

**PRA RULEBOOK: SOLVENCY II FIRMS: SENIOR INSURANCE MANAGERS REGIME (NO. 2)  
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 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: Solvency II Firms: Senior Insurance Managers Regime (No. 2) Instrument 2015**

- 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: Solvency II Firms: Senior Insurance Managers Regime (No. 2) Instrument 2015.

**By order of the Board of the Prudential Regulation Authority**

31 July 2015.

## Annex A

[Note: This Annex contains updates to the rules made in PS3/15 Appendix 3 (PRA Rulebook: Solvency II Firms: Senior Insurance Managers Regime Instrument 2015). In this Annex, underlining indicates new text and striking through indicates deleted text.]

Part

# INSURANCE – SENIOR INSURANCE MANAGEMENT FUNCTIONS

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## 1 APPLICATION AND DEFINITIONS

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1.1 Unless otherwise stated, this Part applies to:

- (1) a *UK Solvency II firm*;
- (2) in accordance with Insurance General Application 3, the *Society*, as modified by 11;
- (3) in accordance with Insurance General Application 3, *managing agents*, as modified by 11;
- (4) a *third country branch undertaking* (other than a *Swiss general insurer*); and
- (5) ~~an~~ a *UK ISPV*, in accordance with 12.

1.2 In this Part, the following definitions shall apply:

*Chairman function*

has the meaning given in 4.1.

*Chairman of Audit Committee function*

has the meaning given in 4.3.

*Chairman of Remuneration Committee function*

has the meaning given in 4.4.

*Chairman of Risk Committee function*

has the meaning given in 4.2.

*Chief Actuary function*

has the meaning given in 7.1.

*Chief Executive function*

has the meaning given in 3.1.

*Chief Finance function*

has the meaning given in 3.2.

*Chief Risk function*

has the meaning given in 3.3.

*Chief Underwriting Officer function*

has the meaning given in 9.2.

*FCA activities*

means a function which would, except for SUP10A.11.12R of the *FCA Handbook*, be an *FCA governing function*.

*Group Entity Senior Insurance Manager function*

has the meaning given in 5.1.

*Head of Internal Audit function*

has the meaning given in 3.4.

*Head of Third Country Branch function*

has the meaning given in 6.2.

*Senior Independent Director function*

has the meaning given in 4.5.

*Underwriting Risk Oversight function*

has the meaning given in 10.2.

*With-Profits Actuary function*

has the meaning given in 8.2.

## **2 GENERAL**

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- 2.1 Each of the functions in 3 - 10 is a *controlled function* and a *senior insurance management function*.
- 2.2 *Senior insurance management function* holders must each be approved by the PRA to perform the applicable *senior insurance management function*.
- 2.3 (1) A *firm* (other than a *third country branch undertaking*) must ensure that one or more *persons* performs each of the following *senior insurance management functions* on its behalf:
- (a) the *Chief Executive function*; ~~and~~
  - (b) the *Chief Finance function*; ~~and~~ and
  - (c) the *Chairman function*.
- (2) If a vacancy arises in respect of one or more of the *senior insurance management functions* set out in (1), a *firm* must ensure that it appoints a *person* to fill that vacancy as soon as practicable.
- 2.4 To the extent that:
- (1) a *firm* appoints a *person* to perform a *key function* which, but for this rule, would be a *senior insurance management function*;
  - (2) the appointment is solely to provide cover for a *senior insurance management function holder* whose absence is:
    - (a) temporary; or
    - (b) reasonably unforeseen; and

(3) the appointment is for less than 12 weeks in a consecutive 12-month period,  
the description of the applicable *senior insurance management function* does not relate to those activities of that *person*.

2.5 (1) If, in relation to a *firm*, a *senior insurance management function holder* also performs *FCA activities*, performance of the *senior insurance management function* will include the performance of those *FCA activities*, provided the following conditions are met:

- (a) the *PRA*'s approval to perform that *senior insurance management function* has been granted and continues in force;
- (b) at the time of approval being granted by the *PRA*, that *person* was not subject to an *FCA approval* to perform the particular *FCA governing function*;
- (c) the *firm* made the notification required by SUP10A.11.12 R (4) of the *FCA Handbook*; and
- (d) that *person* performs and is continuing to perform the *FCA activities*.

