



Supervisory Statement | SS44/15

Solvency II: third-country insurance and pure reinsurance branches

(Updating February 2023)

May 2024



This supervisory statement was also subject to a different consultation as part of CP12/23. The resulting changes were published in PS3/24 and will be implemented on 31 December 2024 – please see the ‘future version’ of SS44/15. Some areas in this current version relate to those future changes and have been highlighted in yellow, but are not relevant before 31 December 2024.



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Supervisory Statement | SS44/15

Solvency II: third-country insurance and pure reinsurance branches

May 2024

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1. Introduction

1.1 This supervisory statement is addressed to third-country insurance undertakings that are headquartered outside of the UK or Gibraltar, and have a UK branch (third-country branch undertakings). This includes third-country insurance undertakings that have a UK branch that solely carries out reinsurance activities (a third-country pure reinsurance branch). The statement replaces Supervisory Statement 10/15 ‘Solvency II: third-country branches’.¹ It should be read alongside the Third Country Branches Part of the Prudential Regulation Authority (PRA) Rulebook, any other rules in the PRA Rulebook that apply to third-country branch undertakings, the relevant European legislation (as it forms part of retained EU law), the European Insurance and Occupational Pension Authority’s (EIOPA) third-country branches Guidelines (herein referred to as ‘the EIOPA Branch Guidelines’) (as at the end of the transition period²), the PRA statement of policy (SoP) – The Prudential Regulation Authority’s approach to insurance branch authorisation and supervision, and the relevant provisions of the Financial Services and Markets Act 2000 (FSMA). It sets out the PRA’s expectations of third-country branch undertakings.

1.2 This statement does not apply to Swiss General Insurers, as defined in the PRA Rulebook, to which different requirements apply pursuant to the Swiss Treaty Agreement (No. 91/370/EEC).

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’;³
- Supervisory Statement (SS) 1/19 ‘Non-binding materials: The PRA’s approach after the UK’s withdrawal from the EU’;⁴
- Supervisory Statement (SS) 2/19 ‘PRA approach to interpreting reporting and disclosure requirements and regulatory transactions forms after EU withdrawal’;⁵ and
- Supervisory statement (SS) 20/16 – Solvency II: Reinsurance – Counterparty credit risk.^{5c}

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

¹ Supervisory statement 10/15 ‘Solvency II: third-country branches’, March 2015: www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-third-country-branches-ss.

² 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.

³ December 2020: SoP - [Interpretation of EU Guidelines and Recommendations: Bank of England and PRA approach after the UK’s withdrawal from the EU](#).

⁴ December 2020: SS1/19 – [Non-binding PRA materials: The PRA’s approach after the UK’s withdrawal from the EU](#).

⁵ December 2020: SS2/19 – [PRA approach to interpreting reporting and disclosure requirements and regulatory transactions forms after the UK’s withdrawal from the EU](#).

^{5c} November 2016: SS20/16 – Solvency II: reinsurance counterparty credit risk

1.8 Other supervisory statements apply to third-country branch undertakings with any necessary modifications, and insofar as they are relevant to rules referred to in the Third Country Branches Part (or any other rules that apply to third-country branch undertakings).

2. Compliance with the Guidelines

2.1 The PRA expects third-country branch undertakings to comply with the EIOPA Branch Guidelines published as a final report on 6 July 2015 (and re-issued on 23 October 2015)⁶ (as at the end of the transition period) that are relevant to them, and to comply with the rules in the PRA Rulebook that apply to third-country branch undertakings, in light of the EIOPA Branch Guidelines (as at the end of the transition period).

2.2 The PRA also expects third-country undertakings that have a third-country pure reinsurance branch to comply with the EIOPA Branch Guidelines (as at the end of the transition period) that are relevant to them. The PRA expects such undertakings to comply with the rules in the PRA Rulebook that apply to them in light of the EIOPA Branch Guidelines (as at the end of the transition period) as if the scope extended to them.

