

New Insurer Start-Up Unit Guide

What you need to know from the PRA
and the FCA

Contents

What is an insurer?	5
Is setting up a new insurer right for you? What are the alternatives?	6
Things to consider if you decide that setting up an insurer is right for you	7
What if your firm is already authorised?	7
What will your insurer do and how will it do it?	7
What is the new insurer authorisation process?	7
When can I call myself an Insurer?	8
What are the next steps?	8
Pre-application	9
What is the purpose of the pre-application stage?	9
What do the pre-application meetings with us involve?	9
What are our expectations of you and what can you expect from us?	10
What are the pre-application timeframes?	11
How do you start the pre-application process when you're ready?	11
Initial meeting	12
What do you need to know and do?	12
What needs to happen before the meeting?	12
What will happen at the meeting?	12
What are the next steps?	12
Feedback meeting	13
Why is the feedback meeting important?	13
What do you need to know and do?	13
What needs to happen before the meeting?	13
What will happen at the meeting?	14
What are the next steps?	14
Challenge session	15
Why are the challenge sessions important?	15
What do you need to know and do?	15
What will happen at the meetings?	16
What are the next steps?	16
Where can you find forms?	17

- What happens when you submit your application? 17
 - Payment of Fees 17
- What happens when we receive your application? 18
 - What will we assess? 18
 - Why is completeness important? 19
 - What are the Threshold Conditions? 19
 - How long will it take to give you a decision on your application? 19
 - The decision 20
 - What happens if your application is not approved? 20
- What are the Threshold Conditions, Fundamental Rules and Principles for Businesses? 22
- What is our supervisory approach for new insurers? 23
- What can you expect in the early days of being supervised, and in subsequent years? 24
- Where can you find out more about regulatory fees and levies? 25
- What do you need to know to complete regulatory reporting? 25
- What are the key regulatory systems? 26
- How can you keep up to date with regulatory information? 26

Introduction

The New Insurer Start-up Unit was set up by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) to give you the information and support you need if you're thinking of becoming a new insurer¹² in the United Kingdom.

Being an insurer means undertaking the regulated activities of 'effecting' (e.g. offering, pricing and negotiating insurance business, confirmation of cover and issuance of policies) and/or 'carrying out' (e.g. administration and claims handling in respect of existing contracts) contracts of insurance. Any firm that wants to be an insurer must be authorised to undertake these activities by the PRA with consent from the FCA.

This guide includes four sections with useful information for you to use if you're thinking of setting up an insurer. This information can also be found on our website www.bankofengland.co.uk/prudential-regulation/new-insurer-start-up-unit.

Thinking about becoming an Insurer:

Early stages

The **Early Stages** section goes through the basics, including whether setting up an insurer is the right thing for you, and what the alternatives might be.

What do you need to do to get started?

Pre-application

If you decide that you want to set up an insurer, you may find the **Pre-application** section helpful. It includes details of the pre-application meetings which, in our experience, have been helpful to both sides as we share our expectations to facilitating submission of an as robust and complete as possible application.

What happens when you apply to become an Insurer?

You can look ahead to find out what happens when you apply to become a new insurer in the **Application** section. The application section includes information about what we will assess, and how long it could take to give you a decision.

What's life like as a new Insurer in the United Kingdom

After Authorisation

When you're authorised and fully operational, you'll want to know more about what regulatory life is like as a new insurer in the United Kingdom. What can you expect in the early days of being supervised, and in subsequent years? Answers to these, and other questions, are set out in the **after authorisation** section.

If there are any words or phrases that you don't understand, or a question that comes to mind, please check the FAQs (Appendix 1). We also have glossaries in the [PRA Rulebook](#) and [FCA Handbook](#). If you have any queries about becoming a new insurer you can also email NewInsurerStartupUnit@bankofengland.co.uk or call 020 3461 8100.

¹ This guide can be used as a base but is not tailored to Lloyd's managing agent authorisations.

² Firms who wish to apply to become ISPs should refer to this [link](#).

Thinking about becoming a new Insurer?

This section includes questions to ask yourself if you're thinking about becoming a new insurer, and next steps:

- What is an insurer?
- Is setting up a new insurer right for you?
- What are the alternatives?
- Things to consider if you decide setting up an insurer is right for you

What is an insurer?

From an economic perspective, an insurer is a firm, which, through a contractual agreement, undertakes to compensate specified losses, liability or damages incurred by an individual or another entity to provide risk management through the protection from financial loss. Please find further details on the basics of insurance on the Bank of England – [Knowledge bank](#)

From a regulatory perspective, an insurer is a *firm* with a 'Part 4A permission' that includes the activities of **effecting contracts of insurance** or **carrying out contracts of insurance**.³ The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 sets out a list of relevant regulated activities⁴ (see Chapter III Insurance) but does not attempt an exhaustive definition of a **contract of insurance**. Potential applicants should refer to the FCA's Perimeter Guidance Manual for [Guidance on the identification of contracts of insurance](#). The section [Guidance on insurance mediation activities](#) may also be helpful.

You should consider if your business plans fall within these definitions.

What are the types of insurers and what is the scope of this guide?

The UK insurance market covers various lines of business, to list a few:

- Non-life class of business:
 - Accident and sickness
 - Motor vehicle liability and other motor vehicle insurance
 - Fire and other damage to property
 - Marine, aviation and railway rolling stock
 - General Liability
 - Credit and suretyship
 - Other classes
- Life class of business:
 - Life and annuity
 - Marriage and birth

³ See PRA Rulebook Glossary.

