



**ISLE OF MAN
FINANCIAL SERVICES AUTHORITY**

Lught-Reill Shirveishyn Argidoil Ellan Vannin

Consultation Paper

- **Insurance Regulations 2025**
- **Insurance (Fees and Miscellaneous) (Amendment) Regulations 2025**
- **Insurance (Special Purpose Vehicle and Corporate Governance) (Amendment) Guidance Notes 2025**

CP24-05

Issue Date: 20 December 2024

Closing Date: 7 February 2025

Consultation Paper – CP24-05

This Consultation Paper is issued by the Isle of Man Financial Services Authority, which is the regulatory body for financial services in the Isle of Man.

This consultation revises and follows on from consultation –

- **CP24-03** (Update to the Insurance Regulations and Insurance Special Purpose Vehicles Regulations); and
- insofar as it related to fees, **CP24-04** (Update to the Insurance Solvency Framework and Insurance Fees Regulations).

The purpose of this consultation is to obtain views and evidence in relation to the Authority's revised proposals in respect of the Insurance Regulations 2024 (now 2025), and consequential (and other) amendments to fee and solvency regulations, and binding guidance notes.

The consultation deals with changes made to proposals contained within the previous consultations: CP24-03 and, insofar as it related to fees, CP24-04. The changes include refinements and clarification of some of the wording previously consulted on, updated requirements in respect of class 12 (captive insurers) and class 13 (fully funded insurers), a newly specified regulatory remedy in respect of authorised protected cell company cells and default fees in respect of certain insurers in lieu of the Authority exercising its discretion to vary those fees.

WHY WE ARE CONSULTING

Under the Insurance Act 2008, before making the proposed regulations, the Authority is required to consult with the Treasury and such other organisations and persons as appear to it to be likely to be affected by the proposed regulations. And, before issuing or withdrawing the proposed guidance notes, the Authority must consult such persons or bodies as appear to the Authority to be appropriate.

The consultation is relevant to existing Isle of Man authorised insurance special purpose vehicles (ISPVs) or their advisors, insurers subject to an existing form of full funding requirement or their advisors, class 12 insurers or their advisors, other authorised insurers or applicants for authorisation or their respective advisors and registered insurance managers.

The closing date for comments is **7 February 2025**.

Please send comments in writing and preferably by email to:

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If you have a query in relation to how this consultation has been carried out, please contact the Authority's Legal, Policy & Risk Division by email at Policy@iomfsa.im or by telephone on +44 (0) 1624 646000.

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Glossary

Authority	Isle of Man Financial Services Authority
Act	The Insurance Act 2008
consultation 1	Together – <ul style="list-style-type: none"> - CP24-03 (Update to the Insurance Regulations and Insurance Special Purpose Vehicles Regulations); and - insofar as it relates to fees, CP24-04 (Update to the Insurance Solvency Framework and Insurance Fees Regulations)
consultation 2	This consultation, which follows on from consultation 1
CGC	Corporate Governance Code of Practice for Insurers 2021
limited recourse (arrangements)	An agreement by which an insurer’s liabilities are limited to its available assets
MCR	Minimum Capital Requirement
PCC	Protected Cell Company
SCR	Solvency Capital Requirement
valuation and solvency regulations	The Insurance (Long-Term Business Valuation and Solvency) Regulations 2021 and Insurance (Non Long-Term Business Valuation and Solvency) Regulations 2021

1. Executive Summary

1.1 What is the purpose of this Consultation Paper?

The purpose of the consultation is to obtain views and evidence in relation to the Authority's revised proposals in respect of the Insurance Regulations 2024 (now 2025), and consequential (and other) amendments to fee and solvency regulations, and binding guidance notes.

This consultation (consultation 2), in summary, includes the following key changes subsequent to consultation 1 –

- refinement and clarification of some of the wording used in the proposed regulations which were the subject of consultation 1;
- in respect of class 12 (captive insurers), updated qualifying criteria which are easier to use and adapt;
- in respect of class 13 (fully funded insurers) –
 - new default admission controls to help ensure that complex or long tail business must obtain the Authority's approval to apply for class 13 authorisation;
 - wider discretionary power for the Authority to allow for a class 13 insurer's SCR or MCR to be calculated net of limited recourse arrangements;
- in respect of authorised PCC cells, a newly specified alternative remedy available to the Authority under section 13 of the Act to petition for receivership cell which has an unresolved breach of its minimum capital requirement (providing a specific alternative to the option of petitioning for the winding up of the entire PCC); and
- default fees in respect of standby authorised insurers and insurers subject to a sandbox.