2.3 Where EIOPA Branch Guidelines (as at the end of the transition period) refer to templates that the PRA has deleted or amended after the end of the transition period, third country insurance undertakings should base their reporting requirements of these specific templates⁷ in light of the requirements introduced subsequently.

3. Availability of assets and winding up

3.1 [Deleted].

3.2 The PRA expects third-country undertakings to maintain financial soundness at branch level (Guidelines 17-26) to ensure that the branch policyholders enjoy the same level of protection as those policyholders of an insurance undertaking situated in the UK.

3.3 The PRA expects considerable importance to be attached to calculating branch own funds so as to ensure that only those assets that are available to pay the claims of branch policyholders in the event of a winding up event are included in the calculation of branch assets. Assets will be deemed to be available, where either all of the third-country branch undertaking's assets would be available to pay insurance policyholders in priority to other creditors irrespective of the location of the policyholders, or where those assets are exclusively available to pay the claims of branch insurance policyholders (Guidelines 6 and 25).

3.4 The PRA expects to receive an analysis of the applicable winding up regime, analysing the priority given to insurance policyholders of the third-country branch and how the assets of the third-country branch undertaking would be distributed to those third-country branch insurance policyholders.

3.5 In the context of third-country branch undertakings observing quantitative reporting requirements (Guidelines 44-61 and any subsequent deletions or amendments of specific templates that have been implemented by the PRA after the end of the transition period), the PRA is taking a proportionate approach as set out in section 6 of this supervisory statement.

⁶ EIOPA Guidelines on supervision of branches of third-country insurance undertakings: <https://www.bankofengland.co.uk/-/media/boe/files/paper/2020/december/gl-branches-third-country-insurance.pdf>.

⁷ Including paragraph 1.77 sub-sections (x), (y), (ccc), (ddd), (eee), and paragraph 1.80 sub-sections (l) and (m).

4. Worldwide financial resources

4.1 In the PRA Rulebook, Third Country Branches 13 requires a third-country branch undertaking to maintain adequate worldwide financial resources and assess the adequacy of these resources. For this purpose, the PRA will consider the undertaking's compliance with the prudential regime under which it is supervised in its home country.

4.2 The PRA expects the third-country branch undertaking to provide sufficient information so that the PRA may form an opinion on the adequacy of the worldwide financial resources of the undertaking.

4.3 Where the PRA assesses the home jurisdiction's regime to be broadly equivalent to the regime applied by the PRA to (re)insurers whose head office is in the UK, then compliance with the financial resources requirements of that prudential regime may be relied on by the third-country branch undertaking as tending to establish compliance with the PRA's worldwide financial resources rule. Contravention of financial resources requirements of the home jurisdiction's prudential regime may be relied on as tending to establish contravention of the PRA's worldwide financial resources rule.

4.4 Where that prudential regime is not broadly equivalent to the regime applied by the PRA to (re)insurers whose head office is in the UK and a third-country branch undertaking from such a jurisdiction notifies the PRA that it is in financial difficulty, then the PRA will take appropriate actions such as assessing whether that third-country branch undertaking still meets Threshold Conditions and has adequate financial resources. This assessment may use the methods and techniques applicable to (re)insurers whose head office is in the UK.

4.5 Where the adequacy of worldwide financial resources of the third-country branch undertaking is found to be in contravention of the home jurisdiction's prudential regime, the PRA would expect further information to be submitted by the third-country branch undertaking.

4.6 As a minimum, the PRA would expect the third-country branch undertaking to submit a realistic plan to recover sufficient financial resources which explicitly identifies any branch specific recovery conditions.

5. Scheme of operations

5.1 The PRA will ask for a scheme of operations that sets out all the information required under Third Country Branches 5.1 as part of the application process for any third-country branch undertaking applying for a grant or variation of permission.

