

PRA RULEBOOK: SII FIRMS: SOLVENCY II AMENDMENT (NO 1) INSTRUMENT 2025**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 192J (Rules requiring provision of information by parent undertakings).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

PRA Rulebook: SII Firms: Solvency II Amendment (No 1) Instrument 2025

- C. The PRA makes the rules in the Annexes to this instrument.

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Commencement

- D. This instrument comes into force on 24 July 2025.

Citation

- E. This instrument may be cited as the PRA Rulebook: SII Firms: Solvency II Amendment (No 1) Instrument 2025.

By order of the Prudential Regulation Committee

15 July 2025

Annex A**Amendments to the Glossary Part**

In this Annex new text is underlined.

...

residual model limitation

means, in relation to an *internal model* for which a *firm* has, or in respect of which the *firm* is applying for, an *internal model permission*, an aspect of that *internal model* that prevents the *firm* from demonstrating that that *internal model* meets Solvency Capital Requirement - General Provisions 3.3 and 3.4 and all *internal model requirements* in all the circumstances in which it is, or is intended, to be used.

...

Annex B

Amendments to the Composites Part

In this Annex new text is underlined and deleted text is struck through.

4C NOTIONAL SOLVENCY CAPITAL REQUIREMENT

...

4C.3 ...

$$\text{NSCR}_{gi} = \frac{\text{NMCR}_{(\text{linear},l)}}{\text{NMCR}_{(\text{linear},gi)} + \text{NMCR}_{(\text{linear},l)}} \cdot \text{SCR}$$

$$\text{NSCR}_{gi} = \frac{\text{NMCR}_{(\text{linear},gi)}}{\text{NMCR}_{(\text{linear},gi)} + \text{NMCR}_{(\text{linear},l)}} \cdot \text{SCR}$$

...

Annex C

Amendments to the Group Supervision Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

1.1 ...

- (a) that is a member of a ~~group~~group for which the PRA is the *group supervisor*;
- (b) that is a member of a ~~group~~group for which a ~~supervisory authority~~supervisory authority (other than the PRA) is the *group supervisor*, subject to (c) and to the extent this Part gives effect to the ~~Solvency II EEA implementing measures~~Solvency II EEA implementing measures in the territory of its *group supervisor*; and
- (c) where the *group supervisor* of a ~~group~~group of which a *firm* is a member is a ~~supervisory authority~~supervisory authority in Gibraltar, the requirements of the ~~Solvency II EEA implementing measures~~Solvency II EEA implementing measures in that territory apply to the *firm* in relation to its capacity as a member of that ~~group~~group;

...

1.2 ...

consolidated group SCR

means the *group SCR* of a ~~group~~group based on consolidated data calculated in accordance with 11.2.

~~delegated act~~

~~means Commission Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), as it has effect as retained direct EU legislation as at 31 December 2023.~~

external group end user

means a *person* who receives services and who is outside of the ~~group~~group of which the *firm* is a member.

group internal model

means an *internal model* used to calculate the *consolidated group SCR*, as well as the *SCR* of *Solvency II undertakings* in the ~~group~~group.

...

~~group supervisor~~

~~means (in relation to a group) the authority designated as group supervisor in relation to that group, in accordance with Solvency II EEA implementing measures implementing Article 247 of the Solvency II Directive or in accordance with regulation 26 of the Solvency 2 Regulations.~~

...

important group business service

means a service provided by a member of the ~~firm's group~~ group (other than the *firm*) to an *external group end user* which, if disrupted, could pose a risk to:

- (1) where a *relevant Solvency II firm* is a member of the ~~group~~ group, the stability of the UK financial system;

...

intermediate holding company

means an *insurance holding company* or a *mixed financial holding company* through which a *Solvency II undertaking* in a *group* holds a *participation* in a *related Solvency II undertaking*, a ~~third country insurance undertaking~~ third country insurance undertaking or a ~~third country reinsurance undertaking~~ third country reinsurance undertaking.

...

own funds eligible for the group SCR

...

- (2) in relation to *method 2*, the aggregate *eligible own funds* of the ~~group~~ group referred to in 12.2.

...

2 CASES OF APPLICATION AND SCOPE OF GROUP SUPERVISION

2.1 This Part applies at the level of the ~~group~~ group to types of ~~groups~~ groups where:

- (1) either:
 - (a) a *UK Solvency II firm* is a *participating undertaking* in at least one other *Solvency II undertaking*, ~~third country insurance undertaking~~ third country insurance undertaking or ~~third country reinsurance undertaking~~ third country reinsurance undertaking; or
 - (b) a *Solvency II undertaking* (other than a *UK Solvency II firm*) is a *participating undertaking* in a *UK Solvency II firm*; or
- (2) the *parent undertaking* of a *UK Solvency II firm* is an *insurance holding company* or a *mixed financial holding company* which has its head office in the UK or Gibraltar; or
- (3) the *parent undertaking* of a *UK Solvency II firm* is an *insurance holding company* or a *mixed financial holding company* which does not have its head office in the UK or Gibraltar or is a ~~third country insurance undertaking~~ third country insurance undertaking or a ~~third country reinsurance undertaking~~ third country reinsurance undertaking; or
- (4) the *parent undertaking* of a *UK Solvency II firm* is a *mixed activity insurance holding company*.

[Note: Art. 213(2) of the *Solvency II Directive*]

2.2 Where, in accordance with 2.1, this Part applies at the level of a ~~group~~ group, that ~~group~~ group consists of all *undertakings* within the relevant ~~group~~ group, subject to 2.3 and 3 and provided that:

- (1) where 2.1(1) applies, the definition of a ~~group~~ group must be applied to the *participating Solvency II undertaking*, its *subsidiary undertakings*, the *undertakings* in which it holds a *participation* and *undertakings* to which it is linked by a *common management relationship* or, where applicable, to the *undertakings* in a *mutual-type group*;
- (2) where 2.1(2) applies, the definition of a ~~group~~ group must be applied to the *insurance holding company* or *mixed financial holding company*, its *subsidiary undertakings*, the

undertakings in which it holds a participation and undertakings to which it is linked by a common management relationship or, where applicable, to the undertakings in a mutual-type group;

- (3) where 2.1(3) applies, the definition of a ~~group~~group must be applied to the *insurance holding company or mixed financial holding company, ~~third country insurance undertaking~~ third country insurance undertaking or ~~third country reinsurance undertaking~~ third country reinsurance undertaking* (as applicable), its *subsidiary undertakings*, the *undertakings in which it holds a participation and undertakings to which it is linked by a common management relationship or, where applicable, to the undertakings in a mutual-type group;* and
- (4) where 2.1(4) applies, the definition of a ~~group~~group must be applied to the *mixed activity insurance holding company*, its *subsidiary undertakings*, the *undertakings in which it holds a participation and undertakings to which it is linked by a common management relationship or, where applicable, to the undertakings in a mutual-type group.*

...

