

**PRA RULEBOOK: SOLVENCY II FIRMS, NON-SOLVENCY II FIRMS, NON-AUTHORISED PERSONS: POLICYHOLDER PROTECTION (MISCELLANEOUS AMENDMENTS) INSTRUMENT 2019**

**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);
  - (3) section 213 (The compensation scheme); and
  - (4) section 214 (General).
- 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.

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

**Commencement**

- E. This instrument comes into force on 7 March 2019.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Solvency II Firms, Non-Solvency II Firms, Non-Authorised Persons: Policyholder Protection (Miscellaneous Amendments) Instrument 2019.

**By order of the Prudential Regulation Committee**

1 March 2019

## Annex A

## Amendments to the Policyholder Protection Part

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

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**21 FSCS Levies**

...

21.24

(1) This rule applies to the calculation of the levies of a *firm* (A) if:

...

(c) that acquisition or change takes place after the date to which, or as of which, A's most recent statement of business under 21.42A is drawn up so far as concerns the *insurance classes* covered by B's business.

(2) A must pay an additional amount equal to the levy that would have been payable by B in relation to the relevant business and relevant *insurance class* if the acquisition or change in legal status had not taken place and B had remained liable to pay levies. The amount is based on the most recent information supplied by B under 21.42A. A is included in the *insurance classes* applicable to the relevant business.

(3) This rule only applies with respect to those financial years of the *FSCS* for which A's levies are calculated on the basis of a statement of business under 21.42A drawn up to a date.

21.25

If a *participant firm's* share of a levy or an additional administrative fee under 21.42A would be so small that, in the opinion of the *FSCS*, the costs of collection would be disproportionate to the amount payable, the *FSCS* may treat the *participant firm* as if its share of the levy or additional administrative fee amounted to zero.

...

21.32

The *FSCS* must calculate a participant firm's share of a specific costs levy (subject to 21.24) by:

(1) identifying each relevant *insurance class* to which the *participant firm* belongs, using the statement of business most recently supplied under 21.42A;

...

(3) calculating, in relation to each relevant *insurance class*, the *participant firm's* tariff base (see Annex 2) as a proportion of the total tariff base of all *participant firms* in the *insurance class*, using the statement of business most recently supplied under 21.42A;

...

- 21.34 ...
- (3) The rest of this rule only applies to a *firm* that becomes a *participant firm*, or extends its *permission*, on or after 1 April 2009:
- ...
- (d) Where a *participant firm* is require to use a method in (c) it must notify the *FSCS* of its intention to do so by the date specified in 21.42A.
- ...
- 21.38 The *FSCS* must calculate each *participant firm's* share of a *compensation costs levy* (subject to 21.22) by:
- (1) identifying each of the *insurance classes* to which each *participant firm* belongs, using the statement of business most recently supplied under 21.42A(1);
- ...
- (3) calculating, in relation to each relevant *insurance class*, the *participant firm's* tariff base (see Annex 2) as a proportion of the total tariff base of all *participant firms* in the *insurance class*, using the statement of business most recently supplied under 21.42A;
- ...
- 21.43 If the information in 21.42A has been provided to the *PRA* under other rule obligations, a *participant firm* will be deemed to have complied with 21.42A.

**Annex 2: Methodology for Calculation of a Participant Firm's Levy Share**

...

Insurance Class B1	General Insurance Provision
Firms with permission for:	...
Tariff base	<p>...</p> <p>Relevant net premium income is calculated in accordance with the method applicable to the <i>firm</i> for calculating 'gross written premium for fees purposes' in Fees 1.2 and Fees 3.4 (2) (be) with the following adjustments:</p> <p>...</p> <p>Eligible liabilities are calculated in accordance with the method applicable to the <i>firm</i> for calculating 'best estimate liabilities for fees purposes' in Fees 1.2 and Fees 3.4 (2) (be) with the following adjustments:-</p>

