



FINAL NOTICE

To: Andrea Christine Sadler
IRN: ACS01222
DOB: January 1962
Date: 1 February 2016

ACTION

1. For the reasons given in this notice, the Authority hereby:
 - a) imposes on Andrea Sadler a financial penalty of £18,700; and
 - b) makes an order prohibiting Mrs Sadler from performing any significant influence function in relation to any regulated activities carried on by any authorised or exempt person, or exempt professional firm.
2. Mrs Sadler agreed to settle at an early stage of the Authority’s investigation and therefore qualified for a 30% (stage 1) discount under the Authority’s executive settlement procedures. Were it not for this discount, the Authority would have imposed a financial penalty of £26,821 on Mrs Sadler.

SUMMARY OF REASONS

3. The Authority considers that Mrs Sadler breached Statement of Principle 6 while performing the significant influence function of CF1 (Director(AR)) at Coverall Worldwide Ltd with responsibility for Aderia UK Limited (“Aderia”) during the period from 2 July 2012 to 30 July 2013 (“the Relevant Period”). In summary, Mrs Sadler breached Statement of Principle 6 because she failed to exercise due skill care and diligence in managing the business of Aderia for which she was responsible as CF1 (Director(AR)) by failing to take reasonable steps to:
 - a) ensure that appropriate contractual arrangements were in place for the insurer to provide insurance cover, including solicitors’ professional indemnity insurance, before signing binding authority agreements (“BAAs”) committing Aderia and the insurers to offer that insurance cover; and
 - b) put in place appropriate systems and controls to prevent Mr Shay Reches, an unapproved person, materially influencing Aderia’s operations, taking lead roles in key negotiations on important business transactions and giving

instructions to Mrs Sadler in relation to Aderia's regulated business, despite the fact that she was the one approved as CF1 (Director(AR)).

4. During the Relevant Period, Aderia acted as the managing general agent ("MGA") for two European insurers, Balva AAS Insurance Company Limited ("Balva"), then Berliner Versicherung Aktiengesellschaft ("Berliner"). Aderia signed two BAAs, which provided, or purported to provide, coverholders, including Bar Professions Limited (and its appointed representative, Apro Management Limited) ("Bar"), with authority to write general insurance business. This included solicitors' professional indemnity insurance for the 2012/13 and 2013/14 underwriting years for approximately 1,300 of Bar's customers.
5. In April 2013, Balva's operating licence was suspended by its home state regulator, which resulted in Aderia looking for a new insurer to replace Balva. Mrs Sadler allowed Mr Reches to take control of the process of sourcing a new insurer and negotiating a managing general agency agreement with Berliner ("the Berliner MGA Agreement"). Mr Reches signed the Berliner MGA Agreement on behalf of Aderia with Berliner on 15 July 2013.
6. Mrs Sadler allowed herself to be sidelined from the sourcing of Berliner as insurer and she was not involved in the final negotiations, which culminated in the signing of the Berliner MGA Agreement. Mrs Sadler only saw a signed copy of the Berliner MGA Agreement for the first time immediately prior to a meeting with the Authority on 17 July 2013.
7. Despite the Berliner MGA Agreement not being in place, Mrs Sadler signed nine BAAs with coverholders, during May and June 2013, including the BAA with Bar ("the Second BAA"), authorising Bar to write solicitors' professional indemnity insurance on behalf of Berliner.
8. With the erroneous belief of the Second BAA, which was signed by Mrs Sadler, being in place, Bar sent a letter to 1,300 customers. This letter proposed that those customers cancel their current policies with Balva and replace those policies with policies from Berliner for the remainder of the 2012/13 policy year, with an option to renew the policy for the 2013/14 policy year. Over 900 of Bar's customers accepted the cover proposed. However, while the terms of the Second BAA provided for Bar to write insurance business on behalf of Berliner up to an annual premium income limit of £50m, the underlying Berliner MGA Agreement only agreed to provide insurance cover up to an annual premium income limit of €5m. This was insufficient to cater for the levels of business provided for by the BAAs signed between Mrs Sadler and coverholders, including Bar.
9. Further, even after Mrs Sadler had seen a copy of the Berliner MGA Agreement on 17 July 2013, she sent a letter to coverholders, including Bar, two days later. This letter still proposed that coverholders' customers transfer their existing policies from Balva to Berliner, even though it should have been clear to Mrs Sadler at that stage that the Berliner MGA Agreement did not provide a sufficient premium income limit to cater for the levels of business provided for by the respective BAAs. However, because Mrs Sadler failed to review the Berliner MGA Agreement properly she sent out this inaccurate and misleading letter.
10. By virtue of the breaches outlined above, the Authority considers that Mrs Sadler has failed to meet minimum regulatory standards in terms of lack of competence and capability. This leads the Authority to conclude that she is not a fit and proper person to perform significant influence functions in relation to regulated activities carried on by any authorised or exempt persons or exempt professional firms, and that she should be prohibited from doing so.

