

**PRA RULEBOOK: GLOSSARY AND INSURANCE CONSEQUENTIALS INSTRUMENT 2015**

**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 proposed rules and had regard to representations made.

**PRA Rulebook: Glossary and Insurance Consequentials Instrument 2015**

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

**Commencement**

- E. This instrument comes into force on 1 January 2016.

**Citation**

- F. This instrument may be cited as PRA Rulebook: Glossary and Insurance Consequentials Instrument 2015.

**By order of the Board of the Prudential Regulation Authority**

12 November 2015

**Annex A****Amendments to the Information Gathering Part**

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

**2 COOPERATION**

---

2.1 ~~This Chapter does not apply to a *UK Solvency II firm*, the *Society* or *managing agents*.~~

~~2.12.2~~ ...

**3 ACCESS TO PREMISES**

---

3.1 ~~3.3 does not apply to a *UK Solvency II firm*, the *Society* or *managing agents*.~~

~~3.13.2~~ ...

~~3.23.3~~ ...

...

**Annex B**

**Amendments to the Permissions and Waivers Part**

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

**1 APPLICATION AND DEFINITIONS**

---

...

1.2 In this Part, the following definitions shall apply:

...

~~waiver~~

~~means a direction waiving or modifying a rule, given by the PRA under section 138A of FSMA (Modification or waiver of rules)~~

...

## Annex C

## Amendments to the Notifications Part

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

**1 APPLICATION AND DEFINITIONS**

---

...

1.2 In this Part, the following definitions shall apply:

~~authorised UK representative~~

~~means (in relation to a firm) a person resident in the UK who is authorised to act generally, and to accept service of any document, on behalf of the firm.~~

...

*regulated entity*

means one of the following:

...

(2) an *insurance undertaking* within the meaning of Article 4 of the ~~Consolidated Life Directive~~, Article 6 of the ~~First Non-Life Directive~~ or Article 1(b) of the ~~Insurance Groups Directive~~ Article 13(1) of the Solvency II Directive; or

...

## Annex D

## Amendments to the Insurance General Application Part

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

## 1 APPLICATION AND DEFINITIONS

---

...

### 1.2 *non-Solvency I firm*

means a *firm* that immediately before the ~~Solvency II implementation date~~ fell outside the scope of each of the ~~Solvency I Directives~~.

...

#### ~~Second Non-Life Directive~~

means the Council Directive of 22 June 1988 (no 88/357/EEC) on the coordination of laws, regulations and administrative provisions relating to direct insurance other than life assurance and laying down provisions to facilitate the effective exercise of freedom to provide services and amending Directive 73/239/EEC.

#### *Solvency I Directive*

means each of:

- (1) ~~the Consolidated Life Directive;~~
- (2) ~~the First Non-Life Directive;~~
- (3) ~~the Second Non-Life Directive;~~
- (4) ~~the Third Non-Life Directive; and~~
- (5) ~~the Reinsurance Directive.~~

#### *Solvency I firm*

means a *firm* that immediately before the ~~Solvency II implementation date~~ was an *insurer* that fell within the scope of ~~Solvency I Directive~~.

...

## Annex E

## Amendments to the Technical Provisions Part

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

**6 MATCHING ADJUSTMENT TO THE RELEVANT RISK FREE INTEREST RATE TERM  
STRUCTURE**

---

...

6.3 Where a *firm* that applies the *matching adjustment* is no longer able to comply with the conditions specified in regulation 42(4) ~~to~~ (6) of the ~~Solvency 2 Regulations 2015~~ Solvency 2 Regulations 2015, it shall immediately:

(1) inform the *PRA*; and

(2) take the necessary measures to restore compliance with these conditions as soon as possible.

...

## Annex F

## Amendments to the Investments Part

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

## 1 APPLICATION AND DEFINITIONS

---

...

1.2 In this Part, the following definitions shall apply:

*alternative investment fund*

means (in accordance with Article 4(1)(a) of Directive 2011/61/EU) a collective investment undertaking, including investment compartments thereof, which:

- (1) raises capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors; and
- (2) does not require authorisation pursuant to Article 5 of the Directive 2009/65/EC.

*authorised contractual scheme*

means a co-ownership scheme or a partnership scheme

*ICVC*

means a body incorporated under the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228).

*linked benefit*

means a benefit payable under a linked long-term contract of insurance or a regulated collective investment scheme the amount of which is determined by reference to:

- (1) the value of the property of any description (whether specified or not);
- (2) fluctuations in the value of any such property;
- (3) income from such property; or
- (4) fluctuations in an index of the value of such property.

*linked long-term liabilities*

means the insurance obligations in respect of linked benefits under a linked long-term contract of insurance.

*recognised scheme*

means a scheme recognised under:

- (1) Section 264 of FSMA (Schemes constituted in other EEA States);

- (2) ~~Section 270 of FSMA (Schemes authorised in designated countries or territories); or~~
- (3) ~~Section 272 of FSMA (Individually recognised overseas schemes).~~

~~regulated collective investment scheme~~

means:

- (1) ~~an ICVC;~~
- (2) ~~an authorised unit trust scheme;~~
- (3) ~~an authorised contractual scheme; or~~
- (4) ~~a recognised scheme~~

~~regulated market~~

means:

- (1) ~~— a regulated market as defined in point (14) of Article 4 of Directive 2004/39/EC; or~~
- (2) ~~— a market situated outside the EEA States which is characterised by the fact that:
 
  - (a) ~~— it meets comparable requirements to those set out in (1); and~~
  - (b) ~~— the financial instruments dealt in are of a quality comparable to those in a regulated market in the UK.~~~~

~~unit~~

means:

- (1) ~~— (in relation to a collective investment scheme) the investment, specified in article 81 of the Regulated Activities Order (Units in a collective investment scheme) and defined in section 237(2) of FSMA (other definitions); and~~
- (2) ~~— (in relation to an alternative investment fund) the right or interest (however described) of an investor in an alternative investment fund.~~



## Annex G

## Amendments to the Conditions Governing Business Part

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

**1 APPLICATION AND DEFINITIONS**

---

...

1.2 In this Part, the following definitions shall apply:

...

*former member*

means a ~~person~~ who has ceased to be a ~~member~~, whether by resignation or otherwise, in accordance with the Lloyd's Act 1982 and any ~~byolaw~~ made under it.

...

*individual member*

means a ~~member, or former member~~, who is a natural person.

...

*reinsurer*

means an ~~insurance undertaking~~ whose business includes ~~effecting contracts of insurance or carrying out contracts of insurance that are reinsurance contracts;~~  
includes a retrocessionaire.

## Annex I

## Amendments to the Reporting Part

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

**1 APPLICATION AND DEFINITIONS**

---

1.1 ...

1.2 In this Part, the following definitions shall apply:

*aircraft*

means the ~~class of contract of insurance~~, specified in paragraph 5 of Part 1 of Schedule 1 of the ~~Regulated Activities Order~~.

*aircraft liability*

means the ~~class of contract of insurance~~, specified in paragraph 11 of Part 1 of Schedule 1 of the ~~Regulated Activities Order~~.

...

*general liability*

means the ~~class of contract of insurance~~, specified in paragraph 13 of Part 1 of Schedule 1 to the ~~Regulated Activities Order~~.

*goods in transit*

means the ~~class of contract of insurance~~, specified in paragraph 7 of Part 1 of Schedule 1 of the ~~Regulated Activities Order~~.

...

