

**Document Type: Policy
Fit and Proper Policy**

Charles Taylor Managing Agency Limited (CTMA) Fit and Proper Policy

Document governance

Document owner	Compliance Officer
Committee Owner	CTMA Board

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Document review	
Version	Reviewer
0.1	Version is 0.1. CT have a "corporate" version but is a version from 2009. Kapil Dhir is reviewing
0.2	Version includes Kapil Dhir's comments.
0.3	Version has accepted all comments and is "Clean".
0.4	Changes for index
0.5	Change of Document Owner. Policy circulated to RiskCo for review.
0.6	Work in progress updated from Julie Davis comments
0.7	Updated to show regulator to replace FCA
0.8	PGC comment change title to Director of HR
0.9	Addition of Appendix A detailed Principles for Businesses and Fundamental Rules after advice by EC
0.10	Addition of comment in 1.9 re directors' declaration.
0.11	Marked up version with KD comments
0.12	All comments accepted. Version is for CTMA Board
0.13	Includes challenge from DGM on section 1.4 Approach. KD reviewing

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0.14	"Directly" removed from section 1.4 as per Board comment.
1.0	Approval and review date added.
1.1	NRCO (October 2014) asked that the regulatory text be moved into the appendix as part of the next iteration of the policy, and one word removed.
1.2	Version to Lloyd's
1.2.1	Minor amendments in relation to the Senior Insurance Managers regime
1.3	RRA added controlled functions appendix B and JRD reference to Fit and Proper Procedures
2.0	Final published version approved by the CTMA Board on 13.12.2016
2.1	Minor amendments to incorporate board and senior management appointments for wholly owned service companies
3.0	Final published version approved by the CTMA Board on 28.02.2017
3.1	Added additional text regarding the need for the board to consider a a broad set of qualities and competencies when selecting board members and to have a policy to promote diversity. See PRA PS 1/18
4.0	Above changes approved by the CTMA Board on 06.04.2018
4.1	Minor corrections to approve tracked changes by JRD on 10.04.2018

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1 Policy Statement

1.1 Introduction

It is essential that those individuals who effectively run the business of CTMA and its wholly owned service companies, as well as those who fulfil senior management positions and perform key functions, are fit and proper to do so. This includes ensuring their professional qualifications, knowledge and experience are adequate and appropriate to enable sound and prudent management, they are of good repute and integrity and have undergone all the necessary relevant training required to ensure that they can perform their role effectively.

This Policy statement describes CTMA's position and that for its wholly owned service companies and sets out the internal controls and processes in place to ensure compliance with them.

For the avoidance of doubt, this Policy applies both during the recruitment and appointment process, and on an on-going basis during the currency of employment.

1.2 Definitions

Regulator:

This is the FCA and the PRA for CTMA and its wholly owned UK/European service company, The Standard Syndicate Services Ltd and the Monetary Authority of Singapore ("MAS") for The Standard Syndicate Services Asia Pte. Ltd which is regulated in its capacity as a Lloyd's coverholder under the Insurance (Lloyd's Asia Scheme) Regulations.

Principles for Business/ Fundamental Rules;

General statements of the fundamental obligations of firms under the regulatory system (See Appendix A)

Controlled Function:

a function, relating to the carrying on of a regulated activity by a firm, which is specified under Section 59 of the Financial Services and Markets Act 2000 (the "Act"). Examples include Directors, Non-Executive Directors, Chief Executives and other significant positions. Appendix B shows a complete list of the different controlled functions applicable to the Regulator.

Approved Person:

a person in relation to whom the Regulator has given its approval under section 59 of the Act (approval for particular arrangements) for the performance of a Controlled Function.

Senior Insurance Management Functions: These are the PRA controlled functions effective from 7 March 2016 which require pre approval by the PRA. There are certain

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prescribed responsibilities that must be assigned to them and they are subject to both ongoing fitness and propriety checks and conduct standards.

Key Function Holder: These are individuals who have responsibility for important areas of the business. Key Function Holders do not require PRA pre approval but are subject to ongoing fitness and propriety checks and conduct standards.

