Bank of England PRA

FINAL NOTICE

To: **HDI Global SE (Firm Reference Number: 230072)**

Date: 16 July 2026

1. Action

1.1. For the reasons set out in this Notice, the Prudential Regulation Authority ("**PRA**") imposes a financial penalty on HDI Global SE (the "**Firm**") of £4,165,000 for breaches of:

1.1.1. PRA Fundamental Rule 2 (*A firm must conduct its business with due skill, care and diligence*); and

1.1.2. PRA Fundamental Rule 6 (*A firm must organise and control its affairs responsibly and effectively*),

between 13 August 2021 and 31 August 2024 (the "**Relevant Period**").

1.2. The Firm participated in the PRA's Early Account Scheme ("**EAS**") under the PRA Settlement Policy, producing a fulsome and candid account (the "**Account**"). The Firm agreed to settle during the Discount Stage of the PRA's investigation. While the Firm made candid admissions of fact, it did not make early admissions in relation to the potential breaches under investigation and did not, therefore, qualify for an enhanced settlement discount under paragraph 10.40 of the PRA Settlement Policy. Accordingly, the Firm qualified for a 30% settlement discount pursuant to the PRA Settlement Policy. Were it not for this discount, the PRA would have imposed a financial penalty of £5,950,000.

2. Summary of reasons for the action

The Firm

2.1. The Firm is a branch of a global insurance company headquartered in Hanover, Germany. In the UK, the Firm is regulated by the PRA and the Financial Conduct Authority ("**FCA**"). The Firm has operated in the UK since 10 December 2003. From 2003 until the UK's exit from the European Union in 2020, the Firm provided services to customers in the UK, without specific authorisation from the PRA, via the EEA passporting regime. Following the end of the transition period, the Firm was a third country branch with a deemed Part 4A permission under the Temporary Permissions Regime. From 30 September 2021, the Firm has been authorised as the UK branch of HDI Global SE.

2.2. As an authorised UK branch, the Firm was subject to PRA supervision. The PRA's approach to supervision was informed by key data provided to it relating to the Firm's business. This included data relating to the Firm's FSCS Liabilities (being the amount which could potentially be claimed by eligible claimants from the Financial Services Compensation Scheme[1] ("**FSCS**") in respect of protected contracts of insurance issued by a firm), which the Firm provided to the PRA. In addition, the Firm was required to report data to the FCA for the purposes of the calculation of the Firm's FSCS levy ("**FSCS Fee Tariff Data**").[2]

2.3. After the Relevant Period, a new subsidiary for UK FSCS business was established. This subsidiary was authorised on 22 July 2025. The PRA's investigation and the facts and matters set out in this notice relate to events pre-dating the establishment of this subsidiary.

The PRA and its expectations

2.4. The provision of accurate, complete and timely data is a key component in the PRA's supervisory approach and, along with the integrity of controls

[1] Bank of England, **What is the FSCS and what is the new deposit protection limit?**
[2] FSCS Fee Tariff Data includes a statement of the insurance class to which a firm belongs and its total amount of business, comprising Relevant Net Premium Income and Eligible Liabilities.

implemented to prevent inaccuracies in data submitted, is of fundamental importance to achieving the PRA's safety and soundness objective. The PRA relies on firms submitting accurate data to inform its supervisory strategy and to feed into prudential decisions.

2.5. Firms should take reasonable care to organise their affairs responsibly and effectively. This includes exercising due skill, care and diligence in the preparation and submission of data submitted to the PRA. The preparation and submission of data should be underpinned by adequate systems and controls to mitigate and prevent inaccuracies in data submission.

2.6. FSCS Liabilities are an important metric for informing the PRA's supervisory approach to relevant firms. Misreporting of FSCS Liabilities may result in the PRA carrying out its supervision of a firm on an incorrect basis, hinder the PRA's ability to identify material risks and may also result in a firm underpaying any applicable levy to the FSCS.

Background

2.7. During the Relevant Period, the Firm submitted incorrect FSCS Liabilities data to the PRA and/or FCA on multiple occasions, including in purported remediation of previously incorrect submissions. These calculations were incorrect because the Firm failed to consult the PRA Rulebook or guidance as to what liabilities are covered by the FSCS and the methodology for the calculation of the components of the FSCS Fee Tariff Data.

2.8. These errors arose and persisted undetected because the Firm did not have effective written processes that would ensure such calculations were reliable.

2.9. Despite the importance of FSCS Liabilities for PRA supervision being reflected in published regulatory guidance, the Firm did not attach sufficient importance to reporting FSCS Liabilities to the PRA, as acknowledged by the Firm and reflected in the lack of due skill, care and diligence and ineffective systems and controls in place for their calculation. In this case the Firm materially and repeatedly misreported its FSCS Liabilities. By way of example, in 2023 it submitted FSCS Liabilities for 2022 YE as £20.39m, when the corrected figure was £195.85m. As a result, until it was remediated the

PRA did not have an accurate picture of the Firm's position, hindering the PRA's ability to identify where the Firm fell in relation to the PRA's risk tolerance.

2.10. After these issues came to light, the Firm carried out a review and has since implemented a number of remediation initiatives. New procedures and controls are now in place in respect of the reporting of FSCS Liabilities and FSCS Fee Tariff Data, and the Firm has submitted corrected historical data and paid additional levies required by the FSCS to remedy the errors in respect of FSCS Fee Tariff Data.

Breaches

2.11. During the Relevant Period, the Firm breached:

2.11.1. PRA Fundamental Rule 2: The Firm submitted incorrect data to the PRA on multiple occasions. The errors in the Firm's submissions arose from a failure to apply due care, skill and diligence to ensure that the data was calculated correctly. The root cause of this was a failure to refer to the relevant PRA Rules or guidance. After the Firm identified potential issues with these calculations, it performed and submitted revised calculations in purported remediation. It did so without first seeking appropriate advice. These revised calculations were incorrect. Subsequently, the Firm sought legal and professional advice at the PRA's request.

2.11.2. PRA Fundamental Rule 6: The absence of effective policies and procedures resulted in the errors arising and persisting. There was a lack of clear accountability for ensuring the calculations were conducted in accordance with the relevant rules and guidance, and ineffective senior oversight and internal challenge functions.