- Linked long term
- Permanent health
- Capital redemption
- Pension fund management
- Collective insurance

Is setting up a new insurer right for you? What are the alternatives?

Depending on the area of the insurance market you plan to enter, there may be alternatives which allow you to offer similar products through another insurer without becoming a direct insurer yourself. For example, if you are interested in working in a niche area of the market or perhaps prefer to test your product first, operating as an intermediary under some form of delegated authority from an existing insurer e.g. as a managing general agent (MGA)⁵ may be more appropriate. There are a range of intermediaries and the most appropriate route will depend on a number of factors e.g. through which sales channels the insurance will be sold. Information on how to apply for intermediary activities can be accessed via the following link: <https://www.fca.org.uk/firms/authorisation/how-to-apply/retail-intermediaries>.

A firm wanting to sell regulated products but not wishing to become directly authorised can also agree with a PRA and/or FCA authorised firm to become its appointed representative (AR). Insurance mediation activities that an appointed representative can carry out are set out in the FCA handbook at <https://www.handbook.fca.org.uk/handbook/PERG/5/13.html>, however, the AR is limited to only carrying out the regulated activities the principal has permission to undertake. A prospective AR will undergo fitness and propriety checks and will have to follow the rules and procedures as set by the authorised firm. Rules relating to appointed representatives are set out in SUP 12 of the FCA Handbook and applicants can also get further information about the application process via the following link: <https://www.fca.org.uk/firms/appointed-representatives-principals/apply>.

Will my firm be subject to the Solvency II Directive?

Within the United Kingdom, newly authorised insurers and reinsurers will be subject to the Solvency II regime if they meet all the conditions stated in [PRA Rulebook Insurance General Application rule 2](#).

Firms that are not subject to the Solvency II regime are known as 'non-directive firms' and are subject to different rules around key areas such as capital requirements, governance requirements, and reporting requirements.

Applicants should consider whether their firm will be subject to the Solvency II regime when preparing any application and plan accordingly.

⁵ The Managing General Agents' Association defines an MGA as an intermediary whose primary fiduciary responsibility is to the insurer(s) which provide its capacity.

Things to consider if you decide that setting up an insurer is right for you

If you have considered the alternatives and have concluded that setting up an insurer is the right route, there are some important things to consider before contacting us to start the authorisation process.

Questions include:

- Do you need to go through the authorisation process?
- What if your firm is already authorised?
- What will your insurer do and how will it do it?
- Do you need to undertake any other regulated activities?
- What is the new insurer authorisation process?
- When can you call yourself an insurer?
- What are the next steps?

What if your firm is already authorised?

If your firm is already authorised by the FCA, e.g. as an intermediary, you will need to apply to the PRA and FCA to vary your permissions to add insurance activities. While this is legally a different regulatory transaction to a new authorisation, you will need to follow the same process as a new firm applying to be an insurer (because of the substantive change to your business model) and we encourage you to start pre-application with us as normal.

What will your insurer do and how will it do it?

Before contacting us you should consider the following key areas, as these are things we will initially want to focus on:

- Business plan
- Senior management, the board and governance
- Financial resources
- IT strategy
- Reinsurance
- Resolution
- Outsourcing

When considering the above points, you should familiarise yourself with the PRA's expectations around key topics such as governance and financial resources. Further information on financial planning may be found in [SS4/18](#), while the PRA's expectations regarding governance are detailed in [SS5/16](#). The full range of PRA publications containing guidance on a broad range of topics may be found [here](#).

What is the new insurer authorisation process?

Setting up a new insurer requires agreement from both regulators. While the PRA make the final decision on an application, the PRA can only authorise a new insurer with the FCA's consent. If the FCA withholds its consent, the PRA will be unable to authorise a new insurer.

Authorisation is a structured process which is made up of the following distinct stages:

- **pre-application** – working with us to prepare your application to become a new insurer;
- **application** – submitting your application for us to assess and decide whether to authorise your new insurer upon assessment against the threshold conditions

When can I call myself an Insurer?

The use of certain sensitive words such as 'Insurance' and 'Insurer', 'reassurer', 'reinsurance', 'reassurance', 'reinsurer', 'underwriter' and 'underwriting' in registered company names is controlled by legislation in order to prevent the public from being misled. A firm cannot call itself an insurer until it has been authorised. Please also be careful when talking about your firm to the press, and on social media.

You may begin the application process as 'Example Ltd' but only when you are authorised can you call yourself 'Example Insurance Ltd'.

You should seek the FCA's consent before using domain names that include sensitive words.

There is further information on sensitive business names here <https://www.fca.org.uk/firms/firm-details/sensitive-business-names>.

What are the next steps?

When you are ready to start the process, you should contact us (NewInsurerStartupUnit@bankofengland.co.uk or call 020 3461 8100) and we will arrange an initial pre-application meeting with you.

What do you need to do to get started?

Pre-application

This section covers the things for you to consider during the pre-application stage, and what happens next, including:

- What is the purpose of the pre-application stage?
- What do the pre-application meetings with us involve?
- What are our expectations of you and what you can expect from us?
- What are the pre-application timeframes?
- How do you start the pre-application process when you're ready?
- What are the next steps?