6. Annual and quarterly reporting requirements

6.1 In meeting the reporting requirements for third-country branch undertakings as set out in Third Country Branches 9.1, the PRA expects third-country branch undertakings to use the reporting templates set out in the EIOPA Branch Guidelines (as at the end of the transition period). The PRA may decide which quarterly or annual quantitative reporting templates (QRTs) should be submitted by each third-country branch undertaking.⁸

6.2 Third-country branch undertakings should contact their usual supervisory contact to confirm which templates the PRA expects the undertaking to submit. The PRA's expectation is that reporting will fall into one of three groups:

- group 1 - branches designated by the PRA as Category one, two or three undertakings;
- group 2 - branches designated by the PRA as Category four undertakings; and
- group 3 - branches that are pure reinsurance branches.

6.3 Full reporting is expected for branches allocated to group 1 and limited reporting for branches allocated to groups 2 and 3. All branches are expected to report minimum capital requirement (MCR) templates S.28.01.01 and S.28.02.01 on an annual basis, at the end of firms' financial year.

6.4 The templates to be submitted for each of these three reporting groups are set out in table 1.

6.5 [Deleted].

6.6 The PRA expects branches to use the XBRL format for the submission of quarterly and annual reporting QRTs.

6.7 The branch assets which may be included in the branch reporting templates depend upon the analysis of how branch assets would be distributed in a winding up. This is relevant where the winding up regime applicable to the third-country branch undertaking does not deliver the protection to branch insurance policyholders that Solvency II requires. The analysis required to assess this may take some time to procure. Third-country branch undertakings should agree with the PRA through their supervisory contact a reasonable time for this to be obtained and the basis on which branch assets are reported while that analysis is being assessed.

6.8 [Deleted].

Where particular risks are identified, the PRA may request further information in relation to the above. [Currently not relevant – relates to paragraph 6.8A of the “future version” of SS44/15, published as part of PS3/24, with the implementation date of 31 December 2024].

6.9 Third-country branches should refer to Supervisory Statement 40/15, ‘Solvency II: Reporting and public disclosure - options provided to supervisory authorities.’⁹ SS40/15 specifies the PRA’s approach where discretion is given to supervisory authorities in the instructions accompanying the QRTs. The supervisory statement sets out the PRA’s expectations in the following areas that are relevant to branches:

- accident or underwriting year reporting for templates, where this is relevant (section 4);
- claim size bands for reporting loss distribution risk profile (section 5);
- sum insured bands for reporting non-life distribution of underwriting risks by sum insured (section 6);
- lines of business to be reported for the reporting of non-life distribution of underwriting risks by sum insured (section 7);

⁸ Third-country branch undertakings should also refer to SS11/15 ‘Solvency II: Regulatory Reporting and exemptions’; March 2015: <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-regulatory-reporting-and-exemptions-ss>.

⁹ Supervisory Statement 40/15 ‘Solvency II: reporting and public-disclosure – options provided to supervisory authorities’: www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-reporting-and-public-disclosure-options-provided-to-supervisory-authorities-ss.

- reporting of annuities stemming from non-life obligations by currency (section 8); and
- development of the distribution of reported but not settled (RBNS) claims - reporting of numbers of claims (section 9).

6.9A Third-country branches should refer to 'PRA Statement of Policy: Solvency II regulatory reporting waivers' which specifies the PRA's approach to waiving submission of certain Solvency II reporting requirements in the Reporting Part of the PRA Rulebook.¹⁰ [Currently not relevant – part of PS3/24, with the implementation date of 31 December 2024].

