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## WRITTEN NOTICE

### Major changes to an approved internal model

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To: **UK Insurance Limited (FRN 202810)**  
**Churchill Insurance Company Limited (FRN 202727)**  
**(together the “firms”)**

Of: Direct Line Insurance Group plc  
Churchill Court,  
Westmoreland Road,  
Bromley,  
BR1 1DP

Reference Number: 4680290; 4775877

Date: 17<sup>th</sup> October 2017

#### DECISIONS:

- (1) In accordance with Regulation 48 and 49 of The Solvency 2 Regulations 2015, the Prudential Regulation Authority (“the PRA”) has decided to approve major changes to the firms’ partial internal model approved in the Written Notice – Internal model approval dated 13 June 2016 (reference 2738452; 2738453) (the “Original Notice”).
- (2) This approval is granted on the basis of the information set out in the firms’ major model change application received on 30 June 2017.
- (3) This Notice amends the Original Notice so that the partial internal model approval applies with major changes. These changes are set out in Annex A.

#### Effective Date

- (4) This permission takes effect on 17<sup>th</sup> October 2017

#### Decision-Maker

- (5) The decision which gave rise to the obligation to give this Notice was made by Anna Sweeney as Director of Insurance Supervision at the PRA.

#### Reasons for the decisions

- (6) The PRA’s assessment is that the partial internal model, following the major model change, met the tests and standards at the time the decision was made. Specifically, the PRA is satisfied that:
  - a. the internal model complies with the rules contained in Chapters 2-4 and 10-15 of the 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;



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- d. the model complies with the requirements of Title 2 Chapter II Section 2 of the Commission Delegated Regulation (EU) 2015/35;
- e. the model additionally fulfils the requirements of Chapter 4 of the Solvency Capital Requirement – Internal Models 4 of the PRA Rulebook and Title 1 Chapter VI Section 5 of the Commission Delegated Regulation (EU) 2015/35.

**Publication**

- (7) Details of these approvals will be published on the Financial Services Register.

**PRA contacts**

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

Anna Sweeney  
Director  
Insurance Supervision  
Prudential Regulation Authority



## Annex A: The approved Internal Model

### Definition

2. The approved internal model is as set out in the internal model application documents submitted to the PRA on 14 December 2015 and correspondence dated 11 December 2015, as amended pursuant to the major model changes documents submitted to the PRA on 30 June 2017.
3. The group partial internal model is approved to calculate the Group SCR at the level of Direct Line Insurance Group plc. The entities with a “Yes” in the Group SCR column in table 1 are those which are included in the model in order to calculate the Group SCR.
4. The notional Standard Formula for the group holding company, excluding UK Insurance Limited, is calculated partly on a consolidated basis and partly on the basis of a Standard Formula equity risk shock for strategic participations of certain entities. The notional Standard Formula for the group holding company is integrated with the partial internal model using integration technique 1 as set out in the Annex XVIII of the Commission Delegated Regulation (EU) 2015/35.
5. The internal model is approved to calculate the solo SCR for UK Insurance Limited. The risks within the scope of the partial model for the calculation of the solo SCR are set out in Table 1.

**Table 1**

| Legal Entity                        | FRN    | Group SCR ('the undertakings included in the scope of the model for the calculation of the group SCR') | Solo SCR |
|-------------------------------------|--------|--------------------------------------------------------------------------------------------------------|----------|
| Direct Line Insurance Group plc     | N/A    | Yes                                                                                                    | No       |
| UK Insurance Limited                | 202810 | Yes                                                                                                    | Yes      |
| Churchill Insurance Company Limited | 202727 | Yes                                                                                                    | No       |