*liability of ships*

means the ~~class of contract of insurance~~, specified in paragraph 12 of Part 1 of Schedule 1 of the ~~Regulated Activities Order~~.

...

*motor vehicle liability*

means the ~~class of contract of insurance~~, specified in paragraph 10 of Part 1 of Schedule 1 to the ~~Regulated Activities Order~~.

*ships*

means the ~~class of contract of insurance~~, specified in paragraph 15 of Part 1 of Schedule 1 of the ~~Regulated Activities Order~~.

*suretyship*

means the ~~class of contract of insurance~~, specified in paragraph 15 of Part 1 of Schedule 1 to the ~~Regulated Activities Order~~.

~~railway rolling stock~~

~~means the class of contract of insurance, specified in paragraph 4 of Part 1 of Schedule 1 to the Regulated Activities Order.~~

## 2 REPORTING TO THE PRA

---

...

- 2.13 (1) A firm, other than a friendly society, shall submit to the PRA, the national specific templates referred to in 2.6 and 2.8 in electronic format.
- (2) A friendly society shall submit to the PRA the national specific templates referred to in 2.6 and 2.8 in electronic format or by post or by hand to the Regulatory Data Group, Statistics and Regulatory Data Division (HO5 B-D), Bank of England, Threadneedle Street, London EC2R 8AH; or via fax to the Regulatory Data Group of the Bank of England on 020 7601 3334.

**Annex J**

**Amendments to the Lloyd's Part**

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

**1 APPLICATION AND DEFINITIONS**

---

...

1.2 In this Part, the following definitions shall apply:

...

~~compensation scheme~~

~~means the Financial Services Compensation Scheme established under section 123 FSMA.~~

...

~~protected claim~~

~~means a claim which is covered by the compensation scheme, as defined in rule COMP 5.2.1R of the *PRA Handbook*.~~

...

## Annex K

## Amendments to the Third Country Branches Part

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

Part

## THIRD COUNTRY BRANCHES

---

### Chapter content

1. APPLICATION AND DEFINITIONS
2. ACCOUNTING RECORDS IN THE UK
3. LOCALISATION AND DEPOSIT OF ASSETS
4. SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT
5. CONTENTS OF THE BRANCH SCHEME OF OPERATIONS
6. TECHNICAL PROVISIONS AND OWN FUNDS
7. CONDITIONS GOVERNING BUSINESS
8. INVESTMENTS
9. REPORTING
10. THIRD COUNTRY BRANCH UNDERTAKINGS IN DIFFICULTY
11. SEPARATION OF LONG-TERM BUSINESS AND GENERAL BUSINESS
12. RESTRICTION OF BUSINESS
13. WORLDWIDE FINANCIAL RESOURCES
14. TRANSITIONAL MEASURES
15. SOLVENCY II REGULATIONS

Links

**15 SOLVENCY II REGULATIONS**

---

- 15.1 A third country branch undertaking that has a third country pure reinsurance branch must comply with the Solvency II Regulations as at 1 January 2016 in the same way as they apply to a third country branch undertaking that has a third country insurance branch.
- 15.2 In complying with requirements imposed on it in the Solvency II Firms Sector of the PRA Rulebook, a third country branch undertaking must ensure that any provisions of the Solvency II Regulations relevant to the third country branch or, for a UK-deposit insurer, all the third country undertaking EEA branches, is applied in order to achieve the same effect as that provision of the Solvency II Regulations would have (that is, complying with the requirements of the relevant provision) when applied to a UK Solvency II firm.

## Annex L

## Amendments to the Transitional Measures Part

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

## 1 APPLICATION AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to:

- (1) a *UK Solvency II firm*;
- (2) the *Society*, in accordance with General Application 3; ~~and~~
- (3) *managing agents*, in accordance with General Application 3; and
- (4) (in respect of 3.8 only) a UK ISPV.

1.2 In this Part, the following definitions shall apply:

...

*admissible insurance and reinsurance obligation*

has the meaning set out in regulation 53(2) of the ~~Solvency 2 Regulations 2015~~ Solvency 2 Regulations 2015, where reference to rules implementing Article 20 of Directive 2002/83/EC until 1<sup>st</sup> January 2016 means INSPRU 1.1.16R of the *PRA Handbook* as at 31 December 2015.

...

*Solvency II rules*

means the *PRA* rules in the Valuation, Technical Provisions, Own Funds, Solvency Capital Requirement – General Provisions, Solvency Capital Requirement – Standard Formula, Solvency Capital Requirement – Internal Models, Minimum Capital Requirement, Undertakings in Difficulty, Investments, Composites, Conditions Governing Business, Insurance Special Purpose Vehicles, Group Supervision, Reporting, Surplus Funds, With-Profits, Insurance – Conduct Standards, Insurance – Senior Insurance Management Functions, Insurance – Allocation of Responsibilities and Insurance – Fitness and Propriety Parts of the *PRA* Rulebook.

...

## 2 FIRMS IN RUN-OFF

---

2.1 ...

2.3 ~~2.4~~ 2.2 only applies:

- (1) if the *firm* is not part of a *group*, or if it is part of a *group* if all *undertakings* that are part of the *group* have ceased to conduct new *insurance business*;
- (2) if the *firm* provides the *PRA* with an annual report setting out what progress has been made in terminating its activity; and
- (3) after the *firm* has notified the *PRA* that it satisfies the requirements set out in ~~2.4~~ 2.2.

### 3 REPORTING TO THE PRA AND PUBLIC DISCLOSURE

---

...

3.7 A firm must comply with the rules in:

(1) Interim Prudential sourcebook for Friendly Societies Chapter 5; and

(2) Interim Prudential sourcebook for Insurers Chapters 9 and 12

of the PRA Handbook as at 31 December 2015, as they were applicable to the firm (including any waiver) at that date, in respect of financial years ending on or before 29 June 2016.

3.8 In respect of financial year ending on or before 29 June 2016, a UK ISPV must submit a copy of its annual audited financial statements within three months of its accounting reference date, but the report is only required if it was audited as a result of a statutory provision other than under FSMA.

### 4 BASIC OWN FUNDS

---

...

4.3 For the purposes of 4.1 and 4.2, items listed at 4.1(2)(a) to (d) and 4.2(2) must not include any item that could only be used as the item specified by virtue of rule GENPRU TP 4 of the PRA Handbook as at 31 December 2015.

...

### 5 STANDARD FORMULA: THE BASIC SCR

---

...

5.4 ...

**[Note: Art. 308b ~~(16)~~(13) of the Solvency II Directive]**

...

### 13 REPORT ON FINANCIAL AND SOLVENCY CONDITIONS

---

13.1 This Chapter applies to a disclosure of the SFCR by a firm or, as may be applicable, the report on solvency and financial condition at the level of the group by participating Solvency II undertakings or the relevant insurance group undertakings within the group, made in relation to the first two relevant financial years starting on or after the Solvency II implementation date, relevant financial years ending on or before 31 December 2017.

13.2 In the disclosure required by Reporting 3.1, a firm may, unless required under other legal or regulatory requirements (including any Solvency II EEA implementing measure), opt not to disclose the following separately when disclosing the amount of the MCR and SCR under Reporting ~~3.7~~ 3.6:

(1) the information referred to in Reporting ~~3.7(2)~~ 3.6(2) on any capital add-on imposed on the group; and

(2) the information referred to in Reporting ~~3.7(3)~~ 3.6(3) on any parameters specific to the group.