3. Sanction

3.1. Taking into account the facts and matters in **Annex A** and the relevant factors set out in the PRA Penalty Policy, the PRA considers the Firm's breaches as summarised above and set out more fully in **Annex B** justify the imposition of a financial penalty of £5,950,000. That penalty is reduced by 30% to

£4,165,000 because the Firm settled the matter with the PRA during the Discount Stage.

4. Annexes, appendices and procedural matters

4.1. The structure of this Notice is as follows:

4.1.1. **Annex A** - full particulars of the facts and matters relied on by the PRA in its decision-making process regarding the Firm;

4.1.2. **Annex B** - the relevant regulatory requirements and the breaches;

4.1.3. **Annex C** - the basis for the sanction the PRA is imposing;

4.1.4. **Annex D** - important procedural matters;

4.1.5. **Appendix 1** - the definitions used in this Notice; and

4.1.6. **Appendix 2** - relevant statutory, regulatory and policy provisions applicable during the Relevant Period.

David Chaplin

Head of Legal, Enforcement and Litigation Division

For and on behalf of the PRA

ANNEX A: FACTS AND MATTERS RELIED UPON

1. FSCS Liabilities

1.1. The PRA and FCA are responsible for oversight of, and rules relating to, FSCS protection in respect of insurance policies. The Firm provided information relating to its FSCS Liabilities to the regulators in two ways. First, the Firm provided details of its FSCS Liabilities to the PRA to inform the PRA's supervision of the Firm. Second, the Firm submitted its FSCS Liabilities data as part of the FSCS Fee Tariff Data to the FCA each year for the purposes of the FSCS levy.

1.2. The amount of a firm's FSCS Liabilities is an important metric informing the PRA's supervisory approach. The level of FSCS Liabilities is a strong indicator of the impact of failure of a third country branch on both policyholders and FSCS levy payers. FSCS Liabilities are considered alongside other key metrics, including a firm's size, overall business conducted and amount of reinsurance which it carries out, to allow the PRA to take an informed view on its supervisory approach based on the firm's risk profile. Firms provide details of FSCS Liabilities when applying for authorisation by the PRA and provide such data when subsequently requested by the PRA. The importance of FSCS Liabilities to PRA supervision is reflected in published guidance.[3]

1.3. The relevant rules which applied to the Firm during the Relevant Period in respect of the FSCS are contained in the Policyholder Protection Part of the PRA Rulebook. This contains rules on what claims are covered by the FSCS and how the FSCS is to be funded to meet such claims.

1.4. The criteria for an Eligible Claimant are set out in Chapter 7 of the Policyholder Protection Part of the PRA Rulebook. Exceptions are set out under Chapter 8. Limits on compensation are set out in Chapter 17. Pursuant to these provisions, the FSCS provides 100% compensation for Protected

[3] See, for example, Supervisory Statement 2/18 – **International insurers: the Prudential Regulation Authority's approach to branch authorisation and supervision**, March 2018.

Claims relating to compulsory insurance and 90% compensation for most other types of general insurance.

1.5. This is reflected in relevant guidance in place during the Relevant Period, including consumer-facing guidance. For example, the Bank of England website relating to the FSCS notes: "*Provided that the claim is a protected contract of insurance,*[4] *there are no exclusions from eligibility for claims under insurance contracts that cover compulsory insurance*" and explains that the level of compensation is *"[w]here the claim is in respect of a liability subject to compulsory insurance, a liability subject to professional indemnity insurance, or death or incapacity of the policyholder due to injury, sickness or infirmity: 100% of the claim*".[5]

1.6. FSCS guidance also noted during the Relevant Period that "*The following insurance claims are entitled to 100% compensation. That means that if the insolvency practitioner accepts them, we will repay them in full:*

- *Third-party motor*
- *Employers' liability*".[6]

2. FSCS Fee Tariff Data

2.1. The FSCS is funded by an annual fee paid by participating firms to fund compensation for customers when firms fail, based on the principle of the industry paying to protect customers.

2.2. Throughout the Relevant Period, each year the Firm was required to provide its FSCS Fee Tariff Data to the FSCS via the FCA as part of the FCA's annual fee collection process. The Firm's FSCS Fee Tariff Data included a statement of the insurance class to which it belonged and its total amount of business, which comprised Relevant Net Premium Income ("**RNPI**") and Eligible Liabilities ("**EL**"). Once the FSCS fee for the relevant year was

[4] As defined on the webpage, reflecting the definition in the Policyholder Protection Part of the PRA Rulebook.
[5] Bank of England, **Financial Services Compensation Scheme**. The quoted text was unchanged during the Relevant Period.
[6] FSCS, **What we cover – Insurance**. The quoted text was materially the same throughout the Relevant Period.

calculated, taking the FSCS Fee Tariff Data into account, the Firm was required to pay this to the FCA. Guidance available to assist firms in submitting their FSCS Fee Tariff Data referred, and provided links, to the relevant sections of the PRA Rulebook and reminded firms to ensure that the tariff data was signed off at the appropriate level of seniority, for example the compliance director, before submission.

3. The Firm's approach to reporting FSCS Liabilities

3.1. A lack of prominence was given to FSCS Liabilities reporting. The lack of importance assigned to FSCS Liabilities contributed to the Firm having insufficient controls to ensure the accuracy of its FSCS Liabilities data and FSCS Fee Tariff Data submissions.

3.2. The Firm did not have written policies or processes in place for calculating its FSCS Liabilities or FSCS Fee Tariff Data until August 2024. Senior managers within the Firm were aware of this.

3.3. The only document identified by the Firm pre-dating August 2024 which was concerned with FSCS Liabilities was a procedural note outlining the logistical process of submitting the FSCS Fee Tariff Data. This note had not been subject to senior management sign-off and did not reference any relevant regulatory rules or contain instructions regarding the calculation methodology in respect of FSCS Liabilities.

3.4. The Firm's Finance function conducted the calculations pertaining to the Firm's FSCS Liabilities. Until September 2023, FSCS Liabilities and FSCS Fee Tariff Data calculations were signed off by its Finance function only. It was only following identification of inaccuracies with the Firm's FSCS Liabilities and FSCS Fee Tariff Data submissions (as outlined below), that FSCS Liabilities calculations were signed off by Compliance in addition to Finance. However, this remained an informal and undocumented process.