(2) If, in relation to a *firm*, a *senior insurance management function holder* has been performing *FCA activities* in the circumstances set out in (1), and that *person*:

- (a) ceases to perform the *senior insurance management function*;
- (b) within three *months* of ceasing performance, is approved to perform a new *senior insurance management function* at the *firm*; and
- (c) continues to perform the *FCA activities*.

performance of the new *senior insurance management function* will include the performance of those *FCA activities*, provided the conditions in (1) (a) to (d) are met.

2.6 If a *senior insurance management function holder* to whom 2.5 applies ceases to perform a *senior insurance management function* but continues to perform the *FCA activities*, 2.5(1) will continue to apply in respect of the performance of the *FCA activities* until the earlier of:

- (1) approval by the *FCA* in respect of the performance by that *person* of those *FCA activities* as an *FCA governing function* in relation to the *firm*; or
- (2) three *months* from the time that the *person* ceased to perform that *senior insurance management function*.

### **3 EXECUTIVE**

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- 3.1 The *Chief Executive function* (SIMF1) is the function of having responsibility, under the immediate authority of the *governing body*, alone or jointly with others, for carrying out the management of the conduct of the whole of the business (or relevant activities) of a *firm*.
- 3.2 The *Chief Finance function* (SIMF2) is the function of having responsibility for the management of the financial resources of a *firm* and reporting to the *governing body* of a *firm* in relation to its financial affairs.
- 3.3 The *Chief Risk function* (SIMF4) is the function of having responsibility for overall management of the risk management system specified in Conditions Governing Business 3.

- 3.4 The *Head of Internal Audit function* (SIMF5) is the function of having responsibility for the management of the internal audit *function* specified in Conditions Governing Business 5.

#### 4 OVERSIGHT

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~~[Not yet in force]~~

- 4.1 The *Chairman function* (SIMF9) is the function of having responsibility for chairing, and overseeing the performance of the *governing body* of a *firm*.
- 4.2 The *Chairman of Risk Committee function* (SIMF10) is the function of having responsibility for chairing, and overseeing the performance of any committee responsible for the oversight of the risk management system specified in Conditions Governing Business 3.
- 4.3 The *Chairman of Audit Committee function* (SIMF11) is the function of having responsibility for chairing and overseeing the performance of any committee responsible for the oversight of the internal audit *function* specified in Conditions Governing Business 5.
- 4.4 The *Chairman of Remuneration Committee function* (SIMF12) is the function of having responsibility for chairing and overseeing the performance of any committee responsible for the oversight of the design or implementation of the remuneration policies and practices of a *firm*.
- 4.5 The *Senior Independent Director function* (SIMF14) is the function of performing the role of a senior independent *director*, and having particular responsibility for leading the assessment of performance of the *person* performing the *Chairman function*.

#### 5 GROUP ENTITIES

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- 5.1 The *Group Entity Senior Insurance Manager function* (SIMF7) is the function of having a significant influence on the management or conduct of one or more aspects of the affairs of a *firm* in relation to its *regulated activities* (other than in the course of the performance of another *senior insurance management function*) and which is performed by a *person* employed by, or an officer ~~(other than a non-executive director)~~ of:
- (1) a *parent undertaking* or holding company of a *firm*; or
  - (2) another *undertaking* which is a *member* of the *firm's group*.

#### 6 HEAD OF THIRD COUNTRY BRANCH

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- 6.1 This Chapter applies only to a *firm* that is a *third country branch undertaking* (other than 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 *third country branch undertaking* that are subject to the *regulatory system*.
- 6.3
- (1) A *third country branch undertaking* 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 *third country branch undertaking* must ensure that it appoints a *person* to fill that vacancy as soon as possible.

6.4 A *third country branch undertaking* that transacts *with-profits insurance business* must have at least one *person* approved to perform the *With-Profits Actuary function* (SIMF21).

6.5 A *third country branch undertaking* is not required to have any *person(s)* approved to perform any of the other *senior insurance management functions*.