## Annex M

## Amendments to the With-Profits Part

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

## 1 APPLICATION AND DEFINITIONS

---

1.1 Subject to 1.2, this Part applies to a UK Solvency II firm carrying on *with-profits insurance business*.

1.2 This Part does not apply to *with-profits insurance business* that consists of *effecting contracts of insurance* or *carrying out contracts of insurance* that are *Holloway sickness policies*.

~~1.3 In this Part, the following definitions shall apply:~~

*Holloway sickness policy*

~~means a contract of long-term insurance offered or effected by a friendly society under the Holloway system, providing permanent health benefits and, in addition, investment benefits, where the investment benefits:~~

~~(1) are derived from surpluses accrued by the friendly society and apportioned to policyholders; and~~

~~(2) are payable to policyholders at maturity, on retirement, on death, or as otherwise specified by contractual provisions or individual society rules.~~

*permanent health*

~~means the class of contract of insurance, specified in paragraph 4 of Part 2 of Schedule 1 to the Regulated Activities Order.~~

*support arrangements*

~~means arrangements under which the financial resources available to a with-profits fund include (or are intended in particular circumstances to include) financial resources from outside that with-profits fund.~~

## Annex N

## Amendments to the Run-Off Operations Part

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

## 1 APPLICATION AND DEFINITIONS

---

...

### 1.2

*liability to a policyholder*

means ~~(in relation to a firm carrying out contracts of insurance) any liability or obligations of that firm to, or in respect of, a policyholder.~~

*linked liabilities*

means insurance liabilities in respect of ~~linked business~~

*material transaction*

...

exceeds:

- (a) in the case of a firm which carries on *long-term insurance business*, but not *general insurance business*, the sum of €20,000 and 5% of the firm's liabilities arising from its *long-term insurance business*, excluding ~~linked liabilities~~ linked long-term liabilities and net of *reinsurance ceded*; or
- (b) in the case of a firm which carries on *general insurance business*, but not *long-term insurance business*, the sum of €20,000 and 5% of the firm's liabilities arising from its *general insurance business*, net of *reinsurance ceded*; or
- (c) in the case of a firm which carries on both *long-term insurance business* and *general insurance business*:
  - (i) where the transaction is in connection with the firm's *long-term insurance business*, the sum of €20,000 and 5% of the firm's liabilities arising from its *long-term insurance business*, excluding ~~linked liabilities~~ linked long-term liabilities and net of *reinsurance ceded*; and
  - (ii) in all other cases, the sum of €20,000 and 5% of the firm's liabilities arising from its *general insurance business*, net of *reinsurance ceded*.

...

## 3 CONTENT OF A SCHEME REPORT

---

3.1 In accordance with 3.2, a *scheme of operations* must:

...

- (3) include financial projections (including appropriate scenarios and stress-tests) as follows:
- (a) a forecast summary profit and loss account in accordance with 3.3;
  - (b) a forecast summary balance sheet in accordance with 3.4; and
  - (c) forecast *MCR* and *SCR* at the end of each ~~*financial year*~~ financial year or part ~~*financial year*~~ financial year;
- (4) as at the end of each ~~*financial year*~~ financial year which falls (in whole or part) within the period to which the *scheme of operations relates*:

...

3.4 The forecast summary balance sheet referred to in 3.1(3)(b) must contain the following information:

- (1) investments analysed by type;
- (2) assets held to cover ~~*linked liabilities*~~ *linked long-term liabilities*;
- (3) other assets and liabilities separately identifying cash at the bank and in hand;
- (4) capital and reserves analysed into called up share capital or equivalent funds, share premium account, revaluation reserve, other reserves and profit and loss account;
- (5) subordinated liabilities;
- (6) the fund for future appropriations;
- (7) *technical provisions* gross and net of *reinsurance* analysed by accounting *class* of *insurance business* and separately identifying the provision for ~~*linked liabilities*~~ *linked long-term liabilities*, *unearned premiums*, *unexpired risks* and *equalisation*; and
- (8) other liabilities and credits.

...

Annex O

Amendments to the Policyholder Protection Part

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

**1 APPLICATION AND DEFINITIONS**

---

...

1.2 In this Part, the following definitions shall apply:

*directive friendly society*

means a *friendly society* ~~other than a non-directive friendly society~~ that is a UK Solvency II firm.

...

**22 TRANSITIONAL ARRANGEMENTS**

---

...

22.8 ...

(3) ...

(d) where it is required to supply one, it has supplied a run-off plan under: ~~App 2.8.1R~~ SUP

(i) for a UK Solvency II firm and a third country branch undertaking (other than a Swiss general insurer), Run-Off Operations in the Solvency II Firms Sector; or

(ii) for a non-directive insurer, Non-Solvency II Firms – Run-Off Operations in the Non-Solvency II Firms Sector.

**ANNEX 2: METHODOLOGY FOR CALCULATION OF A PARTICIPANT FIRM'S LEVY SHARE**

---

<b>Insurance Class B1</b>	General Insurance Provision
...	...
Tariff base	(6) A <i>non-directive friendly society</i> must calculate gross technical liabilities as the amount that it is required to show in FSC 2 or FSC 1 – Form 9 line 11 in Appendix 10 of IPRU(FSOC) of the <i>PRA Handbook as at 31 December 2015</i> (assets allocated towards the general insurance business required minimum margin) in relation to the most recent financial year of the <i>participant firm</i> (as at the applicable reporting date under 21.42) for which the <i>participant firm</i> is required to have reported that information to the <i>PRA</i> under IPRU(FSOC) of the <i>PRA Handbook as at 31 December 2015</i> . ...
...	...

<b>Insurance Class C1</b>	Life and Pensions Provision
...	

Tariff base

...

(6) A *non-directive friendly society* must calculate mathematical reserves as the amount that it is required to show in FSC 2 or FSC 1 – Form 9 line 23 in Appendix 10 of IPRU(FSOC) of the *PRA Handbook* as at 31 December 2015 (total mathematical reserves after distribution of surplus) in relation to the most recent financial year of the *firm* (as at the applicable reporting date under 21.42) for which the *firm* is required to have reported that information to the *PRA* under IPRU(FSOC) of the *PRA Handbook* as at 31 December 2015. ...

...

(8) The split in the levy between *relevant net premium income* and eligible mathematical reserves does not apply to a partnership pension society (as defined in chapter 7 of IPRU(FSOC) (Definitions) of the *PRA Handbook* as at 31 December 2015). Instead the levy is only calculated by reference to *relevant net premium income*.

## Annex P

## Amendments to the Passporting Part

This Annex contains amendments to forms in Passporting 10. New text is underlined and deleted text is struck through.

Appendix 1a  
EEA Branch Notification Form

...

## **5. Consolidated Life Assurance Directive Solvency II Directive – Long-Term Insurance Business**

...

## **6. First, Second and Third Non-Life Insurance Directives Solvency II Directive – General Insurance Business**

...

### **Note to Question 6.3**

...

iii If the firm covers (or intends to cover) risks relating to **legal expenses insurance**, please state in section 6.3 the option chosen from those described in Article 200 of the Solvency II Directive ~~3(2) of Directive 87/344/EEC of 22 June 1987 on the coordination of laws, regulations and administrative provisions relating to legal expenses insurance.~~

...

## **7. Reinsurance Directive Solvency II Directive – Reinsurance**

7.1 Please confirm the type(s) of reinsurance activity to be carried out by the branch under the ~~Reinsurance Directive~~ Solvency II Directive by ticking one of the boxes below.

...

...

#### **4. Consolidated Life Directive Solvency II – Long-Term Insurance Business**

---

...

