

Supervisory Statement | SS16/15

Appendix 2.16

Solvency II: conditions governing business

March 2015



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY



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1 Introduction

1.1 This supervisory statement is addressed to UK Solvency II firms and to Lloyd's. It sets out the types of business that a pure reinsurer can carry on as related to its insurance business. It should be read alongside the Conditions Governing Business Part of the Prudential Regulation Authority (PRA) Rulebook.

1.2 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.

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

2 Related Operations

2.1 In Conditions Governing Business 10.2, 'related operations' include, for example, activities such as provision of statistical or actuarial advice, risk analysis or research for its clients. It may also include a holding company function and activities with respect to financial sector activities within the meaning of Article 2, point 8, of the Financial Conglomerates Directive (Directive 2002/87/EC). But it does not allow the carrying on of, for example, unrelated banking and financial activities (see Recital (13) and Article 18(1)(b) of the Solvency II Directive).

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

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