



# Application for Authorisation

## Supplement for insurance companies – notes

Please take time to read these notes carefully. They will help you to fill in the supplement form correctly.

When completing the application forms you will need to refer to the PRA Rulebook: [www.prarulebook.co.uk/](http://www.prarulebook.co.uk/) and the FCA Handbook: [www.handbook.fca.org.uk/](http://www.handbook.fca.org.uk/).

If after reading these notes you need more help please:

- check the PRA website: [www.bankofengland.co.uk/pru](http://www.bankofengland.co.uk/pru)
- check the FCA website: [www.fca.org.uk](http://www.fca.org.uk)
- call the PRA Authorisation Helpline: 020 3461 7000
- email the PRA: [PRA.firmenquiries@bankofengland.co.uk](mailto:PRA.firmenquiries@bankofengland.co.uk)
- call the FCA Customer Contact Centre on 0845 606 9966
- email the FCA Customer Contact Centre: [fcc@fca.org.uk](mailto:fcc@fca.org.uk).

These notes, while aiming to help you, do not replace the rules and guidance in the PRA Rulebook and the FCA Handbook.

### **Terms in this form**

These notes use the following terms:

- 'you' refers to the person(s) signing the form on behalf of the applicant firm;
- 'they' and 'firms' refers to firm financial services firms
- 'the applicant firm' refers to the firm applying for authorisation;
- 'we' refers to PRA and or FCA
- the PRA refers to Prudential Regulation Authority and the FCA refers to the Financial Conduct Authority;
- FSMA refers to the Financial Services and Markets Act 2000;

### **Important information**

**At the point of authorisation we expect the applicant firm to be ready, willing and able to start business.**

### **Contents of this form**

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## General information

### Important information

**We remind applicant firms that an insurance company must not carry on any commercial business in the United Kingdom or elsewhere other than insurance business and activities directly arising from that business as prescribed in Conditions Governing Business 9.1 of the PRA Rulebook (this does not include pure reinsurers, which are covered by Conditions Governing Business 9.2).**

### Ancillary business

An applicant firm obtaining a permission for a principal risk belonging to one insurance class business or a group of class of insurance business may also insure ancillary and supplementary risks included in another insurance class of business without requiring permission if:

- (1) the business in question is to be the subject of the same contract as the principal business and concerns the same object; and
- (2) the risks covered are connected to the principal risk. There are exceptions to when contracts may be written on an ancillary and supplementary basis.

### Applicant firms wanting to establish a composite insurance company

Subject to the limited exceptions described in this paragraph, the PRA and FCA cannot give the applicant firm permission to carry on both long-term insurance business and general insurance business unless the long-term insurance business is restricted to reinsurance business. United Kingdom insurance companies permitted or seeking permission to carry on long-term insurance business are, however, able to apply for permission to carry on general insurance business in the specified investment categories 'accident' and 'sickness'.

See the Composites Part of the PRA Rulebook and PRA Supervisory Statement SS8/15.

### Applicant firms wanting to establish a Friendly Society

If the applicant firm is applying to write business as a Friendly Society, it must be registered under the Friendly Societies Act 1974 or be incorporated under the Friendly Societies Act 1992 before permission to conduct regulated activities may be given by the PRA and FCA. The restrictions relating to Friendly Societies are different from those for insurance companies as the permitted activities of friendly societies are limited to those permitted under the Friendly Societies Acts. A Friendly Society may only be authorised to write long-term insurance business or general insurance business classes 'accident', 'sickness' and 'miscellaneous financial loss', with some supplementary general insurance business. Applicant firms intending to establish a friendly society should contact the PRA for guidance.

### **Applicant firms wanting to write long-term business**

An applicant firm applying for permission to conduct long-term insurance business should consider involving an actuary at an early stage since the PRA will use actuarial expertise in discussions with the firm.

An external actuary of a long-term insurer must take reasonable steps to satisfy him or herself that they are free from any conflict of interest in line with Actuaries 6.2 of the PRA Rulebook. The firm has a duty to ensure that persons performing a function shall be able to communicate at their own initiative with any staff member and shall have the necessary authority, resources and expertise as well as unrestricted access to all relevant information necessary to carry out their responsibilities (Article 268 of the Commission Delegated Regulation (EU) 2015/35 (the 'Delegated Acts')). In addition, all potential conflicts of interest within a firm must be managed in line with (Article 258(5) of the Delegated Acts).

### **Other regulated activities**

The applicant firm should also provide details of any other regulated activities the firm intends to carry on in connection with this business e.g. management of investments. Any such activities must be for the purposes of carrying on insurance business (Conditions Governing Business 9.1 of the PRA Rulebook).

# 1

## Regulatory business plan (scheme of operations)

### 1.1 Background

#### 1.1.1 Will the applicant firm be a UK incorporated company or a UK branch of a non-EEA insurer?

##### Branches of Undertakings of Third Countries

1. The Competent Authorities (CAs) of the Member States in which a Third Country undertaking has insurance branches, are expected to exchange relevant information about the Third Country undertaking and significant developments regarding the solvency of the insurance branches.
2. Where a firm whose Head Office is in a Third Country, has insurance branches in the EU, one CA can be chosen to supervise the solvency of all the branches of the Third Country undertaking.
3. In terms of the applicable procedure - informal contact will be made by the relevant firm with the CAs to identify those CAs willing to assume responsibility for verifying the undertaking's state of solvency. An official notification will be made to the CAs concerned, which will state the CA chosen to assume overall responsibility.
4. Each CA shall notify the undertaking of its acceptance or rejection of the chosen CA – this will then be communicated to the latter. Once the CA has been asked to accept responsibility, it shall notify the undertaking and the CAs concerned of the date on which the arrangements will take effect.
5. For more information applicants should refer to the Third Country Branches Part of the PRA Rulebook and Article 167 of the Solvency II Directive.

#### 1.1.2 What type of insurance business is the applicant firm proposing to underwrite?

See comments above under general information with regard to composite insurance. No additional notes.

#### 1.1.3 What is the rationale for the application and what is the intended business strategy (and if applicable how does this fit into the group's overall future strategy)?

No additional notes.

#### 1.1.4 Firms should include a scheme of operations, containing the content as described in Article 23 of the Solvency II Directive, with or as part of their Regulatory Business Plan. Firms should also provide a copy of their proposed own risk and solvency assessment (ORSA) report.

In order to avoid overlap between documents, firms should determine the most appropriate presentation for their regulatory business plan, scheme of operations and proposed ORSA report.

They should, however be aware of the specific requirements for a scheme of operations set out in Article 23 of the [Solvency II Directive](#) and should also note the [EIOPA guidelines on ORSA](#) .

## 1.2 Insurance activities

The regulatory business plan should cover a minimum of three years from the date of proposed authorisation. The applicant should state all values in sterling or Euros.

