

**PRA RULEBOOK: SOLVENCY II FIRMS: SENIOR INSURANCE MANAGERS REGIME –
SOLVENCY II (NO. 2) INSTRUMENT 2015**

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); 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 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. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

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

Commencement

- E. This instrument comes into force on 1 January 2016 and will remain in force up to and including 6 March 2016.

Citation

- F. This instrument may be cited as the PRA Rulebook: Solvency II Firms: Senior Insurance Managers Regime – Solvency II (No. 2) Instrument 2015.

By order of the Board of the Prudential Regulation Authority

31 July 2015.

Annex A

[Note: This Annex contains updates to the rules made in PS3/15 Appendix 3 (PRA Rulebook: Solvency II Firms: Senior Insurance Managers Regime – Solvency II Instrument 2015). In this Annex, underlining indicates new text and striking through indicates deleted text.]

Part**INSURANCE – FITNESS AND PROPRIETY**

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4. DISCLOSURE AND REPLACEMENTS
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1 APPLICATION

- 1.1 Unless otherwise stated, this Part applies to:
- (1) a *UK Solvency II firm*;
 - (2) in accordance with Insurance General Application 3, the *Society*, as modified by 5;
 - (3) in accordance with Insurance General Application 3, *managing agents*, as modified by 5;
 - (4) a *third country branch undertaking* (other than a *Swiss general insurer*); and
 - (5) ~~an~~ a *UK ISPV*.

2 FITNESS AND PROPRIETY ASSESSMENTS BY FIRMS

- 2.1 A *firm* must ensure that all *persons* who perform *key functions* are at all times fit and proper *persons*.

[Note: Art. 42(1) of the *Solvency II Directive*]

- 2.2 In deciding whether a *person* is fit and proper pursuant to 2.1, a *firm* must be satisfied that the *person*:
- (1) has the personal characteristics (including being of good repute and integrity);
 - (2) possesses the level of competence, knowledge and experience;
 - (3) has the qualifications; and
 - (4) has undergone or is undergoing all training,

required to enable such *person* to perform his or her *key function* effectively and in accordance with any relevant regulatory requirements, including those under the *regulatory system*, and to enable sound and prudent management of the *firm*.

[Note: Art. 42(1) of the *Solvency II Directive*]

- 2.3 Before deciding, and in considering on an on-going basis, whether a *person* is fit and proper pursuant to 2.1 and 2.2, a *firm* must consider the *person's* past business conduct.

[Note: Art. 42(1) of the *Solvency II Directive*]

- 2.4 [Not yet in force]
- 2.5 [Not yet in force]
- 2.6 [Not yet in force]
- 2.7 [Not yet in force]

3 OBLIGATION TO PROVIDE REFERENCES

- 3.1 [Not yet in force]

4 DISCLOSURE AND REPLACEMENTS

- 4.1 (1) A *firm* (other than ~~an~~ a UK ISPV) shall notify the *PRA* of any changes to the identity of *key function holders* and shall provide the *PRA* with:
- (a) all the information needed to assess whether such *person* is fit and proper pursuant to 2.2; and
 - (b) the information referred to in Insurance - Allocation of Responsibilities 5.1(3) in respect of that *person*.
- (2) ~~An~~ UK ISPV shall notify the *PRA* of any changes to the identity of *key function holders* who are effectively running the *firm* and shall provide the *PRA* with all the information needed to assess whether such *person* is fit and proper pursuant to 2.2.

[Note: Art. 42(2) of the Solvency II Directive]

(3) ~~_____~~ [Not yet in force]

4.2 [Not yet in force]

Where:

(1) ~~_____ a *key function holder* is to be approved by the *PRA* to perform a *senior insurance management function*; and~~

(2) ~~_____ the *firm* includes the information referred to in 4.1 in its application to the *PRA* for the approval of that *person* to perform the *senior insurance management function*;~~

~~this shall discharge the obligation in 4.1 in respect of that *key function* appointment.~~

- 4.3 If a *firm* becomes aware of information which would reasonably be expected to be material to the assessment of a current or former *key function holder's* fitness and propriety under this Part, it must inform the *PRA* as soon as practicable.

[Note: Art. 42(3) of the Solvency II Directive]

- 4.4 Where a *firm* replaces a *key function holder* because the *firm* considers that that *person* is no longer fit and proper pursuant to 2.1 and 2.2, the *firm* must notify the *PRA* as soon as reasonably practicable.

[Note: Art. 42(3) of the Solvency II Directive]

5 LLOYD'S

- 5.1 This Part applies to the *Society* and *managing agents* separately.

