
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations are made in exercise of the powers in section 8(1) of the European Union (Withdrawal) Act 2018 (c. 16) and section 2(2) of the 1972 Act to address the deficiencies in retained EU law to operate effectively and other deficiencies arising from the withdrawal of the United Kingdom from the European Union.

The Solvency 2 Regulations is a harmonised prudential framework for insurance and reinsurance firms in the EU. Prudential regulation is aimed at ensuring financial services firms are well-managed and able to withstand financial shocks so that the services they provide to businesses and consumers are safe and reliable. Solvency 2 is designed to provide a high level of policy-holder protection by requiring firms to provide a market-consistent valuation of their assets and liabilities, understand the risks they are exposed to, and to hold capital that is sufficient to absorb shocks. Solvency 2 is a risk-sensitive regime in that the capital a firm must hold is dependent on the nature and level of risk a firm is exposed to.

Accordingly, these arrangements represent a deficiency in retained EU law (see section 8(2)(b) of the European Union (Withdrawal) Act 2018 (c. 16)).

In these Regulations:

- Part 1 makes provision as to citation and commencement;
- Part 2 confers power on the Treasury to make regulations in respect of matters previously made under Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency 2);
- Part 3 transfer the power to make technical standards to the PRA;
- Part 4 amends the Financial Services and Markets Act 2000 (c. 8);
- Part 5 amends the Solvency 2 Regulations 2015 (S.I. 2015/575);
- Part 6 amends Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency 2);
- Part 7 makes transitional provision in relation to the approval of temporary models.

An impact assessment of the effect that this instrument, and other instruments made by the Treasury under the European Union (Withdrawal) Act 2018 at or about the same time, will have on the costs of business, the voluntary sector and the public sector is available from the Treasury, 1 Horse Guards Road, London SW1A 2HQ and is published alongside this instrument at www.legislation.gov.uk.