### 1.2.1 Describe the insurance activities that the applicant firm is proposing to conduct in the United Kingdom.

The applicant firm should provide sufficient information to enable the PRA and FCA to understand its insurance activities. This may include but not restricted to the following areas:

- the applicant firm's proposed insurance products
- the nature and location of risk
- the corresponding insurance classes that the risk relates to
- details of any risk written on an ancillary or supplementary basis and how this is permitted

### 1.2.2 Is the applicant firm proposing to underwrite direct motor liability business within the United Kingdom?

Insurance companies authorised to write motor business are required to be members of the Motor Insurers Bureau ('MIB') by section 145(5) of the Road Traffic Act 1988. The MIB provides a fund for the compensation to victims of untraced or uninsured drivers and motor insurers are required to contribute to the fund pro-rata to the number of policies issued. Hence the PRA will require that applicant firms intending to write direct motor business provide evidence that they are a member of the MIB before authorisation is granted. The address of the MIB is:

152 Silbury Boulevard  
Central Milton Keynes  
MK9 1NB  
Tel: 01908 240000

Direct motor insurers are also required to provide data to the Motor Insurers' Information Centre (MIIC), a subsidiary of MIB. The MIIC is responsible for monitoring compliance of the Motor Insurance Database which is used to combat against uninsured driving. The PRA would normally provide contact details of relevant applicants to both MIB and MIIC.

In the FCA Handbook, ICOBS 8.2.2AR requires an applicant firm seeking to carry on, or carrying on, motor vehicle liability insurance business to appoint a claims representative in each country of the European Union other than the United Kingdom.

### 1.2.3 Is the applicant firm applying for permission to write legal expenses insurance?

No additional notes.

### 1.2.4 Will the applicant firm be passporting into the EEA?

Please see the PRA's website on Passporting Forms:

[www.bankofengland.co.uk/pr/Pages/authorisations/passporting/default.aspx](http://www.bankofengland.co.uk/pr/Pages/authorisations/passporting/default.aspx)

Article 148 of the Solvency II Directive gives the PRA as home member state one month to inform the host state regulator of the firm's intention to passport by means of a branch. The PRA will at the same time inform the firm that it has made the necessary notification.

### 1.2.5 Describe the proposed sources of the insurance business and provide an analysis of the approximate percentage from each source, split between United Kingdom, other EEA States and elsewhere.

Here the PRA and FCA seek to understand the distribution channels that will be used by the applicant to market its insurance products.

For a general insurance company only a brief overview of how the business will be marketed is required.

If the applicant firm will be writing long-term insurance business, it should also address the following matters:

- (1) the anticipated size and location of the client base;
- (2) full details of the types of product that will be marketed, including the name and a description of each of the products; and
- (3) the method of marketing and selling of the products, identifying any third parties which will be involved in the marketing activity;
- (4) will the applicant firm be part of a marketing group, as defined in the glossary of the Handbook. If so, state the marketing group name and the names of the other members of the group?
- (5) How will the applicant firm ensure that as a firm it will be conducting insurance distribution business with the PRA and FCA's permission?
- (6) What is the basis of remuneration of the business producers – e.g. fixed fee, commission, contingent commission etc.

#### **1.2.6 Will the applicant firm be using reinsurance to protect the insurance business it is proposing to underwrite?**

Here the PRA and FCA seeks to understand why the applicant firm is proposing to adopt its chosen reinsurance strategy. This may be demonstrated graphically, especially for more complex strategy, and should include the following:

- (1) if the head office will be in the United Kingdom, this should relate to the reinsurance of the applicant's global business;
- (2) if the head office will be outside the EEA (or outside the United Kingdom in the case of a pure reinsurer), full details should be provided in respect of the business carried on in the United Kingdom by the applicant, and an overview of the reinsurance of business carried on outside the United Kingdom;
- (3) the guiding principles in the design of the reinsurance programme,
- (4) a description of the kinds of reinsurance arrangement that the applicant firm proposes to make with ceding undertakings
- (5) details of the applicant firm's maximum retention per risk or event after all reinsurance/retrocessions ceded, by each class of insurance business underwritten;
- (6) details of the principal reinsurers/retrocessionaires, including name, address, country of incorporation and of any relationship with the applicant or its group.

Where a significant proportion of the programme is to be ceded to a single reinsurance company or group (particularly if it is to a reinsurer within the group to which the applicant firm belongs), additional information should be given as to why this is considered to be appropriate, including details of the security provided in the event that the reinsurer is unable to meet its liabilities under the reinsurance agreement. If the applicant firm is part of a Group it is also expected to articulate how the group monitors and mitigates the aggregate risk posed by each of the subsidiaries to whom it offers reinsurance.

The PRA has not issued guidance on the amount of reinsurance that can be ceded to any single reinsurer, but firms should take into account the Prudent Person Principle set out in the Investments part of the PRA rulebook and consider the risks involved when preparing their ORSA. If the applicant firm is proposing to have a reinsurance programme which exposes it to significant credit risk or dependency on any single reinsurer then it should consult with the PRA and FCA prior to submitting a formal application.

You will also be required to explain how the reinsurance protection will be incorporated in your financial projections.

### 1.3 Corporate governance and non-financial resources

#### 1.3.1 Please provide full details of the proposed board composition together with a) terms of reference for the board and b) job descriptions for each board member.

As well as assessing the individual directors, the PRA and FCA will consider the collective suitability of the board and would usually expect its composition allows it to act independently of any controller or parent undertaking, and that an adequate proportion of the board has relevant experience of working in an insurance company of similar size and nature of business.

The PRA and FCA consider that non-executive directors with appropriate experience, may help to provide the necessary skills and balance on the board. The authorisation department at the PRA and FCA should be consulted if there is any doubt regarding the suitability of the composition of the proposed board.

#### 1.3.2 Please provide a copy of the governance map as specified in Chapter 5 of the Insurance-Allocation of Responsibilities part of the PRA Rulebook.

A key part of the Governance map will be the identification of 'key functions' and a summary of the responsibilities of each individual who is responsible for a key function within the firm (or group). Further information on these topics can be found in SS 35/15.

#### 1.3.3 Please provide an organogram for the applicant firm showing all the functions and available resources that will be required to conduct its proposed business

Please also include gaps and timelines to complete recruitment.

#### 1.3.4 Describe how each of the applicant firm's underwriters are qualified to underwrite the proposed business.

No additional notes.

#### 1.3.5 Are there any associations that exist or will exist between a director or controller of the applicant firm and any person who will undertake material contracts with the applicant firm?

Here the PRA and FCA is seeking to establish whether there will be any conflicts of interest that may arise as a result of the relationships between those connected to the applicant firm and any material contracts that the applicant firm is relying on.

#### 1.3.6 Please provide details of all material outsourcing or sub-contracting arrangements.

The applicant firm should refer to the PRA Rulebook Glossary for a definition of material outsourcing.

### 1.4 Risk management and Internal systems and controls

#### 1.4.1 Describe the responsibilities and reporting lines for the following functions (this should include details of resource allocated as well as procedures and controls that will be implemented, for each function):

- a. the internal audit function
- b. actuarial function
- c. risk management function
- d. compliance function
- e. financial reporting

#### 1.4.2 Please provide the composition and the terms of reference for all senior committees which the applicant firm is proposing to establish.

No additional notes.

**1.4.3 Provide details of the applicant firm's intended risk profile, risk appetite, and risk tolerance limits**

The firm should clearly articulate its risk appetite and consider the impact of this on its business plan in the ORSA report it should submit as part of its application for Authorisation. The PRA and FCA are seeking to understand how the applicant firm will decide on which risks to underwrite, which products to provide, which terms and conditions to include in its policies, the level of exposures in its chosen classes of business, market sectors and geographical locations; and the relevant limits and restrictions that are to be applied on the business written. Information should also be provided in relation to investment strategy.

**1.4.4 How will risks be identified, managed, mitigated and monitored?**

The PRA and FCA are seeking to understand how key risks are managed through the applicant firm's proposed risk management framework and who has responsibility for oversight.

The areas to consider may include but are not restricted to controls over:

- (a) underwriting
- (b) claims management
- (c) reserving
- (d) investment risk, including concentration risk
- (e) counterparty risk (including disputes or defaults by reinsurers)
- (f) asset-liability management
- (g) liquidity
- (h) operational risk – IT/People
- (i) outsourcing (all material outsourcing e.g. IT systems but additionally any delegation of authority relating to the insurance business).
- (j) complaints handling

With regard to the above you should include but are not restricted to details of (as appropriate):

- (1) Segregation of duties, acceptance controls and levels, exceptions, declination process/limits and monitoring of risk aggregation
- (2) Setting and controlling of risk exposures
- (3) Staffing levels in each area
- (4) Proposed staff training
- (5) Internal audit; oversight
- (6) Approval process for new insurance products and how you are satisfied that the product meets customer needs
- (7) Capability of the computer system / proposed change
- (8) Compliance with internal systems and controls, procedures and policies, along with the external requirements of regulators
- (9) Details of oversight in relation to outsourcing
- (10) How risks are reflected/captured in the risk register;
- (11) What MI will be maintained with regard to:
  - a. timely payment of claims (include details of service standards)
  - b. percentage of claims paid
  - c. number and reasons for claims being declined
  - d. complaints handling - details of SLA / numbers / training of staff
- (12) Claims handling: is there a single process for submitting claims (electronic/telephone or manual). Is there any difference in approach for differently branded products

**1.4.5 How will the firm regularly assess its ongoing own funds needs to be reasonably confident that it will either continue to meet its regulatory requirements, or be able to take appropriate actions to meet these requirements, following realistic stress events?**

We expect firms to carry out regular stress and scenario tests and, in line with Guideline 7 of EIOPA's Guidelines on ORSAs, the undertaking should subject the identified material risks to a sufficiently wide range of stress tests or scenario analyses in order to provide an adequate basis for assessing the overall solvency needs.

Firms should also develop a capital management policy in accordance with Guideline 30 of EIOPA's Guidelines on System of Governance. See [EIOPA guidelines](#)

**1.4.6 Provide details of the management information that will be provided regularly to the board, key internal committees and key individuals, including information relevant to the risks borne by the firm.**

No additional notes.

**1.4.7 Provide details of the plausible recovery actions that could be taken, including in times of general market stress. Include details of the recovery options or exit strategy identified and the triggers and governance that would activate the plan.**

No additional notes.

**1.4.8 Provide details of the IT business continuity and the disaster recovery plans that the applicant will put in place to ensure business continuity.**

No additional notes.

## **1.5 Complex IT systems**

The risks to the applicant firm's proposed business of the failure or error of its IT systems will be greater if the applicant firm's IT system is complex and/or it is dependent on its IT systems. In such cases, we require additional information on the applicant firm's IT systems, and the control framework for managing the risks.

**1.5.1 Are the applicant firm's IT systems complex?**

We will regard an applicant firm's IT systems applications as complex where they involve one or more of:

- complex functionality and/or business logic
- significant volumes of straight-through processing
- an automated business cycle for transaction capture, confirmation, accounting, settlement
- initial releases of new business or infrastructure technology
- significant amount of in-house development or customisation
- high dependency on outsourced development and/or hosting facility

**1.5.2 Is the applicant firm's proposed business heavily dependent on its IT systems?**

We will regard an applicant firm's proposed business as heavily dependent on its complex IT systems applications where the IT systems applications involve one or more of:

- significant business volume processing where availability is key (manual processes are not viable)
- high availability environment, e.g. 12x7

**1.5.3 Will the applicant firm's IT systems automatically interface with customers/counterparties?**

The IT systems will automatically interface with customers/counterparties in one or more of the following sets of circumstances:

- they receive transactions automatically, e.g. from the internet
- they generate transactions to a third party, e.g. for electronic transfer of payments/payments instructions, settlements, confirmations, customer deposits
- they generate payments via the internet

Please click on the following link to the [Detailed IT Controls Form](#).

**The PRA and FCA will not authorise a firm unless its IT systems are fit for purpose. We will therefore require the Board to provide written confirmation that the IT systems have been tested and are operational before authorisation.**

# 2

## Scope of Permission required

### Background

When applying for authorisation it is the applicant firm's responsibility to make sure that the Scope of Permission it requests fully and accurately reflects the business it is proposing to carry on.

The applicant firm therefore needs a Scope of Permission that matches its needs and covers every aspect of regulated business that it wants to carry on.

The Scope of Permission Notice itemises the range of regulated activities the applicant firm will be authorised to carry on, as well as the types of investments, and clients for which it can carry on business for each respective regulated activity. It will also contain what we refer to as 'requirements' and 'limitations'. Broadly speaking, limitations are included in the descriptions of specific regulated activities (e.g. not to carry on business with private customers) and requirements are on the applicant firm to take or not to take specified actions (e.g. to inform the PRA once its gross written premiums exceeds £100m).

FSMA states that no person may carry on a regulated activity in the UK, or purport to do so, unless that person is either authorised or exempt. This is known as the general prohibition. If the applicant firm carries on a regulated activity that is not set out in its permission notice then it could be in breach of FSMA and subject to enforcement action.

Finally, please be aware that these details are recorded on our public register, available on our website at: <https://register.fca.org.uk/>

### 2.1 Insurance business

#### 2.1.1 Regulated activities

No additional notes.

#### 2.1.2 Investment types

No additional notes.

#### 2.1.3 Client types

No additional notes.

### 2.2 Ancillary deposit-taking business

The regulated activity of Deposit taking is necessary because the exemption that previously appeared in the Banking Act for insurers accepting deposits in the course of their insurance business was not carried forward into FSMA. No additional notes.

#### 2.2.1 Standard limitation – investment activity in rights to or interests in investments

No additional notes.

## **2.3 Insurance distribution business**

### **2.3.1 Will the applicant be conducting insurance distribution business?**

No additional notes.

### **2.3.2 Regulated activities**

**Is the applicant firm proposing to carry on the regulated activity of 'making arrangements with a view to transactions in investments'?**

No additional notes.

### **2.3.3 Investment types**

No additional notes.

### **2.3.4 Client types**

No additional notes.

### **2.3.5 Regulated activities**

**Is the applicant firm proposing to carry on the regulated activity of 'arranging (bringing about) deals in investments'?**

No additional notes.

### **2.3.6 Investment types**

No additional notes.

### **2.3.7 Client types**

No additional notes.

### **2.3.8 Regulated activities**

**Is the applicant firm proposing to carry on the regulated activity of 'advising on investments (except on pension transfer and pension opts outs)'?**

No additional notes.