6 FITNESS AND PROPRIETY TRANSITIONAL PROVISIONS

6.1 [Not yet in force]

Annex B

[Note: This Annex contains updates to the rules made in PS3/15 Appendix 3 (PRA Rulebook: Solvency II Firms: Senior Insurance Managers Regime – Solvency II Instrument 2015). In this Annex, underlining indicates new text and striking through indicates deleted text.]

Part

INSURANCE – ALLOCATION OF RESPONSIBILITIES

Chapter content

- 1. APPLICATION AND DEFINITIONS**
- 2. ALLOCATION OF RESPONSIBILITIES**
- 3. SIMR PRESCRIBED RESPONSIBILITIES**
- 4. IDENTIFICATION OF KEY FUNCTIONS**
- 5. RECORDS**
- 6. LLOYD'S**

Links

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to:

- (1) a *UK Solvency II firm*;
- (2) in accordance with Insurance General Application 3, the *Society*, as modified by 6;
- (3) in accordance with Insurance General Application 3, *managing agents*, as modified by 6; and
- (4) a *third country branch undertaking* (other than a *Swiss general insurer*).

1.2 In this Part, the following definitions shall apply:

governance map

has the meaning given in 5.1.

2 ALLOCATION OF RESPONSIBILITIES

2.1 [Not yet in force]

2.2 [Not yet in force]

2.3 [Not yet in force]

3 SIMR PRESCRIBED RESPONSIBILITIES

3.1 [Not yet in force]

4 IDENTIFICATION OF KEY FUNCTIONS

4.1 A *firm* must identify:

- (1) each of the *functions* that the *firm* considers to be a *key function*; and
- (2) any such *key function* that amounts to effectively running the *firm* (or, for a *third country branch undertaking other than a Swiss general insurer*, effectively running the operations effected by the *third country branch*, or, for a *UK-deposit insurer*, the operations effected by the *third country branch* and all the *third country undertaking EEA branches*).

4.2 A *firm* must keep its identification of *key functions* pursuant to 4.1 up-to-date.

4.3 A *firm* must keep a record of its reasoning for the identification of *key functions* pursuant to 4.1.

5 RECORDS

5.1 A *firm* must have and maintain a *governance map*, which is a clear and coherent document or series of documents with the following details:

- (1) a list of the *key functions* identified by the *firm* in accordance with 4.1 highlighting those that amount to effectively running the *firm* (or, for a *third country branch undertaking other than a Swiss general insurer*, effectively running the operations effected by the *third country branch* or, for a *UK-deposit insurer*, the operations

effected by the *third country branch* and all the *third country undertaking EEA branches*);

- (2) the names of the *persons* who effectively run the *firm* (or, for a *third country branch undertaking other than a Swiss general insurer*, effectively run the operations effected by the *third country branch* or, for a *UK-deposit insurer*, the operations effected by the *third country branch* and all the *third country undertaking EEA branches*) or who are responsible for other *key functions* listed pursuant to 5.1(1);
- (3) for each *person* named pursuant to 5.1(2), a summary of the significant responsibilities allocated to that *person*;
- (4) where any responsibilities covered by 5.1(3) are allocated to more than one *person*, details of how those responsibilities are shared or divided between the *persons* concerned;
- (5) reporting lines and lines of responsibility for each *person* listed pursuant to 5.1(2);
- (6) where a *firm* (other than a *third country branch undertaking*) is a member of a *group*:
 - (a) how the *firm's* management and governance arrangements fit together with those of its *group* and the extent to which the *firm's* management and governance arrangements are provided by or shared with other members of its *group*; and
 - (b) for the *persons* listed pursuant to 5.1(2), details of the reporting lines and the lines of responsibility (if any) to *persons* who are employees or officers of other *group* members or to committees or other bodies of the *group* or of other *group* members.

5.2 A *firm* must update the *governance map*:

- (1) at least quarterly; and
- (2) in the event of a significant change to:
 - (a) the *firm's* governance structure;
 - (b) the significant responsibilities allocated to a *key function holder*; or
 - (c) the reporting lines or lines of responsibility for a *key function holder*.

5.3 A *firm* must, as soon as reasonably practicable, provide the following to the *PRA*:

- (1) upon request by the *PRA*, a copy of the *governance map*; and
- (2) in the event of an update pursuant to 5.2(2), a copy of the relevant part of the *governance map*.

6 LLOYD'S

6.1 This Part applies to the *Society* and *managing agents* separately.