

Policy Statement | PS9/19

Solvency II: Group own fund availability

March 2019



BANK OF ENGLAND
PRUDENTIAL REGULATION
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Contents

1	Overview	1
	Appendix	2

1 Overview

1.1 This Prudential Regulation Authority (PRA) policy statement (PS) provides feedback on the responses to Consultation Paper (CP) 15/18 ‘Solvency II: Group own fund availability’.¹ This PS is relevant to all UK insurance firms within the scope of the Solvency II Directive (‘the Directive’)² and to the Society of Lloyd’s.

1.2 Supervisory Statement (SS) 9/15 ‘Solvency II: Group supervision’ (see Appendix) sets out the PRA’s updated expectations for group supervision, and incorporates the PRA’s expectations for assessments of the availability of own funds to cover the group Solvency Capital Requirement (SCR) as set out in CP15/18.

Background

1.3 CP15/18 proposed further details on certain aspects of how group own funds should be assessed as available. More specifically, the CP proposed to amend SS9/15 in Chapter 5A, to clarify that in assessing group own funds availability, the solo SCR should no longer be presumed to be a barrier to availability. As a result, the PRA would not expect groups to routinely provide evidence of how own funds may be made available solely as a consequence of being subject to a Solvency II solo SCR. The proposed amendment did not address other potential barriers to group own funds availability, and so groups will have to continue to consider the potential barriers to availability listed in Article 330 of the Commission Delegated Regulation (EU) 2015/35.

1.4 The PRA also proposed that it would still expect such analysis to be provided where a group insurer is based in a jurisdiction that is not subject to a regime that is similar to, and not built on the same principles in relation to capital requirements and quality of capital at solo level as, the UK solvency regime. The reason for this differentiation was that insurers not subject to such a regime may have solo regulatory requirements calculated on a different basis (either requirements set at a different confidence level or capital resources calculated using different local valuation and quality of capital rules).

Feedback to responses

1.5 The PRA received one response to CP15/18 that highlighted a minor drafting point that has been corrected in the final SS.

1.6 The PRA does not consider the change made to the draft policy to be significant, and the PRA has not reassessed the cost benefit analysis or impact on mutuals.

Implementation and next steps

1.7 The policy in the updated SS takes immediate effect.

1.8 The policy contained in this PS has been designed in the context of the current UK and EU regulatory framework. The PRA will keep the policy under review to assess whether any changes would be required due to changes in the UK regulatory framework, including changes arising once any new arrangements with the European Union take effect.

1 July 2018: <https://www.bankofengland.co.uk/prudential-regulation/publication/2018/solvency-2-group-own-fund-availability>.

2 Directive 2009/138/EC (Solvency II) (recast).

Appendix

Supervisory Statement 9/15 'Solvency II: Group supervision' available at:
<https://www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-group-supervision-ss>