



Direction

To: xxx (“the *firm*”)

Ref: xxx

Of: xxx

Date: xxx

Rulebook Version as in force at the *date this Direction takes effect*

Power

1. This direction is given by the *PRA* under section 138 of the Act.

Duration

2.1 This direction takes effect on [issue date].

2.2 This direction ends on the earlier of:

- i) [5 years after the issue date] ; or
- ii) the date on which the firm is no longer authorized

2.3 Unless otherwise stated, any italicised expression used in this Direction has the same meaning as given in the Part of the PRA Rulebook to which it relates.

Rules Waived

3. The PRA directs that the rules listed below in the Solvency II part of the PRA Rulebook are waived for the firm. These rules do not apply to the firm.

Audit Committee	Rule 2.2
Conditions Governing Business	Rule 3.1.2 to 3.11
External Audit	Rules 1 to 4
Minimum Capital Requirements	Rules 1 to 4
Reporting	Rules 3 to 6
Run Off Operations	Rules 1 to 4
Solvency Capital Requirement - General Provisions	Rules 1 to 5
Solvency Capital Requirement - Standard Formula	Rules 1 to 7

Rules Modified

4. The PRA directs that the rules listed below are modified for the firm.

Rule	Modification
Glossary – definition of small	means a <i>firm</i> .

run off firm	<p><u>which is in any form of <i>insolvency proceedings</i> ; or</u></p> <p><u>was previously in any form of <i>insolvency proceedings</i> and is now subject to a scheme of arrangement pursuant to Part 26 or Part 26A of the Companies Act 2006</u></p> <p><u>OR</u></p> <p><u>If not in any form of <i>insolvency proceeding</i> either now or in the past:</u></p> <p>(1) whose <i>Part 4A permission for effecting contracts of insurance</i> has been cancelled as at the date on which the <i>firm</i> becomes a <i>small run-off firm</i>;</p> <p>(2) which has not effected any new <i>contracts of insurance</i> in the <i>12 months</i> before the date on which the <i>firm</i> becomes a <i>small run-off firm</i>;</p> <p>(3) which has not participated as a transferee in a transfer of insurance business under Part VII of <i>FSMA</i> in the <i>12 months</i> before the date on which the <i>firm</i> becomes a <i>small run-off firm</i>; and</p> <p>(4) the value of whose <i>technical provisions</i> is less than £25 million, as reported in each of the firm's two most recent <i>annual reports and accounts</i> published before the date on which it becomes a <i>small run-off firm</i>.</p> <p>A <i>firm</i> remains a <i>small run-off firm</i> unless, after the date on which it becomes a <i>small run-off firm</i>, it:</p> <p>(1) has a <i>Part 4A permission for effecting contracts of insurance</i>;</p> <p>(2) effects a new <i>contract of insurance</i>; or</p> <p>(3) participates as a transferee in a transfer of insurance business under Part VII of <i>FSMA</i>.</p>
<u>Glossary – act as an Insolvency Practitioner</u>	<u>has the meaning given by section 388 of the Insolvency Act 1986</u>
<u>Glossary – Scheme Administrator</u>	<u>means the person named as scheme administrator on the court order filed in respect of a scheme of arrangement pursuant to Part 26 or Part 26A of the Companies Act 2006 in relation to the <i>firm</i></u>
<u>Glossary – Insolvency Practitioner</u>	<u>means a person appointed to (i) act as insolvency practitioner, (ii) act as a receiver or (iii) act in an equivalent role to either (i) or (ii) in any jurisdiction outside the United Kingdom [in relation to an insurer]</u>
<u>Glossary – Insolvency Proceedings</u>	<p><u>means:</u></p> <p>(1) <u>any proceedings under the Insolvency Act 1986 or Companies Act 2006 declaring a firm insolvent or winding up its business including, without limitation, administration, company voluntary arrangement, scheme of arrangement, receivership, administrative receivership, liquidation or sequestration ; or</u></p> <p>(2) <u>any equivalent process in any jurisdiction outside the United Kingdom.</u></p>
Audit Committee Rule 2.1	<u>Subject to 2.3 a <i>firm</i> must have an <i>audit committee</i> which meets the criteria set out in 2.2 and which is The Insolvency Practitioner or Scheme Administrator, as applicable, shall be responsible for performing the functions set out in 2.4.</u>
Audit Committee Rule 2.4	<p><u>A <i>firm</i> must ensure that its <i>audit committee</i> performs at least the following functions: The Insolvency Practitioner or Scheme Administrator, as applicable, must:</u></p> <p>(1) <u>informs the <i>governing body</i> of the <i>firm</i> of the outcome of the statutory audit and explains how the statutory audit contributed to the integrity of financial reporting and what the role of the <i>audit committee</i> was in that process;</u></p>