You may find it helpful to refer to the FAQs.

What is the purpose of the pre-application stage?

Our experience tells us that meeting with prospective new insurers before they submit their application can be highly beneficial for both parties. Experience has also taught us that a number of structured formal meetings will help you:

- understand the authorisation process and what happens at the various stages;
- understand our expectations of you and in particular the PRA's and the FCA's [Threshold Conditions](#) (Appendix 3);
- identify any particular concerns that we might have early on and help you to decide whether you want to spend time and money on an application that may not progress further; and
- submit as complete an application as possible.

However, you do not have to meet us before you submit an application. You can send your application to us at any time and we will use our statutory powers as set out in FSMA to reach a decision on your application.

At the end of the pre-application process we expect that you will have a clearer understanding of the resource implications for you and that your application, when you submit it, will be of sufficient quality for us to reach a decision as quickly as possible.

What do the pre-application meetings with us involve?

The pre-application meetings are intended to support your progress through the pre-application process and help you to submit an application which is as complete as possible. We have found that up to three meetings are usually sufficient for a new firm, with the potential for additional meetings depending on whether your proposals include the need for innovative or particularly complex IT systems or the outsourcing of key operational aspects of your business. Established firms, such as those seeking to open new branches or subsidiaries in the UK, may need fewer meetings.

- **Initial meeting** – This is held after you submit a brief high-level summary of your plans. It provides an opportunity for you to discuss your plans with us and ask questions about the authorisation process. It also provides us with an opportunity to get a sense of your plans and we will provide written feedback for you to respond to as your Business Plan develops.

- **Feedback meeting** – This is held after you have submitted, and we have reviewed, a more detailed Business Plan, which includes feedback from the initial meeting. We will again provide written feedback which you will be expected to address in your updated Business Plan.
- **Challenge session(s)** – If required, this meeting is held just before you submit your application with the aim of discussing your proposals in depth and with us providing detailed challenge on the content of your near-final Business Plan. You will be expected to incorporate feedback from the Challenge session in your application.

We will explain any changes to the content and number of pre-application meetings we have with you, as needed. Please remember these meetings provide you with the opportunity to discuss your plans and progress in detail face-to-face with us outside of the statutory timeframes that will apply when you submit your application:

- The meetings will typically be held at either the PRA’s or FCA’s offices in London where you will be expected to attend in person rather than by telephone or video conference. Exceptions will primarily be for internationally headquartered insurers.
- Please keep us updated with when you expect to submit your materials. Once you have submitted, we will organise the meeting with you.
- Your advisors or consultants are welcome at all pre-application meetings but we do not expect them to speak on your behalf.
- We will send you an agenda before all meetings which will centre on your explanation of the materials that you have sent us and the attendees from each regulator.
- After each meeting we will provide you with formal written feedback.

What are our expectations of you and what can you expect from us?

The table below outlines what you can expect from us and what we expect from you during the pre-application process.

You will:	We will:
<ul style="list-style-type: none"> • Address or incorporate any feedback provided by us into your Business Plan before moving to the next stage. 	<ul style="list-style-type: none"> • Aim to have the appropriate number of meetings with you during the pre-application stage.
<ul style="list-style-type: none"> • Develop your plans, complete the necessary work, prepare and send materials in good time for meetings with us. 	<ul style="list-style-type: none"> • The PRA and the FCA attend all meetings unless we advise you otherwise.
<ul style="list-style-type: none"> • Be open, honest and collaborate with us. 	<ul style="list-style-type: none"> • Be open, honest and give clear feedback on your proposals.
<ul style="list-style-type: none"> • Provide all information that you think we should be aware of. 	<ul style="list-style-type: none"> • Not provide a consultancy service. You should engage others if you need this.
<ul style="list-style-type: none"> • Ensure key individuals at your firm who will drive the proposition forward are involved throughout the process and attend the pre-application meetings. 	<ul style="list-style-type: none"> • Be involved in the pre-application process and will ensure it is as seamless as possible.

What are the pre-application timeframes?

The pace at which you progress through the pre-application stage is largely up to you. We expect you to keep us up to date on progress and will endeavour to hold pre-application meetings in as timely a way as possible. If, however, we do not hear from you for six months we will assume that you do not want to proceed with your application.

How do you start the pre-application process when you're ready?

To start the pre-application process, you should contact us on NewInsurerStartupunit@bankofengland.co.uk or 020 3461 8100 and we will arrange an initial meeting.

Initial meeting

The initial meeting gives you an opportunity to discuss your plans with us and for us to understand them. It will also allow us to highlight any areas we consider you will need to address before you can move further through the pre-application stage. You will also have the opportunity to ask us questions about the authorisation process.

In this section you can find out more about the initial meeting including:

- What do you need to know and do?
- What needs to happen before the meeting?
- What will happen at the meeting?
- What are the next steps?

What do you need to know and do?

In advance of the initial meeting we will ask you to prepare a brief high-level summary of your business proposition, which can be in the form of a slide presentation. While you may have been undertaking investor presentations, this should not be a 'sales pitch' as the regulators will have a different focus and you should aim to provide the minimum following information:

- an explanation of why you want to be an insurer; and
- your initial business proposition and strategy including:
 - business plan – what products you will be offering, how you will offer them and your target market;
 - sources of funding – how you propose to fund the business and whether you have any investors and/or funding in place;
 - owner and controllers – details of proposed owners and controllers, as far as they are known;
 - corporate governance – details of structure, board, senior management and governance arrangements, as far as they are known; and
 - project plan – an overview and timeline of your plan to set up the new insurer. (This is particularly important if new IT systems are required).
- The [application forms and the supporting notes](#) are a helpful resource when preparing your business proposition.