#### **5. First, Second and Third Non-Life Insurance Directives Solvency II Directive – General Insurance Business**

---

...

##### **Note to question 5.2**

...

3. If the firm covers (or intends to cover) risks relating to **legal expenses insurance**, please state in section 4.2 the option chosen from those described in Article 200 of the *Solvency II Directive* 3(2) of Directive 87/344/EEC of 22 June 1987 on the coordination of laws, regulations and administrative provisions relating to legal expenses insurance.

## Annex Q

## Amendments to the Regulatory Reporting Part

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

## 1 APPLICATION AND DEFINITIONS

---

...

1.2 In this Part, the following definitions shall apply:

...

~~IPRU(FSOC)~~

~~means the Interim Prudential sourcebook for Friendly Societies in the PRA Handbook.~~

...

...

## 8 REGULATED ACTIVITY GROUP 2.1

---

8.1 The financial reporting requirements for RAG 2.1 activities for: ~~insurers excluding friendly societies~~

(1) a UK Solvency II firm, the Society and managing agents are set out in ~~IPRU(INS)~~ the Reporting Part in the Solvency II Firms Sector; and

(2) a third country branch undertaking is set out in Third Country Branches 9 in the Solvency II Firms Sector.

8.2 The financial reporting requirements for RAG 2.1 activities for ~~friendly societies~~ a non-directive insurer is set out in ~~IPRU(FSOC)~~ Transitional Measures 3.1 in the Non-Solvency II Firms Sector.

~~8.3 A UK ISPV must submit a copy of its annual audited financial statements within 3 months of its accounting reference date, but the report is only required if it was audited as a result of a statutory provision other than under FSMA.~~

...

## 12 FINANCIAL CONGLOMERATES

---

...

12.3 ...

~~1.~~ (a) ...

~~2.~~ (b) ...

~~3.~~ (c) ...

...

1. ...



2. Adequate information must be provided, specifying the calculation method used and each *financial conglomerate* for which the *PRA* is the *co-ordinator* must discuss with the *PRA* the form which this reporting will take and the extent to which verification by an auditor will be required.

~~For the purposes of the above, where relevant to the agreed reporting arrangements, rules 9.40(1), 9.40(1A), 9.40(3) and 9.40(4) of *IPRU(INS)* apply as they would if the *financial conglomerate* were an 'insurance group' (as that term is used in *IPRU(INS)*).~~

...

## Annex R

## Amendments to the Glossary

In this Annex, the text is all new and is not underlined.

Insert the following new definitions (in the appropriate alphabetical position) into the Glossary Part of the PRA Rulebook:

*accounting principles*

means whichever of the following are applicable:

- (1) the *insurance accounts rules*;
- (2) the Friendly Societies (Accounts and Related Provisions) Regulations 1994;
- (3) Financial Reporting Standards and Statements of Standard Accounting Practice issued or adopted by the Accounting Standards Board;
- (4) Statements of Recommended Practice, issued by industry or sectoral bodies recognised for this purpose by the Accounting Standards Board;
- (5) international accounting standards within the meaning of EC Regulations No. 1606/2002 of the European Parliament and of the council of 19 July 2002 on the application of international accounting standards, adopted from time to time by the European Commission in accordance with that Regulation;
- (6) the Companies Act 1985; and
- (7) the Companies Act 2006,

as applicable to the *firm* for the purpose of its external financial reporting (or as would be applicable if the *firm* was a company with its head office in the *UK*).

*Accounts Directives*

means Council Directives 2013/34/EC, 91/674/EEC and 83/349/EEC.

*Accounts Regulations*

means the Friendly Society (Accounts and Related Provisions) Regulations 1994.

*accumulating with-profits policies*

means a *with-profits policy* which has a readily identifiable current benefit, whether or not this benefit is currently realisable, which is adjusted by an amount explicitly related to the amount of any *premium* payment and to which additional benefits are added in respect of participation in profits by additions directly related to the current benefit, or a policy with similar characteristics.

*actuarial health insurance*

means health insurance which meets all the conditions set out in Insurance Company – Capital Resources Requirements 13.1.

*actuarial investigation*

means an investigation to which IPRU(INS) rule 9.4 of the *PRA Handbook* as at 31 December 2015 applies pursuant to Non-Solvency II Firms – Transitional Measures 3.

*actuarial valuation date*

means the date as which the *mathematical reserves* are calculated.

*admissible assets*

- (1) (in relation to an *insurer* which is not a *pure reinsurer*) has the meaning in Insurance Company – Capital Resources 13; or
- (2) (in relation to a *pure reinsurer*) means an asset the holding of which is consistent with compliance by the *firm* with Insurance Company – Risk Management 5.

*admission to trading*

means the process by which the exchange permits members of the exchange to enter into transactions in that *investment* under and subject to the rules of the exchange.

*analogous non-reinsurance financing agreement*

means analogous non-*reinsurance* financing agreements, including contingent loans, securitisations and any other arrangements in respect of *contracts of insurance* that are analogous to contracts of *reinsurance* in terms of the risks transferred and the finance provided.

*ancillary services undertaking*

means an *undertaking*, the principal activity of which consists of owning or managing property, managing data-processing services, or a similar activity which is ancillary to the principal activity of one or more *credit institutions*, *investment firms* or *insurers*.

*approved counterparty*

means any of the following:

- (1) an *approved credit institution*;
- (2) a *firm* whose *permission* including *dealing in investments as principal* with respect to *derivatives* which are not *listed*;
- (3) a *MiFID investment firm* whose *authorise* (as referred to in article 5 of *MiFID*) authorises it to carry on activities of the kind referred to in (2); or
- (4) in respect of a transaction involving a new issue of *securities* which are to be *listed*, the *issuer* or a *MiFID investment firm* acting on behalf of the *issuer*.

*approved credit institution*

means a *credit institution* recognised or permitted under the law of an *EEA State* to carry on any of the activities set out in Annex 1 to the *CRD*.

*approved derivative*

means a *derivative* in respect of which the conditions in Insurance Company – Risk Management 6.2 are met.

*approved financial institution*

means any of the following:

- (1) the European Central Bank;
- (2) the central bank of an *EEA State*;
- (3) the International Bank for Reconstruction and Development;
- (4) the European Bank for Reconstruction and Development;
- (5) the International Finance Corporation;
- (6) the International Monetary Fund;
- (7) the Inter-American Development Bank;
- (8) the African Development Bank;
- (9) the Asian Development Bank;
- (10) the Caribbean Development Bank;
- (11) the European Investment Bank;
- (12) the *EU*; and
- (13) the European Atomic Energy Community.

*approved quasi-derivative*

means a *quasi-derivative* in respect of which the conditions in Insurance Company – Risk Management 6.2 are met.

*approved security*

means any of the following:

- (1) any *security* issued or guaranteed by, or the repayment of the principal of which, or the interest of which, is guaranteed by, and any loans to or deposits with, any government, public or local authority or national industry or undertaking, which belongs to an *approved State*;
- (2) any loan to, or deposit with, an *approved financial institution*; and
- (3) any *debenture* issued before 31 December 1994 by the Agricultural Mortgage Corporation Limited or the Scottish Agricultural Securities Corporation Limited.

*approved State*

means any of the following:

- (1) an *EEA state*;

- (2) the United States of America;
- (3) Canada;
- (4) Japan; or
- (5) Australia,

other than when that country has rescheduled its external debt.