- 2.3 Where the PRA has granted a *waiver* or where a ~~supervisory authority~~supervisory authority which is the *group supervisor* has decided, in accordance with *Solvency II EEA implementing measures* implementing Article 214 of the *Solvency II Directive*, not to include an *undertaking* in the group supervision referred to in 2.1:

- (1) that *undertaking* must be excluded from the ~~group~~group for the purposes of 2.1; and

...

the *firm* which is at the head of the ~~group~~group of which that *firm* would otherwise be a part, or any other *firm* which is a member of the ~~group~~group must provide any information in relation to the excluded *firm* that the PRA may require to facilitate the supervision of the excluded *firm*.

...

- 2.4 The provisions of the *Solvency II Firms Sector of the PRA Rulebook* concerning the supervision of *firms* (or the ~~Solvency II EEA implementing measures~~Solvency II EEA implementing measures in relation to *Solvency II undertakings* which are members of a ~~group~~group for which the PRA is the *group supervisor*) taken individually continue to apply to those *undertakings*, except where otherwise provided under this Part.

...

3 LEVELS

- 3.1 If the *participating Solvency II undertaking* or the *insurance holding company or mixed financial holding company* referred to in 2.1(1) or 2.1(2) is itself a *subsidiary undertaking* of another *Solvency II undertaking* or of another *insurance holding company or mixed financial holding company* which has its head office in the UK or Gibraltar, then 4 to 19 apply only at the level of the ultimate *Solvency II undertaking, insurance holding company, or mixed financial holding company* in the ~~group~~group which has its head office in the UK or Gibraltar.

[Note: Art. 215(1) of the *Solvency II Directive*]

- 3.2 If the PRA is not the *group supervisor* and makes a decision to undertake group supervision at national level then 4 to 19 apply with any necessary changes, subject to group supervision of the ultimate *parent undertaking* at national level being restricted to those remaining rules of 4 to 19 if the *firm* is granted a *waiver* of such other sections as would otherwise apply to a ~~group~~group.

...

4 GROUP SOLVENCY: GENERAL PROVISIONS

- 4.1 Where 2.1(1) applies, each *participating Solvency II undertaking* that is a *firm* in the ~~group~~group and each *relevant insurance group undertaking* must ensure that *eligible own funds* are available in the ~~group~~group which are always at least equal to the *group SCR* as calculated in accordance with 7 to 12.

[Note: Art. 218(2) of the *Solvency II Directive*]

- 4.2 Where 2.1(2) applies, each *relevant insurance group undertaking* must ensure that *eligible own funds* are available in the ~~group~~group which are always at least equal to the *group SCR* as calculated in accordance with 14.

[Note: Art. 218(3) of the *Solvency II Directive*]

- 4.3 *Relevant insurance group undertakings* must have procedures in place to identify deteriorating financial conditions within the ~~groups~~groups of which they are members and must immediately notify the *group supervisor* when that deterioration occurs.

[Note: Art. 218(4) and Art. 136 of the *Solvency II Directive*]

- 4.4 ...

(4) ...

if the *PRA* has extended the period referred to in (3) by reason of the declaration by the *PRA* of an *exceptional adverse situation* affecting the ~~group~~group, submit a progress report to the *PRA* every three *months* setting out the measures taken and the progress made to re-establish the level of *own funds* covering the *group SCR* or to reduce the risk profile to ensure compliance with the *group SCR*.

- 4.5 ...

For the purposes of this rule, Insurance Special Purpose Vehicles 2, 2A to 2C, and 5A.1 to 5A.5 shall apply at the level of the ~~group~~group.

5 GROUP SOLVENCY: FREQUENCY OF CALCULATIONS

...

- 5.3 ...

- (2) Where the risk profile of the ~~group~~group deviates significantly from the assumptions underlying the last reported *group SCR*, the *group SCR* must be recalculated without delay and reported to the *group supervisor*.

...

6 GROUP SOLVENCY: NOTIFICATION OF ISSUANCE OF OWN FUNDS ITEMS BY GROUP MEMBER

- 6.1 (1) This Chapter applies to a *firm* if another member of its ~~group~~group which is not subject to Own Funds 5 intends to issue an item for inclusion within the *basic own funds* forming the *own funds eligible for the group SCR* of the *firm's* ~~group~~group.

- (2) ...

- (a) any item which a *firm* intends to include within the *basic own funds* forming the *own funds eligible for the group SCR* of the *firm's* ~~group~~group that is not covered by the lists of *own funds* items set out in the *own funds lists*, but which may be included in

the *basic own funds* forming the *own funds eligible for the group SCR* only if the *firm* has received a *classification of own funds permission*; and

- (b) any item which a *firm* intends to include within the *ancillary own funds* forming the *own funds eligible for the group SCR* of the *firm's groupgroup*.

6.2

- (1) Subject to 6.5, a *firm* must notify the *PRA* in writing of the intention of another member of its *groupgroup* which is not subject to Own Funds 5 to issue an item which it intends to include within the *basic own funds* forming the *own funds eligible for the group SCR*, as soon as it becomes aware of the intention of the issuing *undertaking*.

- (2) ...

- (a) provide details of the amount of *basic own funds* to be raised through the intended issue and whether the item is intended to be issued to external investors or within its *groupgroup*;

...

- (e) describe the *group'sgroup's* membership and structure, including the relationship between the *firm* and the *groupgroup* member issuing the proposed item;

...

- (g) for any item referred to in Own Funds 4A.3(1), provide a draft of a properly reasoned independent accounting opinion from an appropriately qualified individual as to the item's treatment in the financial statements of the *groupgroup* member issuing the proposed item and of the *groupgroup*;

...

6.5 ...

- (1) ordinary *shares* issued by an *undertaking* in the *groupgroup* which:

...

- (2) debt instruments issued from a debt securities programme established by an *undertaking* in the *groupgroup*, provided that:

- (a) the establishment of (and any subsequent amendment to) the programme was notified to the *PRA* in accordance with 6.4 and the last such notification was given to the *PRA* no more than ~~twelve months~~ 12 months prior to the date of the proposed drawdown;

...

- (3) any item which is to be issued on identical terms to one or more items included in the *basic own funds* forming the *own funds eligible for the group SCR* issued by the *undertaking* in the *groupgroup* within the previous ~~twelve months~~ 12 months and notified to the ~~PRA~~ *PRA* in accordance with 6.2, excluding (1) the issue date, (2) the maturity date, (3) the amount of the issuance, (4) the currency of the issuance, and (5) the rate of interest payable by the issuer.

- 6.6 A *firm* must notify the *PRA* in writing, no later than the date of issue, of the intention of the *undertaking* in the *groupgroup* to issue an item listed in 6.5 which it intends to include within the *basic own funds* forming the *own funds eligible for the group SCR*. When giving notice, a *firm* must:

...

