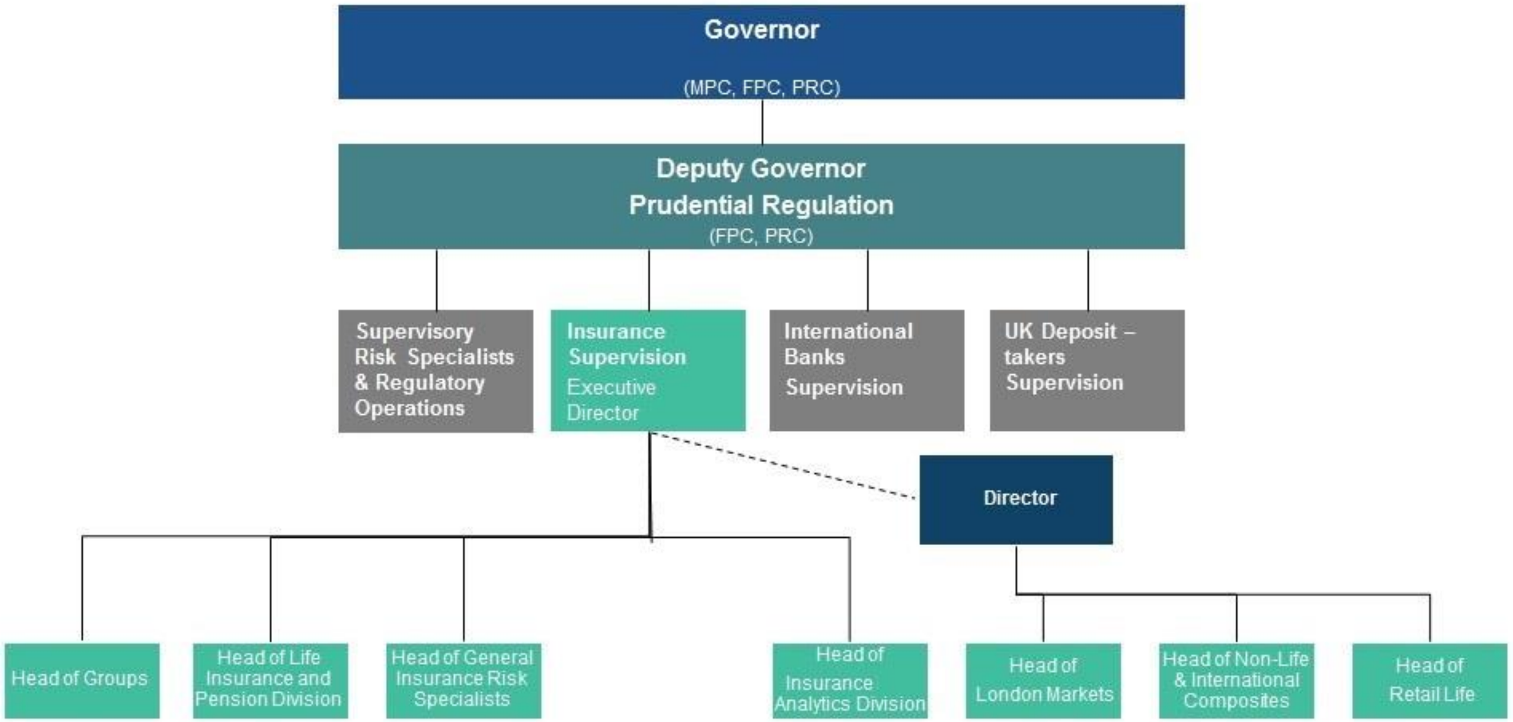
BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

TEMPLATE D FOR THE DISCLOSURE OF QUALITATIVE AGGREGATE STATISTICAL DATA ON THE SUPERVISORY AUTHORITY

B1a - The structure of the supervisory authority

MPC - Monetary Policy Committee
FPC - Financial Policy Committee
PRC - Prudential Regulation Committee