3.5. Neither the Finance nor Compliance function had clear responsibility for ensuring the accurate and correct reporting of FSCS Liabilities and FSCS Fee Tariff Data. Further, a lack of interaction and clarity about the roles of the two functions contributed to the errors in the Firm's calculations and their persistence, as acknowledged by the Firm.

4. Provision of inaccurate data during the Relevant Period

4.1. Throughout the Relevant Period the Firm repeatedly submitted incorrect figures relating to FSCS Liabilities and FSCS Fee Tariff Data to the PRA and/or FCA.

4.2. In particular, on at least eleven occasions between February 2022 and June 2024, the Firm submitted materially inaccurate figures to the PRA and/or FCA, in response to supervisory requests by the PRA for the Firm's FSCS Liabilities data, in annual FSCS Fee Tariff Data submissions to the FCA and/or in the course of making further (incorrect) submissions in respect of incorrect data previously submitted to the PRA and/or FCA.

4.3. The errors were material. For example:

4.3.1. Comparing the Firm's October 2023 submission to the PRA in respect of its FSCS Liabilities to its resubmission in November 2023:

Year	Actual / forecast	October 2023 submission	November 2023 submission
2022 YE	Actual	£20.39 million	£195.85 million
2023 YE	Forecast	£14.77 million	£215.44 million
2024 YE	Forecast	£9.14 million	£226.21 million

4.3.2. In respect of the Firm's annual FSCS Fee Tariff Data submissions:

Period	EL / RNPI	Original submission	Final amended submission – February 2025
2022 - 2023	RNPI	£2,817,575	£96,439,167
	EL	£79,198,607	£174,776,178
2023 - 2024	RNPI	£3,372,599	£88,425,600
	EL	£80,114,684	£193,678,126

Period	EL / RNPI	Original submission	Final amended submission – February 2025
2024 - 2025	RNPI	£4,757,905	£100,529,425
	EL	£185,878,483	£189,165,497

4.4. The Firm made one or more of the following errors in each of its incorrect calculations:[7]

4.4.1. The Firm did not include all compulsory insurance in its calculations of FSCS Liabilities reported to the PRA and in its calculation of the EL component of the FSCS Fee Tariff Data reported to the FCA. In particular, the Firm did not include 100% of Third Party Motor Liability insurance ("**TPMLI**") and, in August, September and October 2023, Employers' Liability insurance ("**ELI**") figures. This error was not identified by the Firm until October 2023.

4.4.2. The Firm submitted the RNPI component of its FSCS Fee Tariff Data net of reinsurance. This error was identified in June 2024 by a third party when conducting a review into the Firm's FSCS Liabilities reporting (see paragraph 6.6 below).

5. Initial identification of potential misreporting and incorrect attempts at remediation

5.1. In February 2022, the Firm provided (incorrect) data to the PRA in respect of its FSCS Liabilities, in response to a request from the PRA for the latest information about the Firm's intragroup reinsurance following its authorisation (including the Firm's branch level FSCS Liabilities as a percentage of branch technical provisions).

[7] Some of the above numbers were forecasts and the level of a firm's forecasts may be subject to certain fluctuations. However, the errors identified, and their magnitude, were caused by the methodology applied to the calculations being incorrect as detailed below, and were unrelated to any expected fluctuations due to the nature of the calculations involved.

5.2. In May 2022, the Firm submitted an inaccurate FSCS Fee Tariff Data submission to the FCA.

5.3. In May 2023, the Firm submitted an inaccurate FSCS Fee Tariff Data submission to the FCA.

5.4. In late July 2023, the PRA requested the Firm confirm the amount of its FSCS Liabilities. This request arose during discussions with the PRA about a potential increase in the Firm's FSCS business. The PRA expressed concerns regarding such an increase in the Firm's FSCS Liabilities because the Firm was already reaching the limit of the PRA's risk appetite under its supervisory strategy, having regard to the amount of reinsurance conducted considered alongside its FSCS Liabilities, as previously reported to the PRA.

5.5. When preparing its response to the PRA's request, the Firm identified what it considered to be an inaccuracy in a previous FSCS Fee Tariff Data submission to the FCA, and as a consequence in FSCS Liabilities figures provided to the PRA in early July 2023. The Firm reported this suspected over-reporting of FSCS Liabilities to the PRA (the "**Initial AllegedOver-reporting**") in August 2023. The Firm provided revised (incorrect) figures to both the PRA and FCA to purportedly remediate the Initial AllegedOver-reporting. The Firm had mistakenly concluded that its ELI figures had been incorrectly included in the calculations, leading to the figures previously reported to PRA and FCA being higher than they should have been. This was on the basis that FSCS Liabilities, in the Firm's understanding at that time, only included policyholders with a turnover of less than £1 million and none of the ELI policyholders had a turnover of less than £1 million. Consequently, the FSCS Liabilities in respect of compulsory insurance policies were excluded in the revised figures provided to the PRA.

5.6. The Firm was mistaken in its view and therefore misreported both the nature of the perceived error and the revised figures. There had been no over-reporting in the initially submitted figures. The Firm had failed to take into account the fact that in respect of compulsory insurance policies, the FSCS protects 100% of the amount claimed and repays the pro-rata portion of any annual premium where cover ceases following a default. The position in respect of compulsory insurance policies was clearly set out in public consumer-facing guidance, as noted above. The figures resubmitted by the Firm in August 2023 did not include all compulsory insurance.

5.7. Neither the PRA nor the Firm has identified evidence of the Firm consulting relevant rules and/or guidance in respect of the calculation of its FSCS Liabilities or FSCS Fee Tariff Data before the summer of 2023, when it consulted the FSCS website. The Firm did not consult the PRA Rulebook at this time despite the fact that the annual FSCS Fee Tariff Data submission guidance specifically references and links to the relevant parts of the PRA Rulebook.

5.8. The Firm submitted revised figures to the FCA in September 2023, following a request from the FCA in August 2023 for confirmation of the correct data and information about the Initial Alleged Over-reporting. While preparing this data, the Firm failed to identify that all compulsory insurance (and therefore ELI and TPMLI) should have been included.

