

**PRA RULEBOOK: SOLVENCY II FIRMS: NON-SOLVENCY II FIRMS: WITH-PROFITS
INSTRUMENT 2015**

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); and
 - (2) section 137T (general supplementary powers).
- 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 with the Financial Conduct Authority), 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 1 January 2016.

Deletions

- F. The following Parts of the PRA Handbook are deleted:

COBS 20.1: Application
COBS 20.2: Treating with-profits policyholders fairly

Citation

- G. This instrument may be cited as the PRA Rulebook: Solvency II Firms: Non-Solvency II Firms: With-Profits Instrument 2015.

By order of the Board of the Prudential Regulation Authority

17 March 2015

Annex

In this Annex, the text is all new and is not underlined.

Part

WITH-PROFITS

Chapter content

1. APPLICATION AND DEFINITIONS
2. ASSETS IN THE WITH-PROFITS FUND
3. DISTRIBUTION STRATEGIES
4. SUPPORT ARRANGEMENTS

Links

1 APPLICATION AND DEFINITIONS

- 1.1 Subject to 1.2, this Part applies to a *firm* carrying on *with-profits insurance business*.
- 1.2 This Part does not apply to *with-profits insurance business* that consists of *effecting contracts of insurance* or *carrying out contracts of insurance* that are *Holloway sickness policies*.
- 1.3 In this Part, the following definitions shall apply:

Holloway sickness policies

means a *contract of long-term insurance* offered or effected by a *friendly society* under the Holloway system, providing *permanent health* benefits and, in addition, investment benefits, where the investment benefits:

- (1) are derived from surpluses accrued by the *friendly society* and apportioned to *policyholders*; and
- (2) are payable to *policyholders* at maturity, on retirement, on death, or as otherwise specified by contractual provisions or individual society rules.

permanent health

means the *class of contract of insurance*, specified in paragraph 4 of Part 2 of Schedule 1 to the *Regulated Activities Order*.

support arrangements

means arrangements under which the financial resources available to a *with-profits fund* include (or are intended in particular circumstances to include) financial resources from outside that *with-profits fund*.

2 ASSETS IN THE WITH-PROFITS FUND

- 2.1 A *firm* must ensure that it holds assets in each of its *with-profits funds* of a value sufficient to cover the *with-profits policy liabilities* in respect of all of the business written in, or transferred into, that *with-profits fund*.

3 DISTRIBUTION STRATEGIES

- 3.1 A *firm* must ensure at all times that its strategy for distribution of discretionary benefits in respect of each of its *with-profits funds*:
- (1) is affordable and sustainable; and
 - (2) cannot reasonably be expected to have an adverse effect on the safety and soundness of the firm as a whole, or on the benefit security of all *policyholders* of the *firm*.

4 SUPPORT ARRANGEMENTS

- 4.1 If a *firm* is using, or intends to use, *support arrangements* to contribute to benefit security for the *policyholders* of a *with-profits fund*, it must ensure that:

- (1) all the terms and conditions governing those *support arrangements*, including the circumstances in which they take effect and the terms on which they are or may be repayable, are adequately documented in the *firm's* records; and
- (2) the extent of any restrictions on the *firm's* use of those *support arrangements* is clearly identified.