

PRA RULEBOOK: SOLVENCY II FIRMS, NON SOLVENCY II FIRMS: SENIOR INSURANCE MANAGERS REGIME AMENDMENT INSTRUMENT 2017

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 64A (Rules of conduct);
 - (2) section 137G (The PRA’s general rules);
 - (3) section 137T (General supplementary powers); and
 - (4) any other relevant rulemaking powers or related provisions.
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Rulebook: Solvency II Firms, Non Solvency II Firms: Senior Insurance Managers Regime Amendment Instrument 2017

- D. The PRA makes the rules in the Annexes to this instrument.

Commencement

- E. The provisions of Annexes A, C, G and J to this Instrument come into force on 3 July 2017.
- F. The provisions of the remaining Annexes to this Instrument come into force on 12 September 2017.

Citation

- G. This instrument may be cited as the PRA Rulebook: Solvency II Firms, Non Solvency II Firms: Senior Insurance Managers Regime Amendment Instrument 2017.

By order of the Prudential Regulation Committee

9 May 2017

Annex A

Amend the Glossary Part as follows in the appropriate alphabetical positions. Underlining indicates new text and deleted text is struck through.

Part

GLOSSARY

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relevant senior management function

means, for the purposes of section 64A of *FSMA*, any of the following *FCA controlled functions* to the extent applicable, pursuant to the *FCA Handbook*, to a *UK Solvency II firm*, the *Society*, a *managing agent*, a *third country branch undertaking* (other than a *Swiss general insurer*), an *ISPV*, a large non-directive insurer or a *small non directive insurer*.

- 1.CF1 Director function;
- 2.CF2A Chair of the Nomination committee function;
- 3.CF2B Chair of the With-Profits committee function;
- 4.CF3 Chief executive function;
- 5.CF5 Director of unincorporated association function;
- 6.CF6 Small friendly society function;
- 7.CF10 Compliance oversight function;
- 8.CF28 Systems and control function; and
- 9.CF51 Actuarial conduct function holder in Solvency II third country Insurance undertakings.

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small run-off firm

means a firm:

- (1) whose Part 4A permission for effecting contracts of insurance has been cancelled as at the date on which the firm becomes a small run-off firm;
- (2) which has not effected any new contracts of insurance in the 12 months before the date on which the firm becomes a small run-off firm;
- (3) which has not participated as a transferee in a transfer of insurance business under Part VII of FSMA in the 12 months before the date on which the firm becomes a small run-off firm; and
- (4) the value of whose technical provisions is less than £25 million, as reported in each of the firm's two most recent annual reports and accounts published before the date on which it becomes a small run-off firm.

A firm remains a small run-off firm unless, after the date on which it becomes a small run-off firm, it:

- (1) has a *Part 4A permission for effecting contracts of insurance*;
- (2) effects a new *contract of insurance*; or
- (3) participates as a transferee in a transfer of insurance business under Part VII of *FSMA*.

Annex B

Amendments to the Insurance – Allocation of Responsibilities Part

In this Annex, underlining indicates new text and striking through indicates deleted text.

1 APPLICATIONS AND DEFINITIONS

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1.2 In this Part, the following definitions shall apply:

governance map

has the meaning given in 5.1.

SIMR prescribed responsibility

- (1) for a *firm* (other than a *third country branch undertaking* or a *small run-off firm*) means the responsibilities in 3.1 and 3.3;
- (2) for a *third country branch undertaking* (other than a *UK-deposit insurer* or a *Swiss general insurer*) means the responsibilities set out in 3.1 and 3.3 to the extent only that they are relevant to the operations effected by its *third country branch*, save in relation to 3.1(4) which shall also take account of the operations of the *third country branch undertaking* to the same extent as is necessary to ensure compliance by the *third country branch undertaking* with Third Country Branches 13;
- (3) for a *UK-deposit insurer*, means the responsibilities set out in 3.1 and 3.3 to the extent only that they are relevant to the operations effected by its *third country branch* and all its *third country undertaking EEA branches*, save in relation to 3.1(4) which shall also take account of the operations of the *third country branch undertaking* to the same extent as is necessary to ensure compliance by the *third country branch undertaking* with Third Country Branches 13-;
- (4) for a *small run-off firm* means the responsibilities in 3.2.