## 7 CHIEF ACTUARY

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7.1 The *Chief Actuary function* (SIMF20) is the function of having responsibility for the actuarial *function* specified in Conditions Governing Business 6.

## 8 WITH-PROFITS ACTUARY

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

8.2 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 Actuaries 5.1.

## 9 CHIEF UNDERWRITING OFFICER

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9.1 This Chapter applies only to *firms* that carry on *general insurance business* and to *managing agents*.

9.2 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:

- (1) in relation to *firms* that carry on *general insurance business*, are borne by the *firm*; or
- (2) in relation to *managing agents*, are borne by *members*.

## 10 UNDERWRITING RISK OVERSIGHT

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10.1 This Chapter applies only to the *Society*.

10.2 The *Underwriting Risk Oversight function* (SIMF23) is the function of overseeing and influencing underwriting plans by *managing agents* in respect of risks borne by *members*.

## 11 LLOYD'S

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11.1 This Part applies to the *Society* and *managing agents* separately.

## 12 UK ISPVS

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12.1 This Chapter applies only to *firms* that are UK ISPVs.

12.2 The following *senior insurance management functions* do not apply to ~~an~~ a UK ISPV:

- (1) *Chief Risk function* (SIMF4);
- (2) *Head of Internal Audit function* (SIMF5);
- (3) *Chairman of Risk Committee function* (SIMF10);
- (4) *Chairman of Audit Committee function* (SIMF11);
- (5) *Chairman of Remuneration Committee function* (SIMF12);

- (6) *Senior Independent Director function (SIMF14);*
- (7) *Head of Third Country Branch function (SIMF19);*
- (48) *With-Profits Actuary function (SIMF21); and*
- (59) *Chief Underwriting Officer function (SIMF22).*

**Annex B**

[Note: This Annex contains updates to the rules made in PS3/15 Appendix 3 (PRA Rulebook: Solvency II Firms: Senior Insurance Managers Regime Instrument 2015). In this Annex, underlining indicates new text and striking through indicates deleted text.]

**Part****INSURANCE – FITNESS AND PROPRIETY**

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**Chapter content**

1. APPLICATION AND DEFINITIONS
2. FITNESS AND PROPRIETY ASSESSMENTS BY FIRMS
3. OBLIGATION TO PROVIDE REFERENCES
4. DISCLOSURE AND REPLACEMENTS
5. LLOYD'S
6. FITNESS AND PROPRIETY TRANSITIONAL PROVISIONS

**Links**

## 1 APPLICATION AND DEFINITIONS

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1.1 Unless otherwise stated, this Part applies to:

- (1) a *UK Solvency II firm*;
- (2) in accordance with Insurance General Application 3, the *Society*, as modified by 5;
- (3) in accordance with Insurance General Application 3, *managing agents*, as modified by 5;
- (4) a *third country branch undertaking* (other than a *Swiss general insurer*); and
- (5) ~~an~~ a *UK ISPV*.

1.2 In this Part, the following definitions shall apply:

*continued approval*

has the meaning given in Senior Insurance Managers Regime – Transitional Provisions.

## 2 FITNESS AND PROPRIETY ASSESSMENTS BY FIRMS

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2.1 A *firm* must ensure that all *persons* who perform *key functions* are at all times fit and proper *persons*.

**[Note: Art. 42(1) of the *Solvency II Directive*]**

2.2 In deciding whether a *person* is fit and proper pursuant to 2.1, a *firm* must be satisfied that the *person*:

- (1) has the personal characteristics (including being of good repute and integrity);
- (2) possesses the level of competence, knowledge and experience;
- (3) has the qualifications; and
- (4) has undergone or is undergoing all training,

required to enable such *person* to perform his or her *key function* effectively and in accordance with any relevant regulatory requirements, including those under the *regulatory system*, and to enable sound and prudent management of the *firm*.

