

Policy Statement | PS27/18

Strengthening accountability: Implementing the extension of the SM&CR to insurers (Part 2)

November 2018



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1 Introduction

1.1 This Prudential Regulation Authority (PRA) policy statement (PS) provides feedback to responses to Consultation Paper (CP) 20/18 ‘Strengthening accountability: implementing the extension of the SM&CR to insurers (Part 2)’.¹ It also provides the final set of rules for the implementation of the extension of the Senior Managers and Certification Regime (SM&CR, ‘the regime’) to insurers.

1.2 This PS is relevant to all Solvency II insurance firms (UK Solvency II firms, the Society of Lloyd’s and managing agents, and third country (re)insurance branches), and to insurance special purpose vehicles (ISPVs),² large non-Directive firms (NDFs),³ small NDFs⁴ and Swiss general insurers.

1.3 This PS should be read in conjunction with PRA PS15/18 ‘Strengthening individual accountability in insurance: Extension of the SM&CR to insurers’,⁵ and PRA PS26/18 ‘Strengthening accountability: implementing the extension of the SM&CR to insurers’,⁶ along with Financial Conduct Authority (FCA) PS18/15 ‘Extending the Senior Managers and Certification Regime to insurers – Feedback to CP17/26 and CP17/41 and near final rules’.⁷ The FCA’s final rules for the implementation of the SM&CR for insurers can be found in FCA Handbook Notice 58.⁸

1.4 The extension of the regime to insurers is being introduced by amendments to the Financial Services and Markets Act 2000 (FSMA) through the Bank of England and Financial Services Act 2016 (‘the 2016 Act’). The extended SM&CR for insurers will come into effect on Monday 10 December 2018, through the application of the Commencement regulations that have been published by HM Treasury for the relevant amendments to FSMA in the 2016 Act.⁹

Background

1.5 In PS15/18 the PRA published final rules and policy for the extension of SM&CR to insurers. In PS26/18 the PRA published some amendments to the final rules for the implementation of the extension of the SM&CR to insurers, along with a technical correction to the Insurance General Application Part of the PRA Rulebook.

1.6 In CP20/18 the PRA set out further proposals for some technical consequential changes and minor administrative amendments related to the implementation of the extension.

¹ See page 2 of 2 at <https://www.bankofengland.co.uk/prudential-regulation/publication/2018/strengthening-accountability-implementing-the-extension-of-the-smcr-to-insurers>.

² An ISPV is an undertaking with a Part 4A permission to carry on the regulated activity of insurance risk transformation.

³ These are insurers out of scope of Solvency II for which the value of assets in respect of regulated activities, as included in their two most recent annual reports, is more than £25 million. Large non-Directive insurer is defined in the PRA Rulebook Glossary at <http://www.prarulebook.co.uk/rulebook/Glossary/FullDefinition/77326/22-03-2017>.

⁴ These are insurers out of scope of Solvency II that are not large NDFs.

⁵ July 2018: <https://www.bankofengland.co.uk/prudential-regulation/publication/2018/strengthening-individual-accountability-in-insurance-extension-of-the-smcr-to-insurers>.

⁶ October 2018: <https://www.bankofengland.co.uk/prudential-regulation/publication/2018/strengthening-accountability-implementing-the-extension-of-the-smcr-to-insurers>.

⁷ July 2018: <https://www.fca.org.uk/publications/policy-statements/ps18-15-extending-senior-managers-certification-regime-to-insurers>.

⁸ <https://www.fca.org.uk/publication/handbook/handbook-notice-58.pdf>.

⁹ <http://www.legislation.gov.uk/uksi/2018/990/made>.

Responses to CP20/18

1.7 The PRA received no responses to CP20/18, and has made no changes to the rules as consulted on in CP20/18.¹⁰

Implementation and next steps

1.8 The final rules in this PS will apply with effect from Monday 10 December 2018.¹¹ This is the final PRA PS on the extension of SM&CR to insurers before the regime commences.

¹⁰ Some text, which is not being amended, has been deleted from the rules as made.

¹¹ Annex H will apply with effect from 1 Jan 2019.

Appendix

PRA Rulebook: Solvency II Firms and Non Solvency II Firms: Senior Insurance Managers Regime (Amendment) (No3) Instrument 2018, available at: <https://www.bankofengland.co.uk/prudential-regulation/publication/2018/strengthening-accountability-implementing-smcr-insurers-part-2>