### **2.3.9 Investment types**

No additional notes.

### **2.3.10 Client types**

No additional notes.

### **2.3.11 Regulated activities**

**Is the applicant firm proposing to carry on the regulated activity of 'assisting in the administration and performance of a contract of insurance'?**

No additional notes.

### **2.3.12 Investment types**

No additional notes.

**2.3.13 Client types**

No additional notes.

**2.4 Designated Investment Business**

These regulated activities are predominately relevant to applicant firms wanting to conduct long-term insurance business. However, applicant firms that want to enter into a derivative contract or any other type of contractually based investment will have to apply for 'dealing in investments as principal'.

**2.4.1 Will the applicant be conducting designated investment business?**

FSMA, investment business was regulated under the Financial Services Act 1986. Buying and selling derivatives was a regulated activity under this Act, but there was an exemption for a person that did not otherwise fall under the scope of the Act. The exemption ensured a commercial organisation buying a derivative from a market operator to hedge its investments did not find itself subject to investment regulation in the same way as the market operator.

General insurers benefited from the exemption as they were not otherwise subject to regulation under the 1986 Act.

However Article 16 of the Regulated Activities Order is framed in such a way that the exemption in relation to entering into a contractually based investment with an authorised person only extends to 'a person who is not an authorised person'.

Since a general insurer is an authorised person by virtue of holding Part 4A permission for the regulated activities of effecting contracts of insurance, carrying out contracts of insurance and accepting deposits **it can no longer benefit from this exemption**. Under the Regulated Activities Order, it needs permission for the regulated activity of dealing in investments as principal in respect of contractually based investments to allow it to, legally, buy or sell derivatives.

**2.4.2 Regulated activities**

**Is the applicant firm proposing to carry on the regulated activity of 'making arrangements with a view to transactions in investments'?**

No additional notes.

**2.4.3 Investment types**

No additional notes.

**2.4.4 Client types**

The Market in Financial Instruments Derivative (MiFID) applies from 1 November 2007 and therefore the old client types relating to designated business will be replaced with new client type classification as shown in 2.4.4. The applicant firm should assess and select its customer type in line with the new MiFID client types.

**2.4.5 Regulated activities**

**Is the applicant firm proposing to carry on the regulated activity of 'arranging (bringing about) deals in investments'?**

No additional notes.

**2.4.6 Investment types**

No additional notes.

**2.4.7 Client types**

No additional notes.

**2.4.8 Regulated activities**

Is the applicant firm proposing to carry on the regulated activity of 'advising on investments (except on pension transfer and pension opts outs)'?

No additional notes.

**2.4.9 Investment types**

No additional notes.

**2.4.10 Client types**

No additional notes.

**2.4.11 Regulated activities**

Is the applicant firm proposing to carry on the regulated activity of 'dealing in investments as principal'?

No additional notes.

**2.4.12 Investment types**

No additional notes.

**2.4.13 Client types**

No additional notes.

**2.4.14 Standard limitation – investment activity in rights to or interests in investments**

No additional notes.

**2.5 Agreeing to carry on a regulated activity**

No additional notes.

**2.5.1 Standard limitation – Agreeing to carry on a regulated activity**

No additional notes.

**2.6 Consumer credit activities**

You can find the full description of each regulated activity in PERG 2.7:

[PERG 2 Authorisation and regulated activities](#)

No additional notes.

**2.7 Any other regulated activities**

**2.7.1 Will the applicant firm be carrying on any other regulated activity?**

No additional notes.

# 3

## Financial resources

### 3.1 Prudential sub-categories

No additional notes.

#### 3.1.1 Which prudential sub-category applies to the applicant firm?

No additional notes.

### 3.2 Own funds

Here the PRA is seeking to understand the source and level of the own funds that the applicant firm will be relying on to meet or exceed its Solvency Capital Requirement (SCR) and to provide cover for its liabilities as they fall due, as well as the source and level of the basic own funds that are needed to cover its Minimum Capital Requirement (MCR). Further information can be obtained from the Own Funds part of the PRA Rulebook.

The firm is expected to have enough capital in place at the point of authorisation to cover at least the forecast future SCR as at the end of the first year based on the most onerous submitted projection for that first year.

The financial plan should then show how the firm would raise further own funds to cover the expected SCR over each of the following two years.

The financial plan should also include appropriate stress and scenario tests to show what actions could be taken to maintain cover for the SCR in stressed conditions.

#### 3.2.1 Applicant firms proposing to underwrite long-term insurance must provide the following:

Financial projections for three years on three bases – realistic, optimistic and pessimistic. The applicant firm should consider the type of risk it is proposing to underwrite and also the tail of business.

The financial projections should cover the items listed below, for each of the first three financial years after authorisation, based on a Solvency II balance sheet. Where the first financial year is truncated, projections should be given to the end of year four.

(1) A forecast profit and loss account, broken down into a technical account and a non-technical account. This should include, as a minimum, the following:

(a) Estimates of world-wide premiums (gross and net of reinsurance) analysed by accounting class and Solvency II class (see Annex II of the Solvency II Directive), showing direct business and reinsurance accepted separately, and broken down between the United Kingdom, other EEA States and elsewhere. In addition, for an applicant firm carrying on direct business whose head office is not in the EEA, this information should also be given in relation to business to be written through the United Kingdom branch, analysed by accounting class and Solvency II class (see Annex II of the Solvency II Directive).

(b) Investment return

(c) Estimates of world-wide claims (gross and net of reinsurance) analysed by accounting class and Solvency II class (see Annex II of the Solvency II Directive), and broken down between the United Kingdom, other EEA States and elsewhere

(d) Expenses

(e) Commissions (both payable and received)

(f) Other charges and income

(g) Taxation

(h) Dividends

(2) A forecast balance sheet for the applicant firm as a whole. If the head office is outside the United Kingdom and the Part 4A permission will not be limited to reinsurance only, the applicant firm should also supply forecast balance sheets in respect of the United Kingdom branch. Adjustments to amounts to reflect the asset valuation rules should be made in the statement of solvency. The balance sheet should show, as a minimum, the following details:

(a) Investments analysed by type;

(b) Assets held to cover linked long-term business;

(c) Other assets and debits separately identifying cash at bank and in hand;

(d) Capital and reserves analysed into called up share capital or equivalent funds, share premium account, revaluation reserve, other reserves and profit and loss account;

(e) Subordinated liabilities;

(f) The fund for future appropriations;

(g) Technical provisions gross and net of reinsurance, analysed by accounting class and Solvency II class (see Annex II of the Solvency II Directive) of insurance business and separately identifying the provision for linked long-term liabilities, outstanding claims, IBNR, unearned premiums, additional provision for unexpired risks;

(h) Other liabilities and credits.

(3) A forecast statement of solvency, including details of how the MCR and SCR<sup>1</sup> has been computed. This should be provided on the following basis:

(a) If the head office will be situated in the United Kingdom, or if the applicant firm will be writing reinsurance only and the head office will be situated outside the United Kingdom, the statement should be in respect of the global business;

(b) If the head office will be outside the United Kingdom (other than pure reinsurers), a solvency statement should be provided in respect of both the UK branch and the applicant firm as a whole;

(c) an estimate should be made of the expected amount of Own funds in each Tier, along with the MCR and SCR, in accordance with the Solvency and Minimum Capital Requirement parts of the PRA Rule Book and the Delegated Acts.

