

Supervisory Statement | SS10/15

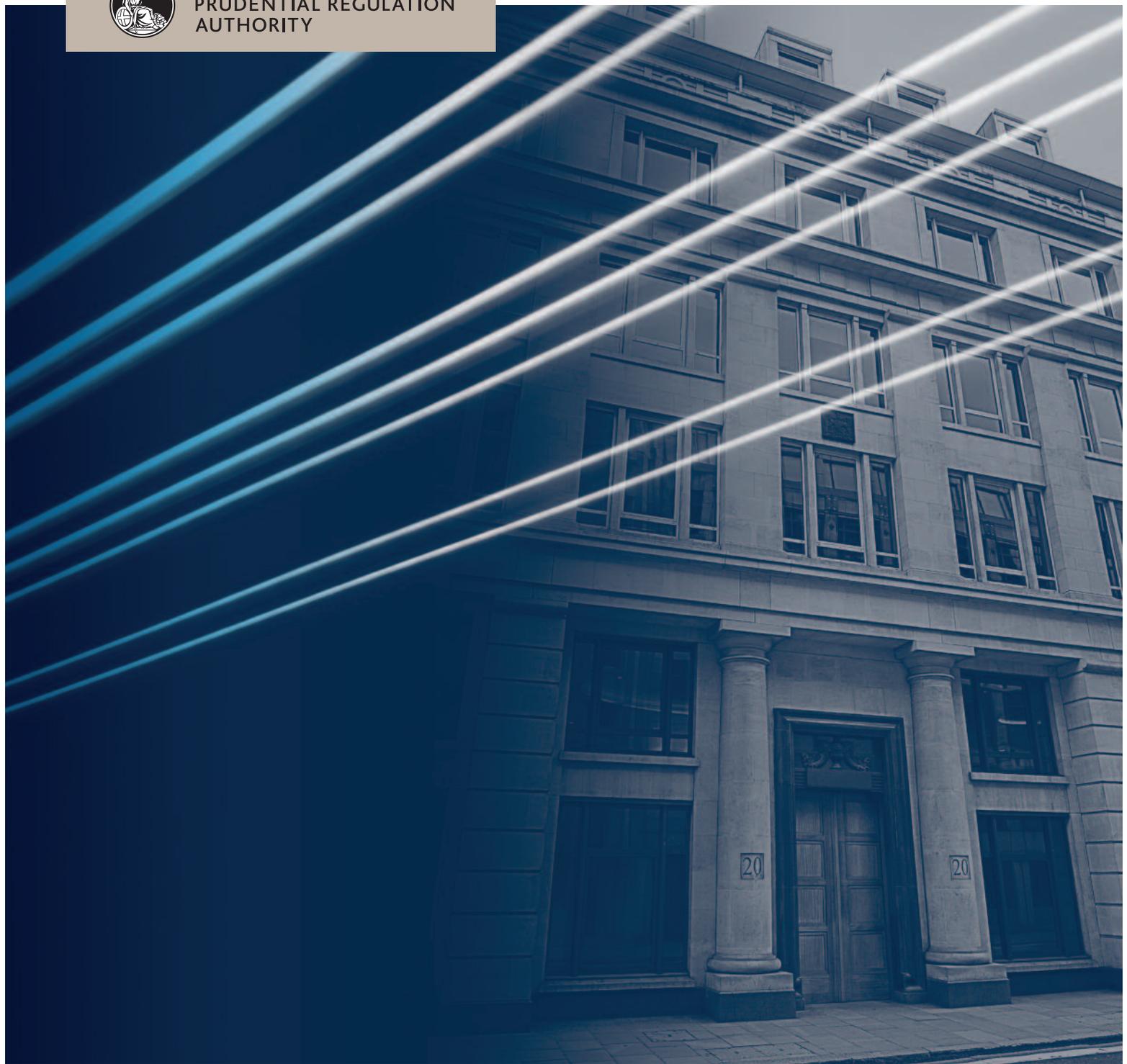
Solvency II: third-country branches

Appendix 2.10

March 2015



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY



27 November 2015 – this document has been updated, see
<http://www.bankofengland.co.uk/pru/Pages/publications/ss/2015/ss4415.aspx>

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1 Introduction

1.1 This supervisory statement is addressed to non-EEA insurance undertakings that have a UK branch (third-country branch undertakings). It should be read alongside the Third Country Branches Part of the Prudential Regulation Authority (PRA) Rulebook, the relevant European legislation, and the relevant provisions of the Financial Services and Markets Act 2000 (FSMA). It sets out the PRA's expectations of firms with regard to third-country branch undertakings.