11. As a consequence of the seriousness of these breaches, the Authority has also imposed a financial penalty on Mrs Sadler of £18,700.
12. Regulatory action in relation to this matter supports the Authority's regulatory objectives of securing an appropriate degree of protection for consumers, and protecting and enhancing the integrity of the UK financial system. It is also consistent with the importance placed by the Authority on the accountability of senior management in the operation of their business.

DEFINITIONS

13. The definitions below are used in this Final Notice.

"the Act" means the Financial Services and Markets Act 2000.

"Aderia" means Aderia UK Limited, an AR of Coverall and Millburn, now known as II&B UK Limited and previously known as JCM Insurance Brokers Limited and JCM Brokers Ltd.

"AR" means appointed representative.

"the AR Agreement" means the Appointed Representative Appointment Agreement between Coverall, Millburn and Aderia, dated 1 December 2010.

"the Authority" means the body corporate previously known as the Financial Services Authority and renamed on 1 April 2013 as the Financial Conduct Authority.

"BAA" means a binding authority agreement, an agreement whereby an insurer (or its MGA) delegates underwriting authority to another party known as the Coverholder (often an insurance broker) which will act on behalf of the insurer to the extent permitted by the agreement, which frames the responsibilities, entitlements and obligations of the parties.

"the First BAA" means a BAA between Aderia and Bar signed on 20 February 2013 governing the marketing and sale of Solicitors' PII policies underwritten by Balva.

"the Second BAA" means a BAA between Aderia and Bar signed on 17 May 2013 purportedly governing the marketing and sale of Solicitors' PII policies underwritten by Berliner.

"Balva" means Balva Insurance Company AAS, a Latvian insurer and a Passported Firm.

"Bar" means Bar Professions Limited (and its AR, Apro Management Limited), UK based Coverholders.

"Berliner" means Berliner Versicherung Aktiengesellschaft, a German insurer and a Passported Firm.

"the Berliner MGA Agreement" means the MGA Agreement, which was signed between Berliner and Aderia on 15 July 2013.

"Coverall" means Coverall Worldwide Limited, a UK insurance intermediary.

"Coverholder" means a company (often an insurance broker) authorised to enter into contracts of insurance on behalf of an insurer in accordance with the terms of a BAA.

"DEPP" means the Authority's Decision Procedure and Penalties Manual.

"EG" means the Authority's Enforcement Guide.

"the FCMC" means the Financial and Capital Market Commission, the Latvian regulatory authority, also known as Finanšu un Kapitāla Tirgus Komisija (the FKTK).

"FIT" means the Authority's Fit and Proper test for Approved Persons.

"MGA" means a Managing General Agent, an insurance intermediary which has contractual authority from one or more insurers to provide underwriting services on their behalf.

"the MGA Agreement" means a contractual agreement giving an MGA contractual authority from one or more insurers to provide underwriting services, including negotiating and entering into binding authorities with Coverholders for the sale and fulfilment of policies, on behalf of the insurers.

"Millburn" means Millburn Insurance Company Limited (in administration), a UK insurer.

"Mr Reches" or "Shay Reches" means Shay Jacob Reches.

"the Offer Letter" means the letter sent by Apro Management Limited in late May/early June 2013 to most of Bar's Solicitor Customers or the brokers who introduced those customers to Bar.

"Passported Firm" means a European Economic Area firm exercising its right to conduct activities and services regulated under EU legislation in the UK on the basis of its authorisation in its European Economic Area home state.

"Principal" means an authorised firm which permits its AR(s) to carry on regulated activities under its Part 4A permission given by the Authority under Part 4A of the Act to carry on certain regulated activities.

"the PRA" means the Prudential Regulation Authority.

"Relevant Period" means the period from 2 July 2012 to 30 July 2013.

"Solicitor Customers" means Bar's solicitor customers, numbering approximately 1,300.

"Solicitors' PII" means professional indemnity insurance provided to solicitors.

"Statements of Principle" means one of the Authority's Statements of Principle and Code of Practice for Approved Persons.

"the Tribunal" means the Upper Tribunal (Tax and Chancery Chamber).