**[Note: Art. 42(1) of the *Solvency II Directive*]**

2.3 Before deciding, and in considering on an on-going basis, whether a *person* is fit and proper pursuant to 2.1 and 2.2, a *firm* must consider:

- (1) the *person's* past business conduct; and
- (2) whether the *person* performs his or her *key functions* in accordance with the relevant *conduct standards* specified in Insurance - Conduct Standards 3.

**[Note: Art. 42(1) of the *Solvency II Directive*]**

2.4 ~~Before~~In deciding whether a *person* (P) is fit and proper to ~~become~~ be appointed as a senior insurance management function holder or a notified non-executive director, a *firm* must:

- (1) obtain P's consent for the *firm* to request the fullest information in relation to P that it is lawfully able to request under the Police Act 1997 and related subordinated legislation of the *UK* or any part of the *UK*;
  - (2) if P has lived or worked outside the *UK* for a material time in the previous five years, obtain P's consent for the *firm* to request the fullest information in relation to P that it is lawfully able to request under equivalent overseas legislation; and
  - (3) request, and have regard to, such information.
- 2.5 Before deciding whether a *person* is fit and proper to ~~become~~ be appointed as a senior insurance management function holder or a notified non-executive director, a *firm* must take reasonable steps to obtain appropriate references from that *person*'s current and previous employers, and from organisations at which that *person* served as, or is currently, a non-executive director, covering at least the past five years.
- 2.6 Where a *firm* (A) seeks a reference pursuant to 2.5 from an *FCA-authorised person* or a *PRA-authorised person* (B), A must also request that B discloses all matters of which B is aware that are relevant to the assessment of that *person*'s fitness and propriety.
- 2.7 If a *firm* engages a *person* for a continuous period of time as a senior insurance management function holder or a notified non-executive director it is only required to comply with 2.4 - 2.6 the first time it determines that *person* is fit and proper to act as a senior insurance management function holder or a notified non-executive director.

### 3 OBLIGATION TO PROVIDE REFERENCES

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3.1 [Not yet in force]

### 4 DISCLOSURE AND REPLACEMENTS

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- 4.1 (1) A *firm* (other than ~~an~~ a *UK* ISPV) shall notify the *PRA* of any changes to the identity of *key function holders* and shall provide the *PRA* with:
- (a) all the information needed to assess whether such *person* is fit and proper pursuant to 2.2; and
  - (b) the information referred to in Insurance - Allocation of Responsibilities 5.1(3) in respect of that *person*.
- (2) ~~An~~ A *UK* ISPV shall notify the *PRA* of any changes to the identity of *key function holders* who are effectively running the *firm* and shall provide the *PRA* with all the information needed to assess whether such *person* is fit and proper pursuant to 2.2.

**[Note: Art. 42(2) of the Solvency II Directive]**

- (3) Where a *firm* has complied with 4.1(1) in connection with the appointment of a *person* as a *key function holder*, and such *person* transfers from that *key function* to a different *key function* or is appointed to an additional *key function*, in either case within the same *firm*, for the purposes of 4.1(1) the *firm* need only supply, in connection with such subsequent appointment:
- (a) updates to the information previously provided; and

- (b) if the *key function holder* is also to perform a *senior insurance management function* or an *FCA controlled function*, the information required in connection with an application for approval to do so.

4.2 Where:

- (1) a *person* who is to become a *key function holder* is also to be approved by the *PRA* to perform a *senior insurance management function* or by the *FCA* to perform an *FCA controlled function*; and
- (2) the *firm* includes the information referred to in 4.1 in its application to the *PRA* for the approval of that *person* to perform the *senior insurance management function*, or in the application to the *FCA* for the approval of that *person* to perform the *FCA controlled function*.

~~this shall discharge the obligation~~ satisfy the requirement in 4.1 in respect of that *key function* appointment.

4.3 If a *firm* becomes aware of information which would reasonably be expected to be material to the assessment of a current or former *key function holder's* fitness and propriety under this Part, it must inform the *PRA* as soon as practicable.

**[Note: Art. 42(3) of the Solvency II Directive]**

4.4 Where a *firm* replaces a *key function holder* because the *firm* considers that that *person* is no longer fit and proper pursuant to 2.1 and 2.2, the *firm* must notify the *PRA* as soon as reasonably practicable.

