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News release

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Prudential Regulation Authority consults on proposals to improve responsibility and accountability in the insurance sector

The Prudential Regulation Authority (PRA) has today published a consultation paper introducing a new accountability regime for the insurance sector. The proposals aim to embed a clearer system of accountability and responsibility for senior individuals working for insurance firms and groups.

In July 2014, the PRA consulted on a similar regime for the banking sector, as required by the Banking Reform Act 2013. Although many of the key legislative powers in the Banking Reform Act do not apply to insurers, the PRA believes that there should be a regulatory framework which reinforces similar standards of fitness and propriety, conduct, and accountability for individuals in positions of responsibility at both insurers and banks. The regime for insurers is not identical to that for banks, given the differences in business models and risks posed to the PRA's objectives. Specifically, none of the potential criminal sanctions, nor the 'presumption of responsibility' in the banking regime, will apply to any of the individuals in 'senior insurance management functions'.

The new regime also takes account of the need to introduce measures relating to governance and the fitness and propriety of individuals as part of Solvency II.

The Senior Insurance Manager's Regime will apply to senior managers who are running insurers, or who have responsibility for key functions. As such, the PRA proposes a more focused range of individuals within insurance firms who will be subject to regulatory pre-approval. These are individuals who would be held responsible and accountable for ensuring the ongoing safety and soundness of their firm and the appropriate protection of policyholders.

The regime will apply to

- the Chief Executive Officer;
- the Chief Finance Officer;
- the Chief Risk Officer;
- the Head of Internal Audit;
- the Chief Actuary;
- the With-Profits Actuary (for life insurers writing with-profits business)
- the Chief Underwriting Officer (for general insurance and reinsurance firms, and managing agents at Lloyd's)
- the Underwriting Risk Oversight Function (for the Society of Lloyd's).

Firms will have to allocate certain responsibilities, including specific responsibility for developing and embedding the culture of the firm, to one or more of these individuals. The PRA is also proposing to introduce new conduct standards for these individuals.

Andrew Bailey, Deputy Governor, Prudential Regulation and CEO of the PRA said:

"Ensuring that senior managers of insurers are accountable supports our objective that firms should be run in a safe and sound manner. Policyholders are best served by insurance companies with senior managers who can be held to account and who are individually responsible for the decisions they make."