FACTS AND MATTERS

Mrs Sadler's role at Aderia

14. Mrs Sadler has approximately 30 years' experience in the financial services industry. She joined Aderia in July 2012 and was approved to perform the CF1 (Director(AR)) controlled function at Coverall with responsibility for Aderia, Coverall's AR, on 2 July 2012. She held the CF1 (Director(AR)) controlled function throughout the Relevant Period. Mrs Sadler had not held a controlled function before joining Aderia. Mrs Sadler was given the title of chief executive at Aderia in October 2012.
15. Aderia was an AR of Coverall having entered into the AR Agreement on 1 December 2010 with joint Principals, Coverall and Millburn. The AR Agreement provided that Aderia could undertake the following activities on behalf of Coverall in respect of policies issued by an authorised insurer other than Millburn:
 - a) arranging (bringing about) contracts of insurance;
 - b) making arrangements with a view to transactions in contracts of insurance; and
 - c) assisting in the administration and performance of a contract of insurance.
16. Aderia was part of a group of companies, which were owned and controlled by Mr Reches. Aderia operated as a London-based MGA for a number of UK-based and European insurers, which were Passported Firms.
17. Mrs Sadler's role was to develop Aderia's business as an MGA and manage its day-to-day operations. She was responsible for implementing adequate systems and controls at Aderia, managing relationships and contractual arrangements with Coverholders and insurers, sourcing new business, and developing and implementing policies and procedures.
18. Mrs Sadler left Aderia on 30 July 2013 and on 23 September 2013, following intervention by the Authority, Aderia ceased operating as an MGA and an AR of Coverall, and Mrs Sadler's approval to perform the CF1 (Director(AR)) controlled function at Coverall with responsibility for Aderia was withdrawn.

Balva

19. During the Relevant Period, Aderia acted as MGA for Balva. An MGA Agreement dated 18 August 2011 set out the terms of the MGA arrangement, including specifying an annual premium income limit of £30m for business written through the agreement. The First BAA between Aderia and Bar authorised Bar to write Solicitors' PII business on behalf of Balva up to an annual premium income limit of £35m. Under the First BAA, Bar provided Solicitors' PII to approximately 1,300 Solicitor Customers for the 2012/13 policy year, which ran from 1 October 2012 to 30 September 2013.
20. Midway through the 2012/13 policy year, Balva's operating licence was suspended by its home-state regulator, the FCMC, due to concerns about Balva's solvency and was subsequently withdrawn. As a consequence, UK policy holders, including those Solicitor Customers insured by Balva through the First Binder, were exposed to the risk that they may have had no valid insurance in place.

Berliner

21. In light of the pending suspension of Balva's operating licence, Aderia had written to Bar and other Coverholders in March 2013 instructing them to cease placing liability business with Balva. The letter, signed by Mrs Sadler, stated that Aderia was looking for an alternative solution for UK Coverholders. At around the same time, Aderia began to look for a new insurer to replace Balva and, at the suggestion of Mr Reches, turned to Berliner.
22. Mrs Sadler was initially involved in the process of sourcing the new insurer and, in or around March and April 2013, she provided Berliner with early drafts of the Berliner MGA Agreement. Those early drafts were based on Aderia's template MGA Agreement which did not contain precise and detailed terms, such as specifying an annual premium income limit. Mrs Sadler was not, however, involved in the substantive negotiations about the Berliner MGA Agreement that ensued principally between Mr Reches, on behalf of Aderia, and Berliner.
23. As she was excluded from the discussions about the MGA arrangement with Berliner, Mrs Sadler was not aware of when the Berliner MGA Agreement would be executed and was unable to confirm to Coverholders, such as Bar, who made a number of enquiries about the Berliner MGA Agreement during May and June, whether the Berliner MGA Agreement had been signed and when it would be in place. This was despite her being the individual who signed the BAAs with Coverholders, providing them with authority to write business on behalf of Berliner pertaining to the Berliner MGA Agreement.
24. Mrs Sadler allowed Mr Reches to take control of the process above and subsequently signed the Berliner MGA Agreement on behalf of Aderia on 15 July 2013. Mrs Sadler only saw a signed copy of the Berliner MGA Agreement for the first time two days later, when she was provided with a copy by Mr Reches immediately prior to a meeting with the Authority on 17 July 2013.
25. Despite the Berliner MGA Agreement not being in place, during May and June 2013, Mrs Sadler had signed nine BAAs with Coverholders, including the Second BAA with Bar, which authorised them to write insurance on behalf of Berliner.
26. The terms of the Second BAA stated that Bar had authority to write general insurance business with effect from 1 May 2013, including Solicitors' PII, on behalf of Berliner up to an annual premium income limit of £50m.
27. Relying on the fact that the Second BAA was in place with effect from 1 May 2013, Bar sent the Offer Letter to its 1,300 Solicitor Customers in late May and early June 2013. The Offer Letter informed the Solicitor Customers that Balva's licence had been suspended. It proposed that customers cancel their current policies with Balva with effect from 1 June 2013 and take out the replacement cover with Berliner from the same date for the remainder of the 2012/13 policy year. The Offer Letter also went on to propose that the Solicitor Customers take out renewal cover for the 2013/2014 policy year with Berliner, which was intended to start on 1 October 2013.
28. As set out above, the Berliner MGA Agreement was not signed until 15 July 2013 but had retrospective effect from 1 June 2013. Whilst the Second BAA provided for Bar to write business on behalf of Berliner up to an annual premium income limit of £50m, the Berliner MGA Agreement stated that Berliner could only provide insurance cover up to an annual premium income limit of €5m with effect from 1 June 2013. As a consequence, the actual annual premium income limit for 2013 of €5m would have been exhausted by the replacement cover for the 2012/13