6.7 A firm must notify the PRA in writing of the intention of an *undertaking* in the ~~group~~group to amend or otherwise vary the terms of any item of *own funds eligible for the group SCR* as soon as it becomes aware of the intention of the issuing *undertaking* to amend or otherwise vary the terms of the item.

6.8 A firm must provide to the PRA as soon as practicable after it becomes aware of the issuance of an item of *basic own funds* by an *undertaking* in its ~~group~~group to which 6.2, 6.4, 6.5(2) or 6.5(3) applies:

...

7 GROUP SOLVENCY: BASIC PRINCIPLES

7.1 The calculation of the solvency at the level of the ~~group~~group of the *Solvency II undertakings* referred to in 2.1(1) must be carried out:

...

8 GROUP SOLVENCY: PROPORTIONAL SHARES

8.1 The calculation of the solvency of a ~~group~~group must take account of the proportional share held by the *participating undertaking* in its *related undertakings*.

...

8.3 ...

(2) ...

- (a) if there are no capital ties between any of the *undertakings* in the ~~group~~group, an *undertaking* in the ~~group~~group must be treated as if it is a *participating undertaking* that holds a proportional share of 100% of each other *undertaking* in the ~~group~~group for the purposes of 8.1;

...

8A CLASSIFICATION OF OWN-FUND ITEMS OF RELATED SOLVENCY II UNDERTAKINGS AT GROUP LEVEL

8A.1 ...

- (2) the *own funds* item is free from encumbrances and is not connected with any other transaction, which when considered with the *own funds* item, could result in that *own funds* item not satisfying the requirements set out in Own Funds 3.1 to 3.3 at ~~group~~group level.

...

8A.3 For the purposes of this Chapter, references to 'firm' in Own Funds 3A – 3J in the context of the characteristics and features of an *own funds* item shall mean both the *participating Solvency II undertakings* and the *Solvency II undertakings* belonging to the ~~group~~group that has issued the *own funds* item.

8A.4 Notwithstanding 8A.1, where a *related Solvency II undertaking* has included in *Tier 2 own funds* an *own funds* item which would qualify for inclusion in *Tier 1 own funds* in accordance with Own Funds 3E.1(11), that classification shall not prohibit the classification of the same *own funds* item in *Tier 1 own funds* at ~~group~~group level, provided that the limits set out in Own Funds 4A.3 are complied with at ~~group~~group level.

8B CLASSIFICATION OF OWN-FUND ITEMS OF RELATED THIRD COUNTRY INSURANCE UNDERTAKING OR THIRD COUNTRY REINSURANCE UNDERTAKINGS AT GROUP LEVEL

8B.1 ...

- (2) the own funds item is free from encumbrances and is not connected with any other transaction, which when considered with the own funds item, could result in that own funds item not satisfying the requirements set out in Own Funds 3.1 to 3.3 at groupgroup level.

...

8C CLASSIFICATION OF OWN-FUND ITEMS OF INSURANCE HOLDING COMPANIES, MIXED FINANCIAL HOLDING COMPANIES, AND ANCILLARY SERVICES UNDERTAKINGS AT GROUP LEVEL

8C.1 Where an *own funds* item has been issued by an *insurance holding company*, a *mixed financial holding company*, an *intermediate holding company* or an *ancillary services undertaking* in the groupgroup, the *own funds* item must be classified using the criteria for classification set out in Own Funds 3A – 3J provided that all of the following requirements are met:

...

- (2) the *own funds* item is free from encumbrances and is not connected with any other transaction, which when considered with the *own funds* item, could result in that *own funds* item not satisfying the requirements set out in Own Funds 3.1 to 3.3 at groupgroup level.

...

8D OWN FUNDS ITEMS FREE FROM ENCUMBRANCES

8D.1 For the purposes of 8A.1(2), 8B.1(2) and 8C.1(2), own funds items must not be considered to be free from encumbrances unless the claims relating to those own funds items rank after the claims of all *policyholders* of the *Solvency II undertakings* belonging to the groupgroup.

8E CLASSIFICATION OF OWN-FUND ITEMS OF RESIDUAL RELATED UNDERTAKINGS

8E.1 The own funds items of *related undertakings* referred to in 11.1A(6) shall be considered as part of the reconciliation reserve at groupgroup level.

8E.2 Notwithstanding 8E.1, where practicable and where the own funds items referred to in 8D.1 materially affect the amount of groupgroup *own funds* or the group solvency, these own funds items must be classified into one of the three tiers based on the criteria set out in Own Funds 3A – 3J.

9 GROUP SOLVENCY: ELIMINATION OF DOUBLE USE OF ELIGIBLE OWN FUNDS AND INTRA-GROUP CREATION OF CAPITAL AND VALUATION

9.1 *Own funds eligible for the SCR* must not be taken into account more than once among the different *Solvency II undertakings* taken into account in the calculation of the solvency of a groupgroup. For that purpose, when calculating the solvency of a groupgroup and where *method 1* and *method 2* do not provide for it, the following amounts must be excluded:

...

9.2 Without prejudice to 9.1 or 9.3, the following must be excluded in the calculation of the solvency of a groupgroup unless they are, and only insofar as they are, eligible for covering the SCR of the *related undertaking* concerned:

- (1) surplus funds falling under Surplus Funds 2.2 or *Solvency II EEA implementing measures* implementing Article 91(2) of the *Solvency II Directive* arising in a *related Solvency II undertaking* of the *participating Solvency II undertaking* for which the solvency of a groupgroup is calculated; and
- (2) any subscribed but not paid-up capital of a *related Solvency II undertaking* of the *participating Solvency II undertaking* for which the solvency of a groupgroup is calculated.

[Note: Art. 222(2) of the *Solvency II Directive*]

...

9.4 Subject to 9.4A and 9.4B, where certain *own funds eligible for the SCR* of a *related Solvency II undertaking* (other than those referred to in 9.2 and 9.3) cannot effectively be made available to cover the SCR of the *participating Solvency II undertaking* for which the solvency of a groupgroup is calculated, those *own funds* must not be included in the calculation of the group solvency of the groupgroup unless they are, and only in so far as they are, eligible for covering the SCR of the *related undertaking*.

[Note: Art. 222(3) of the *Solvency II Directive*]

...

9.4D ...

- (2) where the *consolidated group SCR* is calculated, in relation to that *related undertaking*, on the basis of an *internal model*, the SCR of that *related undertaking* multiplied by a percentage corresponding to the proportion of the *diversification effects* at groupgroup level that are attributed to that *related undertaking*, determined by that *internal model*.

...

9.6 Any *eligible own funds* of a *related Solvency II undertaking* of the *participating Solvency II undertaking* for which the solvency of a groupgroup is calculated that are subject to permission from the ~~supervisory authority~~supervisory authority of the *related Solvency II undertaking*, by an *ancillary own funds permission* or in accordance with *Solvency II EEA implementing measures* implementing Article 90 of the *Solvency II Directive*, must be included in the calculation of the group solvency only in so far as they have been duly authorised by that ~~supervisory authority~~supervisory authority.

