2015/cp3015.aspx.~~

- Bank of England and PRA Statement of Policy 'Interpretation of EU Guidelines and Recommendations: Bank of England and PRA approach after the UK's withdrawal from the EU'; [8]

- Supervisory Statement (SS) 1/19 'Non-binding materials: The PRA's approach after the UK's withdrawal from the EU';[9] and

- Supervisory Statement (SS) 2/19 'PRA approach to interpreting reporting and disclosure requirements and regulatory transactions forms after EU withdrawal'.[10]

1.7 Any reference to any provision of direct EU legislation is a reference to it as it forms part of retained EU law.

2 Compliance with the Guidelines

2.1 ~~It is the PRA's responsibility to make every effort to comply with EIOPA Guidelines and its intention is to comply with all of the Set 2, the System of Governance and the ORSA Guidelines. The PRA will take full account of the Guidelines in its ongoing supervision of the Solvency II regulatory framework.~~ [Deleted]

2.2 The PRA expects firms to comply with all of the Set 2, System of Governance and ORSA Guidelines (as at the end of the transition period) that apply to them, in a proportionate manner.

…

3 Recognition and valuation of assets and liabilities other than technical provisions

3.1 The PRA expects firms to comply with each of the Guidelines in all cases unless they intend to take advantage of the derogation in Article 9 (4) of the Commission Delegated Regulation (EU) 2015/35 ('the Delegated Regulation') as it forms part of retained EU law.

…

3.3 Where firms intend to take advantage of the Article 9 (4) derogation as it forms part of retained EU law, they should still apply Guidelines 1, 2, 4, 5 and 8 to 11. They should also refer to SS38/15[11] in which the PRA sets out its conclusions as to which financial reporting standards (FRS) are consistent

[8] April 2019: https://www.bankofengland.co.uk/paper/2019/interpretation-of-eu-guidelines-and-recommendations-boe-and-pra-approach-sop.

[9] April 2019: https://www.bankofengland.co.uk/prudential-regulation/publication/2019/non-binding-pra-materials-the-pras-approach-after-the-uks-withdrawal-from-the-eu-ss.

[10] April 2019: https://www.bankofengland.co.uk/prudential-regulation/publication/2019/pra-approach-to-interpreting-reporting-and-disclosure-reqs-and-reg-trans-forms-ss.

[11] PRA Supervisory Statement 38/15, 'Solvency II: consistency of UK generally accepted accounting principles with the Solvency II Directive', August 2015;~~http://www.bankofengland.co.uk/pra/Pages/publications/ss/2015/ss3815.aspx~~https://www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-consistency-of-uk-generally-accepted-accounting-principles-with-the-solvency2-directive-ss.

with the UK's implementation of Article 75 of the Solvency II Directive (the Directive)[12] and therefore within the possible scope of the derogation.

4 ~~Methods for determining the market share for reporting~~ [Deleted]

~~4.1 The Guidelines set out the approach by which national competent authorities (NCAs) are to calculate these market shares.~~

~~4.2 In Supervisory Statement 11/15,[13] the PRA indicated that firms designated as either category 4 or 5 by the PRA, whether solo or part of a group, may meet the requirements of exemption from quarterly reporting. As indicated in Rule 2.2 (1) in the Reporting Part of the PRA Rulebook, this exemption, granted by waiver, is only available to firms that cumulatively represent less than 20% of a Member State's life and non-life insurance and reinsurance market shares respectively.~~

~~4.3 Firms should be aware that their eligibility for the exemption from quarterly reporting may change due to the re-categorisation of firms or recalculation of market shares in accordance with these Guidelines by the PRA. Should the PRA decide that a firm granted an exemption no longer meets the relevant statutory tests and the PRA Rule requirements, or determine that a firm becomes ineligible due to the re-categorisation of firms or recalculation of market shares, it will notify the firm that its waiver will expire and provide the firm a reasonable timeframe in which to start submitting the full quarterly reporting.~~

5 ~~Reporting for financial stability purposes~~ [Deleted]

~~5.1 Guideline 2 defines the criteria to identify the firms that need to report for financial stability purposes. For paragraphs 1.18a and 1.18b, the PRA has determined that firms should report for financial stability reporting purposes, where their total assets or the equivalent in the national currency in the Solvency II balance sheet are equal to or more than €12 billion in total assets. The PRA will advise those firms in-scope for financial stability reporting of this fact in due course.~~