year for Bar's Solicitors' PII alone; there would have been no capacity available for the renewal cover offered in Bar's Offer Letter for the 2013/14 year, and little or no capacity for any of the other Coverholders, which had signed BAAs with Mrs Sadler on behalf of Aderia.

29. Having seen the signed copy of the Berliner MGA Agreement on 17 July 2013 (including the premium income limit of €5m), on 19 July 2013, Aderia sent a letter to Coverholders, including Bar, which was drafted and signed by Mrs Sadler. This letter stated amongst other things that:
- a) Aderia, as MGA for Berliner offered Coverholders and their customers the opportunity to transfer their existing liability policies from Balva to Berliner;
 - b) all existing terms and conditions of the policy would remain unchanged;
 - c) policy wording and the levels of cover would remain as per the original agreement; and
 - d) Aderia proposed that the transfer be completed by 1 August 2013.
30. The Berliner MGA Agreement was subsequently annulled by mutual consent of Aderia and Berliner on 23 September 2013.

Shay Reches

31. Mrs Sadler was aware that Mr Reches:
- (a) had not been approved by the Authority either as an approved person or controller, to undertake the activities and exert the influence he had at Aderia; and
 - (b) was attempting to purchase shares in Berliner, while at the same time attempting to execute the Berliner MGA Agreement on behalf of Aderia as MGA (which she knew he had no authority to do). This should have raised concerns for Mrs Sadler about Aderia being disadvantaged in the Berliner MGA Agreement negotiation for the benefit of Mr Reches. This was especially relevant given the concerns surrounding the suspension of Balva in which Mrs Sadler believed that Mr Reches had a major controlling shareholding.
32. Despite Mrs Sadler being aware of the above matters, Mr Reches was allowed to materially influence Aderia's operations. Mrs Sadler allowed herself to be sidelined in the negotiations with Berliner which culminated in Mr Reches concluding those discussions, and signing and executing the Berliner MGA Agreement on behalf of Aderia. Mr Reches also led and controlled Aderia's relationship with other key business contacts and Coverholders, including Bar, which he did with minimal input from Mrs Sadler. At her interview with the Authority, Mrs Sadler referred to her role in respect of Aderia's relationship with Bar as an "administrator" and she said that she was "uncomfortable" about the relationship between Mr Reches and Bar, and her exclusion from that relationship.
33. As a consequence of Mr Reches' influence and control over Aderia and Mrs Sadler, Mrs Sadler executed BAAs on behalf of Aderia without knowing when the Berliner MGA Agreement would be signed or the content of its material terms. The BAAs provided Coverholders with authority to write insurance business up to specified limits and therefore, before implementing the BAAs, Mrs Sadler should have taken steps to understand the relevant content of the underlying Berliner MGA

Agreement and to satisfy herself that it had been signed, or at least that its terms were agreed and when they would become effective. In particular, Mrs Sadler should have made herself aware of the terms of applicable premium income limit which was directly relevant and would govern the terms of the BAAs.

Early intervention by the Authority and the PRA

34. During July and August 2013 the Authority and the PRA began to query the solicitors' PII arrangements for the 2012/2013 policy year. As a result of this and other early intervention action, on 23 September 2013, Coverall voluntarily applied to vary its Part 4A Permission the effect of which was to immediately cease all insurance business for both existing and new customers.
35. As a result, on 23 September 2013, Aderia ceased operating as an AR and MGA and Mrs Sadler's controlled function was withdrawn.

