PRA RULEBOOK: FEES (INSURANCE FIRMS TRANSITIONAL RULES) INSTRUMENT 2016

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 137G (the PRA's general rules);
 (2) section 137T (General supplementary powers); and
 (3) paragraph 31 of Schedule 1ZB (Fees);

B. The rule-making powers referred to above are specified for the purpose of section 138G (2) (Rule-making instruments) 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.

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D. The PRA makes the rules in the Annex to this instrument.

Commencement

E. This instrument comes into force on 19 December 2016.

Citation

F. This instrument may be cited as the PRA Rulebook: Fees (Insurance Firms Transitional Rules) Instrument 2016.

By order of the Board of the Prudential Regulation Authority

6 December 2016

Annex

Amendments to the Fees Part

In this Annex new text is underlined and deleted text is struck through.

1   APPLICATION AND DEFINITIONS

...

1.2   In this Part, the following definitions shall apply:

...

directive friendly society

means a *friendly society* that is a *UK Solvency II firm.*

...

gone into run-off

means that an *insurer* has acquired the following characteristics:

(1) it has ceased to effect new *contracts of insurance;*

(2) its *permission* for *effecting contracts of insurance* has been cancelled;

(3) its exclusive remaining business is administering its remaining insurance liabilities;

and

(4) if required to do so, it has submitted a run-off plan to the *PRA.*

...

3   PERIODIC FEES

...

Transitional rules (A3 and A4 fee payers) for the 2017/18 fee year

3.19   The transitional rule at 3.20 applies only to *fee payers* liable to pay *periodic fees* in the A3 *general insurance fee block* or the A4 *life insurance fee block*. Unless otherwise provided, it supplements all other Part rules relating to the calculation of *periodic fees.*

3.20   The following shall apply to the calculation of *periodic fees* for the *fee year* commencing on 1 March 2017:

(1) Except as provided in 3.20(5)(a), for the purposes of calculating *periodic fees* payable under 3.3(3) in the *fee year* commencing on 1 March 2017 the following adjusted *tariff base* shall be used:

(a) for *firms* in the *general insurance fee block* (A3):

(i) if the *firm* is an *insurer*, the sum of its annual *gross premium income* for, and *gross technical liabilities* at the end of, the *firm's* financial year which

ended in the calendar year to 31 December 2015 and not the calendar year to 31 December prior to commencement of the *fee year.*

(ii) if the *firm* is a *non-directive friendly society* the value of *contributions as income* receivable in respect of *United Kingdom* business included in its income and expenditure account at the end of the *firm's* financial year which ends in the calendar year to 31 December 2015 and not the calendar year to 31 December prior to commencement of the *fee year*.

(iii) if the *firm* is a *directive friendly society* the value of *gross premiums written* in respect of *UK* business included in its income and expenditure account at the end of the *firm's* financial year which ends in the calendar year to 31 December 2015 and not the calendar year to 31 December prior to commencement of the *fee year.*

and

(b) for *firms* in the *life insurance fee block* (A4), the sum of *adjusted gross premium income* for, and *mathematical reserves for fees purposes* valued at the end of, the *firm's* financial year ending in the calendar year to 31 December 2015 and not the calendar year to 31 December prior to commencement of the *fee year.*

(2) *Firms* subject to this rule must on or before 28 February 2017:

(a) notify the *PRA's collection agent* of any insurance business transfer, either to or from the *firm,* that has taken place using the procedure under Part VII *FSMA* or Part VIII of the Friendly Societies Act 1992 during the period specified in 3.20(4);

and

(b) provide such information as the *PRA* acting through its *collection agent* may require to establish the extent to which the *tariff data* referred to in 3.20(4) has increased or decreased as a result of the transfer and the amended data so provided will form the basis of the *periodic fees* calculation for the *fee year* commencing on 1 March 2017.

(3) *Firms* may on or before 28 February 2017 voluntarily submit amended *tariff data* to reflect the fact that the *firm* has *gone into run-off* during the period specified in 3.20(4).

(4) The period referred to in 3.20(2) and 3.20(3) is from:

(a) the date in the 2015 calendar year that, under Fees 3.4, was the last day of the *firm's valuation point* for the *tariff data* that would form the basis of *periodic fees* calculations in the *fee year* commencing on 1 March 2016;

to

(b) 31 December 2016.

(5) The following rules relating to *periodic fees* will not apply so long as the transitional rule remains in force:

(a) 3.9 and 3.10. The *periodic fees* calculation based on projected valuations in 3.7 will instead be applied to all *firms (*whether in their *first fee year, second fee year* or a subsequent *fee year)* that did not submit, or submitted insufficient, *tariff data* as at the December 2015 *valuation point* to enable 3.20(1) to be given effect, subject to the modification that, for *firms* in their second and subsequent *fee years,* the formula in 3.7(2) is A+B and not (A+B) x C;

and

(b) 3.12.

(6) To assist with the formulation of fees policy for the *fee year* commencing on 1 March 2018 and subsequent *fee years, firms* will comply with the requests of the *PRA* or its *collection agent* for *tariff data* in respect of their financial years ending 31 December 2016 and 31 December 2017.