



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Director Life/General Insurance
Bank of England
Prudential Regulatory Authority

19 August 2014

Solvency II – Directors' update

Firms and stakeholders continue to ask the PRA for clarification on elements of the Solvency II Directive as they implement their plans. The PRA is fully aware that there are some important areas of Solvency II policy where there is still uncertainty and that this is creating challenges for firms. The PRA will, wherever possible, continue to provide clarity or involve firms in the development of Solvency II work, although we highlight that the final areas of the delegated acts, implementing technical standards and guidelines are still being agreed. A recent example is [Solvency II: An update on implementation](#), published on 25 July 2014, which commented on the availability of own funds, the operation of limits at a group level, deferred tax, and the matching adjustment.

The timetable of activity, attached to this letter, includes more information on when the PRA will be communicating with firms; this timetable will be updated in future letters to ensure firms have the latest information. To help firms find information we are currently updating the Solvency II pages on the Bank of England website and this will become the main channel for all future correspondence. Firms are encouraged to review the website regularly to ensure they keep up to date on the latest information.

On 11 August the PRA issued the third consultation paper (CP16/14, Transposition of Solvency II: Part 3) clarifying how it intends to transpose the remaining areas of the Solvency II Directive into the PRA Rulebook. The CP includes a number of proposed supervisory statements to reflect the PRA's expectations of firms, proposed national specific templates, and feedback from the previous consultation paper issued in 2012, [Transposition of Solvency II: Part 2](#). The closing date for firm responses is 7 November 2014.

The PRA's conference on Solvency II will be on Friday 17 October (not November as previous notified). Invitations will be issued to two people from each firm in the next couple of weeks; it would be appreciated if firms could register attendance to allow the PRA to determine approximate numbers. Stakeholder groups and consultants will also be invited. The agenda is still being developed and may change depending on EIOPA policy development, but it currently includes: the latest policy situation and associated impacts; the application process for IMAP and other approvals; regulatory reporting; standard formula appropriateness; and the PRA supervisory approach under Solvency II. We expect to issue a final agenda in September. The conference will include technical detail as well as information on policy and implementation.

Firms are reminded that responses to the [solvency capital data collection exercises](#) are due on Friday 22 August. The information firms provide will be used to determine next steps for standard formula

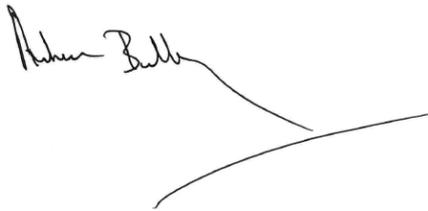
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appropriateness assessments. It is essential that firms provide the PRA with the best possible information so that the right decisions can be made on future assessment of solvency capital appropriateness. If firms have any questions on the standard of information required they should ask their supervisory contact.

The recent [non-IMAP approvals survey](#) provided useful information on the types of approvals firms may apply for in the future. In some instances, supervisors may contact firms to discuss their responses. The PRA is now finalising the detail on its other approval work and will update firms by issuing further communications in Q4 including the conference in October. The PRA also intends to conduct a pre-application process for the matching adjustment approval process in Q1 2015. Further information on this process, including details on how to participate and the detailed timings, will follow in Q4.

Attached is the updated table of events from August to the end of the year. Firms should be aware that a number of the planned events are dependent on policy certainty so may be liable to change; these are highlighted in the table.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andrew Bulley', with a long, sweeping horizontal line extending to the right.

Andrew Bulley
Director, Life Insurance

A handwritten signature in blue ink, appearing to read 'Chris Moulder', with a long, sweeping horizontal line extending to the right.

Chris Moulder
Director, General Insurance

Timetable of activity August – December 2014

Date	Description	Information or Action	Dependency on policy certainty
22 August	SCR comparison and SRI returns due.	Action	No
dates tbc	Technical conferences on regulatory reporting. This is in addition to the technical information on integrating with PRA systems and testing firms' systems.	Information	No
September	PRA Solvency II regulatory reporting industry working group.	Information	No
September	Update on Solvency II from PRA Directors, including: standard formula update; national specific templates; and, clarification of the agenda for the conference.	Information and action	No
17 October	PRA Solvency II Conference, including: IMAP applications and other approvals; regulatory reporting; use of the standard formula; and, how the firms and regulators will work together post Solvency II implementation.	Information	Yes
October	Communication on other approvals: USPs; group choice of calculation method; and matching adjustment.	Action	Yes
October	Communication on approvals application process.	Action	Yes
October	Communication on third party review of the technical provisions.	Information	Yes
October	Update from PRA Directors; including summary of information from the conference.	Information and action	No
7 November	Responses on CP16/14 Solvency II: Transposition of Solvency II: Part 3 due from firms.	Action	No
Q4	Communication on: volatility adjustment ¹ ; transitional measures (risk free rate and technical provisions); own funds not on list; group centralised risk management; group solvency and financial condition report; third country branches; and third country equivalence.	Action	Yes
Q4	Communication of the PRA position on requirements for regulatory reporting.	Information and action	Yes
Q4	Communication on standard formula appropriateness.	Information	Yes

¹ This is dependent on the outcome of the HM Treasury CP [Solvency II: Resolving the remaining policy issues for SII transposition.](#)