



**ISLE OF MAN
FINANCIAL SERVICES AUTHORITY**

Lught-Reill Shirveishyn Argidoil Ellan Vannin

**Conduct of Business Code for Non-Long
Term Insurance
Consultation Paper
CP17-11/T01**

14 November 2017

This consultation paper is issued by the Isle of Man Financial Services Authority (“the Authority”), the regulatory authority responsible for the supervision of the financial services, insurance and pensions sectors in the Isle of Man.

What is it for?

In June 2013 the IPA¹ published its Roadmap for updating the Isle of Man’s regulatory framework for insurance business and through that document set out the objective to establish a project to enhance the Island’s regulatory framework to ensure that it remains up to date, proportionate and, where appropriate, consistent with the updated and revised ICPs. Since its issue the Roadmap has been updated regularly to reflect progress made across the various work streams established under the project.

A key element of the developments proposed within the Roadmap is the enhancement of requirements in matters related to conduct of business. Following the feedback given in response to DP14-05 and CP17-01/T01 in relation to the Authority’s proposals to enhance existing conduct of business requirements for non-long term insurers, the purpose of this consultation is to obtain views on the final draft of the Code.

Who is affected by it?

Consistent with the previous consultation papers, this document will be of direct interest to existing and prospective non-life insurance companies and commercial insurers in particular. Specifically, it will be of interest to those with responsibility for the management and oversight of the operational, compliance, marketing, product development and risk management functions within those companies.

Other parties with an interest in the Isle of Man insurance sector, including general insurance intermediaries and the legal and auditing professions may also find this consultation paper and the issues raised of interest.

¹ With effect from 1st November 2015 the functions of the Insurance and Pensions Authority were transferred into the Isle of Man Financial Services Authority
<http://www.iomfsa.im/ViewNews.gov?page=lib/news/iomfsa/transferoffuncti.xml&menuid=11570>

Responding to CP17-11/T01

The closing date for comments is **2 February 2018**.

Please send comments in writing and preferably by email to:

Mrs Nicola Igoea

Isle of Man Financial Services Authority

Finch Hill House

Bucks Road

Douglas

IM99 1DT

Email: nicola.igoea@iomfsa.im

Telephone: +44 (0) 1624 646025

Confidentiality

The information you send may be published in full or in a summary of responses.

All information in responses, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2015 and the Data Protection Act 2002). If you want your response to remain confidential you should explain why confidentiality is necessary. Your request will be acceded to only if it is appropriate in the circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding.

Contents

Glossary of Terms	5
Executive Summary.....	5
1 Introduction	6
2 Revisions to the Code.....	6
3 Question.....	7

Glossary of Terms

Term	Meaning in this document
Authority	The Isle of Man Financial Services Authority
Code	The draft Insurance (Conduct of Business) (Non-long Term Insurance) Code 2017
IAIS	International Association of Insurance Supervisors
ICPs	Insurance Core Principles (of the IAIS)
KID	Key Information Document
IPA	The former Insurance and Pensions Authority
Roadmap	Roadmap for updating the Isle of Man’s regulatory framework for insurance business

Executive Summary

Over the last three years the Authority has issued two papers setting out its views on developing the Island’s existing regulatory framework to enhance the fair treatment of policyholders in relation to non-long term insurers.

The Code set out within this paper brings together the Authority’s work in this area and places conduct of business requirements on authorised insurers effecting non-long term contracts of insurance with third parties.

The responses received in relation to the previous consultation (“CP17-01/T01”) centred on the applicability of the Code to captive insurers. As a result, the application section of the Code has been refined to clarify how it should apply. The Authority’s intention is that the Code should apply to any business conducted by captive insurers where the principal party to which it is sold is unrelated to the captive.

The Authority welcomes feedback on the Code.

1 Introduction

As part of the ICP Project the Authority has identified that more detailed conduct of business requirements are needed to complement or replace (where appropriate) the Island's existing regulatory framework, in order that it remains up to date, appropriate to the characteristics of the Island's insurance sector, and consistent with international market developments and standards.

The enhanced conduct of business requirements have been consulted upon previously.

The Code has been refined, as a result of the consultation feedback, and a revised draft of the Code is now issued for a final consultation. It is proposed that the Code will be implemented from 1 January 2019.

2 Revisions to the Code

The Authority would ordinarily issue a summary of responses following a consultation; however, there were so few responses to CP17-01/T01 that the Authority did not deem it appropriate or necessary in this instance.

In light of the responses received, the Code has been revised to reflect the following:

2.1 Application to captive insurers

In relation to captive insurers, the Authority is aware of the need to provide a proportionate regime. As such the revised Code does not apply requirements to captive insurers writing contracts with related parties under Class 12 permissions or contracts falling under Classes 3 – 9 where there are additional or joint insureds who are unrelated to the captive. However, if there is any other business conducted by a captive i.e. contracts sold directly to unrelated parties under a class 3 – 9 permission, the Code applies to that business. This is because the Authority believes that such unrelated persons should be protected to the same level as third parties purchasing contracts from commercial third party insurers.

2.2 Product disclosure pre-sale

The proposal within CP17-01/T01 outlined certain information that the Authority considered appropriate to be disclosed in writing to prospective policyholders (either directly or through an intermediary).

The Authority considers it important that the disclosures required by legislation are consistent with those required by intermediaries on the Island. This will ensure that any information provided to intermediaries by IOM insurers for onward communication to the intermediaries' clients is wherever possible consistent with the requirement for intermediaries. The feedback to the Authority's separate discussion paper issued to the Intermediary Sector ("DP16-07") also suggested that it would be helpful if these disclosures were in line with the UK's requirements. Alongside this, the Authority is monitoring the progress of the EU's Insurance Distribution Directive ("IDD").

Paragraph 7(2) of the Code therefore outlines an updated list of information that is intended to provide consistency with the content of the Insurance Product Information Document as outlined within the IDD, along with other information that the Authority considers important to disclose to customers at outset.

2.3 Provisions giving the policyholder the right to cancel an insurance contract

Following a legal review of the Code, it was determined that further detail needed to be set out in order to give proper effect to the policyholder's right to cancel an insurance contract. This detail has been inserted at paragraph 11, 12 and 15.

A tracked changes version of the Code for comparison purposes and a final draft version of the Code have also been published by the Authority.

3 Question

Please provide the Authority with any comments you have in relation to the Code with the reasons for your comments.