*approved stock lending transaction*

means a stock lending transaction in respect of which the conditions in Insurance Company – Risk Management 8.2 have been met.

*asset management company*

means a management company within the meaning of Article 2(1)(b) of the *UCITS Directive*, as well as an *undertaking* the registered office of which is not in an *EEA State* and which would require authorisation in accordance with Article 6(1) of the *UCITS Directive* if it had its registered office within an *EEA State*.

*brought forward amount*

means an amount, as defined in Insurance Company – Capital Resources Requirements 10.1 to 10.3 in the Non-Solvency II Firms Sector, used in the calculation of the *general insurance capital requirement*.

*capital redemption*

means the class of *contract of insurance*, specified in paragraph VI of Part II of Schedule 1 to the *Regulated Activities Order*.

*capital resources*

means the *firm's* capital resources as calculated in accordance with Insurance Company – Capital Resources 2.1.

*capital resources table*

means the capital resources calculation table at Insurance Company – Capital Resources Table 2.1.

*claims amount*

means an amount, as defined in Insurance Company – Capital Resources Requirements 9.1 in the Non-Solvency II Firms Sector, used in the calculation of the *general insurance capital requirement*.

*collateral*

means

- (1) (in relation to any transaction) a mortgage, charge, pledge or other security interest or, as the context may require, an asset that is subject to a mortgage, charge, pledge or other security interest; and
- (2) (in relation to a *stock lending*, *repo* or *derivative* transaction only):

- (a) a transfer of assets (other than by way of sale) subject to a right of the transferor to have transferred back to it the same, or equivalent, assets or, as the context may transferor; or
- (b) a letter of credit,

where the assets are transferred, or the letter of credit is issued, to secure the performance of the obligations of one of the parties to that transaction.

*compensation funds*

means any *policyholder* compensation scheme in any *EEA State*.

*counterparty*

means in relation to an *insurer*:

- (1) any one individual;
- (2) any one unincorporated body of persons;
- (3) any one *undertaking* not being a member of a *group*;
- (4) any *group undertakings* excluding any *undertakings* within the *group* which are *subsidiaries* of the *firm*; or
- (5) any government of a State together with all the public bodies, local authorities or nationalised industries of that State,

in which the *firm* has made investments or against whom it has rights whether under of a contract entered into by the *firm* or otherwise.

*covered bonds*

means a *debenture* that is issued by a *credit institution* which:

- (1) has its head office in an *EEA State*; and
- (2) is subject by law to special official supervision designed to protect the holders of the *debenture*; in particular, sums deriving from the issue of the *debenture* must be invested in accordance with the law in assets which, during the whole period of validity of the *debenture*, are capable of covering claims attaching to the *debenture* and which, in the event of failure of the *issuer*, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

*CR Requirement*

means an amount of *capital resources* that a *firm* must hold as set out in Insurance Company – Capital Resources Requirements 4 and 5.

*dealing*

means *dealing in investments as principal* or *dealing in investments as agent*.

*debenture*

means the *investment*, specified in article 77 of the *Regulated Activities Order*.

*debt*

includes an obligation to pay a sum of money under a negotiable instrument.

*debts due or to become due*

includes any *debts* which would become due if the *friendly society* were to exercise any right to which it is entitled to require payment or repayments of the same.

*deferred acquisition costs*

has the meaning in the *insurance accounts rules*.

*deficit reduction amount*

means in respect of a *defined benefit occupational pension scheme*, the sum, determined by a *firm* in conjunction with the *defined benefit occupational pension scheme's* actuaries or trustees (or both), of the additional funding (net of tax) that will be required to be paid into that scheme by the *firm* over the following five year period for the purpose of reducing the *firm's defined benefit liability*.

*defined benefit asset*

means the excess of the value of the assets in a *defined benefit occupational pension scheme* over the present value of the scheme liabilities, to the extent that a *firm*, as employer, in accordance with the *accounting principles* applicable to it, should recognise that excess as an asset in its balance sheet.

*defined benefit liability*

means the shortfall of the value of the assets in a *defined-benefit occupational scheme* below the present value of the scheme liabilities, to the extent that a *firm*, as employer, in accordance with the accounting principles applicable to it, should recognise that shortfall as a liability in its balance sheet.

*defined benefit occupational pension scheme*

means an *occupational pension scheme* which is not a *defined contribution occupational pension scheme*.

*defined contribution occupational pension scheme*

means an *occupational pension scheme* into which a *firm*, as employer, pays regular fixed contributions and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

*deposit*

means the *investment*, specified in article 74 and defined in articles 5(2) and 5(3) of the *Regulated Activities Order*.

*equity share capital*

means issued share capital excluding any part of that capital which, neither as respects dividends nor as respects capital, carries any right to participate beyond a specified amount in a distribution.

*equivalent securities*

means *securities* issued by the same *issuer* being of an identical type and having the same nominal value, description and amount.

*established surplus*

means an excess of assets representing the whole or a particular part of the *long-term insurance fund* or funds over the liabilities, or a particular part of the liabilities of the *insurer* attributable to that business as shown by an *actuarial investigation*.

*final bonus*

(in relation to *with-profits policy*) means a discretionary payment which might be made by a *long-term insurer*, in addition to the guaranteed benefits, when the benefits under the *with-profits policy* become payable.

*financial year*

means the period at the end of which the balance of the accounts of the *insurer* is struck, or, if no balance is struck, the calendar year.

*fixed interest securities*

means *securities* which under their terms of issue provide for fixed amounts of interest.

*flat rate benefits business friendly society*

means a *friendly society* whose *insurance business* is restricted to the provision of benefits which vary according to the resources available and in which the contributions of members are determined on a flat rate basis.

*general insurance capital requirement*

means the highest of the *premiums amount*, *claims amount* and *brought forward amount* as set out in Insurance Company – Capital Resources Requirements 7.1.

*general insurance liabilities*

means liabilities arising from *general insurance business*.

*general liability*

means the *class of contract of insurance*, specified in paragraph 13 of Part I of Schedule 1 to the *Regulated Activities Order*.

*gross earned premiums*

means (in relation to a *financial year*) such proportion of *gross written premiums* as is attributable to risk borne by the *firm* during that *financial year*.

*gross written premiums*

means the amounts required by the *insurance accounts rules* to be shown in the profit and loss account of a *firm*:



- (1) (for *general insurance business*) at general business technical amount item I.1.(a); and
- (2) (for *long-term insurance business*) at long-term business technical account item II.1.(a).

*guarantee fund*

means the amount calculated in accordance with Friendly Society – Friendly Society Overall Resources and Guarantee Fund 5.

*Holloway sickness policy*

means a *contract of long-term insurance* offered or effected by a *friendly society* under the Holloway system, providing *permanent health* benefits and, in addition, investment benefits, where the investment benefits:

- (1) are derived from surpluses accrued by the *friendly society* and apportioned to *policyholders*; and
- (2) are payable to *policyholders* at maturity, on retirement, on death, or as otherwise specified by contractual provisions or individual society rules.

*index-linked benefits*

means benefits:

- (1) provided for under a *linked long-term contract of insurance*; and
- (2) determined by reference to an index of the value of property of any description (whether specified in the contract or not).

*index-linked liabilities*

means insurance liabilities in respect of *index-linked benefits*.

*individual capital resources requirement*

means:

- (1) in relation to an *undertaking* with a *Part 4A permission*, any capital requirement imposed by relevant provisions in the *PRA Rulebook* or *FCA Handbook*; or
- (2) in relation to any other *subsidiary* the *shares* of which a *firm* elects to value in accordance with Insurance Company – Overall Resources and Valuation 8.1, zero.

*initial margin*

in respect of a *derivative* or a contract or asset having the effect of a *derivative* means assets which, before or at the time the contract is entered into, are transferred by the *firm* subject to a condition that such assets (or, where the assets transferred are *securities, equivalent securities*) will be returned to the *firm* on completion of that contract.

*insurance accounts rules*

means Schedule 1 to the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 (Form and Content of Accounts of Insurance Companies and Groups) where these provisions are applicable, otherwise Schedule 3 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) (Insurance Companies: Companies Act Individual Accounts).

*insurance death risk capital component*

means one of the components of the *long-term insurance capital requirement* as set out in Insurance Company – Capital Resources Requirements 15.2.

*insurance expense risk capital component*

means one of the components of the *long-term insurance capital requirement* as set out in Insurance Company – Capital Resources Requirements 17.2.

*insurance health risk and life protection reinsurance capital component*

means one of the components of the *long-term insurance capital requirement* as set out in Insurance Company – Capital Resources Requirements 16.1.

*insurance liabilities*

in respect of a *friendly society*, means amounts calculated in accordance with Friendly Society – Liability Valuation in respect of those items shown at C and D under the heading “Liabilities” in Part I of Schedule 2 to the *Accounts Regulations*.

*insurance market risk capital component*

means one of the components of the *long-term insurance capital requirement* as set out in Insurance Company – Capital Resources Requirements 18.1.

*intermediary*

means a *person* who in the course of any business or profession invites other persons to make offers or proposals or to take other steps with a view to entering into *contracts of insurance* with a *friendly society*, other than a person who only publishes such invitations on behalf of, or to the order of, some other person.

*issuer*

means:

- (1) (in relation to any security) (other than a *unit* in a *collective investment scheme*) the *person* by whom it is or is to be issued;
- (2) (in relation to a *unit* in a *collective investment scheme*) the operator of the *collective investment scheme*;
- (3) (in relation to an interest in a limited *partnership* except for a *partnership scheme*) the partnership;
- (4) (in relation to certificates representing certain securities) the *person* who issued or is to issue the security to which the certificate or other instrument relates; or
- (5) an entity which issues *transferable securities* and, where appropriate, other *financial instruments*.

*jointly controlled body*

means a body that *friendly society* has joint control of in accordance with section 13 of the Friendly Societies Act 1992.

*large non-directive insurer*

means a *non-directive insurer* in respect of which the value of assets relating to all *regulated activities* carried on by the *firm* as included in its two most recent reported annual accounts is more than £25,000,000.

*liabilities to policyholders*

means (in relation to a *firm carrying out contracts of insurance*) any liability or obligations of that *firm* to, or in respect of, a *policyholder*.

*linked benefit*

means a benefit payable under a *linked long-term contract of insurance* or a *regulated collective investment scheme* the amount of which is determined by reference to:

- (1) the value of the property of any description (whether specified or not);
- (2) fluctuations in the value of any such property;
- (3) income from such property; or
- (4) fluctuations in an index of the value of such property.

*linked long-term liabilities*

means the insurance obligations in respect of *linked benefits* under a *linked long-term contract of insurance*.

*listed*

means:

- (1) included in an *official list*; or
- (2) in respect of which facilities for *dealing* on a *regulated market* have been granted.

*long-term insurance assets*

has the meaning set out in Insurance Company – Internal Contagion Risk 4.2.

*long-term insurance business asset*

in relation to a *friendly society*, means the assets of a *firm* which are, for the time being, identified as representing the *long-term insurance business* fund or funds maintained by that *firm* in respect of its *long-term insurance business*.

*long-term insurance capital requirement*

means the amount determined in accordance with Insurance Company – Capital Resources Requirement 14.1, being the sum of the *insurance death risk capital*

*component, the insurance health risk and life protection reinsurance capital component, the insurance expense risk capital component, the insurance market risk capital component and the resilience capital requirement.*

*long-term insurance fund*

has the meaning set out in Insurance Company – Internal Contagion Risk 4.3.

*long-term insurance liabilities*

means liabilities arising from *long-term insurance business*.

*management expenses*

means all expenses, other than commission, incurred in the administration of a *firm* or its business.

*margin of solvency*

means the excess of the value of the *friendly society's* assets over the amount of its liabilities, that value and amount being determined in accordance with Friendly Society – Asset Valuation, Friendly Society – Liability Valuation and Friendly Society – Overall Resources and Guarantee Fund 8.

*market value*

means the market value as determined in accordance with generally accepted accounting practice.

*minimum guarantee fund*

means an amount calculated in accordance with Friendly Society - Overall Resources and Guarantee Fund 6 for *long-term insurance business* and Friendly Society - Overall Resources and Guarantee Fund 7 for *general insurance business*, whether the *required margin of solvency* is greater or less than that amount.

*money*

means any form of money, including cheques and other payable orders.

*money-market instruments*

means those classes of *financial instruments* which are normally dealt in on the money market, such as treasury bills, certificates of deposit and commercial papers and excluding instruments of payment.

**[Note: article 4(1)(19) of MiFID]**

*motor vehicle liability*

means the *class of contract of insurance*, specified in paragraph 10 of Part I of Schedule 1 to the *Regulated Activities Order*.

*net premium*

means the *premium* that is calculated to provide the basic sum assured under a *with-profits policy* taking into consideration only the mortality and interest rate risks and using the same assumptions as used in the calculation of the *mathematical reserves*.

*non-directive insurer*

means a *firm* with a *Part 4A permission* to effect contracts of insurance or carry out contracts of insurance, other than:

- (1) a *UK Solvency II firm*;
- (2) a *UK ISPV*; and
- (3) a *third country branch undertaking*.

*non-Solvency I firm*

means a *firm* that immediately before the *Solvency II implementation date* fell outside the scope of each of the *Solvency I Directives*.

*non-UCITS retail scheme*

means an *ICVC*, *authorised unit trust scheme*, or an *authorised contractual scheme* which is not a *collective investment scheme* falling within the *UCITS Directive* or a *qualified investor scheme*.

*occupational pension scheme*

has the meaning set out in article 3(1) of the *Regulated Activities Order*.

*official list*

means:

- (1) the list maintained by the *FCA* in accordance with section 74(1) of *FSMA* for the purposes of Part VI of *FSMA*; and
- (2) any corresponding list maintained by a competent authority for listing in another *EEA State*.

*offsetting transaction*

means, in accordance with Insurance Company – Risk Management 7.8 and 7.9:

- (1) an *approved derivative*, *approved stock lending transaction* or an *approved quasi-derivative*; or
- (2) a covered transaction with an *approved counterparty* for the purchase of assets.

*OTC derivative*

means a *derivative* traded solely over the counter.

*pension contract*

means a contract under which rights to benefits are obtained by the making of contributions to an *occupational pension scheme* or to a *personal pension scheme*, where the contributions are paid to a *regulated collective investment scheme*.

*pension policy*

means a contract under which a right to benefits results from contributions made to an *occupational pension scheme* or to a *personal pension scheme*, where the contributions are paid to an *insurer*.

*pension scheme*

means a scheme under which a right to benefits results from contributions made under a *pension contract* or *pension policy*.

*permanent health*

means the *class of contract of insurance*, specified in paragraph 4 of Part 2 of Schedule 1 to the *Regulated Activities Order*.

*permanent share capital*

has the meaning set out in Insurance Company – Capital Resources 5.1.