[Note: Art. 222(5) of the *Solvency II Directive*]

9.7 When calculating the solvency of a groupgroup, no account must be taken of any *own funds eligible for the SCR* arising out of reciprocal financing between the *participating Solvency II undertaking* and any of the following:

...

9.8 When calculating the solvency of a groupgroup, no account must be taken of any *own funds eligible for the SCR* of a *related Solvency II undertaking* of the *participating Solvency II undertaking* for which the group solvency of the groupgroup is calculated where the *own funds* concerned arise out of reciprocal financing with any other *related undertaking* of that *participating Solvency II undertaking*. Reciprocal financing exists at least where a *Solvency II undertaking*, or any of its *related undertakings*, holds shares in, or makes loans to, another *undertaking* which, directly or indirectly, holds *eligible own funds* of the first *undertaking*.

[Note: Art. 223(2), (3) of the *Solvency II Directive*]

- 9.9 The value of the assets and liabilities of a ~~group~~group must be assessed in accordance with Valuation 2.

[Note: Art. 224 of the *Solvency II Directive*]

10 GROUP SOLVENCY: APPLICATION OF THE CALCULATION METHODS

- 10.1 Where a *Solvency II undertaking* has more than one *related Solvency II undertaking*, the group solvency calculation of the ~~group~~group must be carried out by including each of those *related Solvency II undertakings*.

[Note: Art. 225 of the *Solvency II Directive*]

...

- 10.2 In respect of a *related Solvency II undertaking* with its head office in Gibraltar, the group solvency calculation must take account of the SCR and the *own funds eligible for the SCR* as laid down in the ~~*Solvency II EEA implementing measures*~~*Solvency II EEA implementing measures* of Gibraltar.

- 10.3 (1) When calculating the group solvency of a *Solvency II undertaking* in a ~~group~~group, the situation of each *intermediate holding company* must be taken into account.

...

- (3) In cases where an *intermediate holding company* holds subordinated debt or other *eligible own funds* subject to limitation in accordance with Own Funds 4 and 4A, they must be recognised as *eligible own funds* up to the amounts calculated by application of the limits in Own Funds 4 and 4A to the total *eligible own funds* outstanding at the level of the ~~group~~group as compared to the *group SCR*.
- (4) Any *eligible own funds* of an *intermediate holding company*, which would require permission from a ~~supervisory authority~~supervisory authority by an *ancillary own funds permission* or in accordance with ~~*Solvency II EEA implementing measures*~~ implementing Article 90 of the *Solvency II Directive*, must not be included in the calculation of the group solvency of the ~~group~~group unless a *firm* has permission from the ~~supervisory authority~~supervisory authority to do so pursuant to section 138BA of FSMA or ~~*Solvency II EEA implementing measures*~~*Solvency II EEA implementing measures* implementing Article 90 of the *Solvency II Directive*, and only to the extent of its permission.

[Note: Art. 226 of the *Solvency II Directive*]

- 10.4 (1) Subject to (2), when calculating, in accordance with *method 2*, the group solvency of a *Solvency II undertaking* in a ~~group~~group which is a *participating undertaking* in a ~~third country insurance undertaking~~third country insurance undertaking or ~~third country reinsurance undertaking~~third country reinsurance undertaking, that ~~third country insurance undertaking~~third country insurance undertaking or ~~third country reinsurance undertaking~~third country reinsurance undertaking must, solely for the purposes of that calculation, be treated as a *related Solvency II undertaking*.
- (2) If the *third country* in which that ~~third country insurance undertaking~~third country insurance undertaking or ~~third country reinsurance undertaking~~third country reinsurance undertaking has its head office is an overseas jurisdiction designated under regulation 11 in relation to regulation 13 of the *IRPR regulations* in respect of the insurance group capital requirements calculation and paragraph (3) of regulation 13 of the *IRPR regulations* does not apply, the calculation in (1) must take into account, as regards that *undertaking*, the

requirement equivalent to the SCR and the capital items eligible to satisfy that requirement as laid down by that *third country*.

[Note: Art. 227 of the *Solvency II Directive*]

10.5 When calculating the group solvency of a *Solvency II undertaking* in a ~~group~~group which is a *participating undertaking* in a credit institution, investment firm or financial institution, the *participating Solvency II undertaking* must either:

...

10.6 Where the information necessary for calculating the group solvency of a *Solvency II undertaking* in a ~~group~~group, concerning a *related undertaking*, is not available to the group supervisor then:

...

10.7 Where the ~~group~~group applies a combination of *method 1* and *method 2*, the *consolidated group SCR* calculated for the part of the ~~group~~group which is covered by *method 1* shall have a minimum determined in accordance with the requirements set out in 11.3.

11 CALCULATION METHODS: METHOD 1

11.1 (1) The calculation of the group solvency of the *participating Solvency II undertaking* in a ~~group~~group must be carried out on the basis of the consolidated accounts.

(2) The group solvency of the *participating Solvency II undertaking* in a ~~group~~group is the difference between the following:

...

11.1C For the purposes of the calculation of the consolidated ~~group~~group *own funds*, the data referred to in 11.1A and 11.1B shall be net of any *intra-group transaction*.

...

11.2C Notwithstanding 11.2B, where a material amount of the consolidated *technical provisions* or the consolidated ~~group~~group *own funds* is denominated in a currency other than the one used for the preparation of the consolidated accounts, that currency may be considered as the local currency referred to in Solvency Capital Requirement – Standard Formula 3D32.1.

11.3 (1) The *consolidated group SCR* of a ~~group~~group must have as a minimum the sum of the following:

...

(3) For the purposes of determining whether those *eligible own funds* qualify to cover the minimum *consolidated group SCR* of a ~~group~~group, the principles in 8 to 10 apply with any necessary changes. Undertakings In Difficulty 3 also applies with any necessary changes.

[Note: Art. 230(2) of the *Solvency II Directive*]

...

11.5 ...

(2) each *related Solvency II undertaking* whose business is fully or partly in the scope of the *internal model*, only in relation to the output of the *internal model* at ~~group~~group level; and

(3) each *related undertaking* that is an *insurance holding company* or a *mixed financial holding company* whose business is fully or partly in the scope of the *internal model*, only in relation to the output of the *internal model* at ~~group~~group level.

...

12 CALCULATION METHODS: METHOD 2

12.1 The group solvency of the *participating Solvency II undertaking* in a ~~group~~group is the difference between the following:

...

12.2 The aggregated group *eligible own funds* of a ~~group~~group is the sum of the following:

...

12.3 The aggregated *group SCR* of a ~~group~~group is the sum of the following:

...

