

**PRA RULEBOOK: NON-SOLVENCY II FIRMS: INSURANCE COMPANY – MATHEMATICAL RESERVES INSTRUMENT 2020**

**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); and
  - (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

**Pre-conditions to making**

- C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of the proposed rules and had regard to representations made.

**PRA Rulebook: Non-Solvency II Firms: Insurance Company – Mathematical Reserves Instrument 2020**

- D. The PRA makes the rules in the Annex to this instrument.

**Commencement**

- E. This instrument comes into force on 8 September 2020.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Non-Solvency II Firms: Insurance Company – Mathematical Reserves Instrument 2020.

**By order of the Prudential Regulation Committee**

2 September 2020

**Annex**

**Amendments to the Insurance Company - Mathematical Reserves Part**

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

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**REINSURANCE**

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18.3 For purposes of 18.2:

...

(2) *reinsurance* cash outflows need not to be valued provided that:

...

(b) the conditions in 18.4 are satisfied;

...

18.4 The conditions referred to in 18.3(2)(b) are that:

...

(2) the present value of the future *reinsurance* cash outflows that may be disregarded under 18.3(2) must not at any time exceed the value of the aggregate net cash inflows that have already been received by the *firm* under the contract of *reinsurance* accumulated at an assumed rate of ~~LIBOR~~ SONIA + 6% per annum.

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