

PRA RULEBOOK: SOLVENCY II FIRMS, NON-SOLVENCY II FIRMS: SENIOR INSURANCE MANAGERS REGIME (AMENDMENT) INSTRUMENT 2018

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 59 (approval for particular arrangements);
 - (2) section 60 (applications for approvals)
 - (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 instruments) 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, Non-Solvency II Firms: Senior Insurance Managers Regime (Amendment) Instrument 2018

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

Commencement

- E. Annexes D, E and H to this instrument come into effect on 9 April 2018 and Annexes A, B, C, F and G to this instrument comes into force on 10 December 2018.

Citation

- F. This instrument may be cited as the PRA Rulebook: Solvency II Firms, Non-Solvency II Firms: Senior Insurance Managers Regime (Amendment) Instrument 2018.

**By order of the Prudential Regulation Committee
16 January 2018**

Annex A

Amendments to the Glossary

Insert the following new definitions into the Glossary of the PRA Rulebook.

large firm

means:

- (1) a *firm* with a *Part 4A permission* to:
 - (a) *effect contracts of insurance*; or
 - (b) *carry out contracts of insurance*;
- (2) the *Society*;
- (3) a *managing agent*

in respect of which:

- (a) the amount of the *firm's gross written premiums* exceeds £1 billion in each *annual report and accounts* prepared by the *firm* for each of the previous three *financial years*; or
- (b) the amount of the *firm's assets* relating to all *regulated activities* carried on by the *firm* exceeds £10 billion in each *annual report and accounts* prepared by the *firm* for each of the previous three *financial years*;

and:

- (i) where the *firm* has not produced *annual report and accounts* for three *financial years*, the amounts in (a) and (b) are the amounts reported by the *firm* in those *annual report and accounts* that have been published by the *firm*; and
- (ii) where the *firm* is a *third country branch undertaking*, the amounts in (a) and (b) are only those amounts relating to the operations effected by the *third country branch*.

Annex B

Amendments to the

Insurance – Senior Insurance Management Functions Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

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1.2

...

Chief Operations function

has the meaning given in 3.7.

...

group executive

has the meaning given in 13.4.

...

Head of Key Business Area function

has the meaning given in 3.5.

...

3 EXECUTIVE

...

3.5 The *Head of Key Business Area function* (SIMF6) is the function of having responsibility for management of a business area or division of a *firm* (other than a *third country branch undertaking*) where:

- (1) the relevant business area or division of the *firm* accounts for more than 20% of the *firm's* gross revenue; and
- (2) the *person* performing that function does not report to a *person* performing the *Head of Key Business Area function* in respect of that same business area or division of the *firm*; and
- (3) either the gross total assets or the *technical provisions* of the relevant business area or division of the *firm* exceed £10 billion.

3.6 For the purposes of 3.5, the gross total assets and *technical provisions* of the business area or division of the *firm* and the percentage of the gross revenue of the *firm* shall be assessed on the basis of either:

- (1) the assets, *technical provisions* and revenues for the business area or division and the *firm* for the *firm's* financial year immediately preceding that in which the *person* is allocated with the specified responsibilities; or
- (2) if the threshold amount is not met for that period, on the basis of the annual average amount assessed across a rolling period of five years, assessed by reference to the *firm's* annual accounting date; and where the *firm* or the business area or division has been in existence for less than five years, the assessment will be made on the basis of the annual average amount for the period during which the *firm* or that business area or division has existed (calculated by reference to the *firm's* annual accounting date).

3.7 The *Chief Operations function* (SIMF24) is the function of having responsibility for the internal operations and technology of a *firm*.

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12 UK ISPVS

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

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(2A) *Head of Key Business Area function* (SIMF6);

...

13 COMBINATION OF SENIOR INSURANCE MANAGEMENT FUNCTIONS

13.1 This Chapter does not apply to a *third country branch undertaking*.

13.2 A *large firm* must ensure that a *person* who performs the *Chairman function* on its behalf does not perform the *Chief Executive function* within the same *firm*.

13.3 A *large firm* that is a member of a *group* must ensure that a *group executive* does not perform any of the following functions in respect of the *firm*:

- (1) the *Chairman function* (SIMF9);

- (2) the Chairman of Risk Committee function (SIMF10);
- (3) the Chairman of Audit Committee function (SIMF11);
- (4) the Chairman of Remuneration Committee function (SIMF12); or
- (5) the Senior Independent Director function (SIMF14).

13.4 A group executive means, in relation to a large firm, a person who is an officer or employee of and performs an executive function at:

- (1) a parent undertaking or holding company of the large firm; or
- (2) an undertaking which is a member of the same group as the large firm.

Annex C

Amendments to the

Insurance – Allocation of Responsibilities Part

In this Annex new text is underlined and deleted text is struck through.

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2 ALLOCATION OF RESPONSIBILITIES

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2.3 A *third country branch undertaking* (other than a *Swiss general insurer*) must allocate each of the *SIMR prescribed responsibilities* set out in 3.1(1), (4), (5), (6), ~~and (7)~~ and (12) to one or more *persons* who, in relation to that *firm*, are approved under section 59 of *FSMA* by:

...

