



Greg Stump  
Prudential Regulation Authority  
20 Moorgate  
London  
EC2R 6DA

10 June 2016

Dear Greg,

**AFM Response to Consultation Paper CP18/16, *Reporting requirements for non-Solvency 2 insurance firms***

1. I am writing in response to this consultation paper, on behalf of the Association of Financial Mutuals. The objectives we seek from our response are to:
  - Comment on the broadly helpful proposals in the consultation.
2. The Association of Financial Mutuals (AFM) represents insurance and healthcare providers that are owned by their customers, or which are established to serve a defined community (on a not for profit basis). Between them, mutual insurers manage the savings, pensions, protection and healthcare needs of over 30 million people in the UK and Ireland, collect annual premium income of £16.4 billion, and employ nearly 30,000 staff<sup>1</sup>.
3. The nature of their ownership and the consequently lower prices, higher returns or better service that typically results, make mutuals accessible and attractive to consumers, and have been recognised by Parliament as worthy of continued support and promotion. In particular, FCA and PRA are required to take account of corporate diversity in discharging their regulatory principles<sup>2</sup>, and to analyse whether new rules impose any significantly different consequences for mutual businesses<sup>3</sup>.
4. AFM is pleased to respond to this consultation on behalf of its members. We welcome this helpful attempt at rationalising and simplifying the prudential reporting for non-directive insurance firms and friendly societies.

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<sup>1</sup> ICMIF, <http://www.icmif.org/global-mutual-market-share-2013>

<sup>2</sup> <http://www.legislation.gov.uk/ukpga/2016/14/section/20/enacted>

<sup>3</sup> Financial Services Act 2012, section 138 K: <http://www.legislation.gov.uk/ukpga/2012/21/section/24/enacted>

5. For friendly societies, we particularly welcome the removal of any annual reporting requirement, as well as for the replacement of the actuarial function by the appropriate actuary role: this works well at present for unincorporated firms. Reporting on FSC2 every triennium, and with intervening FSC4 certified by the appropriate actuary, will remove a burden from smaller incorporated societies. We note that there will still be a requirement to comply with the requirements of the Friendly Societies Acts on statutory Reports and Accounts and this may mean that firms still require annual valuations and risk statements, but the removal of a requirement for an FSC1 will ease the pressures around the year end timetable.
6. We have a few specific suggestions to make on reporting for non-Solvency 2 insurers:
  - a. current Actuarial Function Holders and With-Profits Actuary holders will need reminding that they now should be removed from the registry. We presume that the FCA is happy that the need for a With-Profits Actuary is removed;
  - b. that the triennium for all friendly societies is not all at the same date. We understand the desire for comparability but would want to remind the PRA that the actuarial resource used by non-directive friendly societies tends to be from a small number of actuarial consultancies, who would prefer to spread the work over different year ends;
  - c. under the new proposals there would remain a requirement for a non-directive incorporated friendly society to have a minimum guarantee fund, whilst this is not the case for an unincorporated non-directive society. It is not obvious what extra protection this provides, and we suggest the difference might be removed.
7. For insurance companies, we agree with the reduction in the length and content of the forms used. We would suggest that the timetable for forms submission could be lengthened, to be within six months of the year-end, in order to make it compatible with the friendly society timetable. We would also be grateful if the electronic submission requirements could be specified a little more by the PRA, if it is intended to be the current electronic submission system (FSAssist for example).
8. We would be pleased to discuss further any of the issues raised by our response.

Yours sincerely,



Chief Executive  
Association of Financial Mutuals

