

# 116

*newsletter*

## Financial Services Authority The Interim Prudential Sourcebooks for Insurers and Friendly Societies:

### Guidance on insurance group solvency (implementing the EC Directive on Insurance Groups – 98/78/EC)

November 2001

**About this newsletter**

This Newsletter provides a summary of FSA Consultation Paper 116 – The Interim Prudential Sourcebooks for Insurers and Friendly Societies: Guidance on insurance group solvency (implementing the EC Directive on Insurance Groups – 98/78/EC)

This paper is particularly relevant for Insurers, Friendly Societies and other participants in the insurance market.

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## Executive summary

This Consultation Paper seeks comments from firms, professional bodies and other interested parties on the guidance and rule amendments in Annexes B to E of this Consultation Paper about our rules implementing the EC Insurance Groups Directive (98/78/EC).

Respondents to Consultation Paper 50 ('Implementing the EC Directive on Insurance Groups'), which set out our proposals for rules implementing that directive, asked for this guidance. In line with CP50, and our response policy statement dated May 2001, the rules are now included in the Interim Prudential Sourcebooks for Insurers and Friendly Societies that came into force on 1 December 2001. The guidance is intended to come into force on 1 April 2002.

### New arrangements

The Insurance Groups Directive introduces new arrangements for regulating insurance undertakings within an insurance group. They focus on three main requirements:

- an adjusted-solo solvency test designed to ensure that an insurer's solo solvency position is not distorted by any investment it makes in a related undertaking. (That is double use of the same capital to cover risks in an insurer and its related undertakings);
- a parent undertaking solvency margin calculation designed to assess resources available to meet the overall insurance risk borne by a group; and
- monitoring material intra-group transactions.

Chapter 3 of this consultation paper discusses these requirements and Annexes B to D contain draft guidance on each of them in turn. Annex E sets out three draft amendments to the rules in the Interim Prudential Sourcebook for Insurers which are intended to clarify the application of those rules in line with the policy objectives set out in the draft guidance notes.

### Your comments

Please send your comments to reach us by 28 February 2002.

The Financial Services Authority invites comments on this Consultation Paper. Comments should reach us by 28 February 2002.

You can send your response by electronic submission using the form on the FSA's website (at [www.fsa.gov.uk/pubs/cp/cp116\\_response.html](http://www.fsa.gov.uk/pubs/cp/cp116_response.html)), by e-mail or in writing to the following:

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**It is the FSA's policy to make all responses to formal consultation available for public inspection unless the respondent requests otherwise.**

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