	<p>(2) monitors the financial reporting process and make any changes necessary <u>submits recommendations or proposals</u> to ensure its integrity;</p> <p>(3) monitors the effectiveness of the <i>firm's</i> internal quality control and risk management systems and, where applicable, its internal audit, regarding the financial reporting of the <i>firm</i>, without breaching its independence;</p> <p>(4) monitors the statutory audit of the annual and consolidated financial statements, in particular, its performance, taking into account, where applicable, any findings and conclusions of the Financial Reporting Council Limited pursuant to Article 26(6) of the <i>Statutory Audit Regulation</i>;</p> <p>(5) reviews and monitors the independence of the statutory auditor or the audit firm in accordance with, where applicable, paragraphs 2(3), 2(4), 3, 4(1), 4(2), 5 to 8 and 10 to 12 of Schedule 1 to the Statutory Auditors and Third Country Auditors Regulations 2016 (SI 2016/XXX) and, where applicable, Article 6 of the <i>Statutory Audit Regulation</i>, and in particular the suitability of the provision of non-audit services to the <i>firm</i> in accordance with Article 5 of the <i>Statutory Audit Regulation</i>; and</p> <p>(6) is be responsible for the procedure for the selection of the statutory auditor or audit firm and recommends the statutory auditor or the audit firm to be appointed, where applicable, in accordance with Article 16 of the <i>Statutory Audit Regulation</i>, except when Article 16(8) of the <i>Statutory Audit Regulation</i> is applied.</p>
Conditions Governing Business Rule 2.1	<p>The changes to this rule are effective from 23:00 on 31/12/2020.</p> <p>A firm must ensure its governing body <u>The Insolvency Practitioner or Scheme Administrator, as applicable,</u> is ultimately responsible for the <i>firm's</i> compliance with the rules and all applicable laws, regulations and administrative provisions implementing the <i>Solvency II Directive</i>.</p> <p>[Note: Art. 40 of the <i>Solvency II Directive</i>]</p>
Conditions Governing Business Rule 3.1.1	<p>A firm must have in place an effective risk management system comprising strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report on a continuous basis the risks, at an individual and at an aggregated level, to which it is or could be exposed, and their interdependencies.</p> <p><u>The Insolvency Practitioner or Scheme Administrator, as applicable, must have due regard to the risks that the <i>firm</i> faces and must have appropriate risk management to manage these risks.</u></p>
Conditions Governing Business Rule 6.1.1. (i)	<p>contribute to the effective implementation of the risk-management system referred to in 3, in particular with respect to the risk modelling underlying the calculation of the SCR and MCR and to the <i>firm's</i> ORSA.</p>
Reporting rule 2.2	<p>2.2 The information referred to in <u>2.1</u> must:</p> <p>(1) be submitted in the applicable format or template (if any) provided in the <u><i>Solvency II Regulations</i></u> or in the form of any applicable <u><i>national specific template</i></u> where applicable; and</p> <p>(2) include at least the information necessary to enable the <u><i>PRA</i></u> to assess the matters set out below when performing the supervisory review process:</p> <p>(a) the <u><i>firm's</i></u> system of governance;</p> <p>(b) the business pursued by the <u><i>firm</i></u>;</p> <p>(c) the valuation principles applied by the <u><i>firm</i></u> for solvency purposes; and</p> <p>(d) the risks faced by the <u><i>firm</i></u>;</p> <p>(e) the risk management systems of the <u><i>firm</i></u>; and</p> <p>(f) the capital structure, capital needs and capital management of the <u><i>firm</i></u>, and</p> <p>(2)(3) enable the <u><i>PRA</i></u> to make any appropriate decisions resulting from the exercise of their supervisory rights and duties.</p>
Reporting rule 2.5	<p>A <i>firm</i> must have in place appropriate systems and structures to fulfil the requirements set out in 2.1 to 2.4, as well as a written policy approved by its governing body <u>the Insolvency Practitioner or Scheme Administrator (as applicable)</u> ensuring the ongoing appropriateness of the information submitted by the <i>firm</i> to the <i>PRA</i>.</p>