*preference share*

means a *share* conferring preference as to income or return of capital which does not form part of the *equity share capital* of an *undertaking*.

*premiums amount*

means an amount, as defined in Insurance Company – Capital Resources Requirements 8.1, used in the calculation of the *general insurance capital requirement*.

*proper valuation*

means, in relation to land, a valuation made by a qualified valuer not more than three years before the *relevant date* which determined the amount which would be realised at the time of the valuation on an open market sale of the land free from any mortgage or charge.

*property-linked benefits*

means benefits other than an *index-linked benefit*.

- (1) provided for under a *linked long-term contract of insurance*; and
- (2) determined by reference to the value of, or income from, property of any description (whether specified in the contract or not).

*property-linked liabilities*

means insurance liabilities in respect of *property-linked benefits*.

*proportional share*

means, in relation to an *affiliated company*, the percentage which is the percentage holding (directly or indirectly) in the *affiliated company's* capital.

*qualified investor scheme*

means an *ICVC*, *authorised unit trust scheme* or an *authorised contractual scheme* whose instrument constituting the scheme contains the statement in COLL 8.2.6 R 1(2) of the *FCA Handbook* that it is a qualified investor scheme.

*real estate*

means an interest in land, buildings or other immoveable property.

*regulated affiliated company*

means an *affiliated company* which has a *Part 4A permission*.

*regulated institution*

means any of the following:

- (1) a *Solvency II undertaking*, the *Society*, a *managing agent* or a *third country branch undertaking*; or
- (2) a *CRD credit institution*; or
- (3) a *non-directive insurer*; or
- (4) a *firm* whose *permission* includes *dealing in investments as principal* with respect to *derivatives* which are not *listed*; or
- (5) a *MiFID investment firm* whose authorisation (as referred to in article 5 of *MiFID*) authorises it to carry on activities of the kind referred to in (4).

*regulated market*

means:

- (1) a regulated market as defined in point (14) of Article 4 of Directive 2004/39/EC; or
- (2) a market situated outside the *EEA States* which is characterised by the fact that:
  - (a) it meets comparable requirements to those set out in (1); and
  - (b) the financial instruments dealt in are of a quality comparable to those in a regulated market in the *UK*.

*reinsurer*

means an *insurance undertaking* whose business includes *effecting contracts of insurance* or *carrying out contracts of insurance* that are *reinsurance contracts*; includes a retrocessionaire.

*relevant capital sum*

means the sum under a *contract of insurance* which is:

- (1) unless (2) applies;
  - (a) for whole life assurances, the sum assured;

- (b) for *contracts of insurance* where a sum is payable on maturity (including contracts where a sum is also payable on earlier death), the sum payable on maturity;
- (c) for deferred annuities, the capitalised value of the annuity at the vesting date (or the cash option if it is greater);
- (d) for *capital redemption* contracts, the sum payable at the end of the contract period; and
- (e) for *linked long-term contracts of insurance*, notwithstanding (a) to (d), the lesser of:
  - (i) the amount for the time being payable on death; and
  - (ii) the aggregate of the value for the time being of the units allocated to the contract (or, where entitlement is not denoted by means of units, the value for the time being of any other measure of entitlement under the contract equivalent to units) and the total amount of the *premiums* remaining to be paid during such of the term of the contract as is appropriate for *zillmerising* or, if such *premiums* are payable beyond the age of seventy-five, until that age;

but excluding in all cases any vested reversionary bonus; and

- (2) for temporary assurances, the sum assured on the *actuarial valuation date*.

*relevant date*

means, in relation to the valuation of any asset for any purpose for which the rules in Friendly Society – Asset Valuation apply, the date when the asset falls to be valued for that purpose.

*required margin of solvency*

means the amount calculated in accordance with Friendly Society – Overall Resources and Guarantee Fund 3.

*repo*

means:

- (1) an agreement between a seller and buyer for the sale of *securities*, under which the seller agrees to repurchase the *securities*, or *equivalent securities*, at an agreed date and, usually, at a stated price; or
- (2) an agreement between a buyer and a seller for the purchase of *securities*, under which they buyer agrees to resell the *securities*, or *equivalent securities*, at an agreed date and, usually, at a stated price.

*resilience capital requirement*

means one of the components of the *long-term insurance capital requirement* as set out in Insurance Company – Capital Resources Requirements 20.

*short-term deposit*



means a *deposit* which may be withdrawn at the discretion of the lender without penalty or loss of accrued interest by giving notice of withdrawal of one *month* or less.

*small non-directive insurer*

means a *non-directive insurer* other than a *large non-directive insurer*.

*solvency deficit*

means the amount (if any) by which *total capital after deductions* fall short of *individual capital resources requirements*.

*Solvency I Directive*

means each of:

- (1) the *Consolidated Life Directive*;
- (2) the *First Non-Life Directive*;
- (3) the *Second Non-Life Directive*;
- (4) the *Third Non-Life Directive*; and
- (5) the *Reinsurance Directive*.

*Solvency I firm*

means a *firm* that immediately before the *Solvency II implementation date* was an *insurer* that fell within the scope of a *Solvency I Directive*.

*Solvency 2 Regulations*

means the Solvency 2 Regulations 2015 (SI 2015/575).

*stock lending*

means the disposal of a *designated investment* subject to an obligation or right to reacquire the same or a similar *designated investment* from the same *counterparty*.

*support arrangements*

means arrangements under which the financial resources available to a *with-profits fund* include (or are intended in particular circumstances to include) financial resources from outside that *with-profits fund*.

*surplus assets*

has the meaning given in Friendly Society – Asset Valuation 5.3.

*surrender value*

means:

- (1) where the contract is a contract of life assurance or a contract for an annuity, the amount (including a nil amount) payable by the *firm* or other body issuing the contract on surrender of the *policy*;

- (2) where the contract is a *personal pension scheme* or a *stakeholder pension scheme*, the amount payable on the transfer of the investor's accrued rights under that contract to another *personal pension scheme* or *stakeholder pension scheme*; or
- (3) where the contract is for any other matter, the amount payable by the *firm* on the surrender of the *policy*.

*tier one capital*

means an item of capital that is specified in stages A (Core tier one capital), B (Perpetual non-cumulative preference shares) or C (innovative tier one capital) of the *capital resources table*.

*tier two capital resources*

means the sum calculated at stage I (Total tier two capital) of the calculation in the *capital resources table*.

*tontine*

means the *class of contracts of insurance* specified in paragraph V of part II of Schedule 1 to the *Regulated Activities Order*.

*total capital after deductions*

- (1) in relation to an undertaking with a *Part 4A permission*, the total capital after deductions calculated as if that *undertaking* were required to calculate its *capital resources* in accordance with Insurance Company – Capital Resources Table 2.1, but with such adjustments being made to secure that the *undertaking's* calculation of its total capital after deductions complies with relevant capital provisions in the *PRA Rulebook* or *FCA Handbook*;
- (2) in relation to any other *subsidiary*, the total capital after deductions of the *undertaking* calculated as if the *undertaking* were required to calculate its total *capital resources* in accordance with Insurance Company – Capital Resources Table 2.1.

*transferable securities*

means as defined in article 4(1)(18) of MiFID.

*unit*

means:

- (1) (in relation to a *collective investment scheme*) the investment, specified in article 81 of the *Regulated Activities Order* (Units in a collective investment scheme) and defined in section 237(2) of *FSMA* (other definitions); and
- (2) (in relation to an *alternative investment fund*) the right or interest (however described) of an investor in an *alternative investment fund*.

*working day*

means any day other than Saturday, Sunday, Good Friday, Christmas Day and any day which is a bank holiday in any part of the *UK* under section 1 of the Banking and Financial Dealings Act 1971.

*zillmerising*

means a method for modifying the net *premium* reserve method of valuing a *contract of long-term insurance* by increasing the part of the future *premiums* for which credit is taken so as to allow for initial expenses.

## Annex S

## Amendments to the Glossary

In this Annex, underlining indicates new text and deleted text is struck through.

Amend the following definitions, of the Glossary Part of the *PRA* Rulebook as shown.

*control*

(in the Solvency II Sector of the *PRA* Rulebook) means the relationship between a *parent undertaking* and a *subsidiary undertaking* where that relationship falls within ~~(a) to (g)~~ (1) to (7) of the definition of *parent undertaking*, or a similar relationship between any *person* and an *undertaking*.

...

*market risk*

- (1) (except in the Solvency II Firms and Non-Solvency II Firms Sectors of the *PRA* Rulebook) means the risk that arises from fluctuations in values of, or income from assets, or in the interest or exchange rates.
- (2) (in the Solvency II Firms and Non-Solvency II Firms Sectors of the *PRA* Rulebook) means the risk of loss or of adverse changes in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

**[Note: Art. 13(31) of the Solvency II Directive]**

*non-directive firm*

...

- (4) ~~an *undertaking* pursuing the activity of direct insurance within the meaning of:~~  
~~(a) article 2 of the *Consolidated Life Directive*, authorised under that directive; or~~  
~~(b) article 1 of the *First Non-Life Directive*, authorised under that directive;~~  
a *Solvency II undertaking*, the *Society* and *managing agents*.
- (5) ~~an undertaking pursuing the activity of *reinsurance* within the meaning of article 2.1(a) of the *Reinsurance Directive*, authorised under that directive~~

*non-directive friendly society*

means:

- ~~(1) a *friendly society* whose *insurance business* is restricted to the provision of benefits which vary according to the resources available and in which the contributions of the members are determined on a flat-rate basis;~~

- ~~(2) a friendly society whose long-term insurance business is restricted to the provision of benefits for employed and self-employed persons belonging to an undertaking or group of undertakings, or a trade or group of trades, in the event of death or survival or of discontinuance or curtailment of activity (whether or not the commitments arising from such operations are fully covered at all times by mathematical reserves);~~
- ~~(3) a friendly society which undertakes to provide benefits solely in the event of death where the amount of such benefits does not exceed the average funeral costs for a single death or where the benefits are provided in kind;~~
- ~~(4) a friendly society (carrying on long-term insurance business):~~
- ~~(a) whose registered rules contain provisions for calling up additional contributions from members or reducing their benefits or claiming assistance from other persons who have undertaken to provide it; and~~
- ~~(b) whose annual gross premium income (other than from contracts of reinsurance) has not exceeded 5 million Euro for each of the three preceding financial years;~~
- ~~(5) a friendly society (carrying on general insurance business):~~
- ~~(a) whose registered rules contain provisions for calling up additional contributions from members or reducing their benefits;~~
- ~~(b) whose gross premium income (other than from contracts of reinsurance) for the preceding financial year did not exceed 5 million Euro; and~~
- ~~(c) whose members provided at least half of that gross premium income;~~
- ~~(6)~~
- ~~(a) a friendly society whose liabilities in respect of general insurance contracts are fully reinsured with or guaranteed by other mutuals; and;~~
- ~~(b) the mutuals providing the reinsurance or the guarantee are subject to the rules of the First Non-Life Directive.~~
- and
- ~~(7) in each case whose insurance business is limited to that described in any of (1) to (6); and~~
- ~~(8) for the purposes of (4) and (5), the exchange rate from the Euro to the pound sterling for each year beginning on 31 December is the rate applicable on the last day of the preceding October for which the exchange rates for the currencies of all the European Union member states were published in the Official Journal of the European Union.~~

a friendly society that is not a UK Solvency II firm

#### operational risk

- (1) (in the Solvency II Firms Sector of the PRA Rulebook) means the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events, including legal risks which, for the purposes of Solvency Capital Requirement – General Provisions 3.3(1), includes legal

risks but excludes risks arising from strategic decisions and reputational risks.

- (2) (in the Non-Solvency II Firms Sector of the PRA Rulebook) means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

*relevant legislation*

means:

- (1) *FSMA*;
- (2) *the Capital Requirements Regulations*;
- (3) *the Solvency 2 Regulations 2015*;
- (4) ~~(3)~~ any other enactment; or
- (5) ~~(4)~~ any directly applicable *EU* regulation.

*technical provisions*

- (1) (in the Solvency II Firms Sector) means the technical provisions established in accordance with Technical Provisions 2.1;
- (2) (in the Non-Solvency II Firms Sector) means a technical provision established:
  - (a) for general insurance business, in accordance with Insurance Company – Technical Provisions 2.1; and
  - (b) for long-term insurance business, in accordance with Insurance Company – Technical Provisions 2.2.

*third country insurance branch*

means a permanent presence in the *UK* of a *third country insurance undertaking* that has a *permission to effect contracts of insurance and or carry out contracts of insurance* (except an *undertaking* which pursues only the business of *reinsurance* in the *UK*).

*third country pure reinsurance branch*

means a permanent presence in the *UK* of a *third country insurance undertaking or third country reinsurance undertaking*, that has a *permission to effect contracts of insurance and or carry out contracts of insurance* and which pursues only the business of *reinsurance* in the *UK*.

*with-profits policy liabilities*

- (1) (for a *UK Solvency II firm*) means, in relation to a *with-profits fund*, the value of liabilities attributable to *with-profits policies* (excluding any liabilities relating to non-profit insurance associated with such *policies*) set out in, and calculated on the basis prescribed by Surplus Funds 3.3 or, if applicable, ~~Surplus Funds 3.4~~ and (in either case) having also made adequate provisions for amounts representing *future policy-related liabilities*;

- (2) ~~(for a firm other than a UK Solvency II firm non-directive insurer other than a friendly society)~~ means, in relation to a *with-profits fund*, the value of *mathematical reserves* attributable to *with-profits policies* (excluding any liabilities relating to non-profit insurance associated with such policies) determined in accordance with the rules in ~~INSPRU 1.2 of the PRA Handbook~~ Insurance Company – Mathematical Reserves;
- (3) (for a non-directive friendly society) means, in relation to a *with-profits fund*, the value of *mathematical reserves* attributable to *with-profits policies* (excluding any liabilities relating to non-profit insurance associated with such policies) determined in accordance with the rules in Friendly Society – Liability Valuation.

**Annex T**

Annex F of the PRA Rulebook: Non-Solvency II Firms: Senior Insurance Managers Regime Instrument 2015 (PRA 2015/70) is amended as follows:

In this Annex deleted text is struck through.

...

In the Glossary Part of the *PRA* Rulebook, insert the following new definitions in the appropriate alphabetical order:

*non-directive insurer*

means a firm with a Part 4A permission for effecting contracts of insurance or carrying out contracts of insurance, other than:

- (1) a *UK Solvency II firm*;
- (2) a *UK ISPV*; and
- (3) a *third country branch undertaking*.

*small non-directive insurer*

means a *non-directive insurer* in respect of which the value of assets relating to all *regulated activities* carried on by the *firm* as shown in its most recent reported annual accounts was £25,000,000 or less.

...