**[Note: Art. 42(3) of the Solvency II Directive]**

## **5 LLOYD'S**

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5.1 This Part applies to the *Society* and *managing agents* separately.

## **6 FITNESS AND PROPRIETY TRANSITIONAL PROVISIONS**

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6.1 The requirements of 2.4 - 2.6 do not apply to a *firm* in respect of any *person* who has *continued approval* in relation to that *firm*.

**Annex C**

[Note: This Annex contains updates to the rules made in PS3/15 Appendix 3 (PRA Rulebook: Solvency II Firms: Senior Insurance Managers Regime Instrument 2015). In this Annex, underlining indicates new text and striking through indicates deleted text.]

**Part****INSURANCE – ALLOCATION OF RESPONSIBILITIES**

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**Chapter content**

- 1. APPLICATION AND DEFINITIONS**
- 2. ALLOCATION OF RESPONSIBILITIES**
- 3. SIMR PRESCRIBED RESPONSIBILITIES**
- 4. IDENTIFICATION OF KEY FUNCTIONS**
- 5. RECORDS**
- 6. LLOYD'S**

**Links**

## 1 APPLICATION AND DEFINITIONS

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1.1 Unless otherwise stated, this Part applies to:

- (1) a *UK Solvency II firm*;
- (2) in accordance with Insurance General Application 3, the *Society*, as modified by 6;
- (3) in accordance with Insurance General Application 3, *managing agents*, as modified by 6; and
- (4) a *third country branch undertaking* (other than a *Swiss general insurer*).

1.2 In this Part, the following definitions shall apply:

*governance map*

has the meaning given in 5.1.

*SIMR prescribed responsibility*

- (1) for a *firm* (other than a *third country branch undertaking*) means the responsibilities in 3.1;
- (2) for a *third country branch undertaking* (other than a *UK-deposit insurer* or a *Swiss general insurer*) means the responsibilities set out in 3.1 to the extent only that they are relevant to the operations effected by its *third country branch*, save in relation to 3.1(4) which shall also take account of the operations of the *third country branch undertaking* to the same extent as is necessary to ensure compliance by the *third country branch undertaking* with Third Country Branches 13;
- (3) for a *UK-deposit insurer*, means the responsibilities set out in 3.1 to the extent only that they are relevant to the operations effected by its *third country branch* and all its *third country undertaking EEA branches*, save in relation to 3.1(4) which shall also take account of the operations of the *third country branch undertaking* to the same extent as is necessary to ensure compliance by the *third country branch undertaking* with Third Country Branches 13.

## 2 ALLOCATION OF RESPONSIBILITIES

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2.1 A *firm* (other than a *third country branch undertaking*) must allocate each ~~element~~ of the *SIMR prescribed responsibilities* set out in 3.1 (other than 3.1(10) and (11)), 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 *third country branch undertaking*) must allocate each ~~element~~ of the *SIMR prescribed responsibilities* set out in 3.1(10) and (11) to one or more *non-executive directors* who perform a *senior insurance management function* set out in Insurance – Senior Insurance Management Functions 4 or an *FCA governing function* at that *firm*.

- 2.3 A *third country branch undertaking (other than a Swiss general insurer)* must allocate each element of the *SIMR prescribed responsibilities* set out in 3.1(1), (4), (5), (6) and (7) 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*.

