

Prudential Standard GOI 6

Transfers of Business and Other Significant Transactions by Insurers

Objectives and Key Requirements of this Prudential Standard

This Standard sets out the process that the Prudential Authority will adopt when considering an application by an insurer for approval to transfer all or any part of its assets and liabilities relating to its insurance business to another insurer, undertake any fundamental transaction or compromise contemplated in the Companies Act, 2008, or change its corporate form.

The approval process is designed to ensure that the transfer, transaction, compromise or change of corporate form does not impair the financial soundness of the insurer or the insurer's controlling company (if relevant) or the acquirer or its controlling company (if relevant), and does not negatively impact the interests of policyholders.

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1. Application

- 1.1. This Standard applies to all insurers licensed under the Insurance Act, 2017 (the Act), other than microinsurers, Lloyd's and branches of foreign reinsurers. The application of these Standards to insurance groups that have been designated as such by the Prudential Authority, under section 10 of the Act is addressed in a separate standard, GOG (Governance and Operational Standard for Groups).
- 1.2. Unless otherwise indicated, all references to "insurer" in this Standard can be read as a reference to life insurers, non-life insurers and reinsurers.

2. Roles and Responsibilities

- 2.1. An insurer's board of directors is ultimately responsible for ensuring that the insurer complies with the principles and requirements of this Standard.
- 2.2. An insurer's auditor must provide assurance to the insurer and the Prudential Authority, if requested, that the insurer complies with the requirements of this Standard or a part thereof.

- 2.3. The head of the insurer's actuarial function is responsible for expressing an opinion to the board of directors about the soundness of the proposed action as far as the action relates to his or her functions as set out in GOI 3 (Risk Management and Internal Controls for Insurers).
- 2.4. Any independent expert appointed by the Prudential Authority under section 50(5) of the Act to review and report on any aspects of the proposed transfer or any aspects of the process involved is responsible for reporting honestly and accurately on these matters.

3. Commencement and Transition Provisions

- 3.1. This Standard commences on 1 July 2018.

Version Number	Commencement Date
1	1 July 2018

4. Principles

- 4.1. Any major changes to an insurer's business, resources, or ownership are grounds for reconsidering the validity of the insurer's licence. Of particular concern are situations in which an insurer proposes to transfer all or any part of its assets and liabilities relating to its insurance business to another insurer, and other significant transactions, such as a fundamental transaction or compromise as contemplated in the Companies Act, 2008, or a change to the insurer's corporate form (such as conversion from a co-operative to a company, or changing the type of person from that which the insurer was on the date it was licensed as an insurer).
- 4.2. The basic principle underlying the Prudential Authority's approach to transfers of business and other significant transactions, as set out in section 50 of the Act is that an insurer must not enter into such a transaction without the prior approval of the Prudential Authority.
- 4.3. The purpose of requiring approval is so that the Prudential Authority can assess whether or not the proposed transaction could impair the financial soundness of the insurer, the insurer's controlling company (if relevant) or the acquirer, or impact negatively on the interests of policyholders.
- 4.4. For the purposes of this Standard:
 - a) The cancellation of an insurer's book of business, or a move of an insurer's book of business, where there is no movement of assets and liabilities is not a transfer of business.
 - b) A reinsurance arrangement that is entered into or cancelled is not a transfer of business.
 - c) A novation agreement that involves a future transfer of business (whether or not the transfer is contingent) is a transfer of business and therefore requires prior approval before the novation agreement is executed.

5. Application for Approval for a Transfer of Business or Other Significant Transaction

- 5.1. Before entering into an arrangement to transfer all or part of its business or giving effect to any other significant transaction, an insurer must submit an application for approval of such transaction, compromise or conversion to the Prudential Authority, in the form and manner determined by the Authority, and must pay the prescribed fee relating to such a transaction or conversion application.
- 5.2. The application to the Prudential Authority for any of the actions referred to in section 5.1 above must include:
 - a) full details of the proposed action;
 - b) copies of any agreements or other documentation as the case may be;
 - c) relevant financial statements /returns;
 - d) the report from the head of the actuarial function as to the soundness of the proposed action; and
 - e) full details of how the insurer proposes to communicate the action to policyholders (communication plan), including timelines, communication notices and details of the documents to be made available for inspection.
- 5.3. If the transfer or other significant transaction could result in a material change in the risk profile of the acquirer the insurer must also provide to the Prudential Authority an out-of-cycle ORSA¹.

6. Actions that the Prudential Authority may take

- 6.1. Section 50(4) of the Act sets out the grounds on which the Prudential Authority may reject an application for an action referred to in section 5.1 above.
- 6.2. The decision to approve or reject an application for an action referred to in section 5.1 above should normally be made within 30 days of receiving an application (the application period). The application period will be extended by the time taken for the applicant to provide any information requested under section 6.3 below. It will also be extended to allow for the time required under sections 6.6 and 6.7 below, should the Prudential Authority require such actions. It will also be extended to allow for the time required to consult with the Financial Services Conduct Authority, if such consultation is needed.
- 6.3. The Prudential Authority may at any time during the application period request additional information from the applicant pertinent to the Authority's consideration of the impact of the proposed action referred to in section 5.1 above, on the financial soundness of the insurer and the insurer's controlling company (if relevant), other parties to the action, where relevant, and policyholders.
- 6.4. The Prudential Authority may at any time during the application period give the applicant notice that it is the Authority's intention to approve the application.
- 6.5. The Prudential Authority may at any time during the application period give the applicant notice that it is the Authority's intention to reject the application, and the grounds on which the intended rejection is based.

¹ See GOI 3 (Risk Management and Internal Controls).

- 6.6. The Prudential Authority will consider the communications plan submitted by the applicant to ensure that it provides adequate opportunity for interested parties to make submissions to the Authority. The Prudential Authority may require:
- a) publication of communication notices for specified periods in the Government Gazette or any media the Prudential Authority considers relevant;
 - b) specified documents to be made available to interested parties, and the form and in which they must be made available, following publication of the communication notices;
 - c) provision for policyholders to make submissions to the Prudential Authority and the form and timeframe within which those submissions must be made.
- 6.7. As set out in section 50(5) of the Act, the Prudential Authority may appoint an independent person to review and report on any aspects of the proposed action referred to in section 5.1 above. The Prudential Authority may also appoint an independent person to review and report on any aspects of the process outlined above.