~~5.2 Guidelines 4 and 5 relate to Regulation (EU) No. 1094/2010 ('the EIOPA Regulation'). In particular they provide guidance on how NCAs should collect data in accordance with Article 35 of the EIOPA Regulation.~~

6 Reporting and public disclosure

6.1 In accordance with the requirement of the PRA Rulebook, Composites 4.5, composite firms are required to prepare a statement on the basis of the accounts referred to in Composites 3.2 identifying the eligible own funds covering the notional minimum capital requirements (MCRs) of the life and non–life parts of the business. Section II on Regular Supervisory Reporting (Guidelines 16-29) (as at the end of the transition period) also gives guidance on reporting issues. In order to fulfil all these requirements, as the template Own Funds (S.23.01.01) does not provide space for composite firms to report eligible own funds separately for life and non-life business, the PRA expects composite firms to submit such statements, on an annual basis, within Section E Capital Management of the Regular Supervisory Report, as described in Annex XX of the Delegated Regulation.

12 Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (recast).

~~13 *PRA Supervisory Statement 11/15*, 'Solvency II: regulatory reporting and exemptions', March 2015; http://www.bankofengland.co.uk/pra/Pages/publications/ss/2015/ss1115.aspx.~~

7 Own Risk and Solvency Assessment (ORSA)

7.1 ~~By 1 January 2016, firms will have had two years' experience of producing ORSAs. Therefore, t~~The PRA expects ~~that by that point,~~ firms ~~will be familiar with the concept of~~ to assessing~~ing~~ risks on a forward-looking basis, covering business plan and strategy timelines, and reflect~~ing~~ the specific risk profile and governance mechanisms of each entity or group.

7.2 ~~The PRA has provided general feedback to all firms on lessons learned from the first set of ORSAs. In addition, i~~In SS26/15 the PRA has set out its expectations for non-life firms regarding the option of demonstrating that their risks have been projected to the ultimate time horizon.[14] Firms should ensure that they capture own capital needs and reflect business risk profiles over both the short-term and the long-term.

7.3 As part of its supervisory process, the PRA will ~~continue to~~ review ORSA reports on a risk-based and proportionate basis.

14 ~~PRA~~ Supervisory Statement 26/15, 'Solvency II: ORSA and the ultimate time horizon – non-life firms', June 2015; ~~http://www.bankofengland.co.uk/pra/Pages/publications/ss/2015/ss2615.aspx~~https://www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-orsa-and-the-ultimate-time-horizon-non-life-firms-ss.

6 Draft amendments to SS44/15 ‘Solvency II: third-country insurance and pure reinsurance branches’

1 Introduction

1.1 This supervisory statement is addressed to ~~non-EEA~~ third country insurance undertakings that have a UK branch (third-country branch undertakings). This includes ~~non-EEA~~ third country insurance undertakings that have a UK branch that solely carries out reinsurance activities (a third-country pure reinsurance branch). The statement replaces Supervisory Statement 10/15 ‘Solvency II: third-country branches’.[1] It should be read alongside the Third Country Branches Part of the Prudential Regulation Authority (PRA) Rulebook, any other rules in the PRA Rulebook that apply to third-country branch undertakings, the relevant European legislation (as it forms part of retained EU law), the European Insurance and Occupational Pension Authority‘s (EIOPA) third-country branches Guidelines (herein referred to as “the EIOPA Branch Guidelines”) (as at the end of the transition period[2]) and the relevant provisions of the Financial Services and Markets Act 2000 (FSMA). It sets out the PRA’s expectations of third-country branch undertakings.

…

1.3 ~~This statement expands on the PRA’s general approach to supervision as set out in its insurance approach document.[3] By clearly and consistently explaining its expectations of firms in relation to the particular areas addressed, the PRA seeks to advance its statutory objectives of ensuring the safety and soundness of the firms it regulates, and contributing to securing an appropriate degree of protection for policyholders. This statement has been subject to public consultation and reflects the feedback that was received by the PRA.[4]~~ [Deleted]

1.4 ~~The PRA has considered matters to which it is required to have regard and considers this statement to be compatible with the Regulatory Principles and relevant provisions of the Legislative and Regulatory Reform Act 2006. This statement is not expected to have any direct or indirect discriminatory impact under existing UK law. The PRA does not consider that this supervisory statement would have any different impact on mutuals.~~ [Deleted]

1.5 ~~The PRA has consulted with the Financial Conduct Authority (FCA) on this supervisory statement.~~ [Deleted]

1.6 Firms should also refer to:

1 *PRA Supervisory Statement 10/15* ‘Solvency II: third-country branches’, March 2015: ~~http://www.bankofengland.co.uk/pra/Pages/publications/ss/2015/ss1015.aspx~~https://www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-third-country-branches-ss.