### 3 SIMR PRESCRIBED RESPONSIBILITIES

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- 3.1 Each of the responsibilities set out in this rule is an *SIMR prescribed responsibility*:
- (1) responsibility for ensuring that the *firm* has complied with its obligation in Insurance - Fitness and Propriety 2.1 to ensure that every *person* who performs a *key function* (including ~~these every person~~ in respect of whom an application under section 59 of *FSMA* is made) is a fit and proper *person*;
  - (2) responsibility for leading the development of the *firm's* culture by the *governing body* as a whole;
  - (3) responsibility for overseeing the adoption of the *firm's* culture in the day-to-day management of the *firm*;
  - (4) responsibility for the production and integrity of the *firm's* financial information and its regulatory reporting;
  - (5) responsibility for management of the allocation and maintenance of the *firm's*;
    - (a) capital; and
    - (b) liquidity;
  - (6) responsibility for the development and maintenance of the *firm's* business model by the *governing body*;
  - (7) responsibility for performance of the *firm's* *ORSA*;
  - (8) responsibility for leading the development and monitoring effective implementation of policies and procedures for the induction, training and professional development of all members of the *firm's* *governing body*;
  - (9) responsibility for monitoring effective implementation of policies and procedures for the induction, training and professional development of all of the *firm's* *key function holders* (other than members of the *firm's* *governing body*);
  - (10) responsibility for oversight of the independence, autonomy and effectiveness of the *firm's* policies and procedures on whistleblowing including the procedures for protection of staff who raise concerns from detrimental treatment; and
  - (11) responsibility for ~~developing and~~ overseeing the development and implementation of the *firm's* remuneration policies and practices.

### 4 IDENTIFICATION OF KEY FUNCTIONS

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- 4.1 A *firm* must identify:
- (1) each of the *functions* that the *firm* considers to be a *key function*; and

- (2) any such *key function* that amounts to effectively running the *firm* (or, for a *third country branch undertaking other than a Swiss general insurer*, 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*).

4.2 A *firm* must keep its identification of *key functions* pursuant to 4.1 up-to-date.

4.3 A *firm* must keep a record of its reasoning for the identification of *key functions* pursuant to 4.1.

## 5 RECORDS

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5.1 A *firm* must have and maintain a *governance map*, which is a clear and coherent document or series of documents with the following details:

- (1) a list of the *key functions* identified by the *firm* in accordance with 4.1 highlighting those that amount to effectively running the *firm* (or, for a *third country branch undertaking other than a Swiss general insurer*, 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*);
- (2) the names of the *persons* who effectively run the *firm* (or, for a *third country branch undertaking other than a Swiss general insurer*, effectively run 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*) or who are responsible for other *key functions* listed pursuant to 5.1(1);
- (3) for each *person* named pursuant to 5.1(2), a summary of the significant responsibilities allocated to that *person* (including, if applicable, any *SIMR prescribed responsibilities* that have been allocated to that *person* in accordance with 2);
- (4) where any responsibilities covered by 5.1(3) are allocated to more than one *person*, details of how those responsibilities are shared or divided between the *persons* concerned;
- (5) reporting lines and lines of responsibility for each *person* listed pursuant to 5.1(2);
- (6) where a *firm* (other than a *third country branch undertaking*) is a member of a *group*:
  - (a) how the *firm's* management and governance arrangements fit together with those of its *group* and the extent to which the *firm's* management and governance arrangements are provided by or shared with other members of its *group*; and
  - (b) for the *persons* listed pursuant to 5.1(2), details of the reporting lines and the lines of responsibility (if any) to *persons* who are employees or officers of other *group* members or to committees or other bodies of the *group* or of other *group* members.

5.2 A *firm* must update the *governance map*:

- (1) at least quarterly; and
- (2) in the event of a significant change to:

- (a) the *firm's* governance structure;
- (b) the significant responsibilities allocated to a *key function holder*, or
- (c) the reporting lines or lines of responsibility for a *key function holder*.

5.3 A *firm* must, as soon as reasonably practicable, provide the following to the *PRA*:

- (1) upon request by the *PRA*, a copy of the *governance map*; and
- (2) in the event of an update pursuant to 5.2(2), a copy of the relevant part of the *governance map*.

## **6 LLOYD'S**

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6.1 This Part applies to the *Society* and *managing agents* separately.

**Annex D**

[Note: In this Annex, the text is all new and is not underlined.]

**Part**

# **INSURANCE - CONDUCT STANDARDS**

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**Chapter content**

- 1. APPLICATION**
- 2. SCOPE OF CONDUCT STANDARDS**
- 3. CONDUCT STANDARDS**
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**Links**

## 1 APPLICATION

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- 1.1 Unless otherwise stated, this Part applies to:
- (1) a *UK Solvency II firm*;
  - (2) in accordance with General Application 3, the *Society*, as modified by 4;
  - (3) in accordance with General Application 3, *managing agents*, as modified by 4;
  - (4) a *third country branch undertaking* (other than a *Swiss general insurer*);
  - (5) a *UK ISPV*; and
  - (6) in relation to 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*.