2 ALLOCATION OF RESPONSIBILITIES

2.1 A *firm* (other than a *third country branch undertaking* or a *small run-off firm*) must allocate each of the *SIMR prescribed responsibilities* set out in 3.1 (other than 3.1(10) and (11)), to one or more *persons* who, in relation to that *firm*, are approved under section 59 of *FSMA* by:

- (1) the *PRA* to perform a *senior insurance management function*; or
- (2) in relation to *relevant senior management functions* only, the *FCA*.

2.2 A *firm* (other than a *third country branch undertaking* or a *small run-off firm*) must allocate each of the *SIMR prescribed responsibilities* set out in 3.1(10) and (11) and the *SIMR prescribed responsibility* set out in 3.3, if applicable to one or more *non-executive directors* who perform:

- (1) a *senior insurance management function* set out in Insurance – Senior Insurance Management Functions 4; or
- (2) an *FCA governing function* at that *firm*.

2.3 A *third country branch undertaking* (other than a *Swiss general insurer*) must allocate each of the *SIMR prescribed responsibilities* set out in 3.1(1), (4), (5), (6) and (7) to one or more *persons* who, in relation to that *firm*, are approved under section 59 of *FSMA* by:

- (1) the *PRA* to perform a *senior insurance management function*; or
- (2) in relation to *relevant senior management functions* only, the *FCA*.

2.4 A *small run-off firm* must allocate each of the *SIMR prescribed responsibilities* set out in 3.2 to one or more *persons* who, in relation to that *small run-off firm*, are approved under section 59 of *FSMA* by:

- (1) the *PRA* to perform a *senior insurance management function*; or
- (2) in relation to *relevant senior management functions* only, the *FCA*.

3 SIMR PRESCRIBED RESPONSIBILITIES

3.1 Each of the responsibilities set out in this rule is an *SIMR prescribed responsibility*:

- (1) responsibility for ensuring that the *firm* has complied with its obligation in Insurance - Fitness and Propriety 2.1 to ensure that every *person* who performs a *key function* (including every *person* in respect of whom an application under section 59 of *FSMA* is made) is a fit and proper *person*;
- (2) responsibility for leading the development of the *firm's* culture by the *governing body* as a whole;
- (3) responsibility for overseeing the adoption of the *firm's* culture in the day-to-day management of the *firm*;
- (4) responsibility for the production and integrity of the *firm's* financial information and its regulatory reporting;
- (5) responsibility for management of the allocation and maintenance of the *firm's*:
 - (a) capital; and
 - (b) liquidity;
- (6) responsibility for the development and maintenance of the *firm's* business model by the *governing body*;
- (7) responsibility for performance of the *firm's* *ORSA*;
- (8) responsibility for leading the development and monitoring effective implementation of policies and procedures for the induction, training and professional development of all members of the *firm's* *governing body*;
- (9) responsibility for monitoring effective implementation of policies and procedures for the induction, training and professional development of all of the *firm's* *key function holders* (other than members of the *firm's* *governing body*);
- (10) responsibility for oversight of the independence, autonomy and effectiveness of the *firm's* policies and procedures on whistleblowing including the procedures for protection of staff who raise concerns from detrimental treatment; and
- (11) responsibility for overseeing the development and implementation of the *firm's* remuneration policies and practices.

3.2 Each of the following responsibilities is an *SIMR prescribed responsibility* in respect of a *small run-off firm*:

- (1) responsibility for providing the *governing body* with an up-to-date business plan and all relevant management information;
- (2) responsibility for managing the *small run-off firm's* financial resources;
- (3) responsibility for ensuring the *governing body* is kept informed of its legal and regulatory obligations; and
- (4) responsibility for the oversight of systems and controls, along with risk management policies and procedures, that are proportionate to the nature, scale, and complexity of the risks inherent in the *small run-off firm's* business model.

3.3 The responsibility set out in rule 3.3(1) is an *SIMR prescribed responsibility* in the circumstances specified:

- (1) if a *firm* is not significant and outsources its internal audit *function* to an external third party service provider (that is, a service provider outside the *firm* or the *firm's group*), responsibility for providing for an effective internal audit *function* in accordance with Conditions Governing Business 5 and for overseeing the performance of the internal audit *function*.

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Annex C

Amendments to the Insurance – Conduct Standards Part

In this Annex, underlining indicates new text and striking through indicates deleted text.