2 The UK’s membership of the EU came to an end on Friday 31 January 2020. The UK entered into a transition period lasting until 11pm on Thursday 31 December 2020, which marked the end of the transition period, during which EU law continued to apply to the UK.

~~3 PRA’s approach to insurance supervision: www.bankofengland.co.uk/publications/Documents/praapproach/insuranceappr1406.pdf.~~

~~4 *PRA Consultation Paper 31/15*, ‘Solvency II: third-country insurance and pure reinsurance branches’, August 2015: http://www.bankofengland.co.uk/pra/Pages/publications/cp/2015/cp3115.aspx.~~

- Bank of England and PRA Statement of Policy 'Interpretation of EU Guidelines and Recommendations: Bank of England and PRA approach after the UK's withdrawal from the EU';[5]

- Supervisory Statement (SS) 1/19 'Non-binding materials: The PRA's approach after the UK's withdrawal from the EU';[6] and

- Supervisory Statement (SS) 2/19 'PRA approach to interpreting reporting and disclosure requirements and regulatory transactions forms after EU withdrawal'.[7]

1.7 Any reference to any provision of direct EU legislation is a reference to it as it forms part of retained EU law.

2 Compliance with the Guidelines

2.1 The PRA expects third-country branch undertakings to comply with the EIOPA Branch Guidelines published as a final report on 6 July 2015 (and re-issued on 23 October 2015)[8] (as at the end of the transition period) that are relevant to them and to comply with the rules in the PRA Rulebook that apply to third-country branch undertakings, in light of the EIOPA Branch Guidelines (as at the end of the transition period).

2.2 The PRA also expects third-country undertakings that have a third-country pure reinsurance branch to comply with the EIOPA Branch Guidelines (as at the end of the transition period) that are relevant to them. The PRA expects such undertakings to comply with the rules in the PRA Rulebook that apply to them in light of the EIOPA Branch Guidelines (as at the end of the transition period) as if the scope extended to them.

2.3 Where EIOPA Branch guidelines (as at the end of the transition period) refer to templates that the PRA has deleted or amended after the end of the transition period, third country insurance undertakings should base their reporting requirements of these specific templates[9] in light of the requirements introduced subsequently.

3 Important aspects of the EIOPA Branch Guidelines (as at the end of the transition period)

3.1 ~~The EIOPA Branch Guidelines require national supervisory authorities to exercise proportionate supervision methods to protect policyholders of a branch of a third-country insurance undertaking and list the methods that they are expected to use.~~ [Deleted]

3.2 ~~Having regard to the PRA's supervisory approach,~~ The PRA expects third-country undertakings ~~are expected~~ to maintain financial soundness at branch level (Guidelines 17-26) to ensure that the

5 April 2019: https://www.bankofengland.co.uk/paper/2019/interpretation-of-eu-guidelines-and-recommendations-boe-and-pra-approach-sop.
6 April 2019: https://www.bankofengland.co.uk/prudential-regulation/publication/2019/non-binding-pra-materials-the-pras-approach-after-the-uks-withdrawal-from-the-eu-ss.
7 April 2019: https://www.bankofengland.co.uk/prudential-regulation/publication/2019/pra-approach-to-interpreting-reporting-and-disclosure-reqs-and-reg-trans-forms-ss.
8 EIOPA Guidelines on supervision of branches of third-country insurance undertakings: ~~https://eiopa.europa.eu/Pages/Guidelines/Guidelines-on-the-supervision-of-branches-of-third-country-insurance-undertakings.aspx.~~ https://www.bankofengland.co.uk/-/media/boe/files/paper/2020/december/gl-branches-third-country-insurance.pdf.
9 Including paragraph 1.77 sub-sections (x), (y), (ccc), (ddd), (eee), and paragraph 1.80 sub-sections (l) and (m).

branch policyholders enjoy the same level of protection as those policyholders of an insurance undertaking situated in the UK ~~European Union~~.

