



**ISLE OF MAN
FINANCIAL SERVICES AUTHORITY**

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Consultation Response

**Amendment to the Insurance (Conduct of
Business)(Long-Term Business) Code 2018**

CR21-03

Issue Date: 9 March 2021

Contents

Glossary.....	2
1. Background	3
2. Summary of Responses.....	3
3. Changes to the Proposals	3
4. Next Steps	4
Appendix A – List of Representative Groups to which this Consultation Response has been sent.....	5
Appendix B – Table of responses.....	6

Glossary

Authorised long term business insurer	An insurer authorised under section 8 of the Insurance Act 2008 to carry on class 1 and 2 insurance business
Authority	Isle of Man Financial Services Authority
KID	Key Information Document
IA	Insurance Authority of the United Arab Emirates
UAE	United Arab Emirates

1. Background

This Feedback Statement is issued by the Isle of Man Financial Services Authority following Consultation Paper CP20-05/T06¹.

The purpose of the Consultation Paper was to obtain views to the proposed replacement of the Insurance (Conduct of Business)(Long-Term Business) Code 2018 with the Insurance (Conduct of Business)(Long-Term Business) Code 2021 which includes amendments to the exemptions within the Code.

2. Summary of Responses

We received 5 responses to the consultation. A summary of the Authority's responses to insurer's can be found in Appendix B.

There was agreement to the proposed amendment to the exemption for the United Arab Emirates in paragraph 25 (9), this change will be going ahead as proposed.

Mixed views were received regarding the amendment to the disclosure required under the regulated branch exemption in paragraph 25 (8). The Authority ultimately determined it is comfortable with the draft amended wording and this change will go ahead as proposed.

3. Changes to the Proposals

Following the consultation the following changes have been made:

Implementation Date

The Authority received two requests to defer the implementation of the new Code, one as a formal consultation response and the other following the close of the consultation.

Following additional assessment of the requests to defer, and balancing the relevant considerations in the context of our statutory objectives, the Authority has decided to delay the implementation of the new Code from 30 April 2021 until the **1 July 2021**. This is to ensure that all insurers have sufficient time to complete the system changes required as a result of the amendments to the Code, whilst maintaining compliance with their system change governance requirements.

Regulation 4:

- Regulation 4, application has been amended to provide clarity that the Code does not apply to class 1 and 2 business written as reinsurance:

Original wording:

“regulated entity” means an entity authorised to carry on insurance business of class 1 or class 2, in accordance with the Insurance Regulations;

¹ <https://consult.gov.im/financial-services-authority/amendment-to-the-insurance-code-2018/>

Revised wording:

“regulated entity” means an entity authorised to carry on insurance business of class 1 or class 2 **written as direct insurance (and not reinsurance), in accordance with the Insurance Regulations;**

Exemption for Japan:

The Authority’s standard process is to consider exemption requests on an annual basis. During the consultation period, the Authority was approached by an insurer to provide an additional jurisdictional exemption to paragraphs 7 to 14 of the Code, for Japan.

Upon reviewing the requirements of the Japanese regulatory framework, including commission disclosure and product approval, the Authority concluded that Japan’s framework is sufficiently equivalent to the Isle of Man’s framework and the exemption to paragraphs 7 to 14 of the Code for products issued in Japan was approved.

For information, the exemption will be as follows:

‘A regulated entity is exempt from paragraphs 7 to 14 of the Guidance Notes, in relation to a product that is to be distributed in Japan, where a Securities Registration Statement for that product has been filed with the Kanto Local Finance Bureau.’

4. Next Steps

The Authority will progress to make the Insurance (Conduct of Business) (Long-Term Business) Code 2021 for implementation on 1 July 2021.

In case of any query, please contact the undersigned —

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Appendix A – List of Representative Groups to which this Consultation Response has been sent

- Manx Insurance Association

Appendix B – Table of responses

Comment received	Our response
The Executive has discussed the changes and is supportive of the removal of the transitional UAE exemption and the proposed amended exemption to apply from 30 April 2021	Noted.
In the revisions to the Code the word licenced will need to change to licensed or in common with other exemptions could be amended to “regulated by the Insurance Authority.....”	Corrected to ‘licensed’.
I’m confused by the wording of the changed regulated branches exemption disclosure. As set out in the proposed revised wording it indicates that we are required to provide commission disclosure – “information....including commission paid to third parties”. The concluding sentence contradicts this and I think our customers will be confused by the way this is written.	The concluding sentence relates to the local jurisdiction potentially not providing the same information required under the Isle of Man framework.
Company X is supportive of the amendments proposed to update the exemptions for UAE Insurance Authority regulated insurers and Regulated Branches.	Noted.
We understand that the implementation date of both exemptions will be 30 April 2021 – we agree with the proposed timeline and appreciate that in relation to the Regulated Branches exemption, that you are allowing sufficient time to implement amendments by exhausting existing literature, however, we ask the Authority that where possible, there is no deviation from the proposed implementation date.	Noted. For the reasons explained in the paper above, the implementation date has been deferred to 1 July 2021.
Currently the interpretation section makes reference to the Insurance Regulations as “the Insurance Regulations 2018 or any successor” – from our understanding of the structure of the regulations, there cannot be a successor to this piece of regulation, as each regulation is standalone under the Insurance Act 2008 and normally, the Interpretation Act deals with repealed and substitution legislation. Could the Authority please clarify why they have taken this approach?	This approach has been taken as the Insurance Regulations 2018 are due to be repealed and replaced by the Insurance Regulations 2021, around the same time as the new Code is implemented.
Finally, we assume that supervision of compliance of these amended aspects of the Code, will be picked up through the Authority’s ongoing monitoring and thematic reviews.	Noted and agree.

<p>Company X is fully supportive of the proposed regulatory changes to the Code and the revised wording in Exemption 25(9) and we fully appreciate the positive impact such disclosure can make to customer outcomes. The provision of the Key Information Document to this market, however, will require system development which involves governance around a number of processes including development, testing and implementation to ensure a smooth and accurate delivery.</p>	<p>Noted.</p> <p>For the reasons explained in the paper above, the implementation date has been deferred to 1 July 2021.</p>
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