12.4 Where, in a ~~group~~group, the *participation* in the *related Solvency II undertaking* consists, wholly or in part, of an indirect ownership, the value in the *participating Solvency II undertaking* of the *related Solvency II undertaking* must incorporate the value of that indirect ownership. The value of that indirect ownership must take into account the relevant successive interests, and the items referred to in 12.2(2) and 12.3(2) must include the corresponding proportional shares, respectively, of the *own funds eligible for the SCR* of the *related Solvency II undertaking* and of the *SCR* of the *related Solvency II undertakings*.

[Note: Art. 233(4) of the *Solvency II Directive*]

12.5 Any application for permission to calculate the *SCR* of *Solvency II undertakings* in the ~~group~~group, on the basis of an *internal model*, submitted by a *Solvency II undertaking* and its *related undertakings*, or jointly by the *related undertakings* of an *insurance holding company* or a *mixed financial holding company*, must be submitted to the *group supervisor*.

[Note: Art. 233(5) of the *Solvency II Directive*]

...

13 CALCULATION METHODS: CAPITAL ADD-ONS

13.1 The *relevant insurance group undertakings* must make every effort to remedy the deficiencies that led to the imposition of a *capital add-on* arising as a result of an *internal model significant risk profile deviation* or a *significant system of governance deviation* at the level of the ~~group~~group.

[Note: Art. 232, Art. 233(6) and Art. 37(3) of the *Solvency II Directive*]

13.1A The *relevant insurance group undertakings* must make all reasonable efforts to remedy the ~~residual model limitation~~residual model limitation that led to the imposition of a *capital add-on* arising as a result of an *internal model residual deviation* at the level of the ~~group~~group.

13.1B A *relevant insurance group undertaking* must be able to, upon request by the *PRA* as *group supervisor*, submit a progress report to the *PRA* as *group supervisor* setting out the measures taken, and the progress made, to remedy the deficiencies that led to the imposition of a *capital add-on* arising as a result of an *internal model residual deviation*, an *internal model significant risk profile deviation* or a *significant system of governance deviation* at the level of the ~~group~~group.

13.2 The *group SCR* prior to the imposition of the *capital add-on*, together with the amount of the *capital add-on* imposed at the level of the ~~group~~group, will constitute the ~~group's~~group's *group SCR*.

[Note: Art. 232, Art. 233(6) and Art. 37(5) of the *Solvency II Directive*]

14 SUPERVISION OF GROUP SOLVENCY FOR SOLVENCY II FIRMS THAT ARE SUBSIDIARIES OF AN INSURANCE HOLDING COMPANY OR A MIXED FINANCIAL HOLDING COMPANY

- 14.1 (1) Where *Solvency II undertakings* in a groupgroup are *subsidiary undertakings* of an *insurance holding company* or a *mixed financial holding company*, the calculation of the solvency of the groupgroup must be carried out at the level of the *insurance holding company* or *mixed financial holding company* applying 7.1(2) to 12.

...

16 RISK CONCENTRATION AND INTRA-GROUP TRANSACTIONS

- 16.1 (1) Where 2.1(1) or 2.1(2) applies, the *relevant insurance group undertakings* or any *UK holding company* must report on a regular basis and at least annually to the *group supervisor* any significant risk concentration at the level of the groupgroup.
- (2) The necessary information must be submitted to the *group supervisor* by the *relevant insurance group undertaking* which is at the head of the groupgroup or, where the groupgroup is not headed by a *relevant insurance group undertaking*, by the *UK holding company* or such other *Solvency II undertaking* in the groupgroup as the *group supervisor* may specify.

[Note: Art. 244 of the *Solvency II Directive*]

16.1A ...

- (2) groups of individual but interconnected counterparties, for example *undertakings* within the same corporate groupgroup;

...

16.2 ...

- (3) The necessary information must be submitted to the *group supervisor* by the *relevant insurance group undertaking* which is at the head of the groupgroup or, where the groupgroup is not headed by a *Solvency II undertaking*, by the *UK holding company* or such other *Solvency II undertaking* in the groupgroup as the *group supervisor* may specify.

[Note: Art. 245 of the *Solvency II Directive*]

- 16.3 The *relevant insurance group undertakings* or *UK holding company* must consider as significant *intra-group transactions* the *intra-group transactions* that materially influence the solvency or liquidity position of the groupgroup or one of the *undertakings* involved in these transactions.

...

17 RISK MANAGEMENT AND INTERNAL CONTROL

- 17.1 (1) Where 2.1(1) or 2.1(2) applies, the following requirements apply with any necessary changes at the level of the groupgroup:
- ...
- (2) Without prejudice to (1), the effective system of governance and reporting procedures must be implemented consistently in all the *undertakings* included in the scope of groupgroup supervision under 2.2(1) and 2.2(2) so that the effective system of governance and reporting procedures can be controlled at the level of the groupgroup.

...

- 17.2 (1) Where 2.1(1) or 2.1(2) applies, a *participating Solvency II undertaking* that is a *firm*, or if there is none, the *UK holding company* or the *relevant insurance group undertakings*, must undertake at the level of the groupgroup the ORSA assessment required by Conditions Governing Business 3.8 to 3.12.
- (2) Where the calculation of the solvency at the level of the groupgroup is carried out in accordance with *method 1*, the *participating Solvency II undertaking*, the *UK holding company* or the *relevant insurance group undertakings* (as appropriate) must provide to the *group supervisor* a proper understanding of the difference between the sum of the SCR of all the *related Solvency II undertakings* in the groupgroup and the consolidated SCR of the groupgroup.
- (3) Where the *participating Solvency II undertaking*, the *UK holding company* or the *relevant insurance group undertakings* (as appropriate) so decide, and subject to the agreement of the *group supervisor*, they may undertake any assessments required by Conditions Governing Business 3.8 to 3.12 at the level of the groupgroup and at the level of any *subsidiary undertaking* in the groupgroup at the same time, and may produce a single document covering all the assessments to satisfy the requirement to provide an ORSA report in Conditions Governing Business 3.11 and 3.12.
- (4) Where the groupgroup exercises the option provided in (3), it must submit the ORSA report to all ~~supervisory authorities~~supervisory authorities concerned at the same time.

...

- 17.3 Reporting 2.1 to 2.5B, 2.13 and the relevant provisions of Chapter 2A of the Reporting Part apply, with any necessary changes, to reporting information on a groupgroup to the PRA.

[Note: Art. 254(2) of the *Solvency II Directive*]

...

18 GROUP SFCR

- 18.1 (1) When 2.1(1) or 2.1(2) applies, *participating Solvency II undertaking* that are *firms* or, if there are none, the *relevant insurance group undertakings* must disclose publicly, on an annual basis, a report on the solvency and financial condition at the level of the groupgroup. Reporting 3 to 6 apply with any necessary changes.
- (2) Where a *participating Solvency II undertaking* that is a *firm* or the *relevant insurance group undertakings* (as appropriate) so decide, and subject to the agreement of the *group supervisor*, they may provide a single SFCR which must comprise the following:
- (a) the information at the level of the groupgroup which must be disclosed in accordance with (1); and
 - (b) the information for any of the subsidiaries within the groupgroup which must be individually identifiable and disclosed in accordance with Reporting 3 to 6.

[Note: Art. 256 of the *Solvency II Directive*]

19 GROUP STRUCTURE

- 19.1 When 2.1(1) or 2.1(2) applies, *participating Solvency II undertaking* that are *firms* or, if there are none, the *relevant insurance group undertakings* must disclose publicly, at the level of the groupgroup, on an annual basis, the legal structure and the governance and organisational structure, including a description of all *subsidiaries*, material *related undertakings*, and *significant branches* belonging to the groupgroup.

[Note: Art. 256a of the *Solvency II Directive*]

20 THIRD COUNTRIES

20.1 When 2.1(3) applies, 4 to 14, 16 to 19 and External Audit 2 to 4 apply with any necessary changes at the level of the *insurance holding company* or *mixed financial holding company* which does not have its head office in the UK or Gibraltar, ~~*third country insurance undertaking*~~ *third country insurance undertaking* or ~~*third country reinsurance undertaking*~~ *third country reinsurance undertaking* unless:

...

20.3 When calculating the solvency of a ~~*group*~~ *group* falling within 2.1(3) for the purpose of 20.1, a *relevant insurance group undertaking* must treat the *parent undertaking* (being an *insurance holding company* which does not have its head office in the UK or Gibraltar or a ~~*third country insurance undertaking*~~ *third country insurance undertaking* or a ~~*third country reinsurance undertaking*~~ *third country reinsurance undertaking*), solely for the purposes of that calculation, as a UK *Solvency II firm* to which 2.1(1)(a) applies.

[Note: Art. 262 of the *Solvency II Directive*]

20.4 Where the *parent undertaking* referred to in 2.1(3) is itself a *subsidiary undertaking* of an *insurance holding company* or *mixed financial holding company* which does not have its head office in the UK or Gibraltar or a ~~*third country insurance undertaking*~~ *third country insurance undertaking* or a ~~*third country reinsurance undertaking*~~ *third country reinsurance undertaking*, 20.1 applies at the level of the ultimate *parent undertaking* which is an *insurance holding company* or *mixed financial holding company* which does not have its head office in the UK or Gibraltar or a ~~*third country insurance undertaking*~~ *third country insurance undertaking* or a ~~*third country reinsurance undertaking*~~ *third country reinsurance undertaking*.

...

21 MIXED-ACTIVITY INSURANCE HOLDING COMPANIES

21.1 16.2 to 16.4 apply with any necessary changes, to ~~*groups*~~ *groups* falling within 2.1(4).

[Note: Art. 265 of the *Solvency II Directive*]

21.2 Reporting 2.1 to 2.5B, 2.13 and the relevant provisions of Chapter 2A of the Reporting Part apply, with any necessary changes, to reporting information on a ~~*group*~~ *group* falling within 2.1(4) to the PRA.

22 GROUP OPERATIONAL RESILIENCE

22.1 Rules 22.2 to 22.5 apply to any UK *Solvency II firm* that is a member of a ~~*group*~~ *group* for which the PRA is the *group supervisor*.

22.2 Where a *firm* is a member of a ~~*group*~~ *group* covered by 2.1(1), 2.1(2) or, subject to 22.5, 2.1(3), the *firm* must also comply with Operational Resilience – Solvency II Firms 2.1 and 2.2 in relation to its *important group business services*.

22.3 Where a *firm* is a member of a ~~*group*~~ *group* covered by 2.1(1), 2.1(2) or, subject to 22.5, 2.1(3), with the exception of Operational Resilience – Solvency II Firms 3.1(3), the *firm* must ensure that the strategies, processes and systems at the level of the ~~*group*~~ *group* of which it is a member comply with the obligations set out in Operational Resilience – Solvency II Firms 3.

22.4 Where a *firm* is a member of a ~~*group*~~ *group* covered by 2.1(1), 2.1(2) or, subject to 22.5, 2.1(3) the *firm* must ensure that the strategies, processes and systems at the level of the ~~*group*~~ *group* of which it is a member enable the *firm* to assess whether *important group business services* at

the level of the ~~group~~group could remain within the *impact tolerance* in the event of a severe but plausible disruption to its operations.

- 22.5 Where a *firm* is a member of a ~~group~~group covered by 2.1(3), 22.2, 22.3 and 22.4 do not apply if, the *third country* in which the ~~group's~~group's *parent undertaking* has its head office is an overseas jurisdiction designated under regulation 11 in relation to regulation 14 of the *IRPR regulations* in respect of insurance group supervision and paragraph (3) of regulation 14 of the *IRPR regulations* applies.

...

Annex D

Amendments to the Own Funds Part

In this Annex deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 ...

~~delegated act~~

~~means Commission Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), as it has effect as retained direct EU legislation as at 31 December 2023.~~

...

Annex E

Amendments to the Reporting Part

In this Annex new text is underlined and deleted text is struck through.

...

2 REPORTING TO THE PRA

...

III: REPORTING TEMPLATES FOR GROUPS

...

Article 50: ADDITIONAL ANNUAL QUANTITATIVE TEMPLATES IN RESPECT OF THIRD COUNTRY BRANCH UNDERTAKINGS

...

5. Where a *third country branch undertaking* notifies the *PRA* that any of its submissions of templates under this Article are incorrect, or where the *PRA* notifies a *third country branch undertaking* that any part of the template appears to be inaccurate or incomplete, *the third country branch undertaking* must promptly make any appropriate corrections or adjustments and if necessary re-submit the template (or relevant part of it).

...

3 PUBLIC DISCLOSURE: SOLVENCY AND FINANCIAL CONDITION REPORT

...

3.3C For the purposes of 3.3(2), in respect of a *firm's* risk profile, and 3.3(3), the *SFCR* must include the following:

- (1) Qualitative and quantitative information regarding the risk profile of the *firm*, in accordance with 3.3C(2) to ~~3.3C(7)~~3.3C(6), separately for the following categories of risk:

...

- (2) ...

- (b) a description of the material risks that ~~the~~the *firm* is exposed to, including any material changes over the reporting period; and

...

- (6) Any other material information, in a separate section, regarding ~~the~~ risk profile of the *firm*.

3.4 ...

- (1) ...

- (a) a description of the *matching adjustment* and of the *relevant portfolio of insurance* ~~or~~and *reinsurance obligations* and *relevant portfolio of assets* to which the *matching adjustment* is applied;

...

9 REPORTING AND DISCLOSURE TEMPLATES

...

- 9.82 Template AoC.01, setting out the analysis of change referred to in Solvency Capital Requirement - Internal Models 13A, including both quantitative and qualitative information and a supporting qualitative analysis, can be found [here](#).

...