What needs to happen before the meeting?

You need to send us materials for discussion a minimum of **10 working days** before we meet. Once you have sent us your materials, we will arrange the meeting at a mutually convenient time and agree on the agenda for the meeting.

What will happen at the meeting?

At the initial meeting, you can expect to meet staff from the New Insurer Start-up Unit, who will explain the application process (including our expectations), and the materials and information required from you if you progress to the next stage.

What are the next steps?

At the end of the initial meeting, we will discuss the actions you will need to complete to take your application to the next stage. Within 10 working days of the meeting we will send you our formal feedback in a letter. You should continue to develop your business proposition and incorporate responses to our feedback into the next version

Feedback meeting

In this section you can find out more about the Feedback meeting including:

- Why is the feedback meeting important?
- What do you need to know and do?
- What needs to happen before the meeting?
- What will happen at the meeting?
- What are the next steps?

Why is the feedback meeting important?

In our experience, after the initial meeting, firms' plans move from the theoretical to the practical. As such the feedback meeting is a key step in the development of your plans. This meeting gives you the opportunity to present a more developed Business Plan incorporating the feedback from your initial meeting and offers us the opportunity to gain a more detailed understanding of your proposed business model.

What do you need to know and do?

By now, your Business Plan should cover the following points as a minimum:

- business plan – details of products, delivery channels and target market;
- business viability – competitive advantage, market research and how your firm will make money;
- financial resources – financial projections (for three years), capital management strategy, as appropriate;
- sources of funding – proposed funding model;
- owners and controllers – proposed owners and controllers;
- corporate governance – structure, board, senior management and governance arrangements;
- risk management – risk management and control framework;
- customer journey – products, pricing, complaint handling and on-boarding arrangements (including Anti-Money Laundering/Know Your Customer processes);
- outsourcing - details of key outsourcing arrangements;
- IT – IT infrastructure and systems and timescales for implementation and testing;
- recovery and resolution plans, if appropriate;
- policies and procedures – operational and regulatory policies and procedures;
- business continuity – business continuity plans, if appropriate;
- scope of permissions – details of the regulated activities you wish to undertake;
- reinsurance arrangements and
- project plan – project plan for setting up the insurer;

Please read the [application forms and supporting notes](#) as you may find them helpful when preparing your Business Plan.

What needs to happen before the meeting?

You need to send us materials for discussion a minimum of 10 working days before we meet. Once you have sent us your materials, we will arrange the meeting at a mutually convenient time.

What will happen at the meeting?

At the feedback meeting you will meet case officers from each of the regulators. We will discuss the regulatory implications of your proposals and any issues or concerns that we have. You will also have the opportunity to ask questions or discuss any issues you may have. We may also ask specialists from either regulator to attend the meeting if relevant to your application – we will confirm any details in the agenda we send you ahead of the meeting. We will also discuss the materials and information required if you progress to the next stage.

What are the next steps?

At the end of the feedback meeting, we will discuss the actions you will need to complete if you want to progress to the next stage. Within 10 working days of the meeting we will send you our formal feedback in a letter. You should continue to develop your Business Plan and incorporate responses to our feedback into the next version.

Challenge session

Why are the challenge sessions important?

The challenge sessions are the culmination of the pre-application process and should take place just before you submit your application. At this stage your Business Plan should be fully developed and will form the basis of the discussion at the challenge sessions where we will offer an honest and open assessment of your plans.

The challenge sessions give you the opportunity to outline and explain your business model and plans to senior representatives from both regulators. During the challenge sessions you can expect rigorous challenge on your proposed business model. The aim of the challenge session is to test your business model and identify any remaining issues that need to be addressed before you submit your application. The challenge session is of benefit to both you and us as we can share priorities and concerns, and is an important part of forming a good working relationship between us.

At the end of the challenge session we will provide feedback on your readiness to submit an application. Any issues identified at the meeting will also be summarised in a formal feedback letter. We will expect you to address all the feedback points before you submit your application. This should help you to submit as complete an application as possible; minimising delays that could be faced during the assessment period.

In this section you can find out more about the challenge session including:

- What do you need to know and do?
- What needs to happen before the meeting?
- What will happen at the meeting?
- What are the next steps?

What do you need to know and do?

You will need to have a fully developed Business Plan which you will need to be able to discuss in detail including:

- business plan – details of products, delivery channels and target market;
- business viability – competitive advantage, market research and how your firm will make money;
- financial resources – financial projections (for three years), capital management strategy, as appropriate;
- sources of funding – proposed funding model;
- owners and controllers – proposed owners and controllers;
- corporate governance – structure, board, senior management and governance arrangements;
- risk management – risk management and control framework;
- customer journey – products, pricing, complaint handling and on-boarding arrangements (including Anti-Money Laundering/Know Your Customer processes);
- outsourcing - details of key outsourcing arrangements;
- IT – IT infrastructure and systems and timescales for implementation and testing;
- recovery and resolution plans, if appropriate;
- policies and procedures – operational and regulatory policies and procedures;
- business continuity – business continuity plans, if appropriate;
- scope of permissions – details of the regulated activities you wish to undertake;
- reinsurance arrangements and
- project plan – project plan for setting up the insurer;

The application [forms and the supporting notes](#) are a helpful resource when preparing your Business Plan.

