

At a glance

US/EU bilateral agreement: impact on group supervision

What's new?

- In September 2017, the European Commission and the US Department of the Treasury and Office of the Trade Representative signed a [formal bilateral agreement](#) on prudential measures regarding (re)insurance (the 'Agreement').
- The Agreement represents a major step forward in US/EU cooperation on (re)insurance. It holds benefits to EU and US re(insurers) operating across the Atlantic, by offering them enhanced regulatory certainty, while maintaining robust consumer protections.
- The key elements of the Agreement include the progressive elimination of collateral requirements common for EU reinsurers active in the US and removal of duplication of group supervision requirements for international groups headed in the US or EU.
- The Agreement will come into force five years after signing, except for the group supervision elements, which apply provisionally from 7 November 2017. **This paper addresses the group supervision elements only.**

What does this mean?

- The Agreement provides that US insurers and reinsurers can operate in the EU without the US parent being subject to the group level governance, solvency and capital, and reporting requirements of Solvency II.
- The group ORSA or equivalent documentation should be shared with the various supervisors of the relevant (re)insurers in the group.
- EU group supervision could still be required at the level of the ultimate EEA parent of groups with an ultimate global parent in the US

What do firms need to do?

- Currently, the default position under PRA rules is to apply global Solvency II supervision at the level of the US parent to groups headed in the US for which the PRA is the group supervisor. Groups in this situation should discuss with PRA how to get this requirement disapplied as it is not consistent with the Agreement.
- Some groups headed in the US for which the PRA is the group supervisor will currently have a Solvency II rule modification which disapplies full group supervision at the level of the US parent and applies 'other methods' instead. Such groups should consider if the 'other methods' being applied are consistent with the Agreement, and, if they are not, discuss with PRA how to achieve consistency.
- Groups headed in the US that intend to expand into the UK should discuss the impact of the Agreement with the PRA and the expectation of a formal waiver application.

Next steps



Firms should consider the impact of the Agreement on their circumstances and start a dialogue with the regulator where appropriate.

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