



Department for  
Business, Energy  
& Industrial Strategy

Debbie Gillatt  
Director, Business Frameworks  
Department for Business, Energy & Industrial  
Strategy  
1 Victoria Street  
London  
SW1H 0ET

Mr Stephen Haddrill  
CEO  
Financial Reporting Council  
8<sup>th</sup> Floor  
125 London Wall  
London EC2Y 5AS

T +44 (0) 20 7215 6681  
E [debbie.gillatt@beis.gov.uk](mailto:debbie.gillatt@beis.gov.uk)  
W [www.gov.uk](http://www.gov.uk)

Our ref: MCB2016/19611  
Your ref:

3 February 2017

Dear Stephen

I am writing in response to a query we received from the FRC last year regarding a reference to the Solvency II Directive in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Section E of Part 2 of Schedule 3 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 provides rules for determining provisions which are to be shown in an insurance company's accounts that are not prepared in accordance with IFRS. Section 52 requires that the computation for the long-term business provision should be made annually by a Fellow of the Institute or Faculty of Actuaries on the basis of recognised actuarial methods. It also states that the computation should have "due regard to the actuarial principles laid down in 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 II)". The reference to the Solvency II Directive was inserted when the Regulations were updated to transpose the Solvency 2 Regulations in 2015.

This reference should not be interpreted to mean that insurance companies are now required to change their accounting basis to one consistent with Solvency II. 'Due regard to the actuarial principles laid down in [Solvency II]' only requires preparers of accounts to consider the actuarial requirements of Solvency II if this Directive is relevant to the accounting basis applied in their company accounts. Insurance providers that do not report under IFRS should continue to use the relevant UK accounting standard.

I hope this will clarify the reporting requirements for your stakeholders.

Yours sincerely

Debbie Gillatt  
Director, Business Frameworks