

SCHEDULE 1

Regulation 5.

“[SCHEDULE 2A
TO 1982 ACT]

CRITERIA OF SOUND AND PRUDENT MANAGEMENT

Integrity and skill

1. The business of the insurance company is carried on with integrity, due care and the professional skills appropriate to the nature and scale of its activities.
2. Each director, controller, manager or main agent of the insurance company is a fit and proper person to hold that position.
3. In the case of a non-EC company whose head office is not in an EFTA State—
 - (a) the representative referred to in section 9(4) above; or
 - (b) where that representative is not an individual, the individual representative referred to in section 10(5) above,is a fit and proper person to hold that position.

Direction and management of the insurance company

4. The insurance company is directed and managed by a sufficient number of persons who are fit and proper persons to hold the positions which they hold.

Business to be conducted in a sound and prudent manner

5. The insurance company conducts its business in a sound and prudent manner.
 - (1) The insurance company shall not be regarded as conducting its business in a sound and prudent manner unless it maintains—
 - (a) adequate accounting and other records of its business; and
 - (b) adequate systems of control of its business and records.
 - (2) Accounting and other records and systems of control shall not be regarded as adequate unless they are such as—
 - (a) to enable the business of the company to be prudently managed; and
 - (b) to enable the company to comply with the obligations imposed on it by or under this Act and, in the case of a UK company, enactments in other EEA States which apply to its insurance business.
 - (3) In determining whether any systems of control are adequate the Secretary of State shall have regard to the functions and responsibilities for those systems which are held by the persons who are responsible for the direction and management of the company and to whom paragraph 2 above applies.
7. The insurance company shall not be regarded as conducting its business in a sound and prudent manner if it fails to conduct its business with due regard to the interests of policy holders and potential policy holders.
8. The insurance company shall not be regarded as conducting its business in a sound and prudent manner if—

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- (a) it fails to satisfy an obligation to which it is subject by virtue of this Act; or
 - (b) in the case of a UK company, it fails to satisfy an obligation to which it is subject by virtue of any provision of the law of another EEA State which applies to its insurance business in that State.
- 9.** The insurance company shall not be regarded as conducting its business in a sound and prudent manner if it fails to supervise the activities of a subsidiary undertaking—
- (a) with due care and diligence; and
 - (b) without detriment to the company’s business.”