

PRA RULEBOOK: NON-SOLVENCY II FIRMS: LARGE NON-SOLVENCY II FIRMS - SENIOR INSURANCE MANAGERS REGIME (NO. 2) 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 59 (approval for particular arrangements);
 - (2) section 60 (applications for approval);
 - (3) section 61 (determination of applications);
 - (4) section 64A (rules of conduct);
 - (5) section 137G (the PRA’s general rules); and
 - (6) 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 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.

PRA Rulebook: Non-Solvency II Firms: Large Non-Solvency II Firms - Senior Insurance Managers Regime (No. 2) Instrument 2016

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

Commencement

- E. This instrument comes into force on 7 March 2016.

Citation

- F. This instrument may be cited as the PRA Rulebook: Non-Solvency II Firms: Large Non-Solvency II Firms - Senior Insurance Managers Regime (No. 2) Instrument 2016.

By order of the Board of the Prudential Regulation Authority

10 February 2016

Annex A

This Annex amends the rules made in PS26/15 (PRA Rulebook: Non-Solvency II Firms: Large Non-Solvency II Firms - Senior Insurance Managers Regime Instrument 2015). In this Annex, underlining indicates new text and striking through indicates deleted text.

Part

LARGE NON-SOLVENCY II FIRMS – SENIOR INSURANCE MANAGEMENT FUNCTIONS

Chapter content

1. APPLICATION AND DEFINITIONS
2. GENERAL
3. EXECUTIVE
4. OVERSIGHT
5. GROUP ENTITIES
6. HEAD OF THIRD COUNTRY BRANCH
- ~~6.7.~~ CHIEF ACTUARY
- ~~7.8.~~ WITH-PROFITS ACTUARY
- ~~8.9.~~ CHIEF UNDERWRITING OFFICER

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1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to: a

(1) a large non-directive insurer; and

(2) a Swiss general insurer.

1.2 In this Part, the following definitions shall apply:

...

Chief Actuary function

has the meaning given in ~~6~~7.1.

...

Chief Underwriting Officer function

has the meaning given in ~~8~~9.2.

...

Head of Third Country Branch function

has the meaning given in 6.2.

...

With-Profits Actuary function

has the meaning given in ~~7~~8.2.

2 GENERAL

2.1 Each of the functions in 3 - ~~8~~9 is a *controlled function* and a *senior insurance management function*.

...

2.3 (1) A firm (other than a Swiss general insurer) must ensure that one or more persons performs each of the following *senior insurance management functions* on its behalf:

(a) the *Chief Executive function*;

(b) the *Chief Finance function*; and

(c) the *Chairman function*.

...

6 HEAD OF THIRD COUNTRY BRANCH

6.1 This Chapter applies only to a *Swiss general insurer*.

6.2 The *Head of Third Country Branch function* (SIMF19) is the function of having responsibility for the conduct of all activities of the *Swiss general insurer* that are subject to the *regulatory system*.

6.3 (1) A Swiss general insurer must have at least one person approved to perform the Head of Third Country Branch function.

(2) If a vacancy arises in respect of the Head of Third Country Branch function, a Swiss general insurer must ensure that it appoints a person to fill that vacancy as soon as possible.

6.4 A Swiss general insurer is not required to have any person(s) approved to perform any of the other senior insurance management functions.

67 CHIEF ACTUARY

67.1 The *Chief Actuary function* (SIMF20) is the function of having responsibility for the actuarial function specified in Non-Solvency II Firms – Governance 10.

78 WITH-PROFITS ACTUARY

78.1 This Chapter applies only to *firms* that carry on *with-profits insurance business*.

78.2 The *With-Profits Actuary function* (SIMF21) is the function of having responsibility for advising the *governing body* of a *firm* transacting *with-profits insurance business* on the exercise of discretion affecting part or all of that business, as described more fully in Non-Solvency II Firms – Actuarial Requirements 6.1.