What needs to happen before the meetings?

You need to send us materials for discussion a minimum of 15 working days before we meet. Once you have sent us your materials, we will arrange the meetings at a mutually convenient time.

What will happen at the meetings?

The challenge session will be attended by your case officers along with senior representatives from both regulators. We expect several of your executives and, where possible, non-executives to attend. You should expect the meeting to last about two hours.

You can expect rigorous, detailed challenge on any aspect of your Business Plan as we assess whether you are ready to submit your application.

What are the next steps?

At the end of the challenge session, we will discuss next steps and actions with you and within 10 working days of the meeting we will send you our formal feedback in a letter. If you go on to submit an application, you should finalise your Business Plan and incorporate responses to our feedback from the challenge session.

What happens when you apply to become a new Insurer? Application

After the pre-application meetings, including the challenge session, you should be ready to submit your formal application for us to assess and decide whether to authorise your new insurer.

This section covers the things you need to do to submit your application, and what happens next, including:

- Where can you find the forms?
- What happens when you submit your application?
- Fees
- What happens when we receive your application?
- What will we assess?
- Why is completeness important?
- What are the Threshold Conditions?
- What are the minimum governance requirements?
- Who will be interviewed?
- How long will we take to give you a decision on your application?
- The decision
- What happens if your application is not approved?

Where can you find forms?

You can find all the forms you need to complete on the Bank of England's [website](#).

Before you submit your application, you should review it to check you have provided adequate responses to all questions and enclosed any supporting documents. We also strongly recommend that you address all the issues and actions we have identified with you during the [pre-application](#) stage before you submit your application.

It is important to always be open and honest with us as the success of your application will be affected if we find you have deliberately withheld information or provided false or incomplete facts. You should also provide us with any other information that you think we should be aware of. If you are in doubt about anything, then please disclose it. If the information you provide is inaccurate, or incomplete, this will delay your application.

What happens when you submit your application?

To submit an application, firms will need to follow the following steps:

Firms will need to send an email with an electronic copy of their application to the PRA at the following mailbox: NewFirmAuthorisation@bankofengland.co.uk.

If the file size exceeds 25 MB please use multiple emails to accommodate your submission.

Payment of Fees

Information on fees for New Firm authorisation applications can be found on the [New firm authorisation webpage](#).

What happens when we receive your application?

When we receive your application at the PRA we will:

- log your application and distribute copies to the FCA; and
- assign case officers from the PRA and FCA, who will usually be the same people who guided you through the pre-application stage.

You should expect to receive written confirmation of receipt of your application from the PRA along with confirmation of your case officers within five working days. This confirmation will also briefly outline the assessment process. The key points are that we will:

- assess your application including whether it is complete or incomplete (see ‘What will we assess?’ and ‘Why is completeness important?’ below), and whether you will meet and continue to meet each regulator’s Threshold Conditions (see ‘What are the Threshold Conditions?’ below Annex 3);
- arrange a formal monthly catch-up call with you. This is a chance for all parties to update on progress and discuss any issues;
- interview a number of senior management and non-executive directors, in line with current regulations (see ‘Who will we interview?’ below);
- be in touch if we want to visit you; and
- write to you, usually within eight weeks, with the results of this assessment and, if necessary, ask for any outstanding information.

What will we assess?

We will review the following information as part of our assessment:

- business plan/viability;
- financial resources, as appropriate;
- sources of funding;
- owner and controllers;
- corporate governance;
- risk management;
- customer journey;
- outsourcing;
- IT;
- policies and procedures;
- recovery and resolution, as appropriate; and
- business continuity.

For insurers that will be subject to the Solvency II regime, we will review the calculation of your Solvency Capital Requirement (SCR), which sets out the amount of regulatory capital an insurance company is required to hold, and your draft Own Risk Solvency Assessment (ORSA) report. An ORSA is an internal process undertaken by an insurer or insurance group to assess the adequacy of its risk management and current and prospective solvency positions under normal and severe stress scenarios. An ORSA requires insurers to analyse all reasonably foreseeable and relevant material risks (i.e., underwriting, credit, market, operational, liquidity risks, etc.) that could have an impact on an insurer’s ability to meet its policyholder obligations.⁶ Non-directive firms are not required to calculate an SCR or produce a draft ORSA, but it will still be necessary to review capital, management and governance requirements for your firm.

⁶ Please refer to Conditions governing Business 3.8 in the PRA Rulebook.

Why is completeness important?

When you do submit an application, the first assessment we will make is whether your application is complete or not. This affects the statutory deadline by which we must make a decision on your application as follows:

- Complete applications – we have a six month statutory deadline to assess an application that has been deemed complete.
- Incomplete applications – we have a 12 month statutory deadline to assess an application which has been deemed incomplete.

For your application to be assessed as complete, you will need to have provided us with all of the required application forms that have been fully and correctly completed, and the information provided must be of sufficient quality and detail to allow us to complete our assessment.

We also expect you to have incorporated responses to our feedback provided during the pre-application stage.

What are the Threshold Conditions?