(4) a forecast statement, approved by the Chief Actuary function holder, or if the controlled function has not been filled, by a qualified actuary, showing the following information, broken down by product and between the United Kingdom, other EEA States and elsewhere. If the applicant firm will be writing direct business or both direct and reinsurance business and its head office will be outside the United Kingdom, this information should only be given in respect of the United Kingdom business:

(a) The number of contracts or treaties expected to be issued;

(b) The total new business premium, both gross and net of reinsurance ceded;

(c) The total sums assured or amounts of annuity per annum;

(d) The technical bases used to calculate the forecast and estimates and the approach used to determine the level of the SCR.

For projections of premiums, other income and expenses, the figures to be given are those the applicant firm expects to appear in its annual published accounts for the year in question. If the

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<sup>1</sup> Figures for the projected SCR should always be provided on the basis of the standard formula. If the firm is also applying for the approval of an internal model for the calculation of the SCR, then a projected SCR calculated by the internal model should also be provided.

projected amounts include premiums for liabilities taken on in previous financial years, the applicant firm should show the amount of these premiums in a footnote.

The projections should take account of future capital expenditure of the applicant e.g. for purchase of fixed assets. The applicant firm should give a breakdown of forecast expenses, excluding set-up costs, which should be shown as a separate table. For long-term insurance business, management expenses should be split between expenses in connection with acquisition of business; maintenance of business, and other management expenses.

For long-term insurance business, the forecast balance sheets should include an estimate of the required technical provisions divided into the major contract groups. When calculating the financial resources needed and the SCR, you should use prudent assumptions within the limits of the optimistic and pessimistic bases. Details of how the SCR is calculated should be included in your application.

For long-term insurance business, the PRA would expect the figures to reflect the maximum and minimum amounts of business that the applicant could reasonably expect to achieve. The PRA would expect this information to be contained with the firm's ORSA report.

**A statement showing how the SCR is calculated**

See notes above. Please discuss any proposal to use an internal model with the PRA prior to submitting a formal application.

**A statement detailing the technical bases in which the Chief Actuary Function holder proposes to employ for each class of business when calculating technical provisions.**

No additional notes.

**A projection of the present value of future profits of new business by product line for each year's new business.**

No additional notes.

**A certificate provided by the Chief Actuary Function holder stating that he/she considers:**

No additional notes.

### 3.2.2 Applicant firms proposing to underwrite general insurance business must provide the following:

#### Financial projections for three years on three bases, one realistic and two pessimistic.

The applicant firm should consider the type of risk it is proposing to underwrite and also the tail of business.

The financial projections should cover the items listed below, for each of the first three financial years after authorisation, based on a Solvency II balance sheet. Where the first financial year is truncated, projections should be given to the end of year four.

(1) A forecast profit and loss account, broken down into a technical account and a non-technical account. This should include, as a minimum, the following:

(a) Estimates of world-wide premiums (gross and net of reinsurance) analysed by accounting class, Solvency II class (see Annex I of the Solvency II Directive), and broken down between the United Kingdom, other EEA States and elsewhere. In addition, for an applicant firm carrying on direct business whose head office is not in the EEA, this information should also be given in relation to business to be written through the United Kingdom branch, analysed by accounting class and Solvency II class (see Annex I of the Solvency II Directive).

(b) Investment return

(c) Estimates of world-wide claims (gross and net of reinsurance) analysed by accounting class, Solvency II class (see Annex I of the Solvency II Directive) and broken down between the United Kingdom, other EEA States and elsewhere

(d) Expenses including commissions

(e) Other charges and income

(f) Taxation

(g) Dividends

(2) A forecast Solvency II balance sheet for the applicant firm as a whole. If the head office is outside the United Kingdom and the Part 4A permission will not be limited to reinsurance only, the applicant firm should also supply forecast balance sheets in respect of the United Kingdom branch. Adjustments to amounts to reflect the asset valuation rules should be made in the statement of solvency. The balance sheet should show, as a minimum, the following details:

(a) Investments analysed by type

(b) Assets held to cover linked long-term business

(c) Other assets and debits separately identifying cash at bank and in hand

(d) Capital and reserves analysed into called up share capital or equivalent funds, share premium account, revaluation reserve, other reserves and profit and loss account

(e) Subordinated liabilities

(f) The fund for future appropriations

(g) Technical provisions gross and net of reinsurance, analysed by accounting class and Solvency II class (see Annex I of the Solvency II Directive) of insurance business and separately identifying the provision for linked long-term liabilities, outstanding claims, IBNR, unearned premiums, additional provision for unexpired risks

(h) Other liabilities and credits

Note: Solvency II Technical provisions must be calculated in accordance with the Technical Provisions Part, Valuation Part and Conditions Governing Business 3.2, 3.3 and 3.6 Part of the PRA Rulebook.

The applicant firm should also have regard to the Delegated Act (Articles 2, 7, 11, 17-61, 259, 264-272) and the EIOPA Guidelines on contract boundaries and valuation of technical provisions.

Key components within the calculation include (but are not limited to):

- Best estimate – technical provisions gross and net (or gross and reinsurance) totals. A breakdown by the Solvency II Directive's lines of business should also be provided. The breakdown should include where applicable (separately for gross and reinsurance and separately for premium and claims provisions): future claims, future premium, removal of

margin\*, commissions\*, expenses\*, bad debts\*, ENIDs (events not in data), bound but not accepted. Unless already included within one of the supporting documents explanatory notes should be provided describing the approach used for calculating technical provisions. The description should include segmentation of underlying analysis (e.g. at which class level & currencies were cash flows analysed), source of loss ratios, future management actions, approach for ENIDs, contract boundaries, reinsurance correspondence, expenses/expense components, commissions, approach for PPOs, reinsurer bad debts, discounting (general approach, patterns and yield curves used including consideration of matching adjustment) currency of cash flows and exchange rates used. Any other material comments should also be included.

\*these may explicitly be included within future claims and future premiums.

- Risk margin – methodology used (including currency of calculation, discounting patterns and yield curves used including consideration of matching adjustment) and justification for any simplifications

(3) A forecast statement of solvency, including details of how the MCR and SCR<sup>2</sup> has been computed. This should be provided on the following basis:

(a) If the head office will be situated in the United Kingdom, or if the applicant firm will be writing reinsurance only and the head office will be situated outside the United Kingdom, the statement should be in respect of the global business;

(b) If the head office will be outside the United Kingdom (other than pure reinsurers), a solvency statement should be provided in respect of both the UK branch and the applicant as a whole;

(c) an estimate should be made of the expected amount of Own funds in each Tier, along with the MCR and SCR, in accordance with the Solvency Capital Requirement parts of the PRA Rulebook and the Delegated Acts.

For projections of premiums, other income and expenses, the figures to be given are those the applicant firm expects to appear in its published annual accounts for the year in question. If the projected amounts include premiums for liabilities taken on in previous financial years, the applicant firm should show the amount of these premiums in a footnote.