Annex F

Amendments to the Solvency Capital Requirement - Internal Models Part

In this Annex deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 ...

residual model limitation

means, in relation to an *internal model* for which a *firm* has, or in respect of which the *firm* is applying for, an *internal model permission*, an aspect of that *internal model* that prevents the *firm* from demonstrating that that *internal model* meets Solvency Capital Requirement – General Provisions 3.3 and 3.4 and all *internal model requirements* in all the circumstances in which it is, or is intended, to be used.

...

16F PARTIAL INTERNAL MODEL INTEGRATION TECHNIQUE 4

...

16F.3 ...

- (7) P_i denotes the capital requirement for the sub-module i of that particular sub-module, generated by the *partial internal model*;

...

Annex G

Amendments to the Solvency Capital Requirement - Standard Formula Part

In this Annex new text is underlined and deleted text is struck through.

...

3 THE BASIC SCR

...

3.8 ...

(2) ...

$$\cancel{SCR_{life}} = \sqrt{\sum_{i,j} \cancel{Corr_{i,j}} \times \cancel{SCR_i} \times \cancel{SCR_j}}$$

$$SCR_{life} = \sqrt{\sum_{i,j} Corr_{i,j} \cdot SCR_i \cdot SCR_j}$$

...

(3) ...

<i>ji</i>	Mortality	Longevity	Disability	Life expense	Revision	Lapse	Life catastrophe
<i>i</i> <i>j</i>	<u>Mortality</u>	<u>Longevity</u>	<u>Disability</u>	<u>Life expense</u>	<u>Revision</u>	<u>Lapse</u>	<u>Life catastrophe</u>
...	...	...	...	...	...	...	...

...

3.10A ...

(3) ...

<i>ji</i>	NSLT health underwriting	SLT health underwriting	Health catastrophe
<i>i</i> <i>j</i>	<u>NSLT health underwriting</u>	<u>SLT health underwriting</u>	<u>Health catastrophe</u>
...	...	...	...

...

3.11A ...

(2) ...

$j \backslash i$	Interest rate	Equity	Property	Spread	Concentration	Currency
$i \backslash j$	<u>Interest rate</u>	<u>Equity</u>	<u>Property</u>	<u>Spread</u>	<u>Concentration</u>	<u>Currency</u>
...	...	...	...	...	...	...

...

3A NON-LIFE UNDERWRITING RISK MODULE

...

3A6 NON-LIFE LAPSE RISK SUB-MODULE

...

- For the purposes of determining the loss in its *basic own funds* under the event referred to in 3A6.1(1), the *firm* must base the calculation on the type of ~~ed~~*discontinuance* that most negatively affects its *basic own funds* on a *per policy* basis.

...

3A16 SUB-MODULE FOR CATASTROPHE RISK OF NON-PROPORTIONAL PROPERTY REINSURANCE

- A *firm* must calculate the capital requirement for catastrophe risk of non-proportional property *reinsurance* as equal to the loss in its *basic own funds* that would result from an instantaneous loss in relation to each *reinsurance contract* that covers *reinsurance* obligations of *line of business* 28 other than non-proportional *reinsurance* obligations relating to insurance obligations included in *lines of business* 9 and 21.

...

3A18 MOTOR VEHICLE LIABILITY RISK SUB-MODULE

- A *firm* must calculate the capital requirement for motor vehicle liability risk as equal to the loss in its *basic own funds* that would result from an instantaneous loss that, without deduction of the amounts recoverable from *reinsurance contracts* and *special purpose vehicles*, is calculated in accordance with the following formula in GBP:

$$L_{motor} = \max \left(5,300,000; 44,000 \cdot \sqrt{N_a + 0.05 \cdot N_b + 0.95 \cdot \min(N_b; 20,000)} \right)$$

where:

- N_a is the number of vehicles insured by the *firm* in *lines of business* 4 and 16 with a deemed *policy* limit above GBP 21,200,000; and
- N_b is the number of vehicles insured by the *firm* in *lines of business* 4 and 16 with a deemed *policy* limit below or equal to GBP 21,200,000.

...

3B6 LIFE LAPSE RISK SUB-MODULE

...

6. ...

- (1) the *discontinuance* of 70% of the insurance *policies* falling within the scope of operations referred to ~~within~~ *Regulated Activities Order* Schedule 1, Part II, class VII for which *discontinuance* would result in an increase in *technical provisions* without the *risk margin* and where one of the following requirements are met:

...

3C6 CORRELATION MATRIX FOR NSLT HEALTH PREMIUM AND RESERVE RISK

1. ...

t, s	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
t	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
...	...	...	...	...

...

3D MARKET RISK MODULE

...

3D7 GENERAL PROVISIONS

...

2. A ~~firm~~firm must treat as type 1 equities:

...

3D9 STANDARD EQUITY RISK SUB-MODULE

...

2. ...

- (2) an instantaneous decrease equal to 22% in the value of type 2 equity investments that are treated as long-term equity ~~investments~~investments in accordance with 3D11; and

...

3D17 SPREAD RISK ON BONDS AND LOANS

...

4. A *firm* must assign bonds and loans for which a credit assessment by a nominated *external credit assessment institution* is not available and for which debtors have not posted collateral by way of a *collateral arrangement* that meets the criteria set out in 3G8 a risk factor *stress_i* depending on the duration *dur_i* of the bond or loan *i* according to the following table:

Duration (dur_i)	$stress_i$
Up to 5	$3\% \cdot dur_i$
More than 5 and up to 10	$15\% + 1.7\% \cdot (dur_i - 5)$
More than 10 and up to 20	$23.5\% + 1.2\% \cdot (dur_i - 10)$
More than 20	$\min(35.5\% + 0.5\% \cdot (dur_i - 20); 1)$

...

3D21 SPREAD RISK ON SECURITISATION POSITIONS: CALCULATION OF THE CAPITAL REQUIREMENT

...

4. In respect of *securitisation positions* in *STS securitisations* that are not *senior securitisation positions*, which fulfil the requirements set out in Article 243 of the *CRR* and for which a credit assessment by a nominated *external credit assessment institution* is available, a *firm* must assign a risk factor $stress_i$ depending on the *credit quality step* and the modified duration of the *securitisation position i*, as set out in the following table:

Credit quality step		0		1		2		3		4		5 and 6	
Duration	$stress_i$	a_i	b_i	a_i	b_i	a_i	b_i	a_i	b_i	a_i	b_i	a_i	b_i
(dur_i)													
Up to 5	$\min[b_i \cdot dur_i; 1]$	—	2.8 %	—	3.4 %	—	4.6 %	—	7.9 %	—	15.8 %	—	26.7 %
More than 5 and up to 10	$\min[a_i + b_i \cdot (dur_i - 5); 1]$	14.0 %	1.6 %	17.0 %	1.9 %	23.0 %	2.3 %	39.5 %	4.7 %	79.0 %	8.8 %	100.0 %	0.0 %
More than 10 and up to 15	$a_i + b_i \cdot (dur_i - 10)$	22.0 %	1.6 %	26.5 %	1.5 %	34.5 %	1.6 %	63.0 %	3.2 %	100.0 %	0.0 %	100.0 %	0.0 %
More than 15 and up to 20	$a_i + b_i \cdot (dur_i - 15)$	30.0 %	1.6 %	34.0 %	1.5 %	42.5 %	1.6 %	79.0 %	3.2 %	100.0 %	0.0 %	100.0 %	0.0 %
More than 20	$\min[a_i + b_i \cdot (dur_i - 20); 1]$	38.0 %	1.6 %	41.5 %	1.5 %	50.5 %	1.6 %	95.0 %	1.6 %	100.0 %	0.0 %	100.0 %	0.0 %