Impact on consumers

36. During the Relevant Period, Mrs Sadler's misconduct contributed to over 900 Solicitor Customers being exposed to the significant risk that they were not covered by Solicitors' PII, with the consequences that those solicitors would have been unable to practise or to be indemnified for claims.
37. Mrs Sadler should have satisfied herself as to the existence and validity of the Berliner MGA Agreement before authorising and signing BAAs with Coverholders. Further, she should have ensured that the terms of those BAAs reflected and were in accordance with the terms of the underlying Berliner MGA Agreement that had been or was about to be executed.
38. Having been provided with a copy of the Berliner MGA Agreement on 17 July 2013, Mrs Sadler failed to identify the material discrepancy between the annual premium income limit in the Berliner MGA Agreement and the annual premium income limits in the BAAs and, as a result, failed to alert Coverholders of the true insurance capacity available. Instead, she sent the letter on 19 July 2013 to Coverholders, including Bar, which continued to offer Coverholders and their customers the opportunity to transfer their existing liability policies from Balva to Berliner. Mrs Sadler should have known that the letter contained inaccurate and misleading information, given the limited annual premium income limit in the Berliner MGA Agreement, which she had seen.
39. Mrs Sadler also failed in the performance of her governing significant influence function by allowing Mr Reches to exert influence over her actions and those of Aderia. This failing was particularly serious as Mrs Sadler was aware that Mr Reches was not approved by the Authority to undertake the activities or exert the significant influence, or control, that he exercised at Aderia.

FAILINGS

40. The regulatory provisions relevant to this Final Notice are referred to in Annex A.
41. Statement of Principle 6 states that an approved person must exercise due skill, care and diligence in managing the business of the firm for which he/she is responsible in his/her significant influence function.

Failings relating to the BAAs and the Berliner MGA Agreement

42. Mrs Sadler's failings regarding the BAAs and the Berliner MGA Agreement include:
- (a) On 17 May 2013, Mrs Sadler signed, on behalf of Aderia, the Second BAA with Bar, purportedly authorising Bar to write solicitors' PII on behalf of Berliner with effect from 1 May 2013. She was aware that Bar would place reliance on the Second BAA and was likely to offer and finalise policies in respect of cover with Berliner. When the Second BAA was executed, she did not know whether the Berliner MGA Agreement had been signed and was in place, and she had had no involvement in the formative and substantive discussions with Berliner relating to the execution of the Berliner MGA Agreement. Mrs Sadler also admitted that she had had concerns about the delay in being provided with a copy of the executed Berliner MGA Agreement, which she had requested from Mr Reches on numerous occasions. Mrs Sadler signed the BAA regardless of these concerns. The Berliner MGA Agreement was not executed until 15 July 2013, almost two months after the Second BAA was signed with Bar.
 - (b) Prior to the Berliner MGA Agreement being signed, and in addition to the Second BAA with Bar, Mrs Sadler also executed, on behalf of Aderia, BAAs with eight other Coverholders, purportedly authorising them to write liability insurance on behalf of Berliner.
 - (c) The letter that Mrs Sadler sent to Coverholders on 19 July 2013 offered the Coverholders and their customers the opportunity to transfer their existing liability policies from Balva to Berliner. Mrs Sadler sent this letter despite having been provided with a copy of the Berliner MGA Agreement two days prior to sending the letter. She should have established soon after receiving a copy of it that the annual premium income limits of the BAAs were far in excess of the annual premium income limit prescribed by the Berliner MGA Agreement. She should have seen that the Berliner MGA Agreement did not offer anywhere near the capacity required for the level of business that could be written under the BAAs. Her failure to establish an obvious and important discrepancy in material facts between the BAAs and the Berliner MGA Agreement resulted in her sending a letter that was inaccurate and misleading.

Lack of effective control over the activities of Mr Reches

43. As a result of Mrs Sadler's failure to implement adequate and appropriate systems and controls at Aderia to prevent Mr Reches materially influencing Aderia's operations and exerting influence over Aderia and Mrs Sadler, its chief executive and CF1 (Director(AR)), Mr Reches was able to undertake the following actions on behalf of Aderia:
- (a) taking the lead role in the negotiations with Berliner, with Mrs Sadler being side-lined from the formative and substantive negotiations, which led to Mr Reches signing the Berliner MGA Agreement on behalf of Aderia;
 - (b) leading and controlling Aderia's relationship with key business contacts and Coverholders, including Bar, and excluding Mrs Sadler from those relationships; and

- (c) exerting unreasonable influence over Mrs Sadler and Aderia, to the extent that Mrs Sadler, as chief executive of Aderia, took instructions and directions from him.

SANCTION

- 44. The Authority's policy for imposing a financial penalty is set out in Chapter 6 of DEPP. In respect of conduct occurring on or after 6 March 2010, the Authority applies a five-step framework to determine the appropriate level of financial penalty. DEPP 6.5B sets out the details of the five-step framework that applies in respect of financial penalties imposed on individuals in non-market abuse cases.
- 45. The application of the Authority's penalty policy is set out in Annex B to this Notice in relation to Mrs Sadler's breach of Statement of Principle 6.
- 46. In determining the financial penalty to be attributed to Mrs Sadler's misconduct, the Authority had particular regard to the following matters as applicable:
 - (a) the need for credible deterrence;
 - (b) the nature, seriousness and impact of the breach;
 - (c) the risk of consumer detriment as a result of Mrs Sadler's failings; and
 - (d) any applicable settlement discount for agreeing to settle at an early stage of the Authority's investigation.
- 47. The Authority has therefore imposed a financial penalty of £18,700.