5.9. In October 2023, the Firm again provided revised data in respect of its FSCS Liabilities to the PRA, in response to a PRA request for certain data in September 2023. While preparing this data, the Firm failed to identify that all compulsory insurance (and therefore ELI and TPMLI) should have been included.

5.10. Subsequently, in October 2023, after consulting the PRA Rulebook and FSCS website, the Firm identified that compulsory insurance products should be included in FSCS Liabilities calculations regardless of size and therefore that all previous resubmissions had been incorrect. ELI should have therefore been included in the Firm's August, September and October 2023 FSCS Liabilities resubmissions, and TPMLI should have been included in its FSCS Liabilities calculations and the EL component of its FSCS Fee Tariff Data throughout the Relevant Period. This revealed for the first time that the Firm had been providing incorrect data to the PRA and FCA throughout the Relevant Period and that the notifications relating to the Initial AllegedOver-reporting, and attempts to remediate it, had been made on a mistaken basis.

5.11. The Firm did not seek appropriate advice on these matters until October 2023. The Firm and PRA have not identified any evidence that those involved in performing, reviewing and signing off on the calculations consulted the PRA Rulebook before this time. The Firm therefore produced incorrect calculations which were reviewed, signed off and submitted without any effective challenge of the methodology behind the calculations.

6. Professional advice and remediation

External legal advice 2023

6.1. On 8 October 2023, the Firm noted for the first time the position in respect of compulsory insurance policies. By 9 October 2023 the Firm was clearly aware that 100% of compulsory insurance should be included in the calculation of its FSCS Liabilities and the EL component of FSCS Fee Tariff Data, and therefore previous submissions and representations to the PRA and/or FCA might be inaccurate. This was discussed internally by the Firm over the next few days. The Firm waited to raise this with the PRA at its scheduled annual meeting on 25 October 2023. At this meeting, the PRA requested that the Firm seek professional advice on its FSCS Liabilities.

6.2. The Firm sought external legal advice in late October 2023. Per the Firm's instructions, the external legal advice was limited to specific questions and did not cover the overall methodology for the calculation of FSCS Fee Tariff Data, including the calculation of RNPI. The advice confirmed that ELI and TPMLI are compulsory insurance and therefore should have been included in the calculation of the Firm's FSCS Liabilities.

6.3. On 22 November 2023, the Firm provided the PRA with updated FSCS Liabilities data reflecting this external legal advice, with the inclusion of compulsory ELI and TPMLI.

6.4. From late November 2023, the PRA sought further information from the Firm on its proposals to address the identified issues. The PRA requested financial information and details of the Firm's reinsurance arrangements, due to concerns that the material increase in the level of the Firm's FSCS Liabilities according to the updated figures, alongside the total business ceded at the level of the branch undertaking, may have taken the Firm outside the PRA's risk appetite for levels of reinsurance. The Firm submitted further data in December 2023.

Independent external review 2024 and discovery of RNPI errors

6.5. In January 2024, having been asked by the PRA to resubmit correct figures for its FSCS Fee Tariff Data to the FCA, the Firm prepared an update. While doing so, a question was raised internally as to whether RNPI should be net after reinsurance. Despite being unsure what should be included, the Firm did not seek any professional or legal advice and proceeded on the (incorrect) assumption that RNPI should be net of reinsurance.

6.6. In February 2024, as part of an on-going discussion with the PRA, the PRA informed the Firm that, based on the revised data, the Firm sat outside the acceptable risk tolerance in respect of its reinsurance. The PRA raised concerns over the control framework at the Firm, given the Firm's incorrect calculation of its FSCS Liabilities, and requested that the Firm conduct a thorough review of its FSCS Liabilities reporting. It was agreed in March 2024 that this review would be conducted by an independent external adviser.

6.7. In May 2024, the Firm submitted partly inaccurate FSCS Fee Tariff Data to the FCA.

6.8. In June 2024, during the course of the review, the independent adviser identified a further error in the Firm's FSCS Liabilities reporting. The Firm had incorrectly reported its RNPI figures net of reinsurance, as opposed to gross. The independent adviser noted the definition of RNPI in Annex 2 of the Policyholder Protection Part of the PRA Rulebook did not allow for netting off reinsurance.

6.9. The independent adviser provided its final report in August 2024. The Firm shared the report with the PRA and acted on the key findings and recommendations for remediation. Key findings included:

6.9.1. As to accuracy of its reporting:

6.9.1.1. The Firm had incorrectly reported its FSCS Liabilities since PRA authorisation because compulsory motor insurance liability contracts were not identified as falling within the scope of the calculations prior to 2024/2025 (although the product had been offered since 2013);

6.9.1.2. Premium figures had been reported net of reinsurance, rather than based on gross written premium; and

6.9.1.3. These issues would have affected the amount of the FSCS levy that the Firm had paid historically (the Firm has paid all balancing payments required by the FCA to date);

6.9.2. As to controls around the Firm's FSCS liability reporting process:

6.9.2.1. FSCS liability process documentation did not exist, nor was there documentation regarding associated controls other than high-level sign-off emails;

6.9.2.2. There was no traceability to rule requirements to demonstrate adherence;

6.9.2.3. Challenge to the figures occurred but was not documented; and

6.9.2.4. While the process had improved over the years to introduce more independent challenge, there was no clear doer/reviewer/checker control documented within underlying spreadsheets.

6.10. The independent adviser's priority recommendations for remediation included:

6.10.1. Ownership for understanding and monitoring the relevant regulation should be assigned;

6.10.2. Ownership/accountability should be defined for the overall accuracy of the FSCS liability reporting;

6.10.3. A full end to end process for regulatory output should be suitably documented, including a clear doer/checker/reviewer process;

6.10.4. The existing FSCS liability reporting process should be amended; and

6.10.5. Regular reviews of the relevant regulation should be undertaken to identify changes and amend the FSCS liability reporting process as required.

Remediation status

6.11. Following the independent review findings, the Firm undertook remediation from August 2024. The remediation included implementation of a more detailed version of the FSCS Fee Tariff Data procedural note.