3 SIMR PRESCRIBED RESPONSIBILITIES

3.1 Each of the responsibilities set out in this rule is an *SIMR prescribed responsibility*:

...

(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 overseeing the development and implementation of the *firm's* remuneration policies and practices; ~~and~~

(12) responsibility for the *firm's* performance of its obligations in respect of outsourced operational functions and activities under Conditions Governing Business 7.

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Annex D
Amendments to the
Conditions Governing Business Part

In this Annex new text is underlined.

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2 GENERAL GOVERNANCE REQUIREMENTS

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2.7 A firm must engage a broad set of qualities and competences when recruiting members to the governing body.

2.8 A firm must put in place a policy promoting diversity on the governing body.

2.9 A firm that maintains a website must explain on the website how it complies with the requirements of 2.7 and 2.8.

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Annex E
Amendments to the
Third Country Branches Part

In this Annex new text is underlined and deleted text is struck through.

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7 **CONDITIONS GOVERNING BUSINESS**

7.1 A *third country branch undertaking* must fulfil the following requirements ~~laid down~~ in Conditions Governing Business Part of the *PRA* Rulebook, as modified by 7.2, 7.3 and 7.4:

- (1) Conditions Governing Business 1; ~~and~~
- (2) Conditions Governing Business 2.2 ~~to 7~~ to 2.6; and
- (3) Conditions Governing Business 3 to 7.

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Annex F

Amendments to the

Large Non-Solvency II Firms – Senior Insurance Management Functions Part

In this Annex new text is underlined.

1 APPLICATION AND DEFINITIONS

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1.2

...

Chief Operations function

has the meaning given in 3.7.

...

group executive

has the meaning given in 10.4.

...

Head of Key Business Area function

has the meaning given in 3.5.

...

3 EXECUTIVE

...

3.5 The Head of Key Business Area function (SIMF6) is the function of having responsibility for management of a business area or division of a firm (other than a third country branch undertaking) where:

- (1) the relevant business area or division of the firm accounts for more than 20% of the firm's gross revenue; and
- (2) the person performing that function does not report to a person performing the Head of Key Business Area function in respect of that same business area or division of the firm; and
- (3) either the gross total assets or the technical provisions of the relevant business area or division of the firm exceed £10 billion.

3.6 For the purposes of 3.5, the gross total assets and *technical provisions* of the business area or division of the *firm* and the percentage of the gross revenue of the *firm* shall be assessed on the basis of either:

- (1) the assets, *technical provisions* and revenues for the business area or division and the *firm* for the *firm's* financial year immediately preceding that in which the *person* is allocated with the specified responsibilities; or
- (2) if the threshold amount is not met for that period, on the basis of the annual average amount assessed across a rolling period of five years, assessed by reference to the *firm's* annual accounting date; and where the *firm* or the business area or division has been in existence for less than five years, the assessment will be made on the basis of the annual average amount for the period during which the *firm* or that business area or division has existed (calculated by reference to the *firm's* annual accounting date).

3.7 The *Chief Operations function* (SIMF24) is the function of having responsibility for the internal operations and technology of a *firm*.

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10 COMBINATION OF SENIOR INSURANCE MANAGEMENT FUNCTIONS

10.1 This Chapter does not apply to a *Swiss general insurer*.

10.2 A *large firm* must ensure that a *person* who performs the *Chairman function* on its behalf does not perform the *Chief Executive function* within the same *firm*.

10.3 A *large firm* that is a member of a *group* must ensure that a *group executive* does not perform any of the following functions in respect of the *firm*:

- (1) the *Chairman function* (SIMF9);
- (2) the *Chairman of Risk Committee function* (SIMF10);
- (3) the *Chairman of Audit Committee function* (SIMF11);
- (4) the *Chairman of Remuneration Committee function* (SIMF12);
- (5) the *Senior Independent Director function* (SIMF14).

10.4 A *group executive* means, in relation to a *large firm*, a *person* who is an *officer* or *employee* of and performs an executive function at:

- (1) a *parent undertaking* or holding company of the *large firm*; or
- (2) an undertaking which is a member of the same *group* as the *large firm*.

Annex G

Amendments to the

Large Non-Solvency II Firms – Allocation of Responsibilities Part

In this Annex new text is underlined and deleted text is struck through.

...

3 SIMR PRESCRIBED RESPONSIBILITIES

3.1 Each of the responsibilities set out in this rule is an *SIMR prescribed responsibility*:

...

- (9) 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~~
- (10) responsibility for overseeing the development and implementation of the firm's remuneration policies and practices; and
- (11) responsibility for the *firm's* performance of its obligations in respect of outsourced operational functions under Non-Solvency II Firms – Governance 5.

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Annex H

Amendments to the

Non-solvency II Firms – Governance Part

In this Annex new text is underlined.

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3 GENERAL GOVERNANCE FOR LARGE NON-DIRECTIVE INSURERS

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3.7 A firm (other than a Swiss general insurer) must engage a broad set of qualities and competences when recruiting members to the governing body.

3.8 A firm must put in place a policy promoting diversity on the governing body.

3.9 A firm that maintains a website must explain on the website how it complies with the requirements of 3.7 and 3.8.

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