Prohibition

- 48. The Authority has had regard to the guidance in Chapter 9 of EG in considering whether to impose a prohibition order on Mrs Sadler. The Authority has power to prohibit individuals under section 56 of the Act.
- 49. The Authority considers that Mrs Sadler is not a fit and proper person to perform any significant influence function in relation to any regulated activity carried out by an authorised person, exempt person or exempt professional firm, and that a prohibition order should be imposed on her under section 56 of the Act. This follows from the Authority's findings that Mrs Sadler was in breach of Statement of Principle 6 and that the nature and seriousness of the failures outlined above, demonstrate a serious lack of competence.

PROCEDURAL MATTERS

Decision maker

- 50. The decision which gave rise to the obligation to give this Notice was made by the Settlement Decision Makers.
- 51. This Final Notice is given under, and in accordance with, section 390 of the Act.

Manner of and time for Payment

- 52. The financial penalty must be paid in full by Mrs Sadler to the Authority by no

later than 1 February 2018, 24 months from the date of the Final Notice.

53. The financial penalty is to be paid in eight instalments as follows:

- (a) £1,050 by 1 May 2016
- (b) £1,050 by 1 August 2016
- (c) £1,050 by 1 November 2016
- (d) £1,050 by 1 February 2017
- (e) £1,500 by 1 May 2017
- (f) £1,500 by 1 August 2017
- (g) £1,500 by 1 November 2017
- (h) £10,000 by 1 February 2018

If the financial penalty is not paid

54. If all or any of the financial penalty is outstanding on 1 February 2018, the Authority may recover the outstanding amount as a debt owed by Mrs Sadler and due to the Authority.

Publicity

55. Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this notice relates. Under those provisions, the Authority must publish such information about the matter to which this notice relates as the Authority considers appropriate. The information may be published in such manner as the Authority considers appropriate. However, the Authority may not publish information if such publication would, in the opinion of the Authority, be unfair to you or prejudicial to the interests of consumers or detrimental to the stability of the UK financial system.

56. The Authority intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

Authority contacts

57. For more information concerning this matter generally, contact Paul Howick (direct line: 020 7066 7954, or email paul.howick@fca.org.uk) of the Enforcement and Market Oversight Division of the Authority.

Bill Sillett

Financial Conduct Authority, Enforcement and Market Oversight Division

ANNEX A

RELEVANT STATUTORY AND REGULATORY PROVISIONS

RELEVANT STATUTORY PROVISIONS

1. The Authority's statutory objectives, set out in section 1B(3) of the Act, include the consumer protection objective.
2. Section 66 of the Act provides that the Authority may take action against a person if it appears to the Authority that he is guilty of misconduct and the Authority is satisfied that it is appropriate in all the circumstances to take action against him. A person is guilty of misconduct if, while an approved person, he has failed to comply with a statement of principle issued under section 64 of the Act, or has been knowingly concerned in a contravention by a relevant authorised person of a relevant requirement imposed on that authorised person.
3. Section 56 of the Act provides that the Authority may make an order prohibiting an individual from performing a specified function, any function falling within a specified description of any function, if it appears to the Authority that that individual is not a fit and proper person to perform functions in relation to a regulated activity carried on by an authorised person, exempt person or a person to whom, as a result of Part 20, the general prohibition does not apply in relation to that activity. Such an order may relate to a specified regulated activity, any regulated activity falling within a specified description, or all regulated activities.

RELEVANT REGULATORY PROVISIONS

Statements of Principle and Code of Practice for Approved Persons

4. The Authority's Statements of Principle and Code of Practice for Approved Persons (APER) have been issued under section 64 of the Act.
5. Statement of Principle 6 states that:

"An approved person performing an accountable significant-influence function must exercise due skill, care and diligence in managing the business of the firm for which he is responsible in his accountable function."
6. The Code of Practice for Approved Persons sets out descriptions of conduct which, in the opinion of the Authority, do not comply with a Statement of Principle. It also sets out factors which, in the Authority's opinion, are to be taken into account in determining whether an approved person's conduct complies with a Statement of Principle.

The Fit and Proper Test for Approved Persons

7. The part of the Authority's Handbook entitled 'The Fit and Proper Test for Approved Persons' (FIT) sets out the criteria that the Authority will consider when assessing the fitness and propriety of a candidate for a controlled function. FIT is also relevant in assessing the continuing fitness and propriety of an approved person.