5. In respect of *senior securitisation positions* in *STS securitisations* which fulfil the criteria set out in Article 243 of the *CRR* and for which no credit assessment by a nominated *external credit assessment institution* is available, a *firm* must assign a risk factor $stress_i$ depending on the modified duration of the *securitisation position i*, as set out in the following table:

Duration (dur_i)	$stress_i$	a_i	b_i
Up to 5	$b_i \cdot \underline{dur_i}$	—	4.6%
More than 5 and up to 10	$a_i + b_i \cdot (dur_i - 5)$	23%	2.5%
More than 10 and up to 15	$a_i + b_i \cdot (dur_i - \underline{10})$	35.5%	1.8%
More than 15 and up to 20	$a_i + b_i \cdot (dur_i - \underline{15})$	44.5%	0.5%
More than 20	$\min[a_i + b_i \cdot (dur_i - 20); \underline{1}]$	47%	0.5%

...

3D24 SPECIFIC EXPOSURES

1. In respect of exposures in the form of *covered bonds* which have been assigned to *credit quality step* 0 or 1, a *firm* must assign a risk factor $stress_i$ according to the following table:

Credit quality step Duration (dur_i)	0	1
Up to 5	$0.7\% \cdot dur_i$	$0.9\% \cdot dur_i$
More than 5 years	$\min(3.5\% + 0.5\% \cdot (dur_i - \underline{5}); 1)$	$\min(4.5\% + 0.5\% \cdot (dur_i - \underline{5}); 1)$

...

5. In respect of exposures in the form of bonds and loans to central governments and *central banks* other than those referred to in 3D24.2(1), denominated and funded in the domestic currency of that central government and *central bank*, and for which a credit assessment by a nominated *external credit assessment institution* is available, a *firm* must ~~be~~ assign a risk factor $stress_i$ depending on the *credit quality step* and the duration of the exposure according to the following table:

...

11. A *firm* must assign to exposures in the form of bonds and loans to a *UK Solvency II undertaking* which does not meet its *MCR* a risk factor $stress_i$ according to the following table:

Duration (dur_i)	risk factor $stress_i$
Up to 5	$7.5\% \cdot dur_i$

More than 5 and up to 10	$37.50\% + 4.20\% \cdot (dur_i - 5)$
More than 10 and up to 15	$58.50\% + 0.50\% \cdot (dur_i - 10)$
More than 15 and up to 20	$61\% + 0.50\% \cdot (dur_i - 15)$
More than 20	$\min(63.5\% + 0.5\% \cdot (dur_i - 20); \underline{1})$

12. ...

- (2) in all other cases, a ~~firm~~firm must assign to the exposures the same risk factor as the ones that would result from the application of 3D24.8 to 3D24.10 to exposures to a *UK Solvency II undertaking* whose solvency ratio is 100%.

...

16. In respect of exposures in the form of bonds and loans that fulfil the criteria set out in 3D24.17, a *firm* must assign a risk factor $stress_i$ depending on the *credit quality step* and the duration of the exposure, according to the following table:

<i>Credit quality step</i>		0		1		2		3	
Duration (dur_i)	$stress_i$	a_i	b_i	a_i	b_i	a_i	b_i	a_i	b_i
Up to 5	$b_i \cdot dur_i$	—	0.64%	—	0.78%	—	1.0%	—	1.67%
More than 5 and up to 10	$a_i + b_i \cdot (dur_i - 5)$	3.2%	0.36%	3.9%	0.43%	5.0%	0.5%	8.35%	1.0%
More than 10 and up to 15	$a_i + b_i \cdot (dur_i - 10)$	5.0%	0.36%	6.05%	0.36%	7.5%	0.36%	13.35%	0.67%
More than 15 and up to 20	$a_i + b_i \cdot (dur_i - 15)$	6.8%	0.36%	7.85%	0.36%	9.3%	0.36%	16.7%	0.67%
More than 20	$\min[a_i + b_i \cdot (dur_i - 20); \underline{1}]$	8.6%	0.36%	9.65%	0.36%	11.1%	0.36%	20.05%	0.36%

...

3E COUNTERPARTY DEFAULT RISK MODULE

...

3E2 SINGLE NAME EXPOSURES

...

2. ...

Alternatively exposures to the ~~undertakings~~undertakings which belong to the same *pooling arrangement* must be treated as a single name exposure.

...

3E12 PROBABILITY OF DEFAULT

...

8. A *firm* must assign a probability of default equal to 0% to exposures to *counterparties* referred to in 3D24.2(1) to (3).

...

7 SIMPLIFICATION IN THE STANDARD FORMULA

...

7.16 ...

- (a) CAR_k denotes the total capital at risk in year k , meaning the sum over all *contracts of insurance* of the higher of zero and the difference, in relation to each *contract of insurance*, between the following amounts:

...

7.35 ...

- (2) RM_{re-} denotes the risk-mitigating effect on *underwriting risk* of the *reinsurance* arrangement or *securitisation*;

...

9 RING-FENCED FUNDS AND MATCHING ADJUSTMENT PORTFOLIOS

...

9.1 ...

- (5) where profit participation arrangements exist in respect of any insurance and *reinsurance obligations* ~~obligations~~ within a *ring-fenced fund*, the *firm* must apply the following approach:

...

Annex H

Amendments to the Solvency Capital Requirement - Undertaking Specific Parameters Part

In this Annex new text is underlined and deleted text is struck through.

...

4 PREMIUM RISK METHOD

...

4.6 The standard deviation function must be equal to the following function of two variables:

$$\hat{\sigma}(\hat{\delta}, \hat{\gamma}) = \exp \left(\hat{\gamma} + \frac{\frac{1}{2}T + \sum_{t=1}^T \pi_t(\hat{\delta}, \hat{\gamma}) \cdot \ln \left(\frac{y_t}{x_t} \right)}{\sum_{t=1}^T \pi_t(\hat{\delta}, \hat{\gamma})} \right) \text{where:}$$

where:

...

5 RESERVE RISK METHOD 1

...

5.6 ...

(4) ...

(a) $\hat{\delta}$ and $\hat{\gamma}$ are defined in 5.5(3) and 5.5(4), respectively; and

...

10 CREDIBILITY FACTOR

...

10.2 ...

(4) for ~~the~~the *revision risk method*, the number of *financial years* for which data are available;
and

...