1.2 Who may be affected by this Consultation Paper?

The consultation is relevant to existing Isle of Man authorised insurance special purpose vehicles (ISPVs) or their advisors, insurers subject to an existing form of full funding requirement or their advisors, class 12 insurers or their advisors, other authorised insurers or applicants for authorisation or their respective advisors and registered insurance managers.

2. Consultation Process

2.1 The Authority's regulatory objectives

The Authority's regulatory objectives are set out in section 2(2) of the FSA08 as –

- (a) securing an appropriate degree of protection for policyholders, members of retirement benefits schemes and the customers of persons carrying on a regulated activity;
- (b) the reduction of financial crime; and
- (c) the maintenance of confidence in the Island's financial services, insurance and pensions industries through effective regulation, thereby supporting the Island's economy and its development as an international financial centre.

The Authority is required to give consideration to certain factors when discharging its functions in accordance with paragraph 3 of Schedule 1 to the FSA08. The most relevant factors for this consultation are considered as follows:

Factor	Information
1	The need for the regulatory, supervisory and registration regimes to be effective, responsive to commercial developments and proportionate to the benefits which are expected to result from the imposition of any regulatory burden.
2	The need to use resources in an efficient and economic way.
3	The desirability of implementing and applying recognised international standards.
4	The need to safeguard the reputation of the island.
5	The international character of the financial services, insurance and pensions industries and their markets and the desirability of maintaining the competitive position of the Island.
6	The desirability of facilitating the development of the financial services, insurance and pensions industries.

2.2 Responding to the Consultation Paper

Open dialogue with stakeholders is an essential element for successful development of the Authority's proposals. Constructive feedback will help the Authority reach an informed decision on the content of the proposals and manner of implementation. Respondents should note the following when responding to this Consultation Paper:

- As responses to the consultation may be subject to publication or disclosure in accordance with access to information regimes, respondents should state if they wish their response to remain confidential and, if so, the reasons for this.
- Submissions received by the closing date of the consultation will be considered but may not necessarily result in a change to the proposals following a review of all responses received.
- Professional bodies, trade associations and other representative groups should provide a summary of the people and organisations they represent when responding to a consultation as well as the methodology used to gain members' input.
- The Authority requests that submissions are not made anonymously as they will not be considered or included in the Consultation Response.

This Consultation Paper has been published on the Authority's website and the Isle of Man Government's Consultation Hub¹. A list of specific representative groups to which this Consultation Paper has been sent is shown in Appendix A.

¹ <https://consult.gov.im/>

3. Proposals in respect of the Insurance Regulations 2025

Attached is a copy of the draft Insurance Regulations 2025. The Authority has endeavoured to highlight changes made in the draft (compared to the proposed Insurance Regulations 2024 previously consulted on) by using **blue text** (deletions are not shown, nor changes in cross-reference numbering). The changes, where considered necessary, are explained below. The Authority has not explained any changes which it considers to be self-explanatory.

3.1 Note in relation to fees

All updates to fee proposals which appeared in the proposed Insurance Regulations in consultation 1 now appear in proposed amendments to the fees regulations – See 4 below.

3.2 Regulation 3(3)

Class 12 has been recategorised as “Captive” (formerly “Restricted”). This is consistent with the changes to Schedule 1 (see 3.19 below), and also reflects common usage of the term to describe a class 12 insurer.

Class 13 is still proposed to be categorised as “fully funded”. However, it is also widely referred to as “special purpose vehicle” or, reflecting the class 13 category it replaces, “insurance special purpose vehicle” or “ISPV”. Also, in general terms, the “full funding” requirement under Schedule 2 includes ‘adequately’ funded other costs and expenses and has the potential to be calculated net of limited recourse. As such, some readers may not consider “fully funded” to be the most suitable category description of class 13 and may wish to put forward a suggested alternative.

Question 1

Do readers have any comments in relation to the recategorisation of class 12 as “captive”, and/or any preferences for the category description given to the proposed class 13?

