

Appendix 2 – Draft instrument: PRA RULEBOOK: SOLVENCY II FIRMS, NON-SOLVENCY II FIRMS: SENIOR INSURANCE MANAGERS REGIME (AMENDMENT) (NO. X) INSTRUMENT [DATE]

PRA RULEBOOK: SOLVENCY II FIRMS, NON-SOLVENCY II FIRMS: SENIOR INSURANCE MANAGERS REGIME (AMENDMENT) (NO. X) INSTRUMENT [DATE]

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 137G (The PRA’s general rules); and
 - (2) 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) (No. X) Instrument [Date]

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

Commencement

- E. This instrument comes into force on [DATE].

Citation

- F. This instrument may be cited as the PRA Rulebook: Solvency II Firms, Non-Solvency II Firms: Senior Insurance Managers Regime (Amendment) (No. X) Instrument [Date].

By order of the Prudential Regulation Committee
[DATE]

Annex A
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

...

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:

(a) has gross total assets equal to or in excess of £10 billion; and

(b) 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.

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

- (1) the assets 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 calculated across a rolling period of five years, calculated 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 calculation 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*.

...

12 UK ISPVs

...

12.2

...

- (3A) *Head of Key Business Area function* (SIMF6);
- (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);
- (8) *With-Profits Actuary function* (SIMF21); ~~and~~
- (9) *Chief Underwriting Officer function* (SIMF22); and
- (10) *Chief Operations function* (SIMF24).

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 B

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

...

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:

(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

...

(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~~ and

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

...

Annex C

Amendments to the

Senior Insurance Managers Regime – Applications and Notifications Part

In this Annex, new text is underlined.

...

7 FORMS

7.1 (1) ~~Form A~~ Form A (long form) may be found ~~here~~here.

(2) ~~Form A~~ Form A (shortened form) may be found ~~here~~here.

...

(6) ~~Form E~~ Form E may be found ~~here~~here.

(7) The ~~scope of responsibilities form~~ scope of responsibilities form may be found ~~here~~here.

...

Annex D
Amendments to the
Conditions Governing Business Part

In this Annex new text is underlined.

...

2 GENERAL GOVERNANCE REQUIREMENTS

...

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.

...

Annex E

Amendments to the

Third Country Branches Part

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

...

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.

...

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

...

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 where:

(1) the relevant business area or division of the firm:

(a) has gross total assets equal to or in excess of £10 billion; and

(b) 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.

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

- (1) the assets 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 the specified responsibilities; or
- (2) if the threshold amount is not met for that period, on the basis of the annual average amount calculated across a rolling period of five years (calculated 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 calculation will be made on the basis of the annual average amount for the period during which the *firm* or that business line 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*.

...

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

...

(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.

...

Annex H

Amendments to the

Large Non-Solvency II Firms - Senior Insurance Managers Regime – Applications and Notifications Part

In this Annex, new text is underlined.

...

7 FORMS

- 7.1 (1) ~~Form A~~ Form A (long form) may be found herehere.
- (2) ~~Form A~~ Form A (shortened form) may be found herehere.
- ...
- (6) ~~Form E~~ Form E may be found herehere.
- (7) The ~~scope of responsibilities form~~ scope of responsibilities form may be found here here.

Annex I

Amendments to the

Non-solvency II Firms – Governance Part

In this Annex new text is underlined.

...

3 GENERAL GOVERNANCE FOR LARGE NON-DIRECTIVE INSURERS

...

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.

...

Annex J

Amendments to the Glossary Part

Insert the following new definitions into the Glossary Part 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*.