

WRITTEN NOTICE

Extension of scope of an approved internal model

To: **Scottish Widows Limited (FRN 181655)**
Lloyds Bank General Insurance Limited (FRN 202091)
St Andrew's Insurance plc (FRN 202932)
(the "firms")

Of: 69 Morrison Street Edinburgh EH3 8BW

Reference Number: 5163653, 5245728, 5245729

Date: 6 June 2019

DECISIONS

- (1) In accordance with Regulations 48 and 49 of the Solvency 2 Regulations 2015 (SI 2015/575) (the 'Regulations') the Prudential Regulation Authority (the 'PRA') has previously granted approval to Scottish Widows Limited (SWL), Lloyds Bank General Insurance Limited (LBGIL) and St Andrew's Insurance plc (STAI) to use an internal model for the calculation of their group and respective individual Solvency Capital Requirements (SCR) as set out in rows 1 – 5 of Table 1 in Annex 1 (the 'Internal Model Approval')
- (2) In accordance with Regulation 48(5)(a) of the Regulations, the PRA has decided to approve an extension to the scope of the Internal Model Approval to include Scottish Widows Europe S.A. (SWE) for the purposes of (a) calculating group SCR at the level of Scottish Widows Group Limited (SWG); and (b) calculating the individual SCR of SWL. For the avoidance of doubt, SWE will not use the internal model for the purposes of calculating its individual SCR.
- (3) This approval is granted on the basis of the information set out in the firms' application received by the PRA on 1 February 2019
- (4) The details of the approved internal model following this decision is set out in Annex 1.

Reasons for decision

- (5) On 1 February 2019, the firm applied for an extension of the SWG Internal Model to include SWE. SWE is a new legal entity, and a subsidiary of SWL, created to receive a transfer of business from SWL, and as such is required to be included in (a) the SWG group solvency calculation and (b) the SWL individual solvency calculation.
- (6) The PRA's assessment is that after applying the extension set out in the application the internal model continues to meet the tests and standards as a full internal model at the date of the decision. Specifically, the PRA is satisfied that:
 - a. The internal model complies with the rules contained in Chapters 2 to 4 and 10 to 15 Solvency Capital Requirement – Internal Models Part of the PRA Rulebook.

- b. The internal model complies with the requirements set out in Title 1 Chapter VI Solvency capital requirement – full and partial internal models of the Commission Delegated Regulation (EU) 2015/35.
- c. The systems of the undertaking for identifying, measuring, monitoring, managing and reporting risk are adequate.
- d. The model complies with the requirements of Title 2 Chapter II Section 2 of the Commission Delegated Regulation (EU) 2015/35.
- e. The policy for changing the approved full internal model complies with the rules contained in Chapter 6

Effective date

- (7) The approval takes effect on 7 May 2019.

Decision maker

- (8) The decision which gave rise to the obligation to give this Written Notice was made by Mark Cornelius, Head of Department.

Publication

- (9) Details of this approval will be published on the Financial Services Register.

PRA contacts

- (10) For more information concerning this matter generally, the firm should contact their usual supervisory contact.

Mark Cornelius

Head of Department – Major Life Groups

For and on behalf of the PRA

Annex 1

The approved Internal Model

Definition

1. The approved internal model is as set out in the internal model application documents submitted to the PRA and listed at Table 1.
2. The internal model is approved to calculate the group SCR at the level of Scottish Widows Group Ltd. The entities with a “Yes” in the Group SCR column in Table 2 are those which are included in the model in order to calculate the Group SCR.
3. The internal model is approved to calculate the individual SCR for those entities with a “Yes” in the Solo SCR column in Table 2.
4. Subject to 2 & 3 above, the model is approved to calculate the group SCR at the level of Scottish Widows Group Ltd and the individual SCR for each entity indicated in respect of all material quantifiable risks as at the date of this notice.

Table 1: Written Notices

	Type of Application	PRA Application Approval Date	Document Reference Number(s)	Internal model documents
1.	Group Internal Model application	5 December 2015	2247199; 2247200; 2247247; 2247253; 2247248; 2247252; 2247250; 2247251; 2247204; 2247249	Application received by PRA on 26 June 2015, with addendum received on 26 November 2015
2.	Major Model Change	5 December 2015	2254736; 2329310; 2329313; 2268112; 2268115; 2268116; 2268151; 2268157; 2268186; 2268228	Application received by the PRA on 12 August 2015, with supplementary documentation received 10 September 2015
3.	Major Model Change	14 December 2016	2796742; 3870475; 3870478	Application received by PRA on 1 July 2016
4.	Major Model Change	21 November 2017	4680187, 4786541, 4786544	Application received by PRA on 30 June 2017
5.	Major Model Change	23 November 2018	4972241, 5093298, 5093338	Application received by PRA on 22 June 2018
6.	Extension of scope to include new legal entity Scottish Widows Europe S.A	7 May 2019	5163653, 5245728, 5245729	Application received by PRA on 1 February 2019

Table 2:

Legal Entity	FRN	Group SCR (the undertakings included in the scope of the model for the calculation of the group SCR')	Solo SCR
Scottish Widows Limited	181655	Yes	Yes
Lloyds Bank General Insurance Limited	202091	Yes	Yes
St Andrew's Insurance plc	202932	Yes	Yes
Scottish Widows Group Limited	N/A	Yes	No
Lloyds Bank General Insurance Holdings Ltd	N/A	Yes	No
Scottish Widows Europe S.A.	N/A	Yes	No