8. FIT 1.3 states that the Authority will have regard to a number of factors when assessing the fitness and propriety of a person. The most important considerations will be the person's honesty, integrity and reputation, competence and capability and financial soundness.

The Authority's policy for exercising its power to make a prohibition order

9. The Authority's policy in relation to prohibition orders is set out in Chapter 9 of the Enforcement Guide ("EG").
10. EG 9.1 states that the Authority may exercise this power where it considers that, to achieve any of its regulatory objectives, it is appropriate either to prevent an individual from performing any functions in relation to regulated activities or to restrict the functions which he may perform.
11. EG 9.4 states that the Authority has the power to make a range of prohibition orders depending on the circumstances of each case and the range of regulated activities to which the individual's lack of fitness and propriety is relevant. Depending on the circumstances of each case, the Authority may seek to prohibit individuals from performing any class of function in relation to any class of regulated activity, or it may limit the prohibition order to specific functions in relation to specific regulated activities. The Authority may also make an order prohibiting an individual from being employed by a particular firm, type of firm or any firm.
12. EG 9.17 states where the Authority is considering making a prohibition order against an individual other than an individual referred to in EG 9.8 to 9.14, the Authority will consider the severity of the risk posed by the individual, and may prohibit the individual where it considers this is appropriate to achieve one or more of its statutory objectives.
13. EG 9.18 states when considering whether to exercise its power to make a prohibition order against such an individual, the Authority will consider all the relevant circumstances of the case. These may include, but are not limited to, where appropriate, the factors set out in EG 9.9.
 - 1.1. The relevant factors set out in EG 9.9 are:
 - (1) the matters set out in section 61(2) of the Act.
 - (2) whether the individual is fit and proper to perform functions in relation to regulated activities. The criteria for assessing the fitness and propriety of approved persons are set out in FIT 2.1 (Honesty, integrity and reputation); FIT 2.2 (Competence and capability) and FIT 2.3 (Financial soundness).
 - (3) whether, and to what extent, the approved person has:
 - (a) failed to comply with the Statements of Principle issued by the Authority with respect to the conduct of approved persons; or
 - (4) the relevance and materiality of any matters indicating unfitness.
 - (5) the length of time since the occurrence of any matters indicating unfitness.

- (6) the particular controlled function the approved person is (or was) performing, the nature and activities of the firm concerned and the markets in which he operates.
 - (7) the severity of the risk which the individual poses to consumers and to confidence in the financial system.
 - (8) the previous disciplinary record and general compliance history of the individual including whether the Authority, any previous regulator, designated professional body or other domestic or international regulator has previously imposed a disciplinary sanction on the individual.
14. EG 9.12 provides examples of types of behaviour which have previously resulted in the Authority deciding to issue a prohibition order or withdraw the approval of an approved person. The relevant factors set out in EG 9.12 are:
- (4) serious lack of competence.
 - (5) serious breaches of the Statements of Principle for approved persons, such as failing to make terms of business regarding fees clear or actively misleading clients about fees; acting without regard to instructions; providing misleading information to clients, consumers or third parties; giving clients poor or inaccurate advice; using intimidating or threatening behaviour towards clients and former clients; failing to remedy breaches of the general prohibition or to ensure that a firm acted within the scope of its permissions.

DEPP

15. Chapter 6 of DEPP sets out the Authority's statement of policy with respect to the imposition and amount of financial penalties under the Act (please see Annex B).

ANNEX B

PENALTY ANALYSIS

1. The Authority's policy for imposing a financial penalty is set out in Chapter 6 of DEPP. In respect of conduct occurring on or after 6 March 2010, the Authority applies a five-step framework to determine the appropriate level of financial penalty. DEPP 6.5B sets out the details of the five-step framework that applies in respect of financial penalties imposed on individuals in non-market abuse cases.
2. The application of the Authority's penalty policy is set out below in relation to Mrs Sadler's breach of Statement of Principle 6.

Step 1: disgorgement

3. Pursuant to DEPP 6.5B.1G, at Step 1 the Authority seeks to deprive an individual of the financial benefit derived directly from the breach where it is practicable to quantify this.
4. The Authority has not identified any financial benefit that Mrs Sadler derived directly from the breach.
5. Step 1 is therefore £0.

