



## **TRANSFER OF THE FUNCTION TO THE PRA TO PRODUCE TECHNICAL INFORMATION UNDER REGULATION 4B OF THE SOLVENCY 2 REGULATIONS 2015/575 AND ARTICLE 3(5) OF THE SOLVENCY II DELEGATED ACT 2015/35**

**Update 31 January 2020:** Following the UK's withdrawal from the EU at 11pm on 31 January 2020, the UK entered an implementation period agreed as part of the Withdrawal Agreement between the UK and EU. The implementation period will last until 11:00pm on 31 December 2020.

The European Union (Withdrawal Agreement) Act 2020 gives effect to the implementation period in the UK.

During the implementation period EU law will continue to apply to the UK under the terms set out in the Withdrawal Agreement. Therefore, during this period firms should continue to use the Solvency 2 technical information published by EIOPA.

The requirement for the PRA to publish technical information under regulation 4B of the Solvency 2 Regulations 2015/575 and Article 3(5) of the Solvency II Delegated Act 2015/35 has been deferred until the end of the implementation period.

In the Bank of England and Prudential Regulation Authority (PRA) Consultation Paper (CP) 'The Bank of England's approach to amending financial services legislation under the European Union (Withdrawal) Act 2018' we set out that the UK regulators would adopt some of the roles and responsibilities carried out by EU authorities. The transferred responsibilities will take effect from the end of the implementation period.

These transfers will be effected under the Solvency 2 and Insurance (Amendment etc.) (EU Exit) Regulations.

This communication provides firms and other interested parties with information on how the PRA will meet its requirement in relation to the publication of technical information required under regulation 4B of the Solvency 2 Regulations 2015/575 and Article 3(5) of the Solvency II Delegated Act 2015/35.

### **Overview of Solvency 2 technical information**

The technical information relating to risk-free interest rate term structures is used for the calculation of the technical provisions for (re)insurance obligations. It consists of:

- (a) the relevant risk-free rate term structures;
- (b) the fundamental spreads for the calculation of the matching adjustment;
- (c) for each relevant national insurance market, the volatility adjustments;

The technical information also includes the Symmetric Adjustment of the Equity Capital Charge (SAECC), which is relevant for insurance and reinsurance firms using the standard formula to calculate their Solvency Capital Requirements (SCR).

### **Approach to producing Solvency 2 technical information**

In fulfilling its responsibilities the PRA's aim is to:



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- ensure consistency with current processes where it is appropriate and practicable to do so,
- seek to minimise any disruption to firms, and
- meet the PRA's requirements as set out in the Solvency 2 Regulations 2015 and the Solvency II Delegated Act 2015/35 as onshored and as each is amended by the Solvency 2 and Insurance (Amendment etc.) (EU Exit) Regulations 2019

During the implementation period, the PRA will set out its approach for determining the risk-free interest rate term structures and SAECC. The PRA will consult with firms and other stakeholders on its approach to producing the Solvency 2 technical information.

The PRA intends to publish information on a monthly basis from the end of the implementation period. Further updates will be provided in due course on the timetable for publication.

**Contact**

If there are any queries arising from this communication firms should contact their usual supervisory contact.

January 2020