November 2019

B8a - The criteria used for the application of capital add-ons	The PRA may impose a capital add-on when any of the following circumstances (as set out in Article 37 of the SII Directive) exist in respect of a firm: · According to Art. 37(1)(a), the risk profile of the firm deviates significantly from the assumptions underlying the Solvency Capital Requirement (SCR) using the Standard Formula (SF), and : 1) the internal model is inappropriate or has been ineffective (firm fails standards); or, 2) while an internal model, or partial internal model, is being developed; · According to Art. 37(1)(b), the risk profile of the firm deviates significantly from the assumptions underlying the Solvency Capital Requirement using the (partial) internal model, because, 1) certain quantifiable risks are captured insufficiently, and, 2) the adaptation of the model to better reflect the risk profile has failed within an appropriate timeframe; · According to Art. 37 (1) (c), the system of governance deviates significantly from standards set down in Chapter IV, Section 2.of the SII Directive, and that the deviations prevent the undertaking from being able to "properly identify, measure, monitor, manage and report the risk that it is or could be exposed to"; and the application of other measures is in itself unlikely to improve the deficiencies sufficiently within an appropriate time-frame; · According to Art. 37(1) (d), the firm has applied the matching adjustment referred to in Article 77b, the volatility adjustment referred to in Article 77d or the transitional measures referred to in Articles 308c and 308d and the supervisory authority concludes that the risk profile of that undertaking deviates significantly from the assumptions underlying the Matching Adjustment (MA), Volatility Adjustment (VA) or Transitional measures. The PRA takes into account factors set out in the following articles when determining whether the deviation is 1) significant in respect of the SCR - Art. 276 of Commission Delegated Regulation 2015/35; 2) significant in respect of governance –Art. 277 of Commission Delegated Regulation 2015/35; and, 3) significant in respect of adjustments to the relevant risk-free rate and transitional measures, Art. 278 of Commission Delegated Regulation 2015/35. In addition, where the modified SCR exceeds the unmodified SCR by 15 percent or more, the PRA will conclude that the risk profile of the firm deviates significantly from the assumptions underlying the SCR. Where the modified SCR exceeds the unmodified SCR by 10 percent or more, the PRA will conclude that the risk profile of the firm deviates significantly from the assumptions underlying the SCR, unless there is strong evidence that this is not the case on the basis of the factors set out in a)-d) above. In accordance with the Article 283 of the Commission Delegated Regulation 2015/35, the PRA will not set off aspects of the risk profile deviation, which indicate that a lower Solvency Capital Requirement would better reflect the insurance or reinsurance undertaking's actual risk profile, against

	the other aspects which indicate that a higher Solvency Capital Requirement is appropriate, unless the firm satisfies all of the following requirements: a) a modification or a methodology exists which complies with the requirements set out in paragraph 4 to quantify the impact on the amount referred to in Article 282(a) of Commission Delegated Regulation 2015/35, of the aspects which indicate a lower Solvency Capital Requirement; b) it would be inappropriate to address the aspects which indicate a lower Solvency Capital Requirement by replacing standard parameters by parameters specific to the undertaking in accordance with Article 104(7) of Directive 2009/138/EC or by using an internal model in accordance with Article 112 of that Directive; c) the overall Solvency Capital Requirement that would result after setting off the risk profile deviations against each other complies with Article 101(3) of Directive 2009/138/EC.

B8b - The criteria used for the calculation of capital add-ons (CAO)	When imposing a capital add-on pursuant to Article 37(1)(a) or (b) of Directive 2009/138/EC, the PRA will calculate the capital add-on as the difference, at a given point in time, between the following: a) the Solvency Capital Requirement of the firm, excluding any previous or simultaneous capital add-on, that would be calculated if the standard formula or internal model, as appropriate, were modified so as to reflect the actual risk profile of the firm and to ensure compliance with Article 101(3) of Directive 2009/138/EC; b) the Solvency Capital Requirement of the firm, excluding any previous or simultaneous capital add-on. To calculate the add-on in relation to deviations from SCR assumptions the PRA will first modify assumptions and parameters underlying the SCR according to requirements set out in DR Art. 283(2). When these modifications are deemed insufficient or inappropriate to calculate the amount referred to in Article 282(a), the PRA will then consider whether alternative modelling methodologies which go beyond modifying assumptions or parameters can be used, as set out in Art. 283(3) and (4). If the alternative modelling methodologies are deemed insufficient and inappropriate, the PRA will consider whether it can calculate the appropriate SCR, and therefore the CAO, by comparing the SCRs of firms with similar risk profiles, as set out in DR Art. 283(5) and (6). For governance add-ons, the PRA will keep in mind that the CAO must be proportionate to the material risks arising from the deficiencies which lead to the decision to set a CAO. The PRA looks at each firm on a case-by-case basis and may, depending on the circumstances of the firm, consider a set of pre-determined scalars which assign a percentage of SCR according to the severity of the SoG deviation to estimate the amount of the CAO. For VA, MA and transitional measure CAOs, the PRA will follow the criteria set out in DA Art. 284 to calculate the amount of the add-on.
B8c - The criteria used for the removal of capital add-ons	The PRA reviews the CAOs imposed at least annually to determine whether the CAO should be altered or removed. Circumstances which may lead the PRA to remove the add-on include the following: 1) the conditions under which the original add-on were imposed have changed and the CAO is no longer appropriate; 2) the firm has remedied the underlying deviation between the assumptions and the firm's risk profile.

B16b - The main features of the approved items of ancillary own funds	AOF items were approved that took the following forms: · Those in the form given in the Commission Delegated Regulation (EU) 2015/35, Article 74 (g). These result in contributions when called. · Calls on members that once called could result either in a contribution or the creation of members accounts with features that made them items referred to in point (a)(iii) of Article 69.· Letters of Credit (LoCs) as allowed for in Article 74 (f). These result in contributions when called. · Letter of Credit and Guarantees as allowed for in Article 74 (e). These result in contributions when called. · Collateralised calls on members as allowed for in Article 74 (h). These result in contributions when called.