6.12. The Firm has confirmed that it has submitted corrected figures to the FCA and paid all FSCS fees and levies invoiced to date.

ANNEX B: BREACHES AND FAILINGS

1. Breaches

1.1. During the Relevant Period, as a result of the facts and matters set out in Annex A to this Notice, the Firm breached the following PRA Rules:

1.1.1. PRA Fundamental Rule 2; and

1.1.2. PRA Fundamental Rule 6.

2. The PRA's expectations

2.1. As the prudential regulator for insurers, such as the Firm, the PRA's role is to promote the safety and soundness of those firms, which is advanced by ensuring, amongst other things, that the business of those firms is carried out in a way that avoids any adverse effect on the stability of the UK financial system. The PRA must also act in accordance with its objective specific to the regulation of insurers, to contribute to the securing of an appropriate degree of protection for those who are or may become policyholders.

2.2. The provision of accurate, complete and timely prudential data is a key component in the PRA's supervisory approach. The PRA relies on firms submitting accurate data to inform its judgements about key risks, to measure individual firms' compliance and performance, to inform supervisory strategy and to feed into prudential decisions. The integrity of controls and the provision of accurate and reliable prudential data provided in response to specific requests or as part of regulatory reporting is of fundamental importance to achieving the PRA's safety and soundness objective.

3. Failings

3.1. The Firm breached the following PRA Rules during the Relevant Period:

Fundamental Rule 2

3.2. During the Relevant Period, the Firm breached PRA Fundamental Rule 2 (*a firm must conduct its business with due skill, care and diligence*) for the following reasons:

3.2.1. The Firm failed to calculate data relating to its FSCS Liabilities in an accurate manner and, as a result, submitted incorrect data to the PRA and the FCA. The errors were significant in magnitude and duration and arose through a failure by the Firm to conduct its business with due skill, care and diligence. This included the Firm's failure to check the requirements of the PRA Rulebook or guidance.

3.2.2. The fact that claims in respect of compulsory insurance under protected policies are fully protected by the FSCS was clear and obvious. Accordingly, the PRA would expect the Firm to have staff with sufficient knowledge of this or, if it did not, to have sought advice on this. The Firm failed to demonstrate due skill, care and diligence by failing to properly consult, comprehend and apply rules or guidance in respect of the calculation of FSCS Liabilities.

3.2.3. The Firm did not seek professional or legal advice until requested to do so by the PRA. When the Firm first raised the Initial Alleged Over-reporting, the Firm did not seek any professional or legal advice and re-submitted (incorrect) data to both the PRA and FCA in purported remediation. When the Firm subsequently identified its misunderstanding in respect of compulsory insurance, the Firm again did not seek professional or legal advice. The Firm waited to inform the PRA of this at a pre-scheduled annual firm meeting 17 days later, rather than promptly informing the PRA that the remediated data it had recently provided to the PRA was incorrect. Once the errors regarding compulsory insurance were confirmed, the Firm still did not carry out a full review of its processes until requested to do so by the PRA. It was only at this point that a further longstanding error in respect of the calculation of RNPI was identified. This meant that inaccuracies in reporting continued until identified by the external adviser in June 2024.

3.2.4. The Firm failed to act to resolve shortcomings which were evident, thereby failing to demonstrate due skill, care and diligence:

3.2.4.1. Senior individuals were aware there was no written procedure relating to the calculation of FSCS Liabilities but failed to address this.

3.2.4.2. After the Firm identified issues with its FSCS Liabilities reporting in August 2023, the Firm modified its sign-off approach. However, until the Firm had obtained advice from the independent adviser at the PRA's instigation, it continued not to implement any clear, documented procedure for the calculation of its FSCS Liabilities until August 2024.

3.2.4.3. Despite having identified that it had been incorrectly calculating and reporting data in respect of its FSCS Liabilities, the Firm did not undertake a full review of the calculation methodology, meaning that an additional error relating to RNPI persisted until raised by the external adviser in June 2024.

3.2.4.4. The Firm did not seek any professional or legal advice on its FSCS Liabilities calculation until requested to do so by the PRA in late October 2023. In the circumstances, the Firm should have identified the need to do so sooner.

3.2.5. The Firm failed to demonstrate due skill, care and diligence as a lack of prominence was given to FSCS Liabilities reporting, despite this data being specifically requested by the PRA, such that it was not treated with an appropriate level of importance and sufficient controls were not implemented.

Fundamental Rule 6

3.3. During the Relevant Period, the Firm breached PRA Fundamental Rule 6 (*a firm must organise and control its affairs responsibly and effectively*) for the following reasons:

3.3.1. The Firm failed to have in place any written procedure relating to the calculation of FSCS Liabilities. The only written document in place prior to late August 2024 was a process note setting out how to submit the FSCS Fee Tariff Data submission, which made no reference to the relevant PRA Rules or how to calculate the Firm's FSCS Liabilities. This remained the case despite the Firm initially identifying issues with its FSCS Liabilities calculations in August 2023.

3.3.2. The undocumented process was compounded by a lack of effective governance. There was no effective senior oversight of the calculation, as senior management failed to identify that the figures had not been calculated correctly nor that the process had not been tested against the underlying requirements of the PRA Rulebook or against relevant guidance. There was no effective challenge function, as at no stage were the calculations subjected to scrutiny capable of identifying the deficient methodology.

3.3.3. There was no clear accountability for ensuring that the calculations were conducted in accordance with the relevant rules and guidance, and no effective audit process for ensuring that past calculations had been carried out correctly.

4. Conclusion on failings

4.1. The Firm's failures in respect of its calculation of FSCS Liabilities and FSCS Fee Tariff Data were serious, going significantly beyond technical errors. The failings which allowed the calculation errors to occur were also serious in nature. The Firm paid insufficient attention to calculating its FSCS Liabilities and FSCS Fee Tariff Data accurately despite it being apparent from PRA publications that it is an important metric for firm supervision, and despite the data being submitted by the Firm to the PRA in response to requests made by the PRA.