3.3 Regulation 3(5)(b)

Subparagraph (b) has been added for completeness in reflecting the proposed approach to authorisation.

3.4 Regulation 4(4)

Amended to clarify when Schedule 4 applies.

3.5 Regulation 5(1)(c)

Amended to prevent inconsistency with paragraph 5(1)(b).

3.6 Regulation 5(1)(e) and (f)

Amended to clarify the types of business that cannot be combined within class 12 and 13.

3.7 Regulation 6(1) and (2)

Amended for preferred wording.

3.8 Regulation 6(3) and (4)

Amended to specify the activities in question.

3.9 Regulation 7(1)

Amended to more clearly indicate the type of winding up which qualifies for the exemption.

3.10 Regulation 7(2)

Amended to clarify that Regulation 7(2) is an additional requirement to section 12A(1) of the Act (i.e. section 12A(1) applies to SCR, and Regulation 7(2) applies to any amount by which an insurer's MCR exceeds its SCR).

3.11 Regulation 12(5)

Amended for clarity.

3.12 Regulation 16(1)

Amended to specifically provide for the meaning of "actuarial function".

3.13 Regulation 17(1)(a)

Amended to specify the relevant aspects of the definition of "controller" being used in Regulation 17(2).

3.14 Regulation 17(3)

Amended for clarity.

3.15 Regulation 19(3)

Amended to clarify that the Act is not being modified, only its application to certain insurers.

3.16 Regulation 20(6)(b), (d) and (e)

Amended to more clearly describe the directors' certificate, actuarial report and board report that are related (where applicable) to annual returns.

3.17 Regulation 20(7)(a)(ii)

Amended to be elective for the Authority (and if no information is specified then none is required).

3.18 Regulation 25

Amended for clarity and also to remove class 12 transitional provisions which are now updated and appear at paragraph 9 of Schedule 1.

3.19 Schedule 1 (CLASS 12 (CAPTIVE) INSURERS)

As indicated in 3.2 above, class 12 has been recategorised as “Captive” (formerly “Restricted”). This is consistent with the changes to Schedule 1, and also reflects common usage of the term to describe a class 12 insurer.

A class 12 insurer (a “captive”) can be summarised as:

A captive (re)insures the risks of its group and parties connected to that group, and may also have a limited amount of other (re)insurance business.

Schedule 1 sets out what this means in detailed, practical and flexible terms.

Broadly, the revised wording in Schedule 1 is shorter, wider in scope, easier to use, easier to adapt and more actively ensures that class 12 reinsurance remains captive in nature. The Authority has discussed these proposals pre-consultation 2 with the Isle of Man Captive Association.

Despite the revised class 12 having a number of requirements in common with the existing class 12 requirements, the whole of Schedule 1 in the attached draft regulations has been coloured blue as a simplified mark-up.

For observers that have some familiarity with class 12 who wish to understand in more detail what the changes are, the following table indicates where the class 12 qualifying criteria in the current Schedule 1 are encompassed within the qualifying criteria in the proposed new Schedule 1. The table uses defined terms in the current Schedule 1 and the proposed new Schedule 1. (For full details, the old and new Schedule 1s would need to be read and compared in full.)

Class 12 qualifying criteria under the current Schedule 1	Where the current class 12 qualifying criteria fall within the class 12 qualifying criteria in the proposed new Schedule 1
Related parties (non individual)	Member of the captive’s group (paragraph 3)
Person working for or on behalf of a related party (non individual)	Connected legal entities (paragraph 4), and connected individuals (paragraph 5), in relation to the captive
Related parties (individuals)	Connected individuals (which extends further to include individuals within connected legal entities)
Unless the Authority requires otherwise, any party where the business is ceded to the class 12 insurer by a qualifying ceding insurer	A captive’s reinsurance can, of course, reinsure all underlying direct insurance of class 12 qualifying categories of insured parties (members of the captive’s group, connected legal entities and connected individuals). In addition, under paragraph 6 (where the business is ceded to the class 12 insurer by a qualifying

	ceding insurer), it can also include underlying customers, and potentially other underlying insurable persons, connected to the captive's group and connected legal entities.
Sophisticated person providing informed consent	This business falls within connected legal entities and connected individuals (but with simpler admittance criteria, no consent procedure and no log keeping).
De minimis allowance	This business falