

PRA RULEBOOK: SOLVENCY II FIRMS AND NON-AUTHORISED PERSONS: EXTERNAL AUDIT AMENDMENTS INSTRUMENT 2018

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);
 - (2) section 137T (General supplementary powers); and
 - (3) section 340 (rules regarding appointment of and duties on Actuaries and Auditors).
- 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 and Non-Authorised Persons: External Audit Amendments Instrument 2018

- D. The PRA makes the rules in the Annex to this instrument.

Commencement

- E. This instrument comes into force on 15 November 2018.

Citation

- F. This instrument may be cited as the PRA Rulebook: Solvency II Firms and Non-Authorised Persons: External Audit Amendments Instrument 2018.

By order of the Prudential Regulation Committee

28 September 2018

Amendments to the External Audit Part

Annex

In this Annex, new text is underlined.

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies:

(1) to a *UK Solvency II firm* that is not a small firm for external audit purposes;

...

(3) at the level of a *group*, that is not a small group for external audit purposes, to which Group Supervision 2.1(1) or 2.1(2) applies and where the *PRA* is the group supervisor, to a *relevant insurance group undertaking*; and

...

1.3 In this Part, the following definitions shall apply:

...

annual quantitative reporting template

means a reporting template set out in EU Regulation 2015/2450 or any other relevant Solvency II Regulations.

corporate pensions business

means one or more pension schemes managed by an insurer on behalf of an employer and for which liabilities are calculated by the insurer only at scheme level.

...

general insurance best estimate liability

means:

(1) the sum of items entered under row codes R0010, R0370, R0380, R0410 and R0420, column code C0180, of the annual quantitative reporting template S17.01.01; plus

(2) the sum of items entered under row codes R0010 and R0030, column codes C0090, C0140 and C0190, of the annual quantitative reporting template S12.01.01,

in each case as required to be reported to the PRA for the relevant financial year end.

general insurance gross written premium

means the total of items entered under row codes R0110, R0120 and R0130, as expressed in column code C0200 where this column is completed for those row

codes, of the annual quantitative reporting template S.05.01.01, in each case as required to be reported to the PRA for the relevant financial year end.

...

life insurance best estimate liability

means:

- (1) the sum of items entered under row codes R0010 and R0030, column codes C0150 and C0210 of the annual quantitative reporting template S12.01.01; minus
- (2) the sum of items entered under row codes R0010 and R0030, column codes C0090, C0140 and C0190 of the annual quantitative reporting template S12.01.01; minus
- (3) corporate pensions business reported under column code C0180 of the annual quantitative reporting template S14.01.01,

in each case as required to be reported to the PRA for the relevant financial year end.

life insurance gross written premium

means:

- (1) the item entered under row code R1410, column code C0300 of the annual quantitative reporting template S05.01.01; minus
- (2) corporate pensions business under column code C0060 of the annual quantitative reporting template S14.01.01,

in each case as required to be reported to the PRA for the relevant financial year end.

...

score

means for the relevant financial year end the sum of the following:

- (1) general insurance gross written premium x (6.71×10^{-7}) ;
- (2) general insurance best estimate liability x (3.97×10^{-8}) ;
- (3) life insurance gross written premium x (3.11×10^{-7}) ; and
- (4) life insurance best estimate liability x (1.18×10^{-8}) ,

where:

- (a) each of the four components to the calculation of score is floored at a zero value, such that where any calculation at (1) to (4) produces a negative number, that number shall be substituted with a zero; and
- (b) general insurance gross written premium, general insurance best estimate liability, life insurance gross written premium and life insurance

best estimate liability are all expressed in pounds sterling. Where a *firm* reports in a currency other than pounds sterling, this means the relevant reported figures converted into pounds sterling using the daily spot exchange rate as published on the Bank of England website applicable on the “as at date” of the reporting.

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small firm for external audit purposes

- (1) For the purposes of external audit of a SFCR relating to a financial year ending on or after 15 November 2018 but before 15 November 2019, means a UK Solvency II firm where its score is less than 100.
- (2) For the purposes of external audit of a SFCR relating to a financial year ending on or after 15 November 2019, means a UK Solvency II firm where:
 - (a) its score is less than 100 for its two most recent financial year ends; or
 - (b) its score is greater than 100, if the financial year end to which the score relates immediately follows a financial year end in which that UK Solvency II firm met the condition in (2)(a).

small group for external audit purposes

means a group in which every UK Solvency II firm in the group is a small firm for external audit purposes.

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