

Chapter 21

Permitted Links

21.2 Rules for firms engaged in linked long-term insurance business

- 21.2.1** **R** For the purposes of determining *policyholder* benefits, a *firm* must ensure that the values of its *permitted links* are determined fairly and accurately.
- 21.2.1A** **R** An *insurer* must not contract to provide benefits under *linked long-term contracts of insurance* that are determined wholly or partly, directly or indirectly, by reference to fluctuations in any index or wholly or partly by reference to the value of, or the income from, or fluctuations in the value of, property other than in accordance with the rules in this section.
- 21.2.1B** **G** *Insurers* other than *EEA insurers* effecting *linked long-term contracts of insurance* are obliged to comply with the requirements on investments in the PRA Rulebook Solvency II Firms Investments.
- 21.2.2** **R**
- 21.2.3** **R**
- 21.2.4** **R** A *firm* must notify its *linked policyholders* of the risk profile and investment strategy for the *linked fund*:
- (1) at *inception*, and
 - (2) before making any material changes.
- Reinsurance**
- 21.2.4A** **R** A *firm* that has entered into a *reinsurance contract* in respect of its linked long-term insurance business must nevertheless discharge its responsibilities under its *linked long-term insurance contracts*, as if no *reinsurance contract* had been effected.
- 21.2.4B** **G** To comply with the requirements of **■ COBS 21.2.4A R**, a *firm* should:
- (1) disclose to *policyholders* the implications of any credit-risk exposure they may face in relation to the solvency of the reinsurer; and

(2) suitably monitor the way the reinsurer manages the business in order to discharge its continuing responsibilities to *policyholders*.

21.2.5 **R**

21.2.6 **R**

21.2.7 **R**

Notification to the FCA

21.2.8 **R** A firm must notify the FCA in writing as soon as it becomes aware of any failure to meet the requirements of ■ COBS 21, or of the PRA Rulebook Solvency II Firms Investments or the PRA Rulebook: Non-Solvency II firm sector to the extent applicable to *linked long-term contracts of insurance*.

21.2.9 **G** In considering what action to take in response to written notification of a failure to meet the requirements of this section, the FCA will have regard to the extent to which the relevant circumstances are exceptional and temporary and to any other reasons for the failure.