We will assess whether – on the information provided in your application – as an authorised firm you will meet and continue to meet each regulator’s Threshold Conditions.

The PRA’s Threshold Conditions for insurers are:	The FCA’s Threshold Conditions for insurers are:
<ul style="list-style-type: none">• Legal status• Location of offices• Prudent conduct of business• Suitability• Effective supervision	<ul style="list-style-type: none">• Effective supervision• Appropriate non-financial resources• Suitability• Business model

There are clearly a number of similarities between the PRA and FCA Threshold Conditions comprising an assessment of both (i) appropriate financial resources and (ii) appropriate non-financial resources.

The PRA assessment will focus on its statutory objective to promote the safety and soundness of the firms we regulate, to contribute to securing an appropriate degree of protection for insurance policyholders and facilitate effective competition between firms. The FCA’s assessment will focus on its statutory objectives of protecting consumers; protecting and enhancing the integrity of the UK financial system; and promoting effective competition in the interests of consumers. Authorisation is used as a forward-looking tool in order to prevent harm from occurring; we achieve this by ensuring that all regulated firms and individuals meet common sets of minimum standards at the outset. The factors we look at include the type of financial services a firm wants to provide, the nature and size of its customer base.

More detail on the PRA’s and FCA’s Threshold Conditions can be found in the [PRA’s approach to Insurance supervision](#) and appendix on Threshold Conditions.

How long will it take to give you a decision on your application?

As set out in FSMA, the statutory deadline for the PRA and the FCA to take a decision on an application is six months for a complete application and twelve 12 months for an incomplete application. We will endeavour to assess an application and reach a decision as soon as possible but timing will depend on the completeness of the application and on your providing timely and appropriate responses to any requests for information. Throughout our

assessment we may have queries or require further information from you. You can help to make the process as efficient as possible by responding promptly and comprehensively to our queries.

The decision

Both regulators will make a decision independently on whether or not to authorise your new insurer. While the PRA will make the final decision on your application, it may only authorise a new insurer with the FCA's consent. If the FCA does not provide its consent, the PRA will be unable to authorise your insurer.

Our case officers will make a recommendation to approve or refuse your application. The decision to approve or refuse your application also incorporates the recommendation, or not, of all senior managers or any other transactions linked to your application (such as waivers, please refer to the FAQ section for further details on the waivers a new firm can apply for).

The decision to authorise a firm is made by an independent decision-maker at each of the regulators. Our case officers will **not** decide whether to approve or refuse your application.

If we decide to approve your application, we will be in touch with you and include the following:

- **Authorisation letter**
- **Scope of Permission Notice** – which is your Part 4A permission and will set out the date from which the permission has effect, which regulated activities you have permission to carry on, and any requirements or limitations; and
- **Welcome pack.**

You will also see your insurer's details on the [Financial Services Register](#) from the date you are authorised as shown in the Authorisation Letter.

What happens if your application is not approved?

If it looks likely that we're going to refuse your application, we will let you know both orally and in writing, giving you time to address our concerns. If you are unable to address these concerns, we will issue you with a 'minded to refuse' letter, which will set out our concerns and detail which Threshold Conditions and/or specific rules have not been satisfied.

If you are unable to address our concerns, you may decide to withdraw your application and reapply when you are in a position to do so.

However, if you decide that you wish to proceed, we will escalate your case for a decision by senior management at both regulators. If they agree with the case team's recommendation (to propose to refuse the application), the PRA or the FCA, as the case may be, will issue you with a Warning Notice.

At this stage, you will still be able to either withdraw your application or make representations (orally and/or in writing) to the relevant PRA or FCA decision-makers. If they do not agree with the case team's recommendation, the case will be referred back to your case officers who will resume assessing your application.

If you decide to make representations, the relevant PRA or FCA decision making committee will take your representations into account in deciding whether or not to refuse the application. If the decision makers decide not to issue a Decision Notice, your application will be referred back to our case officers who will resume assessing your application.

If, having heard any representations, the decision makers decide to refuse your application, a Decision Notice will be issued to you. The Decision Notice will notify you of your right to

refer the decision to refuse your application to the Upper Tribunal (Tax and Chancery Chamber). If you decide not to refer the Decision Notice to the Tribunal, the PRA will issue you with a Final Notice and details of this may be published on the PRA's website.

What's life like as a new insurer in the United Kingdom? After authorisation

Being an authorised insurer in the United Kingdom brings with it a number of obligations. You must meet the standards set out in both the [FCA Handbook](#) and the [PRA Rulebook](#) and must provide us with relevant information to show you are meeting these standards. You will also be subject to ongoing supervision by both regulators.

This section provides more detail on:

- What are the Threshold Conditions, Fundamental Rules and Principles for Businesses?
- What is our supervisory approach for new insurers?
- What can you expect in the early days of being supervised and in subsequent years?
- Where can you find out more about regulatory fees and levies?
- What do you need to know to complete regulatory reporting?
- What are the key regulatory systems?
- How can you keep up to date with regulatory information?

What are the Threshold Conditions, Fundamental Rules and Principles for Businesses?

As an authorised firm you will need to ensure that you meet the PRA's and the FCA's Threshold Conditions at all times – please see [Threshold Conditions](#) (Appendix 3) for more detail.