Table 1 reporting templates

Reporting group	Quarterly reporting Quarters 1 and 3	Quarterly reporting Quarters 2 and 4	Annual reporting
Full reporting – group 1	All QRTs as set out in the EIOPA Branch Guidelines	All QRTs as set out in the EIOPA Branch Guidelines	All QRTs as set out in the EIOPA Branch Guidelines
Limited reporting – group 2		S.01.01.08 S.01.02.07 S.02.01.08 S.23.01.07	S.01.01.07 S.01.02.07 S.01.03.01 S.02.01.07 S.02.02.01 S.02.03.07 S.03.01.01 S.03.02.01 S.03.03.01 S.05.01.01 S.06.02.07 S.09.01.01 S.12.01.01 S.14.01.01 S.16.01.01 S.17.01.01 S.22.01.01 S.22.05.01 S.22.06.01 S.23.01.07 S.23.03.07 S.25.01.01 S.25.02.01 S.25.03.01 S.28.01.01 S.28.02.01 S.31.01.01 SR.01.01.07 SR.12.01.01 SR.17.01.01 SR.25.01.01

Reporting group	Quarterly reporting Quarters 1 and 3	Quarterly reporting Quarters 2 and 4	Annual reporting
Limited reporting – group 3			S.01.01.07 S.01.02.07 S.01.03.01 S.02.01.07 S.02.02.01 S.02.03.07 S.03.01.01 S.03.02.01 S.03.03.01 S.05.01.01 S.06.02.07 S.09.01.01 S.12.01.01 S.14.01.01 S.17.01.01 S.22.01.01 S.22.05.01 S.22.06.01 S.23.01.07 S.23.03.07 S.25.01.01 S.25.02.01 S.25.03.01 S.28.01.01 S.28.02.01 S.31.01.01 SR.01.01.07 SR.12.01.01 SR.17.01.01 SR.25.01.01

6.10 Where the EIOPA Branch Guidelines (as at the end of the transition period) refer to templates that the PRA has deleted or amended after the end of the transition period, firms should treat these specific guidelines as no longer relevant, and should base the reporting requirements in relation to these specific templates in light of the subsequent amendments implemented by the PRA.

6A. Notifications

6A.1 As set out in Fundamental Rule 7,¹¹ third-country branches must disclose to the PRA appropriately anything relating to the third-country branch or third-country branch undertaking of which the PRA would reasonably expect notice. This section sets out some examples of circumstances in which the PRA would expect notification.

6A.2 As set out in the PRA's SoP – The Prudential Regulation Authority's approach to insurance branch authorisation and supervision, the PRA expects third-country branches to have under £500 million of insurance liabilities covered by the Financial Services Compensation Scheme (FSCS) when operating as a branch, and may consider authorisation as a subsidiary as an alternative where that is not the case. While not a hard threshold, the PRA expects third-country branches to notify the PRA where it is projected that the FSCS-protected liabilities of the branch may grow above this threshold in the near future.

¹¹ [Rule 2.7 of the Fundamental Rules Part of the PRA Rulebook.](#)

6A.3 Third-country branches are also expected to notify the PRA where:

- the reinsurance arrangements of the third-country branch undertaking change materially from the point of authorisation, or where the arrangements would result in high levels of reinsurance with regard to the factors listed in Table A of the PRA's SoP 'The Prudential Regulation Authority's approach to insurance branch authorisation and supervision';¹² and
- the liabilities and/or premiums of the third-country branch increase materially as compared to the third-country branch undertaking, so that the PRA can reassess the supervisability of the third-country branch undertaking.

7. Third-country branches as composites

[This section has been deleted].

8. Application of other supervisory statements to third-country branch undertakings

[This section has been deleted].

9. Own Risk and Solvency Assessment ('ORSA') reporting

9.1 Third-country branches are required to submit ORSAs to the PRA.¹³ Third-country branches should discuss their approach to ORSA submission with their supervisor. The PRA will adopt a proportionate approach to ORSA submission, and where appropriate it will consider proposals from third-country branches to combine submissions and submit the third-country branch undertaking ORSA in lieu of a separate UK third-country branch ORSA.

9.2 The PRA expects that third-country branches consider the relative size of the third-country branch, as compared with the third-country branch undertaking, when determining what would constitute a proportionate approach to ORSA submission.

