



Director Life/General Insurance
Prudential Regulation Authority

21 November 2014

Solvency II Directors' update

When we wrote to you on 16 October we were preparing for the Solvency II Conference which was held on 17 October. We hope that you, and your staff, found it useful. If you were unable to attend the slides and keynote speeches can be found on the [Bank of England website](#). At the conference, we confirmed that the PRA highlighted its continued strong commitment to communicating on Solvency II issues and, in that spirit, this letter details our latest communications.

On 21 November the PRA issued Consultation Paper (CP), [CP24/14 Solvency II: further measures for implementation](#). This CP sets out

- two sets of proposed rules on the appointment of actuaries and schemes of operations to align the PRA Rulebook with the Solvency II Directive;
- two national specific templates and accompanying minor consequential changes proposed to rules in the Reporting Part of the draft PRA Rulebook consulted on in CP16/14 specifically relevant to the Society of Lloyd's; and
- five draft supervisory statements on regulatory reporting exemptions, regulatory reporting for internal model outputs, ORSA and the ultimate time horizon for non-life firms, quality of capital instruments and treatment of pension scheme risk.

The CP closes for comment on 30 January 2015.

In previous correspondence, the PRA noted that it intended to consult on transitional arrangements. The PRA has since decided to undertake additional work in this area and will communicate progress in the December Directors' letter.

Following the information provided in [CP23/14: Solvency II approvals](#) and [Paul Fisher's letter on matching adjustment](#), the PRA has released, on the [other approvals webpage](#), further information which should be considered by all firms intending to submit a pre-application for matching adjustment. This includes:

- a checklist which the PRA recommends is submitted with each application; and

- information and an accompanying spreadsheet setting out three quantitative tests which the PRA recommends firms submit alongside all pre-applications.

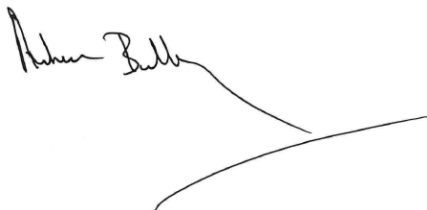
If firms are intending to submit a pre-application for matching adjustment they should send it to s2submissions@bankofengland.co.uk between 1 December 2014 and 6 January 2015.

The PRA held its first regulatory reporting industry testing sub-group meeting on 6 October. The attendees were nominated by members of the regulatory reporting industry working group. The purpose of the sub-group is to act as a forum between the PRA and industry to discuss the testing of IT systems being implemented for Solvency II regulatory reporting. Sub-group members are typically the firms' Solvency II Project Managers and Test Managers. Firms can send any testing-related queries to PRASIIregulatoryreporting@bankofengland.co.uk.

By December, the PRA intends to publish on its website information on reporting dates for non-31 December year end firms. This will include reporting requirements for day one reporting, quarterly and annual reporting, and last annual return dates. Firms should get in touch with their usual supervisory contact for further information.

During 2015 Q3 the PRA intends to send a questionnaire to general insurance firms asking for some information on stress testing. This work will support the PRA's ongoing monitoring of how insurers are developing the ORSA, as well as providing an overview of the UK industry's reliance on specific counterparties and jurisdictions under stressed conditions. The questionnaire will be similar to the IMAP stress test exercise carried out in 2011, except that the PRA intends to broaden the scope to include most general insurers. As in 2011, the PRA will ask firms to provide the impact of specific stress tests both before and after mitigation. Further details will be provided in the first half of 2015.

Yours sincerely



Andrew Bulley
Director, Life Insurance



Chris Moulder
Director, General Insurance

Timetable of activity October 2014 to 2015 Q2

Date	Description	Information or Action	Dependency on policy certainty
By end November	Firms wishing to enter matching adjustment pre-application approval process inform usual supervisory contact.	Action	No
1 Dec 2014-6 Jan 2015	Submit matching adjustment pre-application approval process submissions.	Action	No
December	Directors' letter – update on transitional arrangements and feedback on data collection exercise	Information	No
December	Consultation paper on volatility adjustment (depending on HMT decision)	Action	No
9 January 2015	Deadline for responses to CP23/14: Solvency II other approvals	Action	No
30 January	Deadline for responses CP24/14: Solvency II further measures for implementation	Action	No
January	Consultation paper on transitional arrangements	Action	No
February 2015	Consultation paper on EIOPA guidelines	Action	Yes
March 2015	Policy Statement on Solvency II	Information and action	No
31 March 2015	Transposition of Solvency II into the PRA rulebook	Information and action	No
2015 Q2	Feedback for firms on the Preparatory Guidelines	Information and action	No
2015 Q2	Feedback on the MA pre-application process	Information and action	No
2015 Q2	Feedback on the internal model pre-application process	Information and action	No
2015 Q2	PRA to provide information on GI stress testing questionnaire	Information and action	No