1.2 In particular, this statement explains the PRA's expectations of firms in relation to the following topics:

- worldwide financial resources;
- scheme of operations;
- third-country branches as composites; and
- application of other supervisory statements to third-country branch undertakings.

1.3 This statement expands on the PRA's general approach as set out in its insurance approach document.⁽¹⁾ By clearly and consistently explaining its expectations of firms in relation to the particular areas addressed, the PRA seeks to advance its statutory objectives of ensuring the safety and soundness of the firms it regulates, and contributing to securing an appropriate degree of protection for policyholders. The PRA has considered matters to which it is required to have regard, and it considers that this statement is compatible with the Regulatory Principles and relevant provisions of the Legislative and Regulatory Reform Act 2006. This statement is not expected to have any direct or indirect discriminatory impact under existing UK law.

1.4 This statement has been subject to public consultation⁽²⁾ and reflects the feedback that was received by the PRA.

2 Worldwide financial resources

2.1 A third-country branch undertaking must maintain adequate worldwide financial resources and to assess the adequacy of these resources, the PRA will consider the undertaking's compliance with the prudential regime under which it is supervised in its home country.

2.2 The PRA expects the third-country branch undertaking to provide the PRA with sufficient information so that the PRA may form an opinion on the adequacy of the worldwide financial resources of the undertaking.

2.3 Where the PRA assesses that prudential regime to be broadly equivalent to the regime applied by the PRA to insurers (or reinsurers) whose head office is in the United Kingdom, then compliance with the financial resources

requirements of that prudential regime may be relied on by the third-country branch undertaking as tending to establish compliance with the PRA's worldwide financial resources rule. Contravention of financial resources requirements of that prudential regime may be relied on as tending to establish contravention of the PRA's worldwide financial resources rule.

2.4 Where that prudential regime is not broadly equivalent to the regime applied by the PRA to insurers or reinsurers whose head office is in the United Kingdom, then the PRA will assess the adequacy of financial resources using the methods and techniques applicable to insurers and reinsurers whose head office is in the United Kingdom.

3 Scheme of operations

3.1 The PRA will ask for a scheme of operations that sets out all the information required under Third Country Branches 5.1 as part of the application process for any third country branch undertaking applying for a grant or variation of permission (except a Swiss general insurance company to which different requirements apply pursuant to the Swiss Treaty Agreement (No. 91/370/EEC)).

4 Third-country branches as composites

4.1 The PRA will not grant or vary permission if that would allow a newly established third-country insurance branch or an existing third-country insurance branch engaging solely in general insurance business or solely in long term insurance business, to engage in both general insurance business or long-term insurance business. This does not apply to a third-country pure reinsurance branch.

4.2 The PRA will not grant permission to allow a third-country branch undertaking that pursues both general insurance business and long-term insurance business in its home jurisdiction to establish a branch in the United Kingdom if that branch will engage in long-term business.

5 Application of other supervisory statements to third-country branch undertakings

5.1 The supervisory statements concerning instruments that are referred to in the Third Country Branches Part of the PRA Rulebook (or any other parts that apply to third-country branch undertakings) apply to third-country branch undertakings with any necessary modifications and insofar as relevant to rules referred to in the Third-Country Branches Part (or any other rules that apply to third-country branch undertakings).

(1) *The Prudential Regulation Authority's approach to insurance supervision*, June 2014; www.bankofengland.co.uk/publications/Documents/prapproach/insuranceappr1406.pdf.

(2) *PRA Consultation Paper CP16/14*, 'Transposition of Solvency II: Part 3', August 2014; www.bankofengland.co.uk/pr/Pages/publications/cp/2014/cp1614.pdf.