9.3 The PRA expects that where the third-country branch undertaking ORSA is submitted in lieu of a third-country branch ORSA, it should contain the following at minimum, and that additional content should be agreed with the supervisor:

- an overview of the branch business model and risks to that business model/strategy;
- any material risk for third-country branch operations;
- any risk of the third-country branch undertaking which may have an effect on branch operations; including a description of the arrangements, and risks thereof, between the third-country branch and third-country branch undertaking;

¹² Statement of Policy on the PRA's approach to the authorisation and supervision of insurance branches:

<https://www.bankofengland.co.uk/prudential-regulation/publication/2024/may/international-insurers-pras-approach-to-branch-authorisation-and-supervision-sop>

¹³ Conditions Governing Business 3.8. See also Supervisory Statement 19/16 'Solvency II: ORSA': www.bankofengland.co.uk/prudential-regulation/publication/2016/solvency2-orsa

- identification of any material risks for third-country branch operations which are also material for the third-country branch undertaking. In this context, material risks include any risks which could significantly impact the viability of the business model; and
- a description of the third-country branch undertaking's system of governance, in accordance with Chapter 2 of the Conditions Governing Business Part of the PRA Rulebook.

9.4 Where a third-country branch chooses to submit a branch-specific ORSA, the PRA expects that it should also cover the factors outlined above.

9.5 The PRA expects that as part of its ORSA, the third-country branch undertaking assesses the permanent availability of the branch assets, as set out in paragraph 3.3 of this supervisory statement, and addresses in its assessment the risks to the effectiveness of arrangements to ensure that branch assets are paid only to branch insurance creditors and branch preferential creditors.

10. System of governance

10.1 Third-country branches are required to have in place an effective system of governance which provides for sound and prudent management of the business. The detailed requirements on system of governance are listed in Chapter 7 of the Third Country Branches Part of the PRA Rulebook.

10.2 The PRA expects third-country branches to assess how their organisational structures support transparency, accountability, and the need for appropriate management of any conflicts of interest, including between the third-country branch and the third-country branch undertaking.

11. The Senior Managers & Certification Regime (SM&CR)

11.1 All third-country branches are required to have a fit and proper individual appointed as the Senior Management Function (SMF) 19 – Head of Third Country Branch (and, where relevant, a With-Profits Actuary).¹⁴ Individuals performing the SMF19 must have responsibility within the branch over the conduct of all activities subject to UK regulation.

11.2 The PRA expects third-country branch undertakings to conduct their own analysis regarding which SMFs are required. The PRA will assess the appropriateness of these arrangements on a case-by-case basis. In addition to other factors, the size and complexity of the third-country branch should inform this analysis. Third-country branches should also consider the requirement set out in Insurance – Allocation of Responsibilities 2.3 to have all the prescribed responsibilities allocated to an approved person when considering which SMFs are required. Third-country branch undertakings should also refer to the wider expectations regarding the SM&CR that are set out in SS35/15 – Strengthening individual accountability in insurance.¹⁶

11.3 Where a branch operates in the UK alongside a material subsidiary, the PRA expects there to be controls around the division of risks accepted through the subsidiary and the branch (for example, in the supply of key services between those entities). While there is scope for key risk management function-holders to combine roles across the UK entities (subsidiary and branch), third-country branch undertakings are expected to ensure that any conflicts of interest that may arise for the function holder as a result are appropriately managed.

¹⁴ See Insurance – Senior Management Functions and Insurance – Fitness and Propriety Parts of the PRA Rulebook.

