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Dear CEO

Insurance firms in run-off: firm engagement with the PRA

The purpose of this letter is to remind insurance firms in run-off of their continuing responsibilities in the way they interact with the PRA. This follows a number of instances where we were not being engaged by firms at a sufficiently early stage.

In addition to the Threshold Conditions, all PRA-authorized firms are required to comply with the PRA's eight Fundamental Rules, as set out in Fundamental Rules in the PRA's Rulebook.¹ In particular, firms are reminded of the requirements of PRA Fundamental Rule 7, which provides that *"a firm must deal with its regulators in an open and cooperative way and must disclose to the PRA appropriately anything relating to the firm of which the PRA would reasonably expect notice."*

Similarly, Notifications 2.3 in the PRA Rulebook² also requires that a firm give the PRA notice of, inter alia, any breach of PRA rules, proposed restructuring, reorganisation or business expansion, which could have a significant impact on the firm's risk profile or resources. The PRA also expects notification of any action which a firm proposes to take which would result in a material change in its capital adequacy or solvency.

We expect firms to engage with the PRA on these matters at an early stage, a reasonable amount of time before making any formal regulatory submissions that might be required. Failure to comply with the Fundamental Rules may be relevant to a firm's ongoing compliance with the Threshold Conditions and may result in formal supervisory action and/or enforcement/disciplinary proceedings.

If you have any questions in relation to this letter, please speak to your usual supervisory contact.

Yours sincerely

Alex Ntelekos

¹ Accessible online for Solvency II firms at: <http://www.prerulebook.co.uk/rulebook/Content/Part/212223/> and for non-Solvency II firms at: <http://www.prerulebook.co.uk/rulebook/Content/Chapter/212368/>

² Accessible online for Solvency II firms at: <http://www.prerulebook.co.uk/rulebook/Content/Chapter/212095/> and for non-Solvency II firms at: <http://www.prerulebook.co.uk/rulebook/Content/Part/212263/>