

Appendix 2

PRA RULEBOOK: SOLVENCY II FIRMS, NON SOLVENCY II FIRMS: SENIOR INSURANCE MANAGERS REGIME AMENDMENT (NO. 2) INSTRUMENT [DATE]

Powers exercised

F. 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”):

- (4) section 64A (Rules of conduct);
- (5) section 137G (The PRA’s general rules);
- (6) section 137T (General supplementary powers); and
- (7) any other relevant rulemaking powers or related provisions.

G. 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

H. 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 (No. 2) Instrument [DATE]

I. The PRA makes the rules in the Annexes to this instrument.

Commencement

J. This instrument comes into force on [DATE]

Citation

K. This instrument may be cited as the PRA Rulebook: Solvency II Firms, Non Solvency II Firms: Senior Insurance Managers Regime Amendment (No. 2) Instrument [DATE]

By order of the Board of the Prudential Regulation Authority
[DATE]

Annex A

Amendments to Glossary definitions

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

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firm

means a *PRA-authorised person* within the meaning of section 2B(5) of *FSMA*.

firm without permission to effect contracts of insurance

means a *UK Solvency II firm* in respect of which the *PRA* has exercised its powers under section 55J(7B)(a)(ii) of *FSMA* by removing the *firm's Part 4A permission to effect contracts of insurance*.

...

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.

...

SIMR notified non-executive director

means, in relation to a *firm*, a *person* who:

- (1) _____ is a member of the board of directors of the *firm*, or if there is no such board, the equivalent body responsible for the management of the *firm*;
- (2) _____ is not an *approved person* in relation to the *firm*; and
- (3) _____ does not perform an executive function in relation to that *firm*.

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

...

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 *firm without permission to effect contracts of insurance*) 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 *firm without permission to effect contracts of insurance* means the responsibilities in 3.2.

2 ALLOCATION OF RESPONSIBILITIES

- 2.1 A *firm* (other than a *third country branch undertaking* or a *firm without permission to effect contracts of insurance*) 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 *firm without permission to effect contracts of insurance*) 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 firm without permission to effect contracts of insurance must allocate each of the *SIMR prescribed responsibilities* set out in 3.2 to one or more *persons* who, in relation to that *firm without permission to effect contracts of insurance*, 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*.
- 1.

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.
 - (2) responsibility for leading the development of the *firm's* culture by the *governing body* as a whole;
 - 3.
 - (3) responsibility for overseeing the adoption of the *firm's* culture in the day-to-day management of the *firm*;
 - 4.
 - (4) responsibility for the production and integrity of the *firm's* financial information and its regulatory reporting;
 - 5.
 - (5) responsibility for management of the allocation and maintenance of the *firm's*:

6.
 - (a) capital; and
 - (b) liquidity;
7.
 - (6) responsibility for the development and maintenance of the *firm's* business model by the *governing body*;
8.
 - (7) responsibility for performance of the *firm's ORSA*;
9.
 - (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*;
10.
 - (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*);
11.
 - (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
12.
 - (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 firm without permission to effect contracts of insurance*:

- (1) responsibility for providing the *governing body* with an up-to-date business plan and all relevant management information;
- (2) responsibility for managing the *firm without permission to effect contracts of insurance'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 *firm without permission to effect contracts of insurance's* business model.

3.3 The following is an *SIMR prescribed responsibility for a firm that is not significant, which 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)*:

- (1) 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*.

...

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 an *SIMR notified 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:

- (a) the *PRA*; or
- (b) 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 an *SIMR notified 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).

...

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 FIRM WITHOUT PERMISSION TO EFFECT CONTRACTS OF INSURANCE**
- 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:

...

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 Firm without permission to effect contracts of insurance 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 *firm without permission to effect contracts of insurance*) 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*.

13.

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 FIRM WITHOUT PERMISSION TO EFFECT CONTRACTS OF INSURANCE

6A.1 This Chapter applies only to a *firm without permission to effect contracts of insurance*.

6A.2 The *Head of Firm without permission to effect contracts of insurance function* (SIMF 19A) is the function of:

- (1) having responsibility for the conduct of the regulated activities; or
 - (2) chairing the governing body
- of a firm without permission to effect contracts of insurance.

6A.3 (1) A *firm without permission to effect contracts of insurance* must ensure that one or more *persons* perform the *Head of Firm without permission to effect contracts of insurance function* on its behalf.

(2) A firm without permission to effect contracts of insurance must ensure that there is a person appointed to Head of Firm without permission to effect contracts of insurance function who has ultimate responsibility for the conduct of its regulated activities.

(3) If a vacancy arises in respect of that aspect of the Head of Firm without permission to effect contracts of insurance function referred to in (2) above, a firm without permission to effect contracts of insurance must ensure that it appoints a person to fill that vacancy as soon as practicable.

6A.4 A firm without permission to effect contracts of insurance must have at least one person approved to perform the Chief Finance function (SIMF2).

6A.5 A firm without permission to effect contracts of insurance that transacts with-profits insurance business must have at least one person approved to perform the With-Profits Actuary function (SIMF21).

6A.6 A firm without permission to effect contracts of insurance is not required to have any person(s) approved to perform any of the other senior insurance management functions.

...

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*;
14.
- (2) responsibility for leading the development of the *firm's* culture by the *governing body* as a whole;
15.
- (3) responsibility for overseeing the adoption of the *firm's* culture in the day-to-day management of the *firm*;
16.

- (4) responsibility for the production and integrity of the *firm's* financial information and its regulatory reporting;
17.
- (5) responsibility for management of the allocation and maintenance of the *firm's*:
18.
 - (c) capital; and
 - (d) liquidity;
- 19.
- (6) responsibility for the development and maintenance of the *firm's* business model by the *governing body*;
20.
- (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*;
21.
- (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*);
22.
- (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
23.
- (10) responsibility for overseeing the development and implementation of the *firm's* remuneration policies and practices.

3.2 The following is an *SIMR prescribed responsibility* for a *firm*, which 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*):

- (1) 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 an SIMR notified 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:

- (a) the *PRA*; or
- (b) 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 an *SIMR notified 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).

...

Annex H

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

In this Annex, underlining indicates new text.

...

2 GENERAL

...

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*.

...

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.

...

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.
- (3) Form C may be found ~~here~~here.
- (4) Form D may be found ~~here~~here.
- (5) Form E may be found here.
- (6) 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 an *SIMR notified 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:

- (a) the *PRA*; or
- (b) 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 an *SIMR notified 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.

24.

2.2 Conduct Standard 2: You must act with due skill, care and diligence.

25.

2.3 Conduct Standard 3: You must be open and co-operative with the *FCA*, the *PRA* and other regulators.

26.

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.

27.

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*.

28.

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.

29.

- 2.7 Conduct Standard 7: You must disclose appropriately any information of which the *FCA* or the *PRA* would reasonably expect to have notice.
- 30.
- 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

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