



BANK OF ENGLAND

News release

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PRA fines and bans Colin McIntosh, CEO of Millburn Insurance Company Limited, for serious regulatory breaches and also fines Millburn £2,863,066

The Prudential Regulation Authority (PRA) has today imposed a £25,173 fine on Colin McIntosh, CEO of Millburn Insurance Company Limited ('Millburn') and has banned him from holding any controlled functions at any PRA-authorized firm. The PRA has also fined Millburn £2,863,066 for failing to run the business with due skill, care and diligence between 26 December 2010 and 18 September 2013.

Millburn

In late 2010, Millburn, a small general insurer, changed its business strategy so that it could be actively marketed for sale. As part of the change of strategy, Millburn entered into an agreement with a Managing General Agent (MGA) which allowed the MGA to write business on Millburn's behalf. However, the agreement failed to include appropriate contractual restrictions on the type of the business that could be underwritten or requirements to supply basic data and management information on that business. This meant that the information available to Millburn was insufficient to gain insight into the business being written on its behalf and the risks it posed to the firm and its policyholders.

Millburn also arranged for all business written during this period to be reinsured by a single reinsurer. Millburn was therefore highly exposed to the risk that the reinsurance might not perform as expected. When the reinsurer stopped paying claims, Millburn's capital resources were insufficient to mitigate that non-payment, and in turn, Millburn became unable to pay its own policyholders.

This significant failing in systems and controls meant that Millburn did not know whether it was in compliance with even basic regulatory requirements, such as having adequate financial resources and insight into its major sources of risk.

The PRA has therefore fined Millburn £2,863,066 for its failure to carry out adequate due diligence in arranging its reinsurance and to implement appropriate systems and controls.

Colin McIntosh

Mr McIntosh, as CEO of Millburn, failed to give sufficient consideration to the risks resulting from Millburn's significant expansion in late 2010. Specifically, Mr McIntosh failed to take reasonable steps to establish appropriate systems and controls at Millburn in order to monitor underwriting, technical provisions, capital, reinsurance and financial reporting properly. Mr McIntosh's actions meant that Millburn's policyholders did not receive the degree of protection to which they were reasonably entitled.

Mr McIntosh's failures were particularly significant as he was the only person at Millburn who was in a position to implement the measures that would have been required to ensure that Millburn had an appropriate degree of resilience. Mr McIntosh personally designed and implemented agreements and processes which were fundamentally flawed, and failed to improve them to the required standard despite some Board pressure to do so. It is therefore appropriate to hold Mr McIntosh to account for his role in Millburn's breaches. The imposition of both a fine and ban by the PRA denotes the seriousness of Mr McIntosh's failings which were a contributory factor in Millburn entering administration.

Andrew Bailey, Deputy Governor for Prudential Regulation and CEO of the Prudential Regulation Authority said:

Insurance firms which are not well governed have the potential to cause significant losses to policyholders. It is therefore vital that they have robust systems and controls for understanding and managing risk. Millburn's systems and controls were wholly inadequate, which is why we have taken the step of enforcing in this case. As CEO of Millburn, Mr McIntosh should have ensured that Millburn was fully aware of its sources of key risk, and that it had sufficient capital to mitigate those risks. He failed to do so. Senior managers can delegate their duties, but cannot delegate their responsibility. Mr McIntosh's actions had a significant impact on both Millburn's safety and soundness, and the interests of the firm's policyholders. He fell a long way short of the standards the PRA expects from senior managers, which is why we have decided that a prohibition is warranted in this case.

ENDS

Notes to Editors:

1. Final Notice: [Colin McIntosh](#)
2. Final Notice: [Millburn Insurance Company Limited](#)
3. These actions were taken as a result of a joint investigation undertaken by the Financial Conduct Authority (FCA) and the PRA.
4. Millburn is currently in administration and its financial position is unclear. As a result, the PRA will not impose the financial penalty against Millburn if to do so would leave policyholder claims unpaid.