The projections should take account of future capital expenditure of the applicant firm e.g. for purchase of fixed assets. The applicant firm should give a breakdown of forecast expenses, excluding set-up costs which should be shown as a separate table.

The realistic basis should include as minimum the following:

- a) The realistic basis projections should contain:
  - i. Accounting basis for the financial projections
  - ii. Investment income; including the assumed returns on each of the investments held
  - iii. Tax Rate
  - iv. Dividends
  - v. SCR and MCR at the end of each financial year (Firms are reminded that the MCR has an absolute floor as set out in 3.2 of the Minimum Capital Requirement Part of the PRA Rulebook).

In addition for each class of business the following projections need to be explicitly provided; in each case the applicant firm needs to provide details of the gross risks and the impact of reinsurance (where appropriate):

- i. Written and earned premiums
- ii. Assumed premium rate movements over the projection period
- iii. Expected claim payments
- iv. Expected ultimate claims
- v. Claims inflation in each projection year
- vi. Changes in terms and conditions over the projection period (if any)

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<sup>2</sup> Figures for the projected SCR should always be provided on the basis of the standard formula. If the firm is also apply for the approval of an internal model for the calculation of the SCR, then a projected SCR calculated by the internal model should also be provided.

- vii. Claims management costs
- viii. Commissions (both payable and received)
- ix. Overhead expenses
- x. Any additional items that impact the underwriting result not listed above
- xi. Expected underwriting result for each projection period

In addition to the UK GAAP/IFRS listed items in vi-xvi above, corresponding Solvency II basis breakdowns are required as listed in 3.2.2 g above.

A brief explanation should be provided to support each of the projections, drawing on the past, current and expected future market conditions in those segments that the applicant firm intends to operate in.

Where the classes of business do not match the PRA and FCA's classifications the applicant firm should provide a mapping between the two.

- b) The first pessimistic basis should consider the probability of occurrence of 1 in 200 loss events occurring during the first year of authorisation.
- c) The second pessimistic basis should consider the probability of occurrence of 1 in 200 loss events occurring during the third year of operations.
- d) Under each of the pessimistic scenarios the applicant firm should provide details of:
  - i. How the main risks (a minimum of five should be considered) identified in the business plan have been captured within the scenarios
  - ii. The gross insurance claims assumed under each scenario
  - iii. The types of events that would give rise to claims of this magnitude, and why such an event would be deemed remote.
  - iv. The expected reinsurance recoveries, the reinstatement premiums payable, any other payments due from the reinsurer (e.g. commission arrangements)
  - v. The amount of vertical and horizontal cover available (if any) following the event
- e) In each case the loss events will need to consider the key risks identified within the applicant firm's risk register. For instance, the extent to which each of the main risk categories has been considered.

**A statement showing how the SCR is calculated.**

See notes above. Please discuss any proposal to use an internal model with the PRA prior to submitting a formal application.

**Confirmation from the CRO or Chief Actuary that he/she agrees with the information provided in the application form regarding:**

- (a) the nature of commitments the applicant firm proposes to cover;**
- (b) the guiding principles as to reinsurance, including the applicant firm's maximum retention per risk or event after all reinsurance ceded and the names of the principal reinsurers; and**
- (c) the financial projections for the first three years following authorisation.**

No additional notes.

**3.2.3 All applicant firms must provide the following:**

A description of the types of financial resources designed to cover the Technical Provisions, SCR and MCR.

No additional notes.

**A description of the applicant firm's proposed investment strategy including any intended use of derivatives**

Firms should take into account the Prudent Person Principle set out in the Investments part of the PRA rulebook. The description should include details of the diversification, currency and types of

investments which are expected to represent the insurance funds and the estimated proportion which will be represented by each type of investment.

The applicant firm must give a rationale for the chosen investment methodology, with full details of any proposed use of derivatives or other non-standard investments.

An explanation should be provided of how the nature and duration of the liabilities will be taken into account when selecting assets to cover the technical provisions of how the investment policy will take account of the interests of policyholders, and of how any conflicts of interest will be addressed.

If the applicant firm is applying for permission to write direct business or both direct and reinsurance business and the head office will be situated outside the United Kingdom, detailed information should be given in respect of the business to be written through the United Kingdom branch, and a summary of the applicant firm's global investment strategy.

**A statement of the firm's intended risk appetite expressed in terms of the margins it intends to hold over the SCR to cover the eventuality that the financial projections deviate from the original business plan.**

Please explain also how this ties in with the answer to paragraph 1.4.5 in this form.

**A credit rating report for a) the applicant firm and b) any entity that will be providing reinsurance cover to the applicant firm.**

Depending on the nature of the applicant firm's business, it may choose to seek to obtain a credit rating for its business prior to authorisation and conducting business. If so the PRA are keen to understand a) the rating that has been awarded by the chosen credit rating agency and b) the rationale or feedback given to the applicant by the chosen credit rating agency. If the rating process takes place in parallel with the PRA's review of the application, feedback should be provided when available.

**If the applicant is part of an insurance group then it must provide a copy of the group SCR calculation.**

Further details regarding the calculation of group solvency can be found in the Group Supervision part of the PRA Rulebook.

# 4 Personnel

## 4.1 Controlled functions

### 4.1.1 List the names of the individuals who will perform the following controlled functions and also where they are based. An individual may perform more than one controlled function.

You must ensure that no individual performs a controlled function until the applicant has been authorised by us and we have approved the individual to perform the controlled function(s). If granted, approval is effective from the date of authorisation.

#### What is a controlled function?

A controlled function is a function for a regulated business that has particular regulatory significance. Please see SUP 10A.4 of the FCA handbook for a list of FCA controlled functions: [www.handbook.fca.org.uk/handbook/SUP/10A/4.html](http://www.handbook.fca.org.uk/handbook/SUP/10A/4.html)

For Solvency II firms including large non-directive insurers and for small non-directive insurers) please see the Senior Insurance Management Functions parts of the PRA Rulebook: applicable to Solvency II Firms and Non-Solvency II Firms; or under section 59 of the Act (Approval for particular arrangements).

#### What is an approved person?

A *person* in relation to whom the *FCA* or the *PRA* has given its approval under section 59 of the *Act* (Approval for particular arrangements) for the performance of a *controlled function*.

To be approved and continue to be approved to perform a controlled function, an individual must:

- meet, and maintain, our criteria for approval (the 'fit and proper test'); and then
- perform their controlled function(s) in line with the PRA Rulebook, FCA Handbook; PRA Conduct standards; and the Code of Conduct for Staff sourcebook, part of the Handbook in High Level Standards (COCON).

### 4.1.2 For applications to perform controlled functions under the approved person regime please fill in a 'Form A'. Full details of the approved persons regime and the application process are given in Chapter 10 of SUP (SUP 10A of the FCA manual and can also be found on the Bank of England website. and 10B of the PRA manual).

There are separate forms for *Solvency II firms, large* and *small non-directive insurers*, incoming EEA firms and other *firms*. *Swiss general insurers* must use the forms for *large non-directive insurers* not the form for *Solvency II firms*. It also includes the scope of responsibilities form which must be included as an attachment to Form A in certain cases.