Persons working within Key Functions: These persons are not subject to any regulatory approval or notification. However they are subject to fit and proper checks and must comply with certain conduct standards

Prescribed Responsibilities: The PRA has identified a series of prescribed responsibilities which regulated firms are required to allocate to one or more individuals who have been approved for a controlled function by the regulator

1.3 Requirements

- i. There are a number of functions within the business, in particular Directors, both executive and non-executive, and those with significant influence, such as senior management which have been defined as Controlled Functions and therefore require an individual to be pre-approved by the Regulator. Individuals performing those functions are subject to the Regulator's Fit and Proper Test for Approved Persons. In addition, any Key Function Holders within the business, although they do not require pre-approval but only notification to the Regulator, they are subject to the same Fit and Proper Test as those senior management individuals that perform controlled functions.
- ii. The Fit and Proper test and other associated procedures set out in this Policy and CTMA's Fit and Proper Procedures will also be applied in respect of proposed board appointments to the two wholly owned service companies of CTMA (The Standard Syndicate Services Ltd and the Standard Syndicate Services Asia Pte. Ltd.) It should however be noted that any proposed new board appointments to the wholly owned UK/European service company, The Standard Syndicate Services Ltd will be covered by the Regulator's approved persons regime.
- iii. When considering an individual's fitness and propriety, the Regulator and CTMA must consider a wide range of factors which fall within the following categories:
 - Honesty, integrity and reputation
 - Competence and capability, and
 - Financial soundness

The detailed criteria that the Regulator uses when considering an individual's fitness and propriety can be found within the Regulator's Handbook.

Once approved by the Regulator, there is a continuing requirement for Approved Persons to comply, with relevant standards, and a duty to report to both CTMA and the Regulator any matter that may impact upon their on-going fitness and propriety. carrying out

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All Approved Persons must be familiar with the Regulator's Fit and Proper test, their own statements of responsibilities, the Regulator's Conduct Risk Rules and Standards (see Appendix C) and understand how they apply to their role on a day-to-day basis.

Failure to comply with this Policy and any relevant regulatory requirements may result in the Regulator taking enforcement action against the Approved Person, as well as the Approved Person being subject to CTMA's disciplinary procedures, as set out within CTMA's Employee Handbook.

iv Collective suitability of the CTMA Board

The PRA requires Solvency 2 insurers to have a policy to consider a broad set of qualities and competencies when recruiting board members and to have a policy to promote diversity among board members. The issue of diversity is addressed in CTMA's Diversity & Inclusion Policy. Where director appointments are internal appointments from an operational manager role, then a training plan will be documented as part of the regulatory application.

In terms of a general set of qualities and competencies that should be considered when recruiting board members, this should include consideration of the :-

- Mix of knowledge, qualifications and experience of directors (financial, legal, regulatory, Lloyd's market, insurance market generally, other);
- The need to meet Lloyd's minimum standards (particularly LMS1 which requires CTMA to ensure that it has nominated directors in place to meet certain minimum standards, for example, "Responsible for Underwriting Systems and Controls");
- Right balance on the board between executive directors, non executive directors and independent non executive directors;
- Gaps identified by the annual directors' skills gaps analysis;
- Addressing any relevant recommendations of the internal and external governance effectiveness reviews;
- Benchmarking board composition against managing agency boards of a comparable scale and complexity; and
- Criteria set out in CTMA's Diversity & Inclusion Policy.

1.4 Approach

The approach taken by CTMA is to incorporate the Regulator's requirements into its recruitment process, modelling its assessment of relevant candidates on the same criteria at that used by the Regulator.

Only those individuals performing roles designated as Controlled Functions are subject to prior approval by the Regulator. CTMA's key business functions are represented at Board and Committee level by the Chief Executive Officer and other senior staff who are subject to the Regulator's fit and proper requirements.

Internal staff moves which bring an individual within the scope of this Policy will be assessed in accordance with it. In cases where it is proposed that an Approved Person takes on a different or additional Controlled Function, they shall be re-assessed using the criteria within or referred to in this Policy.

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Honesty, Integrity and Reputation

With respect to director appointments, CTMA will also assess any candidates directly against the fit and proper criteria of Lloyd's as set out in paragraph 10A of the Underwriting Requirements which can be found at Appendix A.

For individuals not currently employed, the recruitment and interview processes are the primary forums where this assessment is initiated.

Following successful interview, as part of the formal employment process, a leading third-party pre-employment screening company is retained to perform professional background checks on candidates. These checks include the verification of details provided during the recruitment process and other pertinent publicly available information, including, but not limited to, the following areas:

- Address verification
- Employment history
- Academic history
- Professional qualifications
- Financial public data
- Personal references
- Criminal Records Bureau and overseas criminal records checks, and
- External Directorships
- Adverse civil/disciplinary proceedings
- Breach of regulatory or professional standards/revocation of licences, registration
- Dismissals/disqualifications/controversial resignations

References will be taken from previous employers covering at least the last 5 years of employment history which will be an indication of past business conduct. In deciding whether individuals are fit and proper initially and on an ongoing basis, CTMA will also consider whether individuals they have met the Regulator's conduct rules and standards. A formal report is provided to CTMA, with any discrepancies identified and discussed between the Group Director of Human Resources and CTMA's Chief Executive Officer (or alternate as appropriate). This report shall be permanently retained on the individual's personnel file.

