

Guidance on the FCA's approach to the review of insurance business transfers

Financial Conduct Authority (FCA)

RPC rating: validated

The assessment is now fit for purpose as a result of the FCA's response to the RPC's initial review. As first submitted, the assessment was not fit for purpose.

Description of the measure

In response to requests from industry practitioners, the FCA has drafted guidance to assist lawyers, actuaries and others in the preparation of court documents to support court approval for insurance portfolio transfers. Under the Financial Services and Markets Act, insurance companies require court approval to transfer portfolios of insurance business from one entity to another. The court documents need approval from the Prudential Regulation Authority, in consultation with the FCA, both of whom are required to submit reports to the court. By providing practitioners with guidance, the FCA believes it will help them to understand the FCA's requirements, thus avoiding FCA criticisms. The guidance is non-mandatory and merely provides examples of good practice.

Impacts of the measure

The FCA estimates that there are between 35 and 50 relevant portfolio transfers per annum. The FCA states that firms will only refer to the non-handbook guidance when they decide to start the process of a portfolio transfer and expect it will be beneficial to firms to apply the information contained in the publication. There will be no new familiarisation costs to firms as they will read the new guidance instead of the FCA's previous material.

The FCA believes the guidance will potentially reduce costs to business, through lower compliance costs. These benefits have not been monetised.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of £0.0 million.

Quality of submission

As initially submitted, the assessment did not provide sufficient evidence to support the FCA's estimates of savings to business and did not explore the possibility that

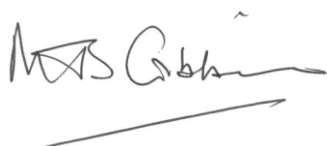
the measure might impose familiarisation costs. The FCA has now provided sufficient information to support its assertion that the measure will not impose any significant familiarisation costs on business. It has also provided sufficient information for the RPC to confirm that the measure will not have a significant impact on business and that the EANDCB figure rounds to zero.

Regulator assessment

Classification	Qualifying regulatory provision
Equivalent annual net direct cost to business (EANDCB)	£0.0 million
Business net present value	£0.0 million

RPC assessment

Classification	Qualifying regulatory provision
EANDCB – RPC validated ¹	£0.0 million
Business Impact Target (BIT) Score ¹	£0.0 million



Michael Gibbons CBE, Chairman

¹ For reporting purposes, the RPC validates EANDCB and BIT score figures to the nearest £100,000.
