

**PRA RULEBOOK: NON-SOLVENCY II FIRMS: SENIOR INSURANCE MANAGERS REGIME  
INSTRUMENT 2015**

**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 59 (Approval for particular arrangements);
  - (2) section 60 (Applications for approval);
  - (3) section 61 (Determination of applications);
  - (4) section 64A (Rules of conduct);
  - (5) section 137G (The PRA’s general rules); and
  - (6) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G (2) (Rule-making instrument) 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: Non-Solvency II Firms: Senior Insurance Managers Regime Instrument 2015**

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

**Commencement**

- E. Annexes A to B and D to F of this instrument come into force on 07 March 2016.  
F. Annex C of this instrument comes into force on 7 March 2017.

**Citation**

- G. This instrument may be cited as the PRA Rulebook: Non-Solvency II Firms: Senior Insurance Managers Regime Instrument 2015.

**By order of the Board of the Prudential Regulation Authority**

31 July 2015.

**Annex A**

In this Annex, the text is all new and is not underlined.

**Part**

# **NON-SOLVENCY II FIRMS - SENIOR INSURANCE MANAGEMENT FUNCTIONS**

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**Chapter content**

- 1. APPLICATION AND DEFINITIONS**
- 2. SMALL INSURER SENIOR MANAGEMENT FUNCTION**

**Links**

## 1 APPLICATION AND DEFINITIONS

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1.1 Unless otherwise stated, this Part applies to a *small non-directive insurer*.

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*.

*Small Insurer Senior Management function*

has the meaning given in 2.2.

*Small Insurer Senior Management function holder*

means any *person* who is responsible for discharging the *Small Insurer Senior Management function*.

## 2 SMALL INSURER SENIOR MANAGEMENT FUNCTION

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2.1 The function in 2.2 is a *controlled function* and a *senior insurance management function*.

2.2 The *Small Insurer Senior Management function* (SIMF 25) is the function of:

- (1) having responsibility for the conduct of the *regulated activities*; or
- (2) chairing the *governing body*,

of a *small non-directive insurer*.

2.3 Each *person* who performs a *Small Insurer Senior Management function* must be approved by the *PRA* to perform that function.

- 2.4
- (1) A *firm* must ensure that one or more *persons* performs the *Small Insurer Senior Management function* on its behalf.
  - (2) A *firm* must ensure that there is a *person* appointed to the *Small Insurer Senior Management function* who has ultimate responsibility for the conduct of its *regulated activities*.
  - (3) If a vacancy arises in respect of that aspect of the *Small Insurer Senior Management function* referred to in (2) above, a *firm* must ensure that it appoints a *person* to fill that vacancy as soon as practicable.

2.5 To the extent that:

- (1) a *firm* appoints a *person* to perform a function which, but for this rule, would be the *Small Insurer Senior Management function*;
- (2) the appointment is solely to provide cover for a holder of the *Small Insurer Senior Management function* whose absence is:
  - (a) temporary; or

- (b) reasonably unforeseen; and
  - (3) the appointment is for less than 12 weeks in a consecutive 12-month period,
- the description of the *Small Insurer Senior Management function* does not relate to those activities of that *person*.

2.6 If, in relation to a *firm*:

- (1) a *Small Insurer Senior Management function holder* also performs *FCA activities*, performance of the *Small Insurer Senior Management function* will include the performance of those *FCA activities*, provided the following conditions are met:
  - (a) the *PRA's* approval to perform that *Small Insurer Senior Management function* has been granted and continues in force;
  - (b) at the time of approval being granted by the *PRA*, that *person* was not subject to an *FCA approval* to perform the particular *FCA governing function*;
  - (c) the *firm* made the notification required by SUP10A.11.12R (4) of the *FCA Handbook*; and
  - (d) that *person* performs and is continuing to perform the *FCA activities*.
- (2) a *Small Insurer Senior Management function holder* has been performing *FCA activities* in the circumstances set out in (1), and that *person*:
  - (a) ceases to perform the *Small Insurer Senior Management function*;
  - (b) within three *months* of ceasing performance, is approved to perform a new *Small Insurer Senior Management function* at the *firm*; and
  - (c) continues to perform the *FCA activities*,

performance of the new *Small Insurer Senior Management function* will include the performance of those *FCA activities*, provided the conditions in (1) (a) to (d) are met.