¹⁶ SS35/15 – Strengthening individual accountability in insurance: www.bankofengland.co.uk/prudential-regulation/publication/2015/strengthening-individual-accountability-in-insurance-ss

12. Whistleblowing

12.1 Third-country branches are required to comply with Rule 2.4 in the Whistleblowing Part of the PRA Rulebook, in relation to a third-country branch undertaking's workers in the UK. Third-country branches should refer to the expectations in SS39/15 – 'Whistleblowing in deposit-takers, PRA-designated investment firms and insurers' for guidance on how to comply with the relevant whistleblowing requirements.¹⁷

13. Re-domiciliation of third-country insurers

13.1 When the third-country branch undertaking that is authorised to operate a third-country branch in the UK redomiciles to another jurisdiction, the PRA expects a new application to be submitted for authorisation to write business as a third-country branch. This expectation applies irrespective of the country of re-domiciliation. When assessing the new authorisation application, the PRA will take a proportionate and streamlined approach depending on whether there are material differences in the third-country branch's new application. The PRA would therefore expect the new authorisation application to focus on any changes arising from re-domiciliation.

14. Operational risk and outsourcing

14.1 Third-country branches should refer to the following for detailed rules and guidance when considering operational risk management:¹⁸

- PRA Rulebook – Fundamental Rules;
- PRA Rulebook Conditions Governing Business;¹⁹
 - Rules 2.2 to 2.6 – General Governance Requirements;²⁰
 - Chapter 3 – Risk Management;
 - Chapter 7 - Outsourcing;²¹
- Threshold Conditions: Prudent conduct of business, suitability and effective supervision;
- Supervisory Statement 2/21, 'Outsourcing and third party risk management';²² and
- Supervisory Statement 35/15 'Strengthening individual accountability in insurance' where the third-country branch has found it appropriate to appoint an SMF role holder with prescribed responsibilities in respect of operational risk management.²³

17 Supervisory Statement 39/15 'Whistleblowing in deposit-takers, PRA-designated investment firms and insurers': www.bankofengland.co.uk/prudential-regulation/publication/2015/whistleblowing-in-deposit-takers-pra-designated-investment-firms-and-insurers-ss.

18 In addition to the list above, attention of third-country branches is drawn to Discussion Paper 3/22 'Operational resilience: Critical third parties to the UK financial sector' and any subsequent supervisory statement/s that may arise from this policy work.

19 Other Conditions Governing Business rules not mentioned here remain applicable to third country branches – see Third Country Branches 7.1 of the PRA Rulebook.

20 Specifically on risk management and outsourcing, continuity and regularity of its activities, contingency plans.

21 To be read in conjunction with SS2/21.

22 SS2/21 – Outsourcing and third party risk management: www.bankofengland.co.uk/prudential-regulation/publication/2021/march/outsourcing-and-third-party-risk-management-ss

14.2 This section does not consider the requirements and expectations of the Financial Conduct Authority (FCA). The FCA should be contacted directly to understand their requirements and expectations for operational risk.

Annex – SS44/15 updates

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

2024

May

- This SS has been amended to:
- Add Chapters 9 to 14 on ORSA reporting, system of governance, the SM&CR, whistleblowing, re-domiciliation
- Delete chapters 7 & 8 on third-country branches as composites and application of other supervisory statements to third-country branch undertakings;
- Delete paragraph 6.8 about the whole undertaking's solvency;
- Add paragraphs 4.5 and 4.6;
- Make further minor changes to improve readability and accessibility.

2023

February

This SS has been updated to remove a reference to category 5. This category was removed by the PRA as part of its update to categorising the 'potential impact' of firms.

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:²⁵

- 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; and
- 2.3 and 6.10 relating to the interpretation of specific guidelines set out in the EU Branch Guidelines (as at the end of the transition period) that refers to templates which the PRA subsequently deleted or amended after the end of the transition period.

The following paragraphs in the SS were amended:

- 6.3 and Table 1 to reflect the proposed deletions and amendments to reporting requirements introduced via the PS; and
- throughout the documents to update referencing as a result of the UK's withdrawal from the EU.

The following paragraphs in the SS were deleted:

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

- 1.3, 1.4, and 1.5 to reflect that the requirements in relation to consultation have been updated and are not required to be included in the SS; and
- 3.1 as a consequence of the UK's withdrawal from the EU the specific requirements in this section is no longer applicable.

Further minor changes were also made to improve readability and accessibility.