4.2. The Firm's errors arose from a failure to exercise due skill, care and diligence. This was compounded by the absence of process and oversight reflecting a failure in organising and controlling its affairs responsibly and effectively. The Firm's failings were such that even when issues were identified, it failed to properly check and apply the relevant parts of the PRA Rulebook or seek professional advice, instead reporting that it had been *overstating* FSCS Liabilities and FSCS Fee Tariff Data and submitting inaccurate data in purported remediation to the PRA and FCA.

4.3. The calculation of FSCS Liabilities requires engagement with the Policyholder Protection Part of the PRA Rulebook. The calculation of FSCS Fee Tariff Data requires engagement with Annex 2 of the Policyholder Protection Part. The need to check the PRA Rulebook was specifically noted in the FCA's submission documentation. To the extent that firms may find such rules complex, they should seek professional advice. In this case, the Firm cannot evidence that it checked the PRA Rulebook in relation to the historic calculation of its FSCS Fee Tariff Data prior to the summer of 2023. The failures therefore reflect a complete lack of engagement rather than a misunderstanding resulting from complexity. To the extent it did do so after first identifying issues with its reporting of FSCS Liabilities, the Firm made further incorrect submissions and failed to seek advice on them.

4.4. Further, the principle that compulsory insurance is covered by the FSCS is straightforward. No complex calculations are required to establish that claims in respect of compulsory insurance are fully protected by the FSCS and that there are no exclusions from eligibility for such claims. The need to include compulsory insurance in the calculations should have been clear and obvious. The specifics of the calculations of FSCS Fee Tariff Data would also have been clear had the Firm properly consulted the relevant part of the PRA Rulebook, and if it was not, the Firm should have sought advice.

ANNEX C: PENALTY ANALYSIS

1. The Firm is authorised by the PRA under Part 4A of the Financial Services and Markets Act 2000 (the "**Act**"). Consequently, the PRA has the power, under section 206 of the Act, to impose on it a financial penalty for breaching PRA Rules.

2. The PRA has concluded that the imposition of a penalty is appropriate in this case.

PRA Penalty Policy

3. For the majority of the Relevant Period, the PRA's policy on imposing a financial penalty was as set out in '**The Prudential Regulation Authority's approach to enforcement: statutory statements of policy and procedure**', published 15 September 2021 (the "**Sep-21 Policy**").[8]

4. On 30 January 2024, the PRA's policy was updated. From that date up to and including the end of the Relevant Period, the relevant policy was as set out in '**The Bank of England's approach to enforcement: statements of policy and procedure**', published 30 January 2024 (the "**Jan-24 Policy**"), in particular: Annex 1, 'The PRA's approach to enforcement: statements of policy and procedure'.

5. The Jan-24 Policy states: "*Where a breach spans two policies, two penalty calculations will be considered*".[9] Both policies apply a five-step framework to determine the appropriate level of financial penalty. Where the policies are distinct from one another at Step 2, separate calculations have been applied which have then been apportioned accordingly with reference to the Relevant Period.

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[8] For the purpose of the first month of the Relevant Period, the PRA's policy on imposing a financial penalty was as set out in 'The Prudential Regulation Authority's approach to enforcement: statutory statements of policy and procedure', published 4 October 2019 (the "**Oct-19 Policy**"). The Oct-19 Policy and the Sep-21 Policy are the same in all material respects insofar as they concern the calculation of penalty. Therefore, in this Annex, references to the Sep-21 Policy include the Oct-19 Policy where relevant.

[9] Paragraph 4.40, Chapter 4, Annex 1 to the Jan-24 Policy.

Step 1: Disgorgement

6. At Step 1 of both the Sep-21 Policy and Jan-24 Policy, the PRA seeks to deprive a person of any economic benefits derived from, or attributable to, the breach of its regulatory requirements, where it is practicable to ascertain and quantify them.

7. The Firm derived an economic benefit from the breaches insofar as the breaches led to a lower level of FSCS levy. However, the Firm has paid all amounts required by the FSCS. Therefore, the PRA does not require the disgorgement of any sum from the Firm.

8. The Step 1 figure is therefore **£0**.

Step 2: Seriousness of the breach

Calculation under the Sep-21 Policy

9. At Step 2 under the Sep-21 Policy, the PRA determines a starting point figure for a financial penalty having regard to the seriousness of the breach by the firm, including any threat it posed, or continues to pose, to the advancement of the PRA's statutory objectives, and the size and financial position of the firm. The PRA may use a firm's total revenue or the revenue of one or more business areas as a suitable indicator of its size and financial position to determine a starting figure. Where using revenue as a starting point, the relevant revenue is ordinarily the firm's revenue during its last business year, that is, the financial year preceding the date when the breach ended ("**Relevant Revenue**").

10. The Firm's Relevant Revenue was £480,000,000.[10] The PRA does not consider this to be an appropriate indicator for a financial penalty. A percentage of the Relevant Revenue would rely on a total revenue figure which results in a disproportionately high penalty and would not reflect the reality that FSCS-relevant business formed a lower proportion of the Firm's overall UK business.

11. Under the Sep-21 Policy, where the PRA has determined that revenue is not an appropriate indicator, it may determine a suitable alternative indicator. The PRA has taken the following factors into account to determine the appropriate alternative suitable indicator:

[10] Gross Written Premium.

11.1. The breaches impacted the PRA's approach to supervision of the Firm, thereby impacting the advancement of the PRA's objectives;

11.2. The PRA does not consider that the breaches were deliberate or reckless;

11.3. The breaches revealed weaknesses in the Firm's controls and governance; and

11.4. The PRA attaches considerable importance to accurate, complete and timely submission of data by firms to the PRA, and the Firm submitted materially inaccurate data on multiple occasions during the Relevant Period.

12. Having taken into account the relevant factors and having had regard to the matters set out at Annexes A and B, the PRA considers that the appropriate Step 2 figure under the Sep-21 Policy is £7,000,000.

Calculation under the Jan-24 Policy

13. Under the Jan-24 Policy, the PRA does not consider a firm's revenue when identifying an appropriate starting figure at Step 2. Instead, it uses a matrix featuring a series of ranges, based on the firm's potential impact categorisation and the seriousness of its misconduct to generate a Step 2 figure. On account of breaches of Fundamental Rules 2 and 6, and having considered the factors discussed at paragraph 11 above, the PRA regards the Firm's misconduct as Level 2 seriousness.