Competence, Knowledge and Experience

As part of the interview process, investigation is made into whether the individual is capable of fulfilling their proposed role. This applies to any potential employee, but for those with proposed Controlled Functions, such investigations will include assessment of capacity to fulfil the additional requirements of such roles.

The candidate will be required to demonstrate through experience and relevant training (either undertaken or planned training) that they are or will be able, to perform the role(s) in question. This will also include an assessment of whether the candidate satisfies the relevant requirements of the Regulator's Training and Competence sourcebook in relation to any Controlled Functions they perform or may be asked to perform.

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In order to achieve this, a formal recruitment policy and supporting processes have been established. These can be found within CTMA's Document Library. These ensure that where feasible standard role descriptions which clearly set out roles and responsibilities, including any specific experience or competencies required are in place against which the candidate can be assessed. For all individuals, a minimum of two interviews are conducted, with key appointments requiring assessment by all major stakeholders.

Competence and capability is reviewed throughout the period of employment by way of a formal annual appraisal process, the aim of which is to review performance and establish objectives for the upcoming period, supported by a Training and Development Policy and commitment to continuing professional development. Senior Insurance Management Function and Key Function Holders will be asked to complete on an annual basis a self certification form with respect to their continuing fitness and propriety.

CTMA recognises that during the course of business there are many circumstances that could arise which would impact upon an individual's capability to effectively discharge the duties required of their role. Accordingly, there is a CTMA Board-approved Code of Conduct and Ethics in place, to which all employees are required to abide, which sets out CTMA's expectations and minimum acceptable standards of conduct and sets out a framework to enable CTMA and its employees to effectively manage any conflicts of interest that challenge such capability in an effective manner. This includes a formal annual declaration of interests by each director and other approved persons.

For those individuals fulfilling Board and Executive Committee positions, additional scrutiny is provided through the annual Board and Committee Adequacy and Effectiveness Reviews. This process assesses at a detailed level the performance of the Board, the Committees and their constituent members. Through this process, assessment of the performance of non-executive directors, who otherwise fall outside CTMA's appraisal process, is carried out.

Financial Soundness

Financial soundness is an important aspect to consider in respect of any proposed candidate, but it is of greater significance for those falling within the Fit and Proper Policy.

Accordingly, during the pre-employment screening described above within the Honesty, Integrity and Reputation section, investigations are made against publicly available information, to assess, amongst other things:

- Whether the person has been the subject of any judgement debt or award, in the UK or elsewhere, that remains outstanding or was not satisfied within a reasonable period, and
- Whether, in the UK or elsewhere, the person has made any arrangements with his creditors, filed for bankruptcy, had a bankruptcy petition served on him, been adjudged bankrupt, been the subject of a bankruptcy restrictions order (including interim bankruptcy restrictions order), offered a bankruptcy restrictions undertaking, has assets sequestered, or been involved in proceedings relating to any of these.

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- Whether the person has been a director, partner or is concerned in the management of a business that has gone into insolvency, liquidation or administration while the person has been connected with that organisation or within one year of that connection.

The results are contained within a formal report, with any discrepancies identified and discussed by the Director of Human Resources and the Chief Executive Officer (or alternate as appropriate).

1.5 Regulatory Approval

For those individuals requiring approval by the Regulator for the performance of a Controlled Function, the Compliance Officer shall liaise directly with the individual to ensure the accurate and timely completion of necessary documentation, and be responsible for submission and relevant interactions with the Regulator during their deliberations. The Compliance Function shall maintain a centralised, secure, repository of all regulatory authorisation application forms and supporting information.

Additionally, offers of employment made to those individuals who perform Controlled Functions shall include the provision that they are made subject to authorisation by the Regulator to perform such functions. Similarly, contracts of employment for those performing Controlled Functions shall contain provisions relating to the withdrawal or termination of such approval

Pending formal confirmation from the Regulator that an individual is authorised to perform a Controlled Function, the individual concerned shall not perform those aspects of their role that are deemed to require Controlled Function approval.

Prompt notification shall be made to the Regulator by the Compliance Function should an individual cease to perform any or all of the Controlled Functions for which they are approved to perform in respect of CTMA.

