

UK Insurance Sector

Operational Resilience and Business Continuity

Fourthline Industry Guide

01 THE REGULATORY LANDSCAPE

This guide is written for SMF24 holders, Chief Operating Officers, and senior risk and compliance leaders at UK-regulated insurance firms. It sets out what the regulators require, where insurance firms typically struggle, and what good looks like from a resilience and business continuity standpoint.

The primary frameworks governing resilience obligations are:

- PRA SS1/21 and FCA PS21/3 require firms to identify their important business services, set impact tolerances, and be able to demonstrate the ability to remain within those tolerances through severe but plausible disruption scenarios. The testing deadline passed in March 2025. Ongoing scenario testing is now a continuing obligation, not a one-off exercise.
- FCA SYSC 15A imposes specific ICT and operational resilience requirements, including business continuity planning, ICT continuity, and third-party risk management obligations. Applicable to all FCA-regulated insurance intermediaries and applicable in parallel with Solvency II / Solvency UK requirements for dual-regulated firms.
- Solvency II / Solvency UK (Article 258, EIOPA Guidelines) requires insurers to have documented contingency plans, governance of operational risk, and board-level accountability for resilience. The PRA supervisory framework references these requirements directly.
- DORA applies to UK firms with EU-facing operations or where parent entities fall within scope. For UK-only insurers, DORA is not directly applicable. However, FCA and PRA expectations are increasingly aligned with DORA principles, particularly on ICT risk management and third-party oversight.
- SM&CR and the SMF24 Senior Manager Function places personal accountability for operational resilience governance on named individuals. The SMF24 holder is accountable for the firm's overall financial crime controls and, in practice at many insurers, is the accountable senior manager for the resilience programme.

02 TYPICAL IMPORTANT BUSINESS SERVICES

Important business services are defined from the customer or counterparty perspective: what does the firm do that, if disrupted, would cause intolerable harm? Across UK insurance sub-sectors, the following services are most commonly identified:

| General, Commercial and Speciality Insurance | Life Protection and Annuity |
|--|--|
| Claims Handling and Payment | Pension Income Payments (life) |
| Policy Administration and Renewals | Protection and Group Risk Payments |
| Premium Collection and Refunds | Annuity and Drawdown Servicing |
| Policyholder Communications | Surrender and Transfer Processing |
| Underwriting and Quotation | Reinsurance Settlement |
| Broker and Intermediary Portal Access | Regulatory Reporting (Solvency II, ORSA) |

03 WHERE HARM OCCURS: THE IMPACT TOLERANCE VIEW

Regulators expect firms to define the maximum tolerable duration of disruption for each important business service before intolerable harm results. For insurance firms, harm typically crystallises across five dimensions:

- **Customer financial harm:** Delayed claims payments, suspended pension income, or failed surrender processing cause direct financial loss to policyholders. For vulnerable customers and retail policyholders, even short disruption windows can cause severe harm.
- **Consumer Duty breach:** The FCA Consumer Duty (PS22/9) requires firms to deliver good outcomes at all times. A failure to process a protection claim during a health crisis or bereavement compounds harm beyond the financial dimension.
- **Reputational and market harm:** Insurance is a trust-dependent industry. A publicised claims handling failure, particularly following a large loss event such as a flood or cyber incident, can cause sustained brand damage disproportionate to the operational failure itself.
- **Prudential risk:** For life and annuity writers, a failure to meet payment obligations creates immediate Solvency UK capital and liquidity implications. Annuity payments are contractually fixed; there is no discretion on timing.
- **Regulatory sanction:** PRA and FCA both conduct thematic reviews and supervisory visits focused on resilience evidence. An inability to demonstrate tested resilience capability or to evidence impact tolerance compliance exposes the firm to enforcement action and significant reputational risk.

04 UNIQUE CHALLENGES FOR INSURANCE FIRMS

Insurance firms face a set of resilience challenges that are distinct from banking or investment management. These challenges flow directly from the structure of the industry, the nature of the product, and the regulatory architecture.

