



Supervisory Statement | SS41/15

Solvency II: applying EIOPA's Set 2, System of Governance and ORSA Guidelines

November 2024

(Updating December 2021)





BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

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1 Introduction

1.1 This supervisory statement is addressed to all UK firms that fall within the scope of Solvency II, and the Society of Lloyd's. It sets out the Prudential Regulation Authority's (PRA's) expectations of firms and its general approach to the following European Insurance and Occupational Pensions Authority's (EIOPA's) Guidelines (as at the end of the transition period)¹:

- (i) Set 2 of the Solvency II Guidelines ('the Guidelines'), published as final reports on 6 July 2015 and in all European Union official languages on 14 September 2015; and
- (ii) the System of Governance and the Own Risk and Solvency Assessment (ORSA), published as final reports on 3 February 2015 and in all European Union official languages on 14 September 2015.²

1.2 Guidelines on supervision of branches of third-country insurance undertakings are covered in supervisory statement 44/15.³

1.3 [Deleted].

1.4 [Deleted].

1.5 [Deleted].

1.6 Firms should also refer to:

- Bank of England and PRA Statement of Policy 'Interpretation of EU Guidelines and Recommendations: Bank of England and PRA approach after the UK's withdrawal from the EU';⁴
- Supervisory Statement (SS) 1/19 'Non-binding materials: The PRA's approach after the UK's withdrawal from the EU';⁵ and
- Supervisory Statement (SS) 2/19 'PRA approach to interpreting reporting and disclosure requirements and regulatory transactions forms after EU withdrawal'.⁶

1.7 Any reference to any provision of direct EU legislation is a reference to it as it forms part of retained EU law.

2 Compliance with the Guidelines

2.1 [Deleted].

2.2 The PRA expects firms to comply with all of the Set 2, System of Governance and ORSA Guidelines (as at the end of the transition period) that apply to them, in a proportionate manner.

¹ The UK's membership of the EU came to an end on Friday 31 January 2020. The UK entered into a transition period lasting until 11pm on Thursday 31 December 2020, which marked the end of the transition period, during which EU law continued to apply to the UK.

² EIOPA published the Guidelines on System of Governance and ORSA as final reports on 3 February 2015 and in all European Union official languages on 14 September 2015, after the rest of the Set 1 Guidelines were issued. Consequently, these Guidelines were not covered by PRA Supervisory Statement 22/15, 'Solvency II: applying EIOPA's Set 1 Guidelines to PRA authorised firms', July 2015.

³ November 2015: [Solvency II: third-country insurance and pure reinsurance branches](#).

⁴ December 2020: SoP - [Interpretation of EU Guidelines and Recommendations: Bank of England and PRA approach after the UK's withdrawal from the EU](#).

⁵ December 2020: SS1/19 - [Non-binding PRA materials: The PRA's approach after the UK's withdrawal from the EU](#).

⁶ December 2020: SS2/19 - [PRA approach to interpreting reporting and disclosure requirements and regulatory transactions forms after the UK's withdrawal from the EU](#).

2.3 This supervisory statement also provides further commentary on certain Guidelines where the PRA considers that this is useful for firms. Those Guidelines on which further commentary is provided are:

- (i) recognition and valuation of assets and liabilities other than technical provisions;
- (ii) methods for determining the market shares for reporting;
- (iii) reporting for financial stability purposes;
- (iv) reporting and public disclosure; and
- (v) ORSA.

3 Recognition and valuation of assets and liabilities other than technical provisions

3.1 The PRA expects firms to comply with each of the Guidelines in all cases unless they intend to take advantage of the derogation in Rule 5.4 in the Valuation Part of the PRA Rulebook.

3.2 This derogation lays down criteria which, if met, allow a firm to recognise and value an asset or liability based on the valuation method it uses in preparing its annual or consolidated financial statements.

3.3 Where firms intend to take advantage of the Valuation 5.4 derogation, they should still apply Guidelines 1, 2, 4, 5 and 8 to 11. They should also refer to SS38/15⁷ in which the PRA sets out its conclusions as to which financial reporting standards (FRS) are consistent with the UK's implementation of Article 75 of the Solvency II Directive (the Directive)⁸ and therefore within the possible scope of the derogation.

4 [Deleted]

5 [Deleted]

6 Reporting and public disclosure

6.1 In accordance with the requirement of the PRA Rulebook, Composites 4.5, composite firms are required to prepare a statement on the basis of the accounts referred to in Composites 3.2 identifying the eligible own funds covering the notional minimum capital requirements (MCRs) of the life and non-life parts of the business. Section II on Regular Supervisory Reporting (Guidelines 16-29) (as at the end of the transition period) also gives guidance on reporting issues. In order to fulfil all these requirements, as the template Own Funds (S.23.01.01) does not provide space for composite firms to report eligible own funds separately for life and non-life business, the PRA expects composite firms to submit such statements, on an annual basis, within Section E Capital Management of the Regular Supervisory Report, as described in Annex XX of the Delegated Regulation.

⁷ Supervisory Statement 38/15, 'Solvency II: consistency of UK generally accepted accounting principles with the Solvency II Directive', August 2015: <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-consistency-of-uk-generally-accepted-accounting-principles-with-the-solvency2-directive-ss>.

⁸ Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (recast).

7 Single solvency and financial condition report (SFCR)

7.1 The PRA expects firms to assess risks on a forward-looking basis, covering business plan and strategy timelines, and reflect the specific risk profile and governance mechanisms of each entity or group.

7.2 In SS26/15 the PRA has set out its expectations for non-life firms regarding the option of demonstrating that their risks have been projected to the ultimate time horizon.⁹ Firms should ensure that they capture own capital needs and reflect business risk profiles over both the short-term and the long-term.

7.3 As part of its supervisory process, the PRA will review ORSA reports on a risk-based and proportionate basis.

⁹ Supervisory Statement 26/15, 'Solvency II: ORSA and the ultimate time horizon – non-life firms', June 2015; <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-orsa-and-the-ultimate-time-horizon-non-life-firms-ss>.

Annex – SS41/15 updates

This annex details the changes that have been made to this SS following its initial publication in 2015.

2024

November

This SS has been updated alongside the publication of Policy Statement (PS) 15/24 - Review of Solvency II: Restatement of assimilated law.¹⁰ This includes updating all previous references to the Commission Delegated Regulation (EU) 2015/35 so as to now refer to the relevant rule(s) in the PRA Rulebook.

2021

December

Following publication of Policy Statement (PS) 29/21 'Review of Solvency II: Reporting (Phase 1)' on Friday 17 December 2021, this SS was updated to include the following paragraphs:¹¹

- 1.6 and 1.7 relating to the interpretation of the PRA reporting and disclosure requirements after EU withdrawal. Firms should refer to the referenced supervisory statements and statement of policy in light of the changes introduced to this statement.

The following paragraphs in the SS were deleted:

- 1.3, 1.4, and 1.5 to reflect that the requirements on consultation have been updated and are not required to be included in the SS;
- 2.1 and section 4 as a consequence of the UK's withdrawal from the EU the specific rules or guidelines are no longer applicable; and
- Section 5 reflecting the deletions implemented via the PS.

The paragraphs in the SS were amended:

- throughout to reflect references to the onshored EU legislation.

Further minor changes were also made to remove typographical errors, and improve readability and accessibility.

¹⁰ www.bankofengland.co.uk/prudential-regulation/publication/2024/november/review-of-solvency-ii-restatement-of-assimilated-law-policy-statement.

¹¹ December 2021: [PS29/21 – Review of Solvency II: Reporting \(Phase 1\)](#).