
STATUTORY INSTRUMENTS

2015 No. 575

The Solvency 2 Regulations 2015

PART 3

Groups

CHAPTER 3

Group Solvency

Internal models and capital add-ons

20.—(1) Where group solvency is determined in accordance with method 1, the PRA must pay particular attention to ^{F1}... where—

- (a) a specific risk existing at group level would not be sufficiently covered by the standard formula or the internal model used because it is difficult to quantify; or
- (b) a capital add-on to the solvency capital requirement of the related insurance undertaking or reinsurance undertakings is imposed by the [^{F2}PRA or, where there is a Gibraltarian insurance undertaking or a Gibraltarian reinsurance undertaking, the FSC]^{F3}....

(2) Where group solvency is determined in accordance with method 2, the PRA must, when it determines whether the aggregated group solvency capital requirement appropriately reflects the risk profile of the group, pay particular attention to any specific risks existing at group level which would not be sufficiently covered because they are difficult to quantify.

(3) Where ^{F4}... the PRA considers that the risk profile of an insurance undertaking or reinsurance undertaking belonging to a group deviates significantly from the assumptions underlying the internal model approved at group level, the PRA may—

- (a) impose a capital add-on to the solvency capital requirement of the insurance undertaking or reinsurance undertaking;
- (b) in exceptional circumstances where a capital add-on would not be appropriate, require the insurance undertaking or reinsurance undertaking to calculate its solvency capital requirement on the basis of the standard formula; or
- (c) where the PRA has exercised its discretion under sub-paragraph (b) to require an insurance undertaking or reinsurance undertaking to calculate its solvency capital requirement on the basis of the standard formula, impose a capital add-on to the solvency capital requirement.

(4) Where the PRA—

- (a) imposes a capital add-on on an insurance undertaking or reinsurance undertaking; or
- (b) requires the insurance undertaking or reinsurance undertaking concerned to calculate its solvency capital requirement on the basis of the standard formula,

the PRA must explain its decision to the relevant insurance undertaking or reinsurance undertaking

^{F5}

Changes to legislation: The Solvency 2 Regulations 2015, Section 20 is up to date with all changes known to be in force on or before 28 September 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

(5) [^{F6}Where the FSC is the group supervisor], the PRA must adopt and apply the following decisions by the group supervisor on the basis of an internal model—

- (a) the calculation of the group solvency capital requirement;
- (b) the calculation of the solvency capital requirement of an insurance undertaking and reinsurance undertaking in the group;
- (c) the calculation of the aggregated group solvency capital requirement.

(6) Where the PRA has imposed a capital add-on, it must review the capital add-on at least once a year.

- F1** Words in [reg. 20\(1\)](#) omitted (31.12.2020) by virtue of [The Solvency 2 and Insurance \(Amendment, etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/407\)](#), regs. 1(2), [9\(11\)\(a\)\(i\)](#) (as amended by S.I. 2020/1385, regs. 1(2), 54(2))
- F2** Words in [reg. 20\(1\)\(b\)](#) substituted (31.12.2020) by S.I. 2019/407, [reg. 9\(11\)\(a\)\(ii\)\(aa\)](#) (as substituted by [The Gibraltar \(Miscellaneous Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/680\)](#), regs. 1(3), [10\(4\)\(l\)\(i\)](#) (with [reg. 11](#)) (as amended by S.I. 2020/1301, regs. 1, 3, [Sch. para. 40\(f\)](#)); 2020 c. 1, [Sch. 5 para. 1\(1\)](#))
- F3** Words in [reg. 20\(1\)\(b\)](#) omitted (31.12.2020) by virtue of [The Solvency 2 and Insurance \(Amendment, etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/407\)](#), regs. 1(2), [9\(11\)\(a\)\(ii\)\(bb\)](#) (as amended by S.I. 2020/1385, regs. 1(2), 54(2))
- F4** Words in [reg. 20\(3\)](#) omitted (31.12.2020) by virtue of [The Solvency 2 and Insurance \(Amendment, etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/407\)](#), regs. 1(2), [9\(11\)\(b\)](#) (as amended by S.I. 2020/1385, regs. 1(2), 54(2))
- F5** Words in [reg. 20\(4\)](#) omitted (31.12.2020) by virtue of [The Solvency 2 and Insurance \(Amendment, etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/407\)](#), regs. 1(2), [9\(11\)\(c\)](#) (as amended by S.I. 2020/1385, regs. 1(2), 54(2))
- F6** Words in [reg. 20\(5\)](#) substituted (31.12.2020) by S.I. 2019/407, [reg. 9\(11\)\(d\)](#) (as substituted by [The Gibraltar \(Miscellaneous Amendments\) \(EU Exit\) Regulations 2019 \(S.I. 2019/680\)](#), regs. 1(3), [10\(4\)\(l\)\(ii\)](#) (with [reg. 11](#)) (as amended by S.I. 2020/1301, regs. 1, 3, [Sch. para. 40\(f\)](#)); 2020 c. 1, [Sch. 5 para. 1\(1\)](#))

Changes to legislation:

The Solvency 2 Regulations 2015, Section 20 is up to date with all changes known to be in force on or before 28 September 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.

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Changes and effects yet to be applied to :

- Regulations revoked by [2023 c. 29 Sch. 1 Pt. 2](#)
- reg. 20(1)(b) word substituted by [S.I. 2019/407 reg. 9\(11\)\(a\)\(ii\)\(aa\)](#) (This amendment not applied to legislation.gov.uk. Reg. 9(11)(a)(ii)(aa) substituted immediately before IP completion day by S.I. 2019/680, reg. 10(4)(1)(i))
- reg. 20(5) omitted by [S.I. 2019/407 reg. 9\(11\)\(d\)](#) (This amendment not applied to legislation.gov.uk. Reg. 9(11)(d) substituted immediately before IP completion day by S.I. 2019/680, reg. 10(4)(1)(ii))