In addition to the Threshold Conditions, there are:

- Eight PRA Fundamental Rules, which are high-level rules which collectively act as an expression of the PRA's general objective of promoting the safety and soundness of regulated firms; and
- Eleven FCA Principles for Businesses which are a general statement of firms' fundamental obligations under the regulatory systems.

Please see the [Fundamental Rules and Principles for Businesses](#) (Appendix 4) for more detail on these items.

The [PRA Rulebook](#) and the [FCA Handbook](#) set out more detailed requirements on authorised firms. There are also a number of EU regulations which directly impose requirements on insurers in areas such as capital requirements.

It is vital that boards and senior management understand the PRA's and the FCA's Threshold Conditions, the Fundamental Rules, the Principles for Businesses, the more detailed rules in the PRA Rulebook, the FCA Handbook and the directly applicable EU regulations and that they establish within their firms a culture that supports adherence to the spirit and the letter of the requirements.

What is our supervisory approach for new insurers?

As an insurer you will be supervised by the PRA for prudential matters and the FCA for conduct matters. The table below summarises each regulator’s approach to supervision.

PRA	FCA
<p>The PRA’s supervisory approach relies significantly on judgement. The PRA supervises firms to judge whether they are safe and sound, whether they protect policyholders appropriately, and thus whether they meet, and are likely to continue to meet, the PRA’s Threshold Conditions.</p> <p>Its approach is forward looking and assesses insurers not just against current risks, but also against those that could plausibly arise in the future. The PRA focuses on those issues and those firms that pose the greatest risk to the stability of the UK financial system and to policyholder protection.</p> <p>You can read more about the PRA’s approach to insurance supervision on the Bank of England’s website.</p>	<p>The FCA’s supervisory approach is designed around its three operational objectives of securing an appropriate degree of protection for consumers; protecting and enhancing the integrity of the UK financial system; and promoting effective competition in the interests of consumers.</p> <p>The FCA uses judgment to supervise against a framework of principles and rules that represent minimum standards of conduct. The firms that we regulate and their people are responsible for ensuring that they act in accordance with our principles and rules. We expect firms and their employees to meet these standards and hold them to account when they fail to meet them.</p> <p>The FCA supervise most firms as members of a portfolio of firms that share a common business model. We analyse each portfolio and agree a strategy to take action on firms posing the greatest harm. We communicate our expectations, priorities and examples of good or poor practice.</p> <p>The FCA dedicate a supervision team to each of the small number of firms with the greatest potential impact on consumers and markets. That team has a view of the whole firm across all sectors it operates in, assesses the potential harm that the firm may cause and agrees a strategy to reduce or prevent it.</p> <p>You can access more information about the FCA’s approach to supervision via the following link:</p> <p>https://www.fca.org.uk/publication/corporate/our-approach-supervision.pdf</p>

What can you expect in the early days of being supervised, and in subsequent years?

PRA and FCA	
<p>As a newly authorised insurer you can expect the following:</p> <ul style="list-style-type: none"> • access to the Firm-Enquiries Function for any procedural queries; • access to your supervisory teams at both the PRA and the FCA; • quarterly capital reviews, if appropriate; • monthly regulatory update emails (requires free subscription); and • invitations to events, alongside other firms, on key topics. 	
PRA	FCA
<p>As a new insurer there is a standard supervisory timetable which includes:</p> <ul style="list-style-type: none"> • periodic catch-up call with your supervisor. You may be asked to provide relevant materials, such as board papers, management information, committee minutes, audit report, etc. before the call; • after six months – we may conduct an internal stock take. You should not expect to receive any specific communication regarding this meeting unless we have concerns; and • around 12 months – we will conduct an internal assessment of your firm at a Periodic Summary Meeting (PSM) - see below for more information. 	<ul style="list-style-type: none"> • You will have an introductory meeting with your supervisors once you are fully operational. At this meeting we will also discuss the types of events which should warrant further contact with supervision going forward; • your day-to-day contact with the FCA will be via the New Insurer Start-up Unit helpline; • you will be subject to event-driven, reactive thematic supervision; and • overall though you should expect to have less contact with the FCA than the PRA.

PRA Periodic Summary Meeting
<p>The Periodic Summary Meeting (PSM) is an annual internal meeting held by the PRA to review your firm. It is a cornerstone of the PRA’s supervisory process and represents a chance for your supervisor to discuss your firm with senior PRA management. The meeting will cover the risks that your firm may pose to the PRA’s objectives and affirm whether it continues to meet Threshold conditions</p> <p>There are three parts to a PSM:</p> <ol style="list-style-type: none"> 1. fact finding meetings or desk-based reviews, which may focus on any or all of the following: capital, liquidity, governance, risk management, market conditions and business model; 2. an internal PRA assessment; and 3. a formal letter outlining our thoughts and your obligations. <p>If appropriate, we will also contact your Home State Supervisor as part of the PSM.</p>

FCA introductory meeting and subsequent meetings

The introductory meeting is an opportunity for FCA Supervision to get to know your firm better and explain our expectations around your conduct framework.

When should you contact the PRA and the FCA?

The list below is not exhaustive but does include some examples of events (where they are material) where you should contact FCA and PRA Supervision.

- changes to **business model** and/or **strategy**;
- failings of **IT infrastructure** which impact the customer;
- **financial crime** and **anti-money laundering** issues;
- notification of **consumer redress** and **remediation exercises**; **governance** and **senior management changes**; **capital strategy**; and
- data breaches.