89 CHIEF UNDERWRITING OFFICER

89.1 This Chapter applies only to *firms* that carry on *general insurance business*.

89.2 The *Chief Underwriting Officer function* (SIMF22) is the function of having responsibility, in respect of the *firm's general insurance business*, for the underwriting decisions in respect of material insurance risks that are borne by the *firm*.

Annex B

This Annex amends the rules made in PS26/15 (PRA Rulebook: Non-Solvency II Firms: Large Non-Solvency II Firms - Senior Insurance Managers Regime Instrument 2015). In this Annex, underlining indicates new text and striking through indicates deleted text.

Part

LARGE NON-SOLVENCY II FIRMS – FITNESS AND PROPRIETY

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1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to: a

(1) a large non-directive insurer; and

(2) a Swiss general insurer.

...

Annex C

This Annex amends the rules made in PS26/15 (PRA Rulebook: Non-Solvency II Firms: Large Non-Solvency II Firms - Senior Insurance Managers Regime Instrument 2015). In this Annex, underlining indicates new text and striking through indicates deleted text.

Part

LARGE NON-SOLVENCY II FIRMS – ALLOCATION OF RESPONSIBILITIES

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1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to: a

(1) a large non-directive insurer; and

(2) a Swiss general insurer.

...

2 ALLOCATION OF RESPONSIBILITIES

2.1 A firm (other than a Swiss general insurer) must allocate each of the *SIMR prescribed responsibilities* set out in 3.1 (other than 3.1(9) and (10)) to one or more persons who, in relation to that firm, are approved under section 59 of *FSMA* by:

(1) the *PRA* to perform a *senior insurance management function*; or

(2) in relation to *relevant senior management functions* only, the *FCA*.

2.2 A firm (other than a Swiss general insurer) must allocate each of the *SIMR prescribed responsibilities* set out in 3.1(9) and (10) to one or more *non-executive directors* who perform a *senior insurance management function* set out in Large Non-Solvency II Firms – Senior Insurance Management Functions 4 or an *FCA governing function* at that firm.

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Annex D

This Annex amends the rules made in PS26/15 (PRA Rulebook: Non-Solvency II Firms: Large Non-Solvency II Firms - Senior Insurance Managers Regime Instrument 2015). In this Annex, underlining indicates new text and striking through indicates deleted text.

Part

LARGE NON-SOLVENCY II FIRMS – CONDUCT STANDARDS

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1 APPLICATION

1.1 Unless otherwise stated, this Part applies to:

- (1) a *large non-directive insurer*, ~~and~~
- (2) a Swiss general insurer, and
- (23) in relation to ~~a large non-directive insurer~~ any of the foregoing firms, any person who is approved under section 59 of *FSMA* by either:
 - (a) the *PRA*; or
 - (b) the *FCA*, in relation to a *relevant senior management function*.

...

Annex E

This Annex proposes updates to the rules made in PS26/15 (Non-Solvency II Firms – Governance Part). Strikethrough text is deleted and new text is underlined.

1 APPLICATION AND DEFINITION

- 1.1 Unless otherwise stated, this Part applies to:
- (1) a *non-directive insurer*; and
 - (2) subject to 1.2, a *Swiss general insurer*.
- 1.2 Only Chapters ~~2, 5, 6 and 7~~ 3 and 5 to 10 apply to a *Swiss general insurer* and only in respect of the activities of the *firm* carried on from a *branch* in the *UK*.

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2 GENERAL GOVERNANCE FOR SMALL NON-DIRECTIVE INSURERS

- 2.1 This Chapter only applies to a *small non-directive insurer* and a ~~*Swiss general insurer*~~.

...

3 GENERAL GOVERNANCE FOR LARGE NON-DIRECTIVE INSURERS

- 3.1 This Chapter only applies to a *large non-directive insurer* and a *Swiss general insurer*.

...

8 INTERNAL CONTROL

- 8.1 This Chapter only applies to a *large non-directive insurer* and a *Swiss general insurer*.

...

9 INTERNAL AUDIT

- 9.1 This Chapter only applies to a *large non-directive insurer* and a *Swiss general insurer*.