Reporting Rule 2.6	<p>[Note: Art. 35(5) of the <i>Solvency II Directive</i>]</p> <p>Subject to 2.7, a <i>firm</i> falling within categories (1) to (7) must submit to the <i>PRA</i> the corresponding <i>national specific templates</i> on an annual basis:</p> <p>(1) [Deleted]</p> <p>(1A) All <i>firms</i> must submit template NS.00: Basic Information;</p> <p>(2) A <i>firm</i> which manages a <i>material pooling agreement</i> must submit template NS.03: Material Pooling Arrangements;</p> <p>(3) An <i>assessable mutual</i> which:</p> <ul style="list-style-type: none"> — (a) has called for an additional contribution after 1 January 2006; or — (b) has received approval for <i>ancillary own funds</i> as contemplated in Own Funds 2.3(4) — must submit template NS.04: Assessable Mutuals; <p>(4) A <i>firm</i> writing <i>suretyship</i> business the effect of which is to improve the credit rating of the underlying <i>security</i> must submit template NS.08: Business Model Analysis — Financial Guarantee Insurers;</p> <p>(5) A <i>long-term insurer</i> must submit:</p> <ul style="list-style-type: none"> — (a) NS.01: With-Profits Value of Bonus if net <i>best estimate</i> liabilities for <i>with-profits insurance business</i> are more than £500m and the <i>firm</i> is a single <i>with-profits fund</i>; — (b) NSR.01: With-Profits Value of Bonus for each ring-fenced fund which is also a <i>with-profits fund</i> and for the remaining part where this is a <i>with-profits fund</i> if net <i>best estimate</i> liabilities for <i>with-profits insurance business</i> are more than £500m for the <i>firm</i> as a whole; — (c) NS.02: With-Profits Assets and Liabilities if net <i>best estimate</i> liabilities for <i>with-profits insurance business</i> are more than £500m and the <i>firm</i> is a single <i>with-profits fund</i>; — (d) NSR.02: With-Profits Assets and Liabilities for each ring-fenced fund which is also a <i>with-profits fund</i> and for the remaining part where this is a <i>with-profits fund</i> if net <i>best estimate</i> liabilities for <i>with-profits insurance business</i> are more than £500m for the <i>firm</i> as a whole; — (e) NS.05: Revenue Account — Life; — (f) NSR.05 Revenue Account — Life for the remaining part and each ring-fenced fund which is also a <i>with-profits fund</i> if the <i>firm</i> has one or more ring-fenced funds which is also a <i>with-profits fund</i>; — (g) NS.06: Business Model Analysis — Life if gross technical provisions for life business (including health similar to long-term business) are more than £500m; and — (h) NS.09: Best Estimate Assumptions for Life Insurance Risks; <p>(6) A <i>general insurer</i> must submit template NS.07: Business Model Analysis — Non-life;</p> <p>(7) A <i>general insurer</i> carrying on <i>insurance business</i> and proportional and non-proportional <i>reinsurance</i> obligations relating to:</p> <ul style="list-style-type: none"> — (a) <i>railway rolling stock</i>; — (b) <i>aircraft</i>; — (c) <i>ships</i>; — (d) <i>goods in transit</i>; — (e) <i>motor vehicle liability</i>; — (f) <i>aircraft liability</i>; — (g) <i>liability of ships</i>; or — (h) <i>general liability</i> <p>— must submit template NS.10: Projection of Future Cash Flows (Best Estimate — Non Life: Liability Claim Types);</p> <p>(8) A <i>general insurer</i> carrying on <i>insurance business</i> relating to:</p> <ul style="list-style-type: none"> — (a) <i>employers' liability</i> (including as part of a <i>mixed commercial package</i>); — (b) <i>public and products liability</i> (including as part of a <i>mixed commercial package</i>; or — (c) <i>professional indemnity</i> <p>— must submit template NS.11: Non-Life Insurance Claims Information (General Liability Sub-classes).</p> <p><u>A <i>firm</i> need not submit to the <i>PRA</i> any <i>national specific templates</i> for any year in which the value of its gross undiscounted <i>claims provisions</i> are less than £100 million, as per the <i>firm's</i> most recent audited financial statements.</u></p> <p><u>A <i>firm</i>, the value of whose gross undiscounted <i>claims provisions</i> are £100 million or above, as per the <i>firm's</i> most recent audited financial statements, must submit, on an annual basis, to the <i>PRA</i> the following national specific templates, NST 03, NST 04, NST</u></p>
--------------------	--

	<u>08, NST 10 and NST 11 – including a nil return, where not relevant.</u>
--	--

Interpretation

5. Interpretative provisions (including definitions) of the *PRA Rulebook* apply to this direction in the same way they apply to the *PRA Rulebook*.

Xxx
Authorisations Division
Prudential Regulation Authority