1 APPLICATION

1.1 Unless otherwise stated, this Part applies to:

- (1) a *UK Solvency II firm*;
- (2) in accordance with Insurance General Application 3, the *Society*, as modified by 4;
- (3) in accordance with Insurance General Application 3, *managing agents*, as modified by 4;
- (4) a *third country branch undertaking* (other than a *Swiss general insurer*);
- (5) a *UK ISPV*; and
- (6) in relation to any of the foregoing *firms*, any *person who is a Conduct Rules non-executive director* or who is approved under section 59 of *FSMA* by either:
 - (a) the *PRA*; or
 - (b) the *FCA*, in relation to a *relevant senior management function*.

2 SCOPE OF CONDUCT STANDARDS

2.1 If you are a natural person ~~subject to this Part~~ who is approved under section 59 of *FSMA* by either:

- (1) the *PRA*; or
- (2) the *FCA*, in relation to a *relevant senior management function*,

you must comply at all times with all of the *conduct standards*.

2.1A If you are a *Conduct Rules non-executive director*, you must comply at all times with the *conduct standards* specified in 3.1 to 3.3, 3.7 and 3.8.

2.2 A *firm* must require:

- (1) any *person* performing a *key function* to observe the *conduct standards* specified in 3.1 – to 3.3;
- (2) any *key function holder* (other than a *notified non-executive director* and an *authorised UK representative*) to observe the *conduct standards* specified in 3.4 – to 3.8, in addition to complying with (1); and
- (3) any *notified non-executive director* to observe the *conduct standards* specified in 3.7 and 3.8, in addition to complying with (1).

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Annex D

Amendments to the Insurance – Senior Insurance Management Functions Part

In this Annex, underlining indicates new text.

Chapter content

- 1 APPLICATION AND DEFINITIONS
- 2 GENERAL
- 3 EXECUTIVE
- 4 OVERSIGHT
- 5 GROUP ENTITIES
- 6 HEAD OF THIRD COUNTRY BRANCH
- 6A HEAD OF SMALL RUN-OFF FIRM
- 7 CHIEF ACTUARY
- 8 WITH-PROFITS ACTUARY
- 9 CHIEF UNDERWRITING OFFICER
- 10 UNDERWRITING RISK OVERSIGHT
- 11 LLOYD'S
- 12 UK ISPVS

Links

1 APPLICATIONS AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

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FCA activities

means a function which would, except for SUP10A.11.12R of the *FCA Handbook*, be an *FCA governing function*.

Group Entity Senior Insurance Manager function

has the meaning given in 5.1.

Head of small run-off firm function

has the meaning given in 6A.2.

Head of Internal Audit function

has the meaning given in 3.4.

...

2 GENERAL

...

2.3 (1) A *firm* (other than a *third country branch undertaking* or a *small run-off firm*) must ensure that one or more *persons* performs each of the following *senior insurance management functions* on its behalf:

- (a) the *Chief Executive function*;
- (b) the *Chief Finance function*; and
- (c) the *Chairman function*.

...

2.6 If a *senior insurance management function holder* to whom 2.5 applies ceases to perform a *senior insurance management function* but continues to perform the *FCA activities*, 2.5(1) will continue to apply in respect of the performance of the *FCA activities* until the earlier of:

- (1) approval by the *FCA* in respect of the performance by that *person* of those *FCA activities* as an *FCA governing function* in relation to the *firm*; or
- (2) three *months* from the time that the *person* ceased to perform that *senior insurance management function*.

2.7 If a *firm* that is not significant outsources its internal audit function to an external third party service provider (that is, a service provider outside the *firm* or the *firm's group*), the *firm* is not required to have any *person(s)* approved to perform the *Head of Internal Audit function*.

...

6A HEAD OF SMALL RUN-OFF FIRM

6A.1 This Chapter applies only to a *small run-off firm*.

6A.2 The *Head of small run-off firm function* (SIMF 26) is the function of:

- (1) having responsibility for the conduct of the *regulated activities*; or
 - (2) chairing the *governing body*
- of a *small run-off firm*.

6A.3

(1) A *small run-off firm* must ensure that one or more *persons* performs the *Head of small run-off firm function* or the *Chief Executive function* on its behalf.

(2) A *small run-off firm* must ensure that there is a *person* appointed to the *Head of small run-off firm function* or the *Chief Executive function* who has ultimate responsibility for the conduct of the *regulated activities* of the *small run-off firm*.

(3) If a vacancy arises in respect of that aspect of the *Head of small run-off firm function* or the *Chief Executive function* referred to in (2) above, a *small run-off firm* must ensure that it appoints a *person* to fill that vacancy as soon as practicable.

6A.4 A *small run-off firm* must have at least one *person* approved to perform the *Chief Finance function* (SIMF2).