...

10 ACTUARIAL FUNCTION

- 10.1 This Chapter only applies to a *large non-directive insurer* and a *Swiss general insurer*.

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Annex F

Amend the Glossary Part as follows in the appropriate alphabetical positions. Underlining indicates new text and deleted text is struck through.

Part

GLOSSARY

...

conduct standards

- (1) for a *UK Solvency II firm*, the *Society*, a *managing agent* and a *UK ISPV*, means the standards of expected conduct specified in Insurance - Conduct Standards 3;
- (2) for a *third country branch undertaking* (other than a *UK-deposit insurer* or a *Swiss general insurer*), means the standards of expected conduct specified in Insurance - Conduct Standards 3.1 to 3.3 and, taking account only of matters relevant to the operations of the *third country branch*, Insurance – Conduct Standards 3.4 to 3.8;
- (3) for a *UK-deposit insurer*, means the standards of expected conduct specified in Insurance - Conduct Standards 3.1 to 3.3 and, taking account only of matters relevant to the operations of the *third country branch* and all the *third country undertaking EEA branches*, Insurance – Conduct Standards 3.4 to 3.8;
- (4) for a *small non-directive insurer*, means the standards of expected conduct specified in Non-Solvency II Firms - Conduct Standards 2; ~~and~~
- (5) for a *large non-directive insurer*, means the standards of expected conduct specified in Large Non-Solvency II Firms - Conduct Standards 3; and
- (6) for a *Swiss general insurer*, means the standards of expected conduct specified in Large Non-Solvency II Firms - Conduct Standards 3 taking account only of matters relevant to the operations of the *third country branch*.

...

key function

- (1) in relation to a *UK Solvency II firm*, the *Society*, a *managing agent*, a *UK ISPV* and a *large non-directive insurer*, means each of the following in relation to the carrying on of a *regulated activity* by the *firm*:
 - (a) the risk-management *function*;
 - (b) the compliance *function*;
 - (c) the internal audit *function*;
 - (d) the actuarial *function*;
 - (e) the *function* of effectively running the *firm*; and
 - (f) any other *function* which is of specific importance to the sound and prudent management of the *firm*;
- (2) in relation to a *third country branch undertaking* ~~(other than a *Swiss general*~~

~~insurer~~ means, in relation to the carrying on of a *regulated activity* by the *third country branch undertaking*, each of the following *functions* performed in relation to the operations effected by the *third country branch* or, for a *UK deposit insurer*, in relation to the operations effected by the *third country branch* and all the *third country undertaking EEA branches*:

- (a) the risk-management *function*;
- (b) the compliance *function*;
- (c) the internal audit *function*;
- (d) the actuarial *function*;
- (e) the *function* of effectively running the operations effected by the *third country branch* or, for a *UK-deposit insurer*, the operations effected by the *third country branch* and all the *third country undertaking EEA branches*;
- (f) the *function* of being the *authorised UK representative*; and
- (g) any other *function* which is of specific importance to the sound and prudent management of the *third country branch* or, for a *UK-deposit insurer*, the operations effected by the *third country branch* and all the *third country undertaking EEA branches*.

...

senior insurance management function

means

- (1) (for a *UK Solvency II firm*, the *Society*, a *managing agent*, a *third country branch undertaking* (other than a *Swiss general insurer*) and a *UK ISPV*) that aspect of any *key function* relating to the carrying on of a *regulated activity* by the *firm* which is specified by the *PRA* in Insurance – Senior Insurance Management Functions 3 to 10 pursuant to section 59 of *FSMA*;
- (2) (for a *small non-directive insurer*) any function which is specified by the *PRA* in Non-Solvency II Firms – Senior Insurance Management Functions 2.2 pursuant to section 59 of *FSMA*.
- (3) (for a *large non-directive insurer* and a *Swiss general insurer*) any function which is specified by the *PRA* in Large Non-Solvency II Firms – Senior Insurance Management Functions 3 to 89 pursuant to section 59 of *FSMA*.

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