- **Sub-sector complexity:** A mid-tier insurer may simultaneously carry life, general, and specialty lines, each with different impact tolerances, customer populations, and regulatory obligations. A single BCM programme must accommodate these differences without losing coherence.
- **Concentration in claims events:** Insurance firms face correlated operational stress precisely when claims volumes spike, for example following a major weather event, cyber incident, or pandemic. Peak demand on claims handling coincides with the highest probability of supplier and infrastructure failure.
- **Outsourcing and MGA structures:** Much of the UK insurance market operates through managing general agents, Lloyd's syndicates, and delegated underwriting arrangements. Each layer introduces third-party dependency and complicates the mapping of important business services to underlying resources.
- **Lloyd's and London Market participants:** Firms operating in the London Market have additional obligations under Lloyd's Market Association frameworks and must align their resilience evidence with Lloyd's own supervisory expectations, which operate in parallel with FCA and PRA requirements.
- **Legacy policy administration platforms:** Many mid-tier insurers still operate on legacy policy administration systems that were not designed for rapid failover. ICT service continuity planning for these systems is complex, costly, and frequently incomplete at the evidence level.
- **Dual regulatory reporting:** Life and protection firms must simultaneously satisfy PRA Solvency UK reporting and FCA regulatory returns. A systems failure that disrupts both creates compounding regulatory exposure.

05 CRITICAL RESOURCE DEPENDENCIES

The resources and third parties below represent the most commonly identified critical dependencies in insurance resilience assessments conducted by FourthLine. These are the points at which a supply chain or infrastructure failure most rapidly translates into important business service disruption.

| Technology Platforms | Critical Third Parties |
|---|---|
| Policy Administration Systems (Guidewire, Majesco, SSP, Open GI, Acturis) | Core Banking and Payment Rails (Faster Payments, BACS) |
| Claims Management Platforms (Claimware, ClaimCenter, Zywave) | Print and Mail Fulfilment Suppliers |
| Pricing and Underwriting Engines | Actuarial Modelling Systems (ResQ, Prophet, Moses) |
| Lloyd's and London Market infrastructure (DXC, Sequel, ACORD frameworks) | Outsourced Claims Handling Partners |
| Reinsurance settlement platforms (RI3K, Salesforce FS) | IT Managed Service Providers and Cloud Hosting (AWS, Azure, Google Cloud) |

The key risk FourthLine consistently identifies is not the existence of these dependencies but the absence of documented exit plans, tested recovery procedures, and board-level oversight of concentration risk across them.

06 THE FOURTHLINE PERSPECTIVE: WHAT GOOD LOOKS LIKE

In our experience working with UK insurers across life, general, specialty, and London Market segments, the gap between documentation and demonstrable resilience readiness is the defining challenge for the mid-tier market.

- Most mid-tier insurers can produce a business continuity plan. Far fewer can demonstrate that it has been tested against a severe but plausible scenario specific to their important business services, their actual resource dependencies, and their current impact tolerances.
- SMF24 and COO sign-off on a document is not the same as SMF24-level assurance that the firm can operate within its impact tolerances under stress. Regulators are increasingly making this distinction in their supervisory interactions.
- The firms that perform well in PRA and FCA supervisory reviews are those that can present a coherent evidence chain: here are our important business services, here is the tolerance we set, here is the scenario we tested, here is what we found, and here is the improvement action we took.
- Scenario testing is not a pass or fail exercise. Finding gaps through testing is the expected outcome. The regulatory risk is not discovering a gap through a test. The regulatory risk is not testing at all.

The question regulators are asking is not whether you have a BCM programme. The question is whether your programme has been tested at a level of severity that would reveal whether it works.

07 HOW FOURTHLINE WORKS WITH INSURANCE FIRMS

FourthLine delivers structured, proportionate resilience programmes for mid-tier UK insurers. Our work spans the full programme lifecycle:

- BCM Programme Design and Documentation: From IBS identification and impact tolerance setting through to departmental BCRPs, firm-level plans, and SMF24 sign-off support.
- Scenario Testing and Exercising: Design and facilitation of tabletop and desktop exercises grounded in insurance-specific scenarios. We bring the scenarios to you. You do not need to design them from scratch.
- Operational Resilience Diagnostic: A structured assessment of your current programme maturity against FCA, PRA, and SS1/21 requirements. Completed in four to six weeks. Output: a board-ready gap register and remediation roadmap.
- Third Party Risk and Supplier Exit Planning: End-to-end exit plan development for material outsourcing arrangements, including supplier exit testing for your most critical dependencies.
- Annual Resilience Retainer: Ongoing SMF24-level assurance, regulatory intelligence, and programme maintenance support. Priced proportionately for mid-tier firms.

START A CONVERSATION

If you are an SMF24, COO, or Head of Risk at a UK-regulated insurer and you want to move from documentation to demonstrable resilience readiness, we would like to talk.

Kieran Maplesden
Founder & Managing Director
Fourthline Ltd
kieran.maplesden@thefourthline.co.uk