6A.5 A *small run-off firm* that transacts *with-profits insurance business* must have at least one *person* approved to perform the *With-Profits Actuary function* (SIMF21).

6A.6 A *small run-off firm* is not required to have any *person(s)* approved to perform any of the other *senior insurance management functions*.

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Annex E

Amendments to the Senior Insurance Managers Regime – Applications and Notifications Part

In this Annex, new text is underlined.

...

7 FORMS

- 7.1 (1) ~~Form A~~ Form A (long form) may be found ~~here~~ [here](#)
- (2) ~~Form A~~ Form A (shortened form) may be found ~~here~~ [here](#).
- (3) Form B may be found [here](#).
- (4) Form C may be found [here](#).
- (5) Form D may be found [here](#).
- (6) ~~Form E~~ Form E may be found ~~here~~ [here](#).
- (7) The ~~scope of responsibilities form~~ scope of responsibilities form may be found ~~here~~ [here](#).

Annex F

Amendments to the Large Non-Solvency II Firms – Allocation of Responsibilities Part

In this Annex, underlining indicates new text.

1 APPLICATIONS AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

governance map

has the meaning given in 5.1.

SIMR prescribed responsibility

means the responsibilities in 3.1 and 3.2.

2 ALLOCATION OF RESPONSIBILITIES

...

2.2 A *firm* (other than a *Swiss general insurer*) must allocate each of the *SIMR prescribed responsibilities* set out in 3.1(9) and (10) and the *SIMR prescribed responsibility* set out in 3.2, if applicable to one or more *non-executive directors* who perform:

- (1) a *senior insurance management function* set out in Large Non-Solvency II Firms – Senior Insurance Management Functions 4; or
- (2) an *FCA governing function* at that *firm*.

...

3 SIMR PRESCRIBED RESPONSIBILITIES

3.1 Each of the responsibilities set out in this rule is an *SIMR prescribed responsibility*:

- (1) responsibility for ensuring that the *firm* has complied with its obligation in Large Non-Solvency II Firms - Fitness and Propriety 2.1 to ensure that every *person* who performs a *key function* (including every *person* in respect of whom an application under section 59 of *FSMA* is made) is a fit and proper *person*;
- (2) responsibility for leading the development of the *firm's* culture by the *governing body* as a whole;
- (3) responsibility for overseeing the adoption of the *firm's* culture in the day-to-day management of the *firm*;
- (4) responsibility for the production and integrity of the *firm's* financial information and its regulatory reporting;
- (5) responsibility for management of the allocation and maintenance of the *firm's*:
 - (a) capital; and
 - (b) liquidity;
- (6) responsibility for the development and maintenance of the *firm's* business model by the *governing body*;

- (7) responsibility for leading the development and monitoring effective implementation of policies and procedures for the induction, training and professional development of all members of the *firm's governing body*;
- (8) responsibility for monitoring effective implementation of policies and procedures for the induction, training and professional development of all of the *firm's key function holders* (other than members of the *firm's governing body*);
- (9) responsibility for oversight of the independence, autonomy and effectiveness of the *firm's* policies and procedures on whistleblowing including the procedures for protection of staff who raise concerns from detrimental treatment; and
- (10) responsibility for overseeing the development and implementation of the *firm's* remuneration policies and practices.

3.2 The responsibility set out in rule 3.2(1) is an *SIMR prescribed responsibility* in the circumstances specified:

- (1) if a *firm* outsources its internal audit *function* to an external third party service provider (that is, a service provider outside the *firm* or the *firm's group*), responsibility for providing for an effective internal audit *function* in accordance with Non-Solvency II Firms – Governance 9.2 and for overseeing the performance of the internal audit *function*.

...

Annex G

Amendments to the Large Non-Solvency II Firms – Conduct Standards Part

In this Annex, underlining indicates new text and striking through indicates deleted text.

1 APPLICATION

1.1 Unless otherwise stated, this Part applies to:

- (1) a *large non-directive insurer*;
- (2) a *Swiss general insurer*; and
- (3) in relation to any of the foregoing *firms*, any *person who is a Conduct Rules non-executive director* or who is approved under section 59 of *FSMA* by either:
 - (a) the *PRA*; or
 - (b) the *FCA*, in relation to a *relevant senior management function*.

2 SCOPE OF CONDUCT STANDARDS

2.1 If you are a natural person ~~subject to this Part~~ who is approved under section 59 of *FSMA* by either:

- (1) the *PRA*; or
- (2) the *FCA*, in relation to a *relevant senior management function*,

you must comply at all times with all of the *conduct standards*.

2.1A If you are a *Conduct Rules non-executive director*, you must comply at all times with the *conduct standards* specified in 3.1 to 3.3, 3.7 and 3.8.

2.2 A *firm* must require:

- (1) any *person* performing a *key function* to observe the *conduct standards* specified in 3.1 to 3.3;
- (2) any *key function holder* (other than a *notified non-executive director*) to observe the *conduct standards* specified in 3.4 to 3.8, in addition to complying with (1); and
- (3) any *notified non-executive director* to observe the *conduct standards* specified in 3.7 and 3.8, in addition to complying with (1).

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Annex H

**Amendments to the Large Non-Solvency II Firms – Senior Insurance Management Functions
Part**

In this Annex, underlining indicates new text.

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2 GENERAL

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2.6 If a *senior insurance management function holder* to whom 2.5 applies ceases to perform a *senior insurance management function* but continues to perform the *FCA activities*, 2.5(1) will continue to apply in respect of the performance of the *FCA activities* until the earlier of:

- (1) approval by the *FCA* in respect of the performance by that *person* of those *FCA activities* as an *FCA governing function* in relation to the *firm*; or
- (2) three *months* from the time that the *person* ceased to perform that *senior insurance management function*.

2.7 If a *firm* outsources its internal audit *function* to an external third party service provider (that is, a service provider outside the *firm* or the *firm's group*), the *firm* is not required to have any *person(s)* approved to perform the *Head of Internal Audit function*.

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Annex I

**Amendments to the Large Non-Solvency II Firms – Senior Insurance Managers Regime –
Applications and Notifications Part**

In this Annex, new text is underlined.

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7 FORMS

- 7.1 (1) Form A (long form) may be found **here**.
- (2) Form A (shortened form) may be found **here**.
- (3) Form B may be found ~~here~~ [here](#).
- (4) Form C may be found ~~here~~ [here](#).
- (5) Form D may be found ~~here~~ [here](#).
- (6) Form E may be found **here**.
- (7) The ~~scope of responsibilities form~~ scope of responsibilities form may be found ~~here~~ [here](#).

Annex J

Amendments to the Non-solvency II Firms - Conduct Standards Part

In this Annex, underlining indicates new text.

1 APPLICATION

1.1 This Part applies, in relation to a *small non-directive insurer*, to any person who is a *Conduct Rules non-executive director* or who is approved under section 59 of *FSMA* by either:

- (1) the *PRA*; or
- (2) the *FCA*, in relation to a *relevant senior management function*.

1A SCOPE OF CONDUCT STANDARDS

1A.1 If you are a natural person who is approved under section 59 of *FSMA* by either:

- (1) the *PRA*; or
- (2) the *FCA*, in relation to a *relevant senior management function*,

you must comply at all times with all of the *conduct standards*.

1A.2 If you are a *Conduct Rules non-executive director*, you must comply at all times with the *conduct standards* specified in 2.1 to 2.3, 2.7 and 2.8.

2 CONDUCT STANDARDS

- 2.1 Conduct Standard 1: You must act with integrity.
- 2.2 Conduct Standard 2: You must act with due skill, care and diligence.
- 2.3 Conduct Standard 3: You must be open and co-operative with the *FCA*, the *PRA* and other regulators.
- 2.4 Conduct Standard 4: You must take reasonable steps to ensure that the business of the *firm* for which you are responsible is controlled effectively.
- 2.5 Conduct Standard 5: You must take reasonable steps to ensure that the business of the *firm* for which you are responsible complies with the relevant requirements and standards of the *regulatory system*.
- 2.6 Conduct Standard 6: You must take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate *person* and that you oversee the discharge of the delegated responsibility effectively.
- 2.7 Conduct Standard 7: You must disclose appropriately any information of which the *FCA* or the *PRA* would reasonably expect to have notice.
- 2.8 Conduct Standard 8: When exercising your responsibilities, you must pay due regard to the interests of current and potential future *policyholders* in ensuring the provision by the *firm* of an appropriate degree of protection for their insured benefits.

Annex K

**Amendments to the Non-Solvency II Firms – Senior Insurance Managers Regime –
Applications and Notifications Part**

In this Annex, new text is underlined.

...

7 FORMS

- 7.1 (1) Form A (long form) may be found **here**.
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