2.7 If a *Small Insurer Senior Management function holder* to whom 2.6 applies ceases to perform a *Small Insurer Senior Management function* but continues to perform the *FCA activities*, 2.6 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 *Small Insurer Senior Management function*.

**Annex B**

In this Annex, the text is all new and is not underlined.

**Part**

# **NON-SOLVENCY II FIRMS - FITNESS AND PROPRIETY**

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**Chapter content**

- 1. APPLICATION**
- 2. FITNESS AND PROPRIETY ASSESSMENTS BY FIRMS**
- 3. OBLIGATION TO PROVIDE REFERENCES**
- 4. DISCLOSURE AND REPLACEMENTS**

**Links**

## 1 APPLICATION

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1.1 Unless otherwise stated, this Part applies to a *small non-directive insurer*.

## 2 FITNESS AND PROPRIETY ASSESSMENTS BY FIRMS

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2.1 A *firm* must ensure that all *persons* who perform a *senior insurance management function* are fit and proper *persons*.

2.2 In deciding whether a *person* is fit and proper pursuant to 2.1, a *firm* must be satisfied that the *person*:

- (1) has the personal characteristics (including being of good repute and integrity);
- (2) possesses the level of competence, knowledge and experience;
- (3) has the qualifications; and
- (4) has undergone or is undergoing all training,

required to enable such *person* to perform his or her *senior insurance management function* effectively and in accordance with any relevant regulatory requirements, including those under the *regulatory system*, and to enable sound and prudent management of the *firm*.

2.3 Before deciding, and in considering on an on-going basis, whether a *person* is fit and proper pursuant to 2.1 and 2.2, a *firm* must consider the *person's* past business conduct, including whether the *person* performs his or her *senior insurance management functions* in accordance with the relevant conduct standards specified in Non-Solvency II Firms - Conduct Standards 2.

2.4 In deciding whether a *person* (P) is fit and proper to perform a *senior insurance management function*, a *firm* must:

- (1) obtain P's consent for the *firm* to request the fullest information in relation to P that it is lawfully able to request under the Police Act 1997 and related subordinated legislation of the *UK* or any part of the *UK*;
- (2) if P has lived or worked outside the *UK* for a material time in the previous five years, obtain P's consent for the *firm* to request the fullest information in relation to P that it is lawfully able to request under equivalent overseas legislation; and
- (3) request, and have regard to, such information.

2.5 If a *firm* engages a *person* for a continuous period of time as a *senior insurance management function holder* it is only required to comply with 2.4 the first time it determines that *person* is fit and proper in relation to a *senior insurance management function*.

## 3 OBLIGATION TO PROVIDE REFERENCES

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3.1 [Not yet in force]

## 4 DISCLOSURE AND REPLACEMENTS

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4.1 A *firm* must ensure that any application it makes for the approval of a *person* to perform a *senior insurance management function* provides the *PRA* with:

- (1) all the information needed to assess whether such *person* is fit and proper; and

- (2) its record of the significant responsibilities allocated to that *person*.
- 4.2 If a *firm* becomes aware of information which would reasonably be expected to be material to the assessment of a current or former *senior insurance management function holder's* fitness and propriety under this Part, it must inform the *PRA* as soon as practicable.
- 4.3 If a *firm* becomes aware of a significant change to a *senior insurance management function holder's* responsibilities, it must inform the *PRA* as soon as practicable.
- 4.4 Where a *firm* replaces a *senior insurance management function holder* because the *firm* considers that that *person* no longer fulfils the requirements in 2.2, the *firm* must notify the *PRA* as soon as reasonably practicable.

**Annex C**

In this Annex, the text is all new and is not underlined.

**Part**

# **NON-SOLVENCY II FIRMS - ALLOCATION OF RESPONSIBILITIES**

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**Chapter content**

- 1. APPLICATION AND DEFINITIONS**
- 2. ALLOCATION OF RESPONSIBILITIES**
- 3. PRESCRIBED RESPONSIBILITIES**

**Links**



## 1 APPLICATION AND DEFINITIONS

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1.1 Unless otherwise stated, this Part applies to a *small non-directive insurer*.

1.2 In this Part, the following definitions shall apply:

*small non-directive insurer prescribed responsibility*

means each of the responsibilities in 3.1.

## 2 ALLOCATION OF RESPONSIBILITIES

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2.1 A *firm* must allocate each of the *small non-directive insurer prescribed responsibilities* to one or more *persons* who, in relation to that *firm*, are approved under section 59 of FSMA by either:

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

2.2 A *firm* must have and maintain up-to-date records of the significant responsibilities allocated to each of those *persons*, including those allocated in accordance with 2.1.

