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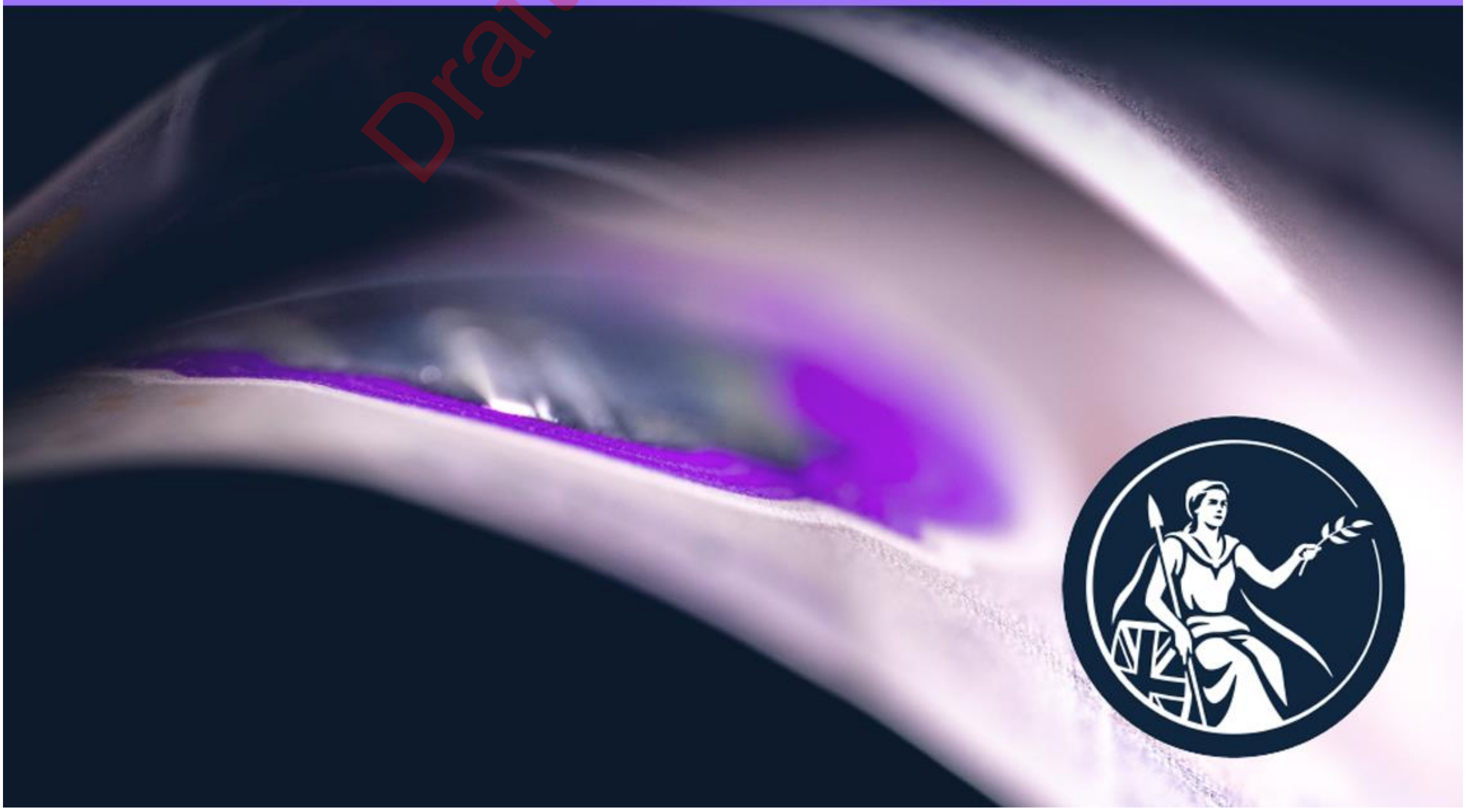
Bank of England PRA

Appendix 15: Draft amendments to SS12/15 – Solvency II: Lloyd's

Consultation paper | CP12/23

June 2023



Draft amendments to SS12/15 – Solvency II: Lloyd's

In this appendix, new text is underlined and deleted text is struck through.

…

1 Introduction

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1.5 Lloyd's should also refer to:

- the Bank of England and PRA statement of policy (SoP) – Interpretation of EU Guidelines and Recommendations: Bank of England and PRA approach after the UK's withdrawal from the EU;[3]
- supervisory statement SS1/19 – Non-binding materials: The PRA's approach after the UK's withdrawal from the EU;[4] and
- supervisory statement SS2/19 – PRA approach to interpreting reporting and disclosure requirements and regulatory transactions forms after EU withdrawal.[5]

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

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4 Capital add-on

4.1 Solvency Capital Requirement — General Provisions 7.3 requires the Society to calculate a central requirement for Lloyd's. As the central requirement forms part of the Lloyd's SCR, the circumstances set out in the SoP – Solvency II: Capital add-ons under which the PRA expects to consider setting a capital add-on ~~the provisions of Article 37 of the Solvency II Directive~~ will apply in respect of any risk profile deviation on the part of the Society from the assumptions underlying the calculation of the central requirement. ~~The PRA will use its powers under section 55M of the Financial Services and Markets Act 2000 (FSMA) in order~~

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

4 4 April 2019: https://www.bankofengland.co.uk/prudential-regulation/publication/2019/non-binding-pra-materials-the-pras-approachafter-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

~~to apply any capital add-on to the Society. The Solvency II Regulations also apply in relation to the imposition of a capital add-on.~~ The Society should refer to SoP - Solvency II: Capital add-ons for an articulation of the PRA's approach to the application of capital add-ons to all firms including Lloyd's.[6]

5 Composites

5.1 As Lloyd's is ~~(and was prior to 15 March 1979, being the relevant date set out in the Solvency II Directive)~~ composed of syndicates which separately accept general insurance business or long-term insurance business, the PRA considers Lloyd's to be a composite undertaking for the purposes of the Solvency II Firms Sector of the PRA Rulebook~~the Solvency II Directive~~.

5.2 Composites 2.2 ~~The Solvency II Directive~~ requires composite firms to maintain separate management of general insurance business and long-term insurance business. In practical terms, this requires that managing agents separately manage syndicates which carry on general insurance business from syndicates which carry on long-term insurance business. However, where a single syndicate carries on both general insurance business and long-term insurance business pursuant to the exceptions referred to at Composites 6.2 ~~in the Composites Part of the PRA Rulebook~~, paragraphs 3.1–3.3 of ~~Supervisory Statement~~ SS8/15 on Composites ~~(Appendix 2.8)~~ are intended to assist in determining how the requirements of the Composites Part will apply to managing agents.

6 https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/consultation-paper/2023/june/cp1223app13.pdf.