No additional notes.

### 4.1.3 Please provide the name of the individual that will have overall responsibility for insurance distribution.

Every firm that carries on insurance distribution activities must appoint an approved person(s) who will be responsible for insurance distribution activities at the firm (as detailed in MIPRU 2.2: [www.handbook.fca.org.uk/handbook/MIPRU/2/2.html](http://www.handbook.fca.org.uk/handbook/MIPRU/2/2.html))

- 4.1.4 *SUP 10A.11* of the FCA handbook deals with minimising the overlap with the PRA approved persons regime,

## **4.2 Key functions**

- 4.2.1 List the names of the individuals who will be responsible for each identified 'key function' (other than the controlled functions above) at either the firm or the wider group, ie the 'key function holders', and also where they are based. An individual may perform more than one key function.**

More information about the identification of 'key functions' can be found in the PRA's SS 35/15.

- 4.2.2 Please fill in a 'Form M – Notification of non SMF/SIMF appointment' for each individual who will be responsible for a key function that you have listed in question 4.2.1.**

No additional notes.

# 5

## Compliance arrangements

### 5.1 Compliance procedures

No additional notes.

#### 5.1.1 You must confirm the applicant firm has in place documented compliance procedures that relate specifically to the regulated business for which it is seeking permission.

No additional notes.

### 5.2 Compliance monitoring programme

#### 5.2.1 You must confirm the applicant firm has in place a documented compliance monitoring programme that relates specifically to its compliance procedures manual.

No additional notes.

### 5.3 Financial crime

General insurers and managing agents are not subject to Anti-Money Laundering (AML) rules and the AML Regulations. However, such firms are required to put in place systems and controls to prevent financial crime, which includes money laundering (SYSC 3.2.6 JG for insurers and managing agents refers). Failure to have adequate systems and controls in place, eg the absence of a process for reporting knowledge or suspicions of money laundering could put firms and their employees at risk of committing money laundering offences.

#### 5.3.1 Please describe the steps the applicant firm has put in place to counter the risks that it might be used by others to further financial crime (this includes any offence involving a) fraud or dishonesty, b) misconduct in, or misuse of information relating to, financial markets or c) handling the proceeds of crime).

No additional notes.

### 5.4 Treating Customers Fairly

#### 5.4.1 Principle 6 of the Principles for Business Handbook states that 'a firm must pay due regard to the interests of its customers and treat them fairly.' This includes Treating Customers Fairly (TCF). To help firms understand what treating customers fairly means in practice, *six outcomes* has been defined which they should deliver to retail consumers. Please briefly describe the steps the applicant firm has put in place to deliver the six consumer outcomes and demonstrate that it treats its customers fairly.

Treating Customers Fairly (TCF) is a regulatory requirement underpinned by some of the FCA's Principles, for example Principle 6 - a firm must pay due regard to the interests of its customers and treat them fairly. TCF is central to the delivery of our retail regulatory agenda as well as being a key part of our move to more principles-based regulation.

TCF focuses on the responsibility on a firm's management to deliver and demonstrate fair outcomes for consumers whilst offering the firm the flexibility to deliver these outcomes. Please briefly describe the steps the applicant firm has put in place to deliver and demonstrate fair consumer outcomes.

[www.fca.org.uk/fair-treatment-customers](http://www.fca.org.uk/fair-treatment-customers) gives more straightforward easy to read information about TCF, including the consumer outcomes we are looking for.

**5.4.2 Can you please confirm that you have the procedures in place to comply with the management information requirements in respect of TCF?**

No additional notes..

# 6 Fees and levies

Firms fall into fee-blocks according to their part 4A Permission. Generally, if we authorise the applicant firm to carry on insurance business it will be allocated to either FEES-block A.3 – General Insurers or A.4 – Life Insurers, or both.

To find out which fee-block(s) the applicant firm will fall into please see the following Handbook sections FEES 4 Annex 1AR Part 1 of the FCA Handbook at: [www.handbook.fca.org.uk/handbook/FEES/4/Annex1A.html](http://www.handbook.fca.org.uk/handbook/FEES/4/Annex1A.html) (FCA) and FEES 4 Annex 1BR Part 1 (PRA) at [www.prarulebook.co.uk/rulebook/content/part/269982/23-12-2015](http://www.prarulebook.co.uk/rulebook/content/part/269982/23-12-2015)

The fee for each of these fee-blocks is based on tariff data submitted within this Section. We use your answers to calculate your invoice for the first fee period and may also use them for the following fee period. So please ensure the data you submit is accurate, as we will use it to calculate your annual fees and levies, and you cannot change it after submission.

When reporting monetary fee tariff data, firms should provide a projected valuation, covering the first 12 months from the date of authorisation (measured according to the relevant tariff base(s)), see FEES 4.2.6R - 4.2.7A G of the FCA/PRA Fees Manual at: [www.handbook.fca.org.uk/handbook/FEES/4/2.html](http://www.handbook.fca.org.uk/handbook/FEES/4/2.html) (FCA) and [www.prarulebook.co.uk/rulebook/content/part/269982/23-12-2015](http://www.prarulebook.co.uk/rulebook/content/part/269982/23-12-2015) (PRA)

All fee-blocks are subject to a minimum fee and you must pay this, whether you carry on the regulated activities or not. If you want to work out the applicant firm's forthcoming fees, please use the Fee Calculator on the FCA website: [www.fca.org.uk/fees-and-levies/calculate-your-annual-fee](http://www.fca.org.uk/fees-and-levies/calculate-your-annual-fee). To do this you will need to know which fee-block(s) the applicant firm will fall into and the fee tariff data you have entered in Section 6.

If you need further help with completing Section 6, please contact our firm contact centre on 0845 606 9966.

## PRA AND FCA fees

### 6.1 PRA AND FCA fee-block A.3 – Insurers - General

A firm authorised as a general insurer or friendly society, covering specified investments that are general insurance contracts or long-term insurance contracts (other than life policies) is likely to be in PRA and FCA fee-block A.3. The fees data is different for an insurer and a friendly society. If you are applying to be an insurer, the basis for calculating fees is the value of the firm's gross premium income and gross technical liabilities; if you are applying as a friendly society the basis will be the value of contribution income for a non-directive friendly society or the value of gross premiums written for a directive society.

For detailed information on what data to include under this fee-block, see the fees section of our website: [www.fca.org.uk/fees-and-levies/report-fee-tariff-data](http://www.fca.org.uk/fees-and-levies/report-fee-tariff-data), please select A.3.

### 6.2 PRA AND FCA fee-block A.4 – Insurers – Life

A firm authorised as an insurer covering specified investments (including life policies) is likely to be in PRA and FCA fee-block A.4. The basis for calculating fees is adjusted gross premium income and mathematical reserves.

For detailed information on what data to include under this fee-block, see the fees section of the FCA website: [www.fca.org.uk/fees-and-levies/report-fee-tariff-data](http://www.fca.org.uk/fees-and-levies/report-fee-tariff-data) please select A.4.

## Declaration of FSCS and Financial Ombudsman Service exemption

### 6.3 FSCS Exemption – if the applicant firm will not carry on business that could give rise to a protected claim by an eligible claimant and does not foresee doing so in immediate future, please tick the box below.