2.3 The *firm* must provide the *PRA* with a copy of the records in 2.2 upon request.

## 3 PRESCRIBED RESPONSIBILITIES

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3.1 Each of the responsibilities set out in this rule is a *small non-directive insurer prescribed responsibility*:

- (1) responsibility for providing the *governing body* with an up-to-date business plan and all relevant management information;
- (2) responsibility for management of the *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 *firm's* business model.

## Annex D

In this Annex, the text is all new and is not underlined.

Part

# **NON-SOLVENCY II FIRMS - CONDUCT STANDARDS**

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Chapter content

1. APPLICATION
2. CONDUCT STANDARDS

Links

## 1 APPLICATION

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- 1.1 This Part applies, in relation to a *small non-directive insurer*, to any *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*.

## 2 CONDUCT STANDARDS

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- 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 E

In this Annex, the text is all new and is not underlined.

### Part

# **NON-SOLVENCY II FIRMS - RUN-OFF FIRMS**

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### Chapter content

1. APPLICATION AND DEFINITIONS
2. TRANSITIONAL APPLICATION OF RULES IN RELATION TO RUN-OFF FIRMS

### Links

## 1 APPLICATION AND DEFINITIONS

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1.1 Unless otherwise stated, this Part applies to:

- (1) a *run-off firm*; and
- (2) in relation to a *run-off firm*, to any *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*.

1.2 In this Part, the following definitions shall apply:

### *application rules*

means the specifications within:

- (1) Non-Solvency II Firms - Senior Insurance Management Functions 1.1;
- (2) Non-Solvency II Firms - Fitness and Propriety 1.1; and
- (3) Non-Solvency II Firms - Allocation of Responsibilities 1.1.

### *run-off firm*

means a *firm* to which, but for the application of Transitional Measures 2.1 to 2.3, the *Solvency II rules* would apply.

### *Solvency II rules*

means the *PRA* rules in the Valuation, Technical Provisions, Own Funds, Solvency Capital Requirement – General Provisions, Solvency Capital Requirement – Standard Formula, Solvency Capital Requirement – Internal Models, Minimum Capital Requirement, Undertakings in Difficulty, Investments, Composites, Conditions Governing Business, Insurance Special Purpose Vehicles, Group Supervision, Reporting, Surplus Funds, Insurance – Conduct Standards, Insurance – Senior Insurance Management Functions, Insurance – Allocation of Responsibilities and Insurance – Fitness and Propriety Parts of the Solvency II Firms Sector of the *PRA* Rulebook.

## 2 TRANSITIONAL APPLICATION OF RULES IN RELATION TO RUN-OFF FIRMS

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2.1 Notwithstanding the *application rules*, the following Parts apply to a *run-off firm* for so long as it remains a *run-off firm*:

- (1) Non-Solvency II Firms - Senior Insurance Management Functions;
- (2) Non-Solvency II Firms - Fitness and Propriety; and
- (3) Non-Solvency II Firms - Allocation of Responsibilities.

2.2 Notwithstanding Non-Solvency II Firms - Conduct Standards 1.1, the rules in Non-Directive - Conduct Standards apply to any *person* subject to this Part.

## Annex F

In the Glossary Part of the *PRA* Rulebook, insert the following new definitions in the appropriate alphabetical order:

*non-directive insurer*

means a firm with a Part 4A permission for effecting contracts of insurance or carrying out contracts of insurance, other than:

- (1) a *UK Solvency II firm*;
- (2) a *UK ISPV*; and
- (3) a *third country branch undertaking*.

*small non-directive insurer*

means a *non-directive insurer* in respect of which the value of assets relating to all *regulated activities* carried on by the *firm* as shown in its most recent reported annual accounts was £25,000,000 or less.

Amend the following definition, where underlining indicates new text:

*senior insurance management function*

means

- (1) (in the Solvency II Firms Sector of the *PRA* Rulebook) that aspect of any *key function* relating to the carrying on of a *regulated activity* by a *firm* which is specified by the *PRA* in Insurance – Senior Insurance Management Functions 3-10 pursuant to section 59 of *FSMA*;
- (2) (in the Non-Solvency II Firms Sector of the *PRA* Rulebook) any function which is specified by the *PRA* in Non-Solvency II Firms – Senior Insurance Management Functions 2.2 pursuant to section 59 of *FSMA*.