Step 2: the seriousness of the breach

6. Pursuant to DEPP 6.5B.2G, at Step 2 the Authority determines a figure that reflects the seriousness of the breach. That figure is based on a percentage of the individual's relevant income. The individual's relevant income is the gross amount of all benefits received by the individual from the employment in connection with which the breach occurred, and for the period of the breach.
7. The period of Mrs Sadler's breach was from 2 July 2012 to 30 July 2013. The Authority considers Mrs Sadler's relevant income for this period to be £89,403.
8. In deciding on the percentage of the relevant income that forms the basis of the Step 2 figure, the Authority considers the seriousness of the breach and chooses a percentage between 0% and 40%. This range is divided into five fixed levels which represent, on a sliding scale, the seriousness of the breach; the more serious the breach, the higher the level. For penalties imposed on individuals in non-market abuse cases, there are the following five levels:
 - Level 1 – 0%
 - Level 2 – 10%
 - Level 3 – 20%
 - Level 4 – 30%
 - Level 5 – 40%
9. In assessing the seriousness level, the Authority takes into account various factors which reflect the impact and nature of the breach, and whether it was committed deliberately or recklessly. DEPP 6.5B.2G(12) lists factors likely to be considered 'level 4 or 5 factors'.
10. The Authority considers the following factor to be relevant:

- a) The breach caused a significant loss or risk of loss to individual consumers, investors or other market users (DEPP 6.5B.2G(12)(a)): By signing and executing the Second BAA with Bar, and various BAAs with other Coverholders, Mrs Sadler authorised Coverholders to write insurance on behalf of Berliner. As the BAAs were signed prior to the underlying Berliner MGA Agreement being in place, Coverholders were in a position to write risks which were unsupported by any underlying insurance potentially resulting in a large number of customers holding themselves out to be covered by business-critical professional indemnity insurance, when in fact they were not. As a consequence, the legitimate claims of customers might not have been paid, causing financial detriment to those customers.
11. DEPP 6.5B.2G(13) lists factors likely to be considered 'level 1, 2 or 3 factors'.
- a) The Authority does not consider any of the factors listed in DEPP 6.5B.2G(13) to be relevant.
12. The Authority also considers that the following factors are relevant:
- a) Mrs Sadler has approximately 30 years' experience in financial services. Her previous experience includes management roles. However, prior to joining Aderia, she had not held any controlled functions with firms authorised by the Authority nor had she held the position of director (DEPP 6.5G.2G(9)(j)).
- b) Mrs Sadler was Aderia's chief executive and, with the exception of the financial operations, she was responsible for managing Aderia's day-to-day operations (DEPP 6.5B.2G(9)(k)).
- c) Mrs Sadler accepted responsibility for implementing adequate systems and controls at Aderia and took some steps to do so in relation to its day-to-day operations as an MGA. However, Mrs Sadler failed to discharge her responsibilities in managing Aderia's day-to-day operations as she failed to take adequate steps to implement systems and controls that would ensure Mr Reches' actions were subject to effective control (DEPP 6.5B.2G(9)(l) and (n)).
- d) One of the level 1, 2, 3 factors, referred to at DEPP 6.5B2G(13)(b), is that no, or limited, actual or potential effect on the orderliness of, or confidence in, markets occurred as a result of the breach. The Authority notes that Mrs Sadler's breaches led to considerable impact on the orderliness and confidence in markets, in particular the Solicitors' PII market.
13. Taking all of these factors into account, the Authority considers the seriousness of the breach to be level 4 and so the Step 2 figure is 30% of £89,403.
14. Step 2 is therefore £26,821.

Step 3: mitigating and aggravating factors

15. Pursuant to DEPP 6.5B.3G, at Step 3, the Authority may increase or decrease the amount of the financial penalty arrived at after Step 2 to take into account factors which aggravate or mitigate the breach.
16. The Authority considers that there are no aggravating or mitigating factors in this case.

17. Step 3 is therefore £26,821.

Step 4: adjustment for deterrence

18. Pursuant to DEPP 6.5B.4G, if the Authority considers the figure arrived at after Step 3 is insufficient to deter the individual who committed the breach, or others, from committing further or similar breaches, then the Authority may increase the penalty.

19. The Authority considers that the Step 3 figure of £26,821 represents a sufficient deterrent to Mrs Sadler and others, and so has not increased the penalty at Step 4.

20. Step 4 is therefore £26,821.

Step 5: settlement discount

21. Pursuant to DEPP 6.5B.5G, if the Authority and the individual on whom a penalty is to be imposed agree the amount of the financial penalty and other terms, DEPP 6.7 provides that the amount of the financial penalty, which might otherwise have been payable, will be reduced to reflect the stage at which the Authority and the individual reached agreement.

22. The Authority and Mrs Sadler reached agreement at Stage 1 and so a 30% discount applies to the Step 4 figure.

23. Step 5 is therefore £18,775.

Penalty

24. The Authority has therefore imposed a total financial penalty of £18,700 (rounded down to the nearest £100) on Mrs Sadler for breaching Statement of Principle 6.