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For the attention of small non-Solvency II insurance firms

On 20 November 2015 the PRA published its final set of rules for insurance firms, like yours, that are out of scope of Solvency II.¹ This letter focusses specifically on Policy Statement 26/15² which includes rules for the implementation of the new Senior Insurance Managers Regime (SIMR). We set out what you need to do to get ready for the new regime, and where to find further information.

Preparing for grandfathering deadline – 8 February 2016

As you may be aware the SIMR goes live on 7 March 2016. Firms may need to take action to ensure that individuals are allocated the correct responsibilities and have the necessary approvals where needed. For instance, firms will be able to grandfather (or transfer) individuals currently approved under the Approved Persons Regime to the SIMR. We refer you to Chapter 4 of CP26/15³ and the conditions outlined in paragraph 4.5. Firms wishing to grandfather individuals will need to complete and submit the necessary documents by 8 February 2016 at the latest.

A grandfathering notification form (Form K) for small non-SII firms is available on the Bank's website.⁴ Non-Solvency II firms must submit the relevant completed form by paper to the PRA using the information available on the front of the form. Please ensure that you send your form in good time to arrive by 8 February 2016 at the latest. You can either send it by post, or email PRA-ApprovedPersons@bankofengland.co.uk.

The grandfathering form will need to show how the individuals currently holding Controlled Functions under the Approved Persons Regime (APR CFs) will map into the equivalent new Senior Insurance Management Function (SIMF) or FCA CF. Where an individual currently holding an APR CF falls out of scope of SIMR, this will also need to be reflected on the form. A table mapping equivalent functions from APR CFs to each new PRA SIMF or FCA CF is set out in Chapter 4, Table A of PS26/15.

As stated in PS26/15, the PRA has adopted policy to deliver a proportionate, simpler and more coherent approach for non-Solvency II firms. Accordingly, as a minimum, a non-SII firm must have the following Senior Insurance Management Functions:

- SIMF25 (Small Insurer Senior Management function) – we expect that the CEO (APR CF3) and the Chairman of the governing body will be SIMF25; and

where the firm currently has an APR CF12 or APR CF12A:

- an SIMF20 (Small Insurer Chief Actuary function) currently an APR CF12; and/or
- an SIMF21 (Small Insurer With-Profits Actuary function) currently an APR CF12A.

¹ See 'Regime development' on the PRA's dedicated [non-Directive firms webpage](http://www.bankofengland.co.uk/pr/Pages/supervision/smallinsurers/nondirective.aspx) at www.bankofengland.co.uk/pr/Pages/supervision/smallinsurers/nondirective.aspx.

² PS26/15 'The prudential regime, and implementation of the Senior Insurance Managers Regime, for non-Solvency II firms'; www.bankofengland.co.uk/pr/Pages/publications/ps/2015/ps2615.aspx.

³ CP26/15 'Senior Insurance Managers Regime: implementation proposals for non-Solvency II insurance firms', August 2015; www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp2615.aspx

⁴ Available in the table on the [SIMR – Forms webpage](http://www.bankofengland.co.uk/pr/Pages/authorisations/simr/default.aspx) at www.bankofengland.co.uk/pr/Pages/authorisations/simr/default.aspx.

Other NEDs (irrespective of whether they are currently APR CF2, CF5 or CF6) would not normally be PRA-approved persons under the new regime. Other executives who are currently performing (or are expected to be performing) an APR CF1, CF5, CF6, or CF 28 role may also become a SIMF25 if they meet the definition for this 'small insurer senior management function' in Chapter 2 of the Non-Solvency II Firms – Senior Insurance Management Functions Part of the PRA Rulebook.⁵ Firms should also read the explanatory covering text at paragraphs 2.5 - 2.7 of PS21/15.⁶

Firms should stay apprised of FCA developments on final rules on the revised approved persons regime for non-Directive firms, which are expected to be published in December. If, after consulting the FCA's website⁷ and reviewing its requirements and expectations, you are still unsure of how to complete the grandfathering notification forms in relation to any FCA CFs, then please contact the FCA Contact Centre. As with the current APR, the PRA and FCA will lead on their respective reviews of the SIMF and FCA CFs respectively.

Under the new regime you will be required in due course to allocate certain prescribed responsibilities to SIMFs (see paragraph 2.12 in CP12/15) and produce a scope of responsibility document for each individual mapping over to the new regime. You will also need to produce a governance map for the firm. However, you will not be required to submit these with your grandfathering form. While you should be thinking about these additional requirements as part of your allocation of the roles and responsibilities for grandfathering, you will be required to produce these in March 2017.

If you do not complete and submit the necessary grandfathering forms before the commencement of the new regime, then the relevant individuals' 'Controlled Function' status falls away on 7 March 2016 when the new SIMR regime is implemented. Such failure to submit a grandfathering form, and the resulting absence of any approved persons at the firm from 7 March 2016, would also result in a breach of PRA rules and accordingly may result in enforcement action being taken.

Where to find further information...

The PRA has a dedicated Strengthening Accountability webpage⁸ where firms can find information on this topic relevant to insurers including:

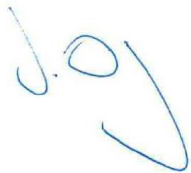
- a table showing all policy development to date; and
- a letter dated 25 August from Sam Woods, Executive Director of Insurance Supervision, containing information about the path towards implementation of the SIMR.⁹

Should you require any further assistance, please use the following details to contact the Firm Enquiries Team.

Email: PRA.FirmEnquiries@bankofengland.co.uk
 Phone: 020 3461 7000 Please have your six digit firm reference number (FRN xxxxxx) ready
 Post: Firms Enquiries Team (MG1-SE)
 Prudential Regulation Authority
 20 Moorgate
 London, EC2R 6DA

For more information regarding FCA requirements please consult the FCA website, or contact the FCA Contact Centre.¹⁰

Yours faithfully



⁵ The PRA Rulebook is available at www.prarulebook.co.uk.

⁶ 'The Senior Insurance Managers Regime: a streamlined approach for non-Solvency II firms', August 2015; www.bankofengland.co.uk/pr/Pages/publications/ps/2015/ps2115.aspx.

⁷ See www.the-fca.org.uk/individual-accountability-insurance-sector.

⁸ See www.bankofengland.co.uk/pr/Pages/supervision/strengtheningacc/default.aspx.

⁹ See www.bankofengland.co.uk/pr/Documents/supervision/strengtheningacc/simr0815.pdf.

¹⁰ Contact details for the FCA are available at www.fca.org.uk/site-info/contact.