1.6 Appointment of directors/key executive persons for the Standard Syndicate Services Asia Pte.Ltd.

MAS 106 Notice, issued on 18 April 2013, pursuant to section 64 (2) of the Insurance Act, sets out the requirements that must be met for the appointment of a director, Chairman and a key executive person (Chief Executive, Chief Financial Officer of a Tier 1 insurer, Chief Risk Officer of a Tier 1 insurer, an appointed actuary or a certifying actuary.) for MAS licensed insurers including the Standard Syndicate Services Asia Pte. Ltd.

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Reference should be made to section 4.10 of the CTMA Fit and Proper Procedures for details of the correct procedures to be followed in terms of such proposed appointments, once the necessary Fit and Proper test has been completed.

1.7 Fit and Proper Log

The Compliance Officer shall maintain a centralised record of all individuals falling within the scope of CTMA's Fit and Proper Policy, including details of performance of Controlled Functions and regulatory approvals. The Company Secretary will retain a centralised record of, where applicable, annual declarations by Senior Insurance Management Function Holders and Key Function Holders of their continued fitness and propriety.

On an annual basis the Compliance Function shall ensure that the information maintained on each individual on the Fit & Proper Log is complete and accurate. Where necessary updates shall be made and the necessary notifications made to the Regulator.

1.7 Fit and Proper Procedures

This policy should be read with CTMA's Fit and Proper Procedures.

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Appendix A – Principles for Businesses / Fundamental Rules

The FCA Principles for Businesses

1. Integrity	A firm must conduct its business with integrity
2. Skill, care and diligence	A firm must conduct its business with due skill, care and diligence
3. Management and Control	A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems
4. Financial Prudence	A firm must maintain adequate financial resources
5. Market Conduct	A firm must observe proper standards of market conduct
6. Customers' Interests	A firm must pay due regard to the interests of its customers and treat them fairly.
7. Communication with Clients	A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.
8. Conflicts of interest	A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.
9. Customers: relationships of trust	A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgment.
10. Clients' assets	A firm must arrange adequate protection for clients' assets when it is responsible for them.
11. Relations with regulators	A firm must deal with its regulators in an open and cooperative way, and must disclose to the appropriate regulator appropriately anything relating to the firm of which that regulator would reasonably expect notice

The PRA Fundamental Rules

Fundamental Rule 1:	A firm must conduct its business with integrity
Fundamental Rule 2	A firm must conduct its business with due skill, care and diligence.
Fundamental Rule 3	A firm must act in a prudent manner
Fundamental Rule 4	A firm must at all times maintain adequate financial resources.
Fundamental Rule 5:	A firm must have in place effective risk strategies and risk management systems.
Fundamental Rule 6	A firm must organise and control its affairs responsibly and effectively
Fundamental Rule 7	A firm must deal with its regulators in an open and cooperative way, and must disclose to the PRA appropriately anything relating to the firm of which the PRA would reasonably expect notice.
Fundamental Rule 8	A firm must prepare for resolution so, if the need arises, it can be resolved in an orderly manner with a minimum disruption of critical services.

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The Fundamental rules replace Principles for Businesses 1 to 4, 8 and 11, which the PRA previously applied to PRA regulated firms.

The FCA will continue to apply all 11 Principles for Business to single and dual regulated firms.

The PRA has said that the scope of the FCA's Principles, and the FCA's expectations and range of enforcement action, are not affected by the Fundamental Rules.

Lloyd's Underwriting Bylaw paragraph 42A and 10A of the Underwriting Requirements

As part of a Managing Agent's fit and proper considerations, the following should be taken into account;

- a) the person's integrity
- b) the person's professional competence
- c) the person's compliance with any Regulatory requirements or the any requirements of the Council
- d) the person's business conduct
- e) the professional and administrative support to be provided to the person
- f) whether the person has passed or secured exemption from any examinations required by the Franchise Board

Honesty, Integrity and Reputation

As part of a Managing Agent's honesty, integrity and reputation checks, the following should be taken into account;

- whether the person's reputation might have an adverse impact upon CTMA and that individual's responsibilities
- whether the person has been convicted of any criminal offence. This includes, where relevant, any spent conviction. Of particular relevance are offences such as dishonesty, fraud, financial crime or an offence under legislation relating to companies, building societies, industrial and provident societies, credit unions, friendly societies, banking and other financial services, insolvency, consumer credit companies, insurance, and consumer protection, money laundering, market manipulation or insider dealing, whether or not in the United Kingdom
- whether the person has been the subject of any adverse finding or any settlement in civil proceedings, particularly in connection with investment or other financial business, misconduct, fraud or the formation or management of a body corporate (including those constituted in a country or territory outside the UK)
- whether the person has been subject of, or interviewed in the course of, any existing or previous investigation or disciplinary proceedings, by the Regulator,