14. At all material times under the Jan-24 Policy, the Firm was categorised by the PRA as a Category 3 firm.

15. Having considered all the facts and the applicable PRA penalty matrix as set out in the Jan-24 Policy, the PRA has determined the appropriate Step 2 figure is £7,000,000.

16. The two figures under the policies are the same and so it is unnecessary to apportion the penalty between the two policies. Therefore, the PRA has determined the appropriate overall Step 2 figure is **£7,000,000**.

Step 3: Adjustment for any aggravating, mitigating or other relevant factors

17. Both policies allow the PRA to increase or decrease the Step 2 figure to take account of any factors which may aggravate or mitigate the breaches. Any such adjustment will normally be made by way of a percentage adjustment to the figure determined at Step 2.

18. The PRA considers that the following factors, among others, are relevant in determining whether such an adjustment should be made:

    18.1. The Firm took part in the EAS and cooperated with the PRA throughout the investigation. This included providing a detailed and thorough Account as to the facts and circumstances leading to the breaches. The Firm made candid admissions of fact and provided the PRA with detailed supporting material. This materially assisted the PRA's investigation. The Firm was responsive throughout the investigation and kept the PRA updated on its progress. The Firm did not make any admissions of breaches of PRA Rules at an early stage of the investigation. Accordingly, the Firm is not credited for its participation in the EAS at Step 5 of this calculation and so this cooperation, including the provision of the Account, is credited at Step 3.

    18.2. The breaches were recurrent and persisted over a period of three years, including the continued provision of incorrect data after potential issues were first identified.

    18.3. The Firm has no previous disciplinary record.

19. Having taken into account the above factors, on balance the PRA considers it is appropriate to reduce the Step 2 figure by 15%.

20. The Step 3 figure is therefore **£5,950,000**.

Step 4: Adjustment for deterrence

21. Both policies provide for the same approach at Step 4, namely that if the PRA considers the penalty following Steps 2 and 3 is insufficiently effective to deter the Firm or others from committing further or similar breaches, then the PRA may increase the penalty at Step 4 by making an appropriate adjustment to it.

22. The PRA considers that the Step 3 figure of **£5,950,000** represents a sufficient deterrent to the Firm and others, and so has not increased the penalty at Step 4.

Step 5: Application of any applicable reductions for early settlement or serious financial hardship

23. Both policies provide that where a firm claims that payment of a penalty determined by the PRA will cause it serious financial hardship (and the onus is on the firm to satisfy the PRA that this would be the case), in exceptional circumstances the PRA may reduce the penalty. The Firm has made no application for serious financial hardship.

24. Where the PRA and the firm upon whom a financial penalty is to be imposed agree the amount of the financial penalty and any other appropriate settlement terms, the PRA Settlement Policy provides that the amount of the penalty which would otherwise have been payable may, subject to the stage at which a binding settlement agreement is reached, be reduced by 30%.

25. The PRA and the Firm reached an agreement to settle during the Discount Stage. While the Firm participated in the PRA's EAS and provided a factual account of the matters under investigation (which the Firm has received credit for at Step 3 of this penalty calculation), this was not accompanied by admissions as to rule breaches. Under paragraph 10.40 of the PRA's Settlement Policy, both a fulsome account and early admissions as to rule breaches are required in order to be eligible for an enhanced settlement discount at Step 5. Therefore, the Firm is not eligible for the enhanced settlement discount. Since the Firm settled during the Discount Stage, a 30% settlement discount applies to the Step 4 figure.

26. The Step 5 figure is therefore **£4,165,000**.

ANNEX D: PROCEDURAL MATTERS

1. Decision maker

1.1. The settlement decision makers made the decision, which gave rise to the obligation to give this Final Notice.

1.2. This Final Notice is given under and in accordance with section 390 of the Act. The following statutory rights are important.

2. Manner and time for payment

2.1. The Firm must pay the financial penalty to the PRA by no later than 6 August 2026. If all or any of the financial penalty is outstanding on 7 August 2026 - the day after the due date for payment – the PRA may recover the outstanding amount as a debt owed by the Firm and due to the PRA.

3. Publicity

3.1. Sections 391(4), 391(6A) and 391(7) of the Act apply to the publication of information about the matter to which this Final Notice relates. Under those provisions, the PRA must publish such information about the matter to which this Final Notice relates as the PRA considers appropriate. However, the PRA may not publish information if such publication would, in the opinion of the PRA, be unfair to the persons with respect to whom the action was taken or prejudicial to securing an appropriate degree of protection to policyholders.

4. PRA contacts

4.1. For more information concerning this matter generally, please contact Press Office (**Press@BankofEngland.co.uk**).

APPENDIX 1: DEFINITIONS

The definitions below are used in this Notice:

1. "**Account**" means the factual account of the matters under investigation produced by the Firm under the EAS;
2. "**Act**" means the Financial Services and Markets Act 2000 (as amended);
3. "**Discount Stage**" means the period during which a firm or individual may qualify for a reduction in financial penalty, pursuant to the PRA Settlement Policy, by reaching a settlement at an early stage;
4. "**EAS**" means the PRA's Early Account Scheme as set out in *The Bank of England's approach to enforcement: statements of policy and procedure* (November 2024);
5. "**EEA**" means the European Economic Area;
6. "**EL**" means Eligible Liabilities;
7. "**ELI**" means Employers' Liability insurance;
8. "**Eligible Claimant**" has the meaning given in the Policyholder Protection Part of the PRA Rulebook;
9. "**FCA**" means the Financial Conduct Authority;
10. "**Final Notice**" or "**Notice**" means this final notice, together with its Annexes and Appendices;
11. "**Firm**" means HDI Global SE, the UK branch of a global insurance company headquartered in Hanover, Germany, with Firm Reference Number 230072;
12. "**FSCS**" means the Financial Services Compensation Scheme;
13. "**FSCS Fee Tariff Data**" means data submitted each year for the purposes of the calculation of the FSCS levy, as required under the Policyholder Protection Part of the PRA Rulebook;
14. "**FSCS Liabilities**" means the amount which could potentially be claimed by eligible claimants from the FSCS in respect of protected contracts of insurance issued by a firm;