## 2 SCOPE OF CONDUCT STANDARDS

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- 2.1 If you are a natural person subject to this Part, you must comply at all times with all of the *conduct standards*.
- 2.2 A *firm* must require:
- (1) any *person* performing a *key function* to observe the *conduct standards* specified in 3.1 – 3.3;
  - (2) any *key function holder* (other than a *notified non-executive director* and an *authorised UK representative*) to observe the *conduct standards* specified in 3.4 – 3.8, in addition to complying with (1); and
  - (3) any *notified non-executive director* to observe the *conduct standards* specified in 3.7 and 3.8, in addition to complying with (1).

## 3 CONDUCT STANDARDS

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- 3.1 **Individual Conduct Standard 1:** You must act with integrity.
- 3.2 **Individual Conduct Standard 2:** You must act with due skill, care and diligence.
- 3.3 **Individual Conduct Standard 3:** You must be open and co-operative with the *FCA*, the *PRA* and other regulators.
- 3.4 **Senior Insurance Manager Conduct Standard 1:** You must take reasonable steps to ensure that the business of the *firm* for which you are responsible is controlled effectively.
- 3.5 **Senior Insurance Manager Conduct Standard 2:** You must take reasonable steps to ensure that the business of the *firm* for which you are responsible complies with the relevant requirements and standards of the *regulatory system*.

- 3.6 **Senior Insurance Manager Conduct Standard 3:** You must take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate *person* and that you oversee the discharge of the delegated responsibility effectively.
- 3.7 **Senior Insurance Manager Conduct Standard 4:** You must disclose appropriately any information of which the *FCA* or the *PRA* would reasonably expect to have notice.
- 3.8 **Senior Insurance Manager Conduct Standard 5:** When exercising your responsibilities, you must pay due regard to the interests of current and potential future *policyholders* in ensuring the provision by the *firm* of an appropriate degree of protection for their insured benefits.

#### **4 LLOYD'S**

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- 4.1 This Part applies to the *Society* and *managing agents* separately.

**Annex E**

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

**Part**

# **GLOSSARY**

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**Links**

## Glossary

### conduct standards

- (1) for a UK Solvency firm, the Society, managing agents 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 - 3.3 and, taking account only of matters relevant to the operations of the third country branch, Insurance – Conduct Standards 3.4 – 3.8; and
- (3) for a UK-deposit insurer, means the standards of expected conduct specified in Insurance - Conduct Standards 3.1 - 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 – 3.8.

### FCA approval

means at any time an approval granted to and in effect for a person by the FCA under section 59 of FSMA (Approval for particular arrangements) for the performance of a controlled function specified by the FCA.

### FCA controlled function

means a controlled function specified by the FCA under section 59 of FSMA.

### FCA governing function

has the meaning given in SUP 10A.4.4R of the FCA Handbook.

### governing body

means the board of directors, committee of management or other governing body of an unincorporated association or body corporate and includes, in relation to the Society, a committee to which the Council directly delegates authority to carry out the Society's regulatory functions.

### notified non-executive director

means a non-executive director of a firm who is not an approved person in relation to that firm.

### relevant senior management function

means, for the purposes of section 64A of FSMA, any of the following FCA controlled functions to the extent applicable, pursuant to the FCA Handbook, to a UK Solvency II firm, the Society, a managing agent, a third country branch undertaking (other than a Swiss general insurer), an ISPV or a small non directive insurer:

- (1) CF1 Director function;
- (2) CF2A Chair of the Nomination committee function;
- (3) CF2B Chair of the With-Profits committee function;
- (4) CF3 Chief executive function;
- (5) CF5 Director of unincorporated association function;
- (6) CF6 Small friendly society function;
- (7) CF10 Compliance oversight function;
- (8) CF28 Systems and control function; and

(9) CF51 Actuarial conduct function holder in Solvency II third country Insurance undertakings.