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- by other regulatory authorities (including a previous Regulator), clearing houses and exchanges, professional bodies, or government bodies or agencies
- whether the person is or has been the subject of any proceedings of a disciplinary or criminal nature, or has been notified of any potential proceeding or of any investigation which might lead to those proceedings
 - whether the person has contravened any of the requirements and standards of the Regulator or Lloyd's regulatory system (includes Rules, Principles, and Guidance) or the equivalent standards or requirements of other regulatory authorities (including a previous regulator, clearing houses and exchanges, professional bodies, or government bodies or agencies)
 - whether the person has been the subject of any justified complaint relating to regulated activities
 - whether the person has been involved with a company, partnership or any other organisation that has been refused registration, authorisation, membership or a license to carry out a trade, business or profession, or has had that registration, authorisation, member or license revoked, withdrawn or termination, or has been expelled by a regulatory or government body
 - whether, as a result of the removal of the relevant license, registration or authority, the person has been refused the right to carry on a trade, business or profession requiring a license, registration or other authority
 - whether the person has been a director, partner, or concerned in the management, of a business that has gone into insolvency, liquidation or administration while the person has been connected with that organisation or within one year of that connection
 - whether the person, or any business with which the person has been involved, has been investigated, disciplined, censured, suspended or criticised by a regulatory or professional body, a court or tribunal, whether publicly or privately
 - whether the person has been dismissed, or asked to resign and resigned, from employment or from a position of trust, fiduciary appointment or similar
 - whether the person has ever been disqualified from acting as a director or disqualified from acting in any managerial capacity
 - whether, in the past, the person has been candid and truthful in all their dealing with any regulatory body and whether the person demonstrated a readiness and willingness to comply with the requirements and standards of the regulatory system and with other legal, regulatory and professional requirements and standards

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Appendix B List of all controlled functions

PRA Controlled Functions	
SIMF 1	Chief Executive officer
SIMF 2	Chief Finance function
SIMF 4	Chief Risk officer
SIMF 5	Head of Internal Audit
SIMF 7	Group Entity Senior Manager
SIMF 9	Chairman
SIMF 10	Chair of the Risk Committee
SIMF 11	Chair of the Audit Committee
SIMF 12	Chair of the Remuneration Committee
SIMF 14	Senior Independent Director
SIMF 19	Head of Third Country Branch function
SIMF 20	Chief Actuary
SIMF 21	With-profits Actuary
SIMF 22	Underwriting function
SIMF 23	Underwriting Risk Oversight Officer (Lloyd's)
FCA Controlled Functions	
CF1	Director
CF2a	Chair of the Nominations Committee
CF2b	Chair of the With-Profits Committee
CF5	Director of unincorporated association function
CF10	Compliance Oversight
CF10A	CASS Operational Oversight
CF11	Money Laundering Reporting
CF29	Significant Management Function
CF30	Customer Function
CF51	Actuarial conduct function (third country)

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Appendix C - PRA and FCA Conduct Standards

	PRA	FCA
Applicable to PRA SIMF holders, FCA SIFs, KFHs and those individuals working within a key function		
Individual Conduct Standard 1: You must act with integrity	Yes	Yes
Individual Conduct Standard 2: You must act with due skill, care and diligence	Yes	Yes
Individual Conduct Standard 3: You must be open and co- operative with the FCA, the PRA and other regulators	Yes	Yes
Additional standards applicable also to FCA SIFs only		
You must pay due regard to the interests of customers and treat them fairly	No	Yes
You must observe proper standards of market conduct	No	Yes
Additional standards applicable to PRA SIMF holders and FCA SIFs (other than Standard 5 below)		
Senior Insurance Manager Conduct Standard 1: You must take reasonable steps to ensure that the business of the firm for which you are responsible is controlled effectively	Yes	Yes
Senior Insurance Manager Conduct Standard 2: You must take reasonable steps to ensure that the business of the firm for which you are responsible complies with the relevant requirements and standards of the regulatory system	Yes	Yes
Senior Insurance Manager Conduct Standard 3: You must take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate person and that you oversee the discharge of the delegated responsibility	Yes	Yes

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effectively		
Senior Insurance Manager Conduct Standard 4: You must disclose appropriately any information of which the FCA or the PRA would reasonably expect to have notice	Yes	Yes
Senior Insurance Manager Conduct Standard 5: When exercising your responsibilities , you must pay due regard to the interests of current and future policyholders in ensuring the provision by the firm of an appropriate degree of protection for their insured benefits	Yes	No