15. "**Initial Alleged Over-reporting**" means the suspected over-reporting of FSCS Liabilities the Firm reported to the PRA in August 2023;

16. "**Jan-24 Policy**" means the version of 'The Bank of England's approach to enforcement: statements of policy and procedure' published on 30 January 2024, available on the Bank of England's website;

17. "**Nov-24 Policy**" means the version of 'The Bank of England's approach to enforcement: statements of policy and procedure' published on 12 November 2024, available on the Bank of England's website;

18. "**Oct-19 Policy**" means the version of 'The Prudential Regulation Authority's approach to enforcement: statements of policy and procedure' published on 4 October 2019, available on the Bank of England's website;

19. "**PRA**" means the Prudential Regulation Authority;

20. "**PRA Penalty Policy**" means the 'Statement of the PRA's policy on the imposition and amount of financial penalties under the Act' contained in the 'PRA's approach to enforcement: statutory statements of policy and procedure'. The relevant versions are those set out in the Oct-19 Policy, the Sep-21 Policy and the Jan-24 Policy;

21. "**PRA Rulebook**" means the Prudential Regulation Authority Rulebook;

22. "**PRA Settlement Policy**" means the 'Statement of the PRA's policy on enforcement statutory notices and the allocation of decision-making in uncontested cases, and settlement decision-making procedure and policy' contained in the Nov-24 Policy;

23. "**Protected Claim**" has the meaning given in the PRA Rulebook;

24. "**Relevant Period**" means the period from 13 August 2021 to 31 August 2024;

25. "**Relevant Revenue**", in accordance with the Sep-21 Policy and in the context of calculating a financial penalty, means the firm's revenue during its last business year, that is, the financial year preceding the date when the breach ended;

26. "**RNPI**" means Relevant Net Premium Income;

27. "**Sep-21 Policy**" means the version of 'The Prudential Regulation Authority's approach to enforcement: statements of policy and procedure' published on 15 September 2021, available on the Bank of England's website;

28. "**TPMLI**" means Third Party Motor Liability insurance;

29. "**Tribunal**" means the Upper Tribunal (Tax and Chancery Chamber);

30. "**UK**" means the United Kingdom; and

31. "**YE**" means Year End.

APPENDIX 2: RELEVANT STATUTORY AND REGULATORY PROVISIONS

The PRA's objectives

1. The PRA has a general objective, set out in section 2B(2) of the Act, to promote the safety and soundness of PRA-authorised persons. Section 2B(3) of the Act provides that the PRA's general objective is to be advanced primarily by:

   (a) seeking to ensure that the business of PRA-authorised persons is carried on in a way which avoids any adverse effect on the stability of the UK financial system; and

   (b) seeking to minimise the adverse effect that the failure of a PRA-authorised person could be expected to have on the stability of the UK financial system.

2. The PRA has a further primary insurance objective, set out in section 2C(2) of the Act, to contribute to the securing of an appropriate degree of protection for those who are or may be policyholders.

Section 206 – Disciplinary powers

3. Section 206 of the Act provides that: '*If the appropriate regulator considers that an authorised person has contravened a relevant requirement imposed on the person, it may impose on him a penalty, in respect of the contravention, of such amount as it considers appropriate'.*

4. The Firm is an authorised person for the purposes of section 206 of the Act. Relevant requirements imposed on authorised persons include rules made under the PRA Rulebook, including the PRA's Fundamental Rules.

RELEVANT REGULATORY PROVISIONS

PRA's Fundamental Rules

5. The PRA has eight Fundamental Rules which apply to all PRA-authorised firms. These are high-level rules which collectively act as an expression of the PRA's general objective of promoting the safety and soundness of regulated firms. The relevant PRA Fundamental Rules are as follows:

(a) PRA Fundamental Rule 2: 'A firm must conduct its business with due skill, care and diligence.'

(b) PRA Fundamental Rule 6: 'A firm must organise and control its affairs responsibly and effectively.'

Specific rules

6. Policyholder Protection rules:

Rule reference	Rule text
21.37	A participant firm must pay to the FSCS a share of each compensation costs levy allocated to the insurance classes of which it is a member…
21.42A	…a participant firm must provide the FSCS… each year… with a statement of: (a) the insurance class to which it belongs; and (b) the total amount of business… (as specified by Annex 2)…
21.47	A participant firm liable to pay its share of the levy… must do so using one of the methods specified by the PRA's collection agent for fees as required by Fees 2.5 save that no additional amount or discount is applicable.

7. Annex 2 sets out the methodology for calculating:

(a) 'total amount of business', comprising RNPI and EL; and

(b) a firm's FSCS levy by applying a ratio of 75:25, with 75 based on RNPI and 25 based on EL.

RELEVANT POLICY

Approach to the supervision of third country insurance branches

8. *Supervisory Statement (SS) 2/18, International insurers: the Prudential Regulation Authority's approach to branch authorisation and supervision*, effective from March 2018 until May 2024, sets out the PRA's approach to insurance branch authorisation and supervision.

9. *Statement of Policy (SoP) 7/24, The Prudential Regulation Authority's approach to insurance branch authorisation and supervision,* effective from May 2024, replaces Supervisory Statement (SS) 2/18 and sets out the PRA's approach to insurance branch authorisation and supervision.

10. *Policy Statement (PS) 8/24, The PRA's approach to the authorisation and supervision of insurance branches*, published 23 May 2024.

Approach to enforcement

11. *The Bank of England's approach to enforcement: statements of policy and procedure*, as amended from time to time, sets out the PRA's approach to exercising its main enforcement powers under the Act. For the purposes of this Notice, the relevant versions of the PRA's approach document are those published in October 2019, September 2021, January 2024 and November 2024.

12. The PRA's approach to the imposition and amount of penalties is outlined in the PRA Penalty Policy, contained within *The Bank of England's approach to enforcement: statements of policy and procedure*. The versions that were in force during the Relevant Period are those published in October 2019, September 2021 and January 2024. The PRA's approach to settlement is outlined in the PRA Settlement Policy, as set out in *The Bank of England's approach to enforcement: statements of policy and procedure* published in November 2024.