In addition, at the FCA's introductory supervisory meeting, there will be a discussion of the types of events where you should contact the FCA.

As your firm becomes established, both regulators may make changes to their supervisory method to address the relative scale and complexity of your firm. However, standard supervisory components such as PSMs and regulatory reporting will continue to be undertaken.

Where can you find out more about regulatory fees and levies?

As an authorised firm you will need to pay annual fees and levies. The amount you will be charged will depend on the type of regulated activities your firm carries out, the extent of your firm's activities and how much it costs us to regulate these types of activities. You can find more about regulatory fees and levies on the [FCA's website](#) and the Fees section of the [PRA Rulebook](#).

What do you need to know to complete regulatory reporting?

As an authorised firm, you will be required to submit reports. The reports you will need to submit will be based on the regulated activities you undertake and the nature of your firm (i.e. if you are a UK headquartered insurer, a subsidiary or a branch of an international insurer). This will include providing the PRA with the information it needs to monitor your financial position and performance and the FCA with more conduct-focused information on sales, complaints.

If your firm has a return due for submission but has not conducted any regulated activities from the date of authorisation to the reporting end date, you will still be required to submit the return.

You will submit many of these returns via our BEEDs system (see below) where you can also view your reporting schedule. There may be other returns that are collected outside of BEEDs but where applicable your supervisor will provide you with templates and any instructions.

What are the key regulatory systems?

BEEDS – As an authorised firm, you will be obliged to submit regulatory returns. These returns must be submitted through our BEEDS system, which is an online regulatory reporting system for the collection, validation and storage of formal regulatory data submissions. Upon authorisation, a firm’s CEOs will be asked to nominate a principal user who will be responsible for their firm’s submissions via BEEDS.

You can find more information and help with BEEDS [here](#).

RegData – As an authorised firm, you may also be obliged to submit information to the FCA via RegData. This is an online regulatory reporting system for the collection, validation and storage of regulatory data. You can register for RegData [here](#). Reporting requirements are set in SUP 16 of the FCA Handbook but more information is provided in the Welcome Pack that you receive when you are authorised. The FCA’s contact centre will also follow up within 8 weeks of authorisation with a ‘welcome call’ to ensure that the information provided in the welcome pack is clear.

Once you have done this, you will be able to view your firm’s reporting schedule which details the returns that you are required to submit over the next 12 months, and when they are required.

You can find more information and help with RegData [here](#).

Connect – You will need to use Connect to submit applications for some regulatory transactions and, to keep your Standing Data up to date. Standing Data is basic information about your firm, which is required in order for the PRA and FCA to undertake their supervisory duties. This includes: registered name of the firm; trading name(s) of the firm; country of incorporation; registered office; principal place of business; website address; telephone number; the name and email address of the principal compliance contact; name and address of the firm’s auditor; and accounting reference date. You can register for Connect [here](#).

You can find more information and help with the Connect system [here](#).

How can you keep up to date with regulatory information?

There are several ways for you to keep up to date with changes to the regulatory landscape.

The [PRA homepage](#) on the Bank’s website includes the latest news and publications, and links to key initiatives. It also includes all PRA publications, including policy publications which insurers can search by sector and type of publication. Likewise, the [FCA website](#) includes all FCA Consultation Papers and Policy Statements.

You should also:

- Look out for the [PRA Regulatory Digest](#) – a monthly newsletter for people interested in the UK financial services industry that highlights key regulatory news and publications delivered for the month. Readers are encouraged to continue to visit the [Bank of England website](#) throughout the month, ‘[subscribe to alerts](#)’ (free) and visit the calendar for upcoming news and publications.
- Register to receive the [FCA Regulation round-up](#) – a monthly email to all regulated firms updating you on the latest news. Readers can also keep up to date with the [latest news](#) and [publications](#) on the FCA’s website.

- Keep updated of European and international developments for the insurance sector by referring to the websites for the [European Insurance & Occupational Pensions Authority](#) and the [International Association of Insurance Supervisors](#).
- Seminars – these are held periodically for senior management, NEDs and advisors. It is a chance for firms to hear directly from staff at the regulators about key issues that are of interest to insurers.

Consider making contact with other organisations such as trade bodies that represent the insurance industry, such as the [Association of British Insurers](#).

Appendices

1. **Frequently asked questions** <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/new-bank/nbsuqaqs>

2. **Who we are?**
www.bankofengland.co.uk/pradocuments/authorisations/newfirmauths/whoweare.pdf

3. **The PRA's and FCA's Threshold Conditions**
<http://webarchive.nationalarchives.gov.uk/20170726164347/http://www.bankofengland.co.uk/pradocuments/authorisations/newfirmauths/thresholdconditionsfactsheet.pdf>

4. **Fundamental Rules and Principles for Businesses**
<http://webarchive.nationalarchives.gov.uk/20170726164103/http://www.bankofengland.co.uk/pradocuments/authorisations/newfirmauths/fundamentalrulesprinciples.pdf>

5. **FCA approach to authorisation**
<https://www.fca.org.uk/publications/corporate-documents/our-approach>

6. **The FCA Mission**
<https://www.fca.org.uk/publication/corporate/our-mission-2017.pdf>

7. **FCA approach to supervision**
<https://www.fca.org.uk/publication/corporate/our-approach-supervision.pdf>

End of document