Applicant firms that will not carry on business with eligible claimants can qualify for exemption from the specific and compensation cost elements of the FSCS levy. However, all firms (including those exempt from the FSCS) pay towards FSCS base costs. Further details of exemption to the FSCS levy are in FEES 6.2: [www.handbook.fca.org.uk/handbook/FEES/6/2.html](http://www.handbook.fca.org.uk/handbook/FEES/6/2.html) and Chapter 21 of the Policyholder Protection Part of the PRA Rulebook. See: [www.prarulebook.co.uk/rulebook/Content/Part/213382/01-01-2016](http://www.prarulebook.co.uk/rulebook/Content/Part/213382/01-01-2016)

Generally, private customers are likely to be eligible claimants. So if the applicant firm will carry on business with private customers then the FSCS exemption is unlikely to be available. For a full definition of an 'eligible claimant' see COMP 4.2 in the FCA Handbook [www.handbook.fca.org.uk/handbook/COMP/4/2.html](http://www.handbook.fca.org.uk/handbook/COMP/4/2.html) and 7.2 of the Policyholder Protection Part of the PRA Rulebook. See: [www.prarulebook.co.uk/rulebook/Content/Part/213382/01-01-2016](http://www.prarulebook.co.uk/rulebook/Content/Part/213382/01-01-2016)

If at any point in the future the firm believes it is carrying on, or will carry on, business with eligible claimants, it must notify us immediately in writing.

### 6.4 Financial Ombudsman Service Exemption – if the applicant firm will not carry on business with eligible complainants and does not foresee doing so in immediate future, please tick the box below.

Applicant firms that do not carry on business with eligible complainants can qualify for exemption from the Financial Ombudsman Service levy. There are some additional, non-fees implications of being exempt from the Financial Ombudsman Service. Further details of this exemption are in DISP 1.1.12R in the Handbook: [www.handbook.fca.org.uk/handbook/DISP/1/1.html](http://www.handbook.fca.org.uk/handbook/DISP/1/1.html)

Generally, private customers are likely to be eligible complainants. So if the applicant firm will carry on business with private customers then the Financial Ombudsman Service exemption is unlikely to be available.

'Eligible complainant' is defined in DISP 2.7.3 R of the Handbook:

[www.handbook.fca.org.uk/handbook/DISP/1/1.html](http://www.handbook.fca.org.uk/handbook/DISP/1/1.html) .

If at any point in the future the firm believes it is carrying on, or will carry on, business with eligible complainants, it must notify us immediately in writing.

## Financial Services Compensation Scheme (FSCS) levy

The FSCS levy is made up of three parts:

- base costs – operating costs not directly related to the payment of compensation;
- specific costs – operating costs that are directly related to the payment of compensation arising from valid claims; and
- compensation costs – provides the funds to make valid compensation payments.

As a newly authorised firm your first invoice will only cover the base costs of the FSCS levy. After this, you will be liable for the full FSCS levy. Please use the Fee Calculator on our website to see if this makes any difference: [www.fca.org.uk/fees-and-levies/calculate-your-annual-fee](http://www.fca.org.uk/fees-and-levies/calculate-your-annual-fee)

**6.5 Fee-block A.3 – Insurers – General**

**In relation to general insurance business, how much relevant net premium income does the firm estimate it will receive for the first year of authorisation?**

'Relevant net premium income' is defined in the Policyholder Protection Part of the PRA Rulebook and the FCA, please see [www.prarulebook.co.uk/rulebook/Content/Part/213382/01-01-2016](http://www.prarulebook.co.uk/rulebook/Content/Part/213382/01-01-2016) and in the FCA Handbook glossary, please see: [www.handbook.fca.org.uk/handbook/glossary/?starts-with=R](http://www.handbook.fca.org.uk/handbook/glossary/?starts-with=R)

The data submitted here is to calculate the firm's FSCS levy in relation to general insurance activities.

Please note this should be income received only from eligible claimants. An eligible claimant is a person who is eligible to bring a claim for compensation under COMP 4.2.1R: [www.handbook.fca.org.uk/handbook/COMP/4/2.html](http://www.handbook.fca.org.uk/handbook/COMP/4/2.html) and 7.2 of the Policyholder Protection Part of the PRA Rulebook: See: [www.prarulebook.co.uk/rulebook/Content/Part/213382/01-01-2016](http://www.prarulebook.co.uk/rulebook/Content/Part/213382/01-01-2016).

**6.6 Fee-block A.4 – Insurers – Life**

**In relation to life insurance business, how much relevant net premium income does the firm estimate it will receive for the first year of authorisation?**

The data submitted here is to calculate the firm's FSCS levy in relation to life insurance activities.

'Relevant net premium income' is defined in the Policyholder Protection Part of the PRA Rulebook see: [www.prarulebook.co.uk/rulebook/Content/Part/213382/01-01-2016](http://www.prarulebook.co.uk/rulebook/Content/Part/213382/01-01-2016) and the FCA Handbook glossary, please see: [www.handbook.fca.org.uk/handbook/glossary/?starts-with=R](http://www.handbook.fca.org.uk/handbook/glossary/?starts-with=R)

Please note this should be income received only from eligible claimants. An eligible claimant is a person who is eligible to bring a claim for compensation under 7.2 of the Policyholder Protection Part of the PRA Rulebook and COMP 4.2.1R of the FCA Handbook: [www.handbook.fca.org.uk/handbook/COMP/4/2.html](http://www.handbook.fca.org.uk/handbook/COMP/4/2.html).

**Financial Ombudsman Service levy****6.7 Fee-block I002 – Insurers – General**

**In relation to general insurance business, how much relevant annual gross premium income does the firm estimate it will receive for the first year of authorisation?**

The data submitted here is to calculate the firm's Financial Ombudsman Service levy in relation to general insurance activities. The Financial Ombudsman Service levy is based on business on the firm conducts with private individuals who are eligible complainants. We define an 'eligible complainant' under DISP 2.7 of the Handbook [www.handbook.fca.org.uk/handbook/DISP/2/7.html](http://www.handbook.fca.org.uk/handbook/DISP/2/7.html).

Please only include gross premium income in relation to eligible complainants. If the applicant firm's entire investment business is carried on with eligible complainants then the data reported here will be the same as that reported under PRA and FCA fee-block A.3.

**6.8 Fee-block I004 – Insurers – Life**

**In relation to life insurance business, how much relevant adjusted annual gross premium income does the firm estimate it will receive for the first year of authorisation?**

The data submitted here is to calculate the firm's Financial Ombudsman Service levy in relation to life insurance activities.

The **Financial Ombudsman Service** levy is based on business the firm conducts with private individuals who are eligible complainants. We define an 'eligible complainant' under DISP 2.7 of our Handbook: [www.handbook.fca.org.uk/handbook/DISP/2/7.html](http://www.handbook.fca.org.uk/handbook/DISP/2/7.html) .

Please only include gross premium income in relation to eligible complainants. If the applicant firm's entire investment business is carried on with eligible complainants then the data reported here will be the same as that reported under PRA and FCA fee-block A.4.