

**PRA RULEBOOK: SOLVENCY II FIRMS: SENIOR INSURANCE MANAGERS REGIME
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 137G (the PRA's general rules); and
 - (4) 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 Instrument 2015

- D. The PRA makes the rules in Annex A, Annex B and Annex C 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 Instrument 2015.

By order of the Board of the Prudential Regulation Authority

17 March 2015

Annex A

Part

INSURANCE – 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**
- 7. CHIEF ACTUARY**
- 8. WITH-PROFITS ACTUARY**
- 9. CHIEF UNDERWRITING OFFICER**
- 10. UNDERWRITING RISK OVERSIGHT**
- 11. LLOYD'S**
- 12. ISPVs**

1 APPLICATION AND DEFINITIONS

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 *ISPV*, in accordance with 12.

1.2 In this Part, the following definitions shall apply:

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.

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.

Underwriting Risk Oversight function

has the meaning given in 10.2.

With-Profits Actuary function

has the meaning given in 8.2.

2 GENERAL

- 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*.
- (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*.

3 EXECUTIVE

- 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

[Not yet in force]

5 GROUP ENTITIES

- 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

- 6.1 This Chapter applies only to a *firm* that is a *third country branch undertaking*.
- 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

- 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

- 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

- 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 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

- 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

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

12 ISPVS

- 12.1 This Chapter applies only to *firms* that are *ISPVs*.
- 12.2 The following *senior insurance management functions* do not apply to an *ISPV*:
- (1) *Chief Risk function* (SIMF4);
 - (2) *Head of Internal Audit function* (SIMF5);
 - (3) *Head of Third Country Branch function* (SIMF19);
 - (4) *With-Profits Actuary function* (SIMF21); and
 - (5) *Chief Underwriting Officer function* (SIMF22).

Annex B

Part

INSURANCE – FITNESS AND PROPRIETY

Chapter content

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

1 APPLICATION

- 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 *ISPV*.

2 FITNESS AND PROPRIETY ASSESSMENTS BY FIRMS

- 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 the *person's* past business conduct.

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

- 2.4 Before deciding whether a *person* (P) is fit and proper to become a *senior insurance management function holder*, 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 a *senior insurance management function holder*, a *firm* must take reasonable steps to obtain appropriate references from that *person's* current and previous employers 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.

3 OBLIGATION TO PROVIDE REFERENCES

- 3.1 [Not yet in force]

4 DISCLOSURE AND REPLACEMENTS

- 4.1 (1) A *firm* (other than an *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 *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]

- 4.2 Where:
- (1) a *key function holder* is to be approved by the *PRA* to perform a *senior insurance management 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*,

this shall discharge the obligation 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

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

Annex C

Part

INSURANCE – ALLOCATION OF RESPONSIBILITIES

Chapter content

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

1 APPLICATION AND DEFINITIONS

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

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 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*.

2.3 A *third country branch undertaking* 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 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

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 those 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 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 *firm's* remuneration policies and practices.

4 IDENTIFICATION OF KEY FUNCTIONS

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*, 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

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*, 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*, 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

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