

PRA RULEBOOK: SOLVENCY II FIRMS: NON SOLVENCY II FIRMS: NON AUTHORISED PERSONS: FSCS LIMIT FOR BUILDING GUARANTEE INSURANCE INSTRUMENT 2020

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);
 - (2) section 137T (General supplementary powers);
 - (3) section 213 (The compensation scheme); and
 - (4) section 214 (General).
- 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.
- D. In accordance with section 138L(2) of the Act, the PRA considered that the delay in complying with sections 138J(1)(b) and (2) to (5) and 138K of the Act would be prejudicial to securing the appropriate degree of protection for policyholders and therefore those provisions did not apply.

PRA Rulebook: Solvency II Firms: Non Solvency II Firms: Non Authorised Persons: FSCS Limit For Building Guarantee Insurance Instrument 2020

- E. The PRA makes the rules in the Annex to this instrument.

Commencement

- F. This instrument comes into force on 8 October 2020.

Citation

- G. This instrument may be cited as the PRA Rulebook: Solvency II Firms: Non Solvency II Firms: Non Authorised Persons: FSCS Limit For Building Guarantee Insurance Instrument 2020.

By order of the Prudential Regulation Committee

7 October 2020

Annex

Amendments to Policyholder Protection Part

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

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

building guarantee insurance

means a contract of general insurance providing building guarantee, construction warranty and/or structural defects cover in relation to newly built, converted or renovated residential property, including but not limited to the risk of physical damage and/or defect arising from non-compliance with relevant building or fire regulations or standards.

...

6 LIMITS WHEN SECURING CONTINUITY AND TAKING MEASURES IN RELATION TO RELEVANT PERSONS IN FINANCIAL DIFFICULTIES

...

6.2 If the FSCS takes measures for the purpose of safeguarding the rights of *eligible claimants* under 5.1 in respect of a *contract of general insurance*:

(1) where claims:

- (a) arise in respect of a *liability subject to compulsory insurance*; or
- (b) arise in respect of a *liability* subject to *professional indemnity insurance*; or
- (c) arise from the death or incapacity of the *policyholder* due to injury, sickness or infirmity; or
- (d) arise in respect of a liability subject to *building guarantee insurance*;

it must ensure that the *claimant* will receive 100% of any benefit under his *contract of general insurance*; and

...

17 LIMITS ON COMPENSATION PAYABLE

...

17.2 (1) For a *protected contract of insurance* when the contract is a *relevant general insurance contract*:

(a) if the *claim*:

- (i) is in respect of a *liability subject to compulsory insurance*; or
- (ii) is in respect of a liability subject to *professional indemnity insurance*; or
- (iii) is in respect of and arises from the death or incapacity of the *policyholder* due to injury, sickness, or infirmity; or
- (iv) is in respect of a liability subject to *building guarantee insurance*;

the level of cover is 100% of the *claim*; and

...

...