…

3.4 The PRA expects to receive an analysis from the third-country undertaking of the applicable winding up regime, analysing the priority given to policyholders of the branch and how the assets of the third-country undertaking would be distributed to those policyholders. The PRA may have access to analyses that have already been provided by other undertakings ~~or been made available by EIOPA~~ and may be able to rely on these documents (Guideline 4) in which case the analysis expected from the third-country undertaking need concern only the application of that regime to the undertaking's own circumstances.

3.5 In the context of third-country branch undertakings observing quantitative reporting requirements (Guidelines 44-61 and any subsequent deletions or amendments of specific templates that have been implemented by the PRA after the end of the transition period), the PRA is taking a proportionate approach as set out in section 6 of this supervisory statement.

…

6 Annual~~,~~ and quarterly ~~and Day 1~~ reporting requirements

6.1 In meeting the reporting requirements for third-country branch undertakings as set out in Third Country Branches 9.1, the PRA expects third-country branch undertakings to use the reporting templates set out in the EIOPA Branch Guidelines (as at the end of the transition period). The ~~Guidelines allow the~~ PRA ~~to~~may decide which quarterly or annual quantitative reporting templates (QRTs) should be submitted by each third-country branch undertaking. ~~All third-country branch undertakings are required to submit the Day 1 reporting QRTs (those covered under Guideline 57 of the EIOPA Branch Guidelines relating to the financial year starting on, or after, 1 January 2016 but before 1 July 2016~~).

…

6.3 Full reporting is expected for branches allocated to group 1 and limited reporting for branches allocated to groups 2 and 3. All branches are expected to report minimum capital requirement (MCR) templates S.28.01.01 and S.28.02.01 at the first and third quarter of their financial year~~on a quarterly basis~~.

…

6.5 ~~The Day 1 QRTs should be submitted no later than 20 weeks after 1 January 2016, or a later reference date if applicable (as set out in Guideline 58 of the EIOPA Branch Guidelines).~~ [Deleted].

6.6 The PRA expects branches to use the XBRL format for the submission of ~~the Day 1,~~ quarterly and annual reporting QRTs.

…

Table 1 reporting templates

Reporting group	~~**Day 1 - transitional information requirements**~~	**Quarterly reporting Quarters 1 and 3**	**Quarterly reporting Quarters 2 and 4**	**Annual reporting**
Full reporting – group 1	~~All QRTs as set out in the EIOPA Branch Guidelines~~	All QRTs as set out in the EIOPA Branch Guidelines	All QRTs as set out in the EIOPA Branch Guidelines	All QRTs as set out in the EIOPA Branch Guidelines
Limited reporting – group 2	~~All QRTs as set out in the EIOPA Branch Guidelines~~	S.01.01.08 S.01.02.07 ~~S.28.01.01~~ ~~S.28.02.01~~	S.01.01.08 S.01.02.07 S.02.01.08 S.23.01.07 S.28.01.01 S.28.02.01	S.01.01. 07 S.01.02.07 S.01.03.01 S.02.01.07 S.02.02.01 S.02.03.07 S.03.01.01 S.03.02.01 S.03.03.01 S.05.01.01 S.06.02.07 S.09.01.01 S.12.01.01 S.14.01.01 S.16.01.01 S.17.01.01 S.22.01.01 S.22.05.01 S.22.06.01 S.23.01.07 S.23.03.07 S.25.01.01 S.25.02.01 S.25.03.01 S.28.01.01 S.28.02.01 S.31.01.01 SR.01.01.07 SR.12.01.01 SR.17.01.01 SR.25.01.01

Reporting group	~~Day 1 - transitional information requirements~~	Quarterly reporting Quarters 1 and 3	Quarterly reporting Quarters 2 and 4	Annual reporting
Limited reporting – group 3	~~All QRTs as set out in the EIOPA Branch Guidelines~~	S.01.01.08 S.01.02.07 ~~S.28.01.01~~ ~~S.28.02.01~~	S.01.01.08 S.01.02.07 S.28.01.01 S.28.02.01	S.01.01.07 S.01.02.07 S.01.03.01 S.02.01.07 S.02.02.01 S.02.03.07 S.03.01.01 S.03.02.01 S.03.03.01 S.05.01.01 S.06.02.07 S.09.01.01 S.12.01.01 S.14.01.01 S.17.01.01 S.22.01.01 S.22.05.01 S.22.06.01 S.23.01.07 S.23.03.07 S.25.01.01 S.25.02.01 S.25.03.01 S.28.01.01 S.28.02.01 S.31.01.01 SR.01.01.07 SR.12.01.01 SR.17.01.01 SR.25.01.01

<u>6.10 Where the EIOPA Branch Guidelines (as at the end of the transition period) refer to templates that the PRA has deleted or amended after the end of the transition period, firms should treat these specific guidelines as no longer relevant, and should base the reporting requirements in relation to these specific templates in light of the subsequent amendments implemented by the PRA.</u>

7 Draft amendments to Bank of England and PRA SoP 'Interpretation of EU Guidelines and Recommendations: Bank of England and PRA approach after the UK's withdrawal from the EU'

Appendix 1: Non-exhaustive list of EIOPA Guidelines that are complied with in the UK

Solvency II

…

~~Guidelines on Financial Stability Reporting~~[1]

1 The proposed amendments would be displayed as shown in the final SoP.

8 Summary of PRA statutory obligations

The statutory obligations applicable to the PRA's policy development process are set out below. This CP explains the policy assessment of relevant considerations.

- Purpose of the policy proposals (FSMA s138J(2)(b)).
- Cost benefit analysis (FSMA s138J(2)(a) and (7)(a)); and
  an estimate of those costs and benefits (if reasonable) (FSMA s138J(8)).
- Analysis of whether the impact on mutuals is significantly different to the impact on other authorised firms (FSMA s138J(2)(c) and 138K).
- Compatibility with the PRA's primary objectives (FSMA s138J(2)(d)(i), 2B, and 2C).
- Compatibility with the PRA's secondary competition objective (FSMA s138J(2)(d)(ii) and 2H(1)).
- Compatibility with the regulatory principles (FSMA s138J(2)(d)(ii), 2H(2), and 3B).
- Have regard to the HM Treasury recommendation letter (BoE Act s30B).
- Have due regard to the public sector equality duty (Equality Act s149).
- Have regard, subject to any other requirement affecting the exercise of the regulatory function, to the principles of good regulation and when determining general policy or principles to the Regulators Code (Legislative and Regulatory Reform Act 2006 s21 & 22).
- Have regard, so far as consistent with the proper exercise of those functions, to the purpose of conserving biodiversity. Conserving biodiversity includes, in relation to a living organism or type of habitat, restoring or enhancing a population or habitat (Natural Environment and Rural Communities Act 2006, s40).
- Consultation of the FCA (FSMA s138J(1)(a)).
- Where the consultation proposals a PRA rule change or amendment to onshored BTS that affects the processing of personal data – consultation with the Information Commissioner's Office (Article 36(4) General Data Protection Regulation).
- *For UK Technical Standards Instruments only*: FSMA s138J(1)(a) is replaced with: consultation of the FCA and/or Bank, where that Regulator has an interest in the technical standards (FSMA s138P(4) and (5)).
- *For UK Technical Standards Instruments only*: notice given to HMT of the consultation on the UKTS ('best efforts' basis).
- *For CRR rules only:* subject to certain exceptions, have regard to:
  - relevant standards recommended by the Basel Committee on Banking Supervision from time to time;
  - the likely effect of the rules on the relative standing of the United Kingdom as a place for internationally active credit institutions and investment firms to be based or to carry on

activities. For these purposes, the PRA must consider the United Kingdom's standing in relation to the other countries and territories in which, in its opinion, internationally active credit institutions and investment firms are most likely to choose to be based or carry on activities;

- the likely effect of the rules on the ability of CRR firms to continue to provide finance to businesses and consumers in the United Kingdom on a sustainable basis in the medium and long term; and

- the target in section 1 of the Climate Change Act 2008 (carbon target for 2050).

(s144C (1)&(2) FSMA – exceptions in s144E FSMA).

- *For CRR rules only*: explanation of the ways in which having regard to the matters specified above has affected the proposed rules (s144D FSMA).

- *For CRR rules only*: publication of a summary of the proposed CRR rules.

- *For CRR rules only*: consideration and consultation with the Treasury about the likely effect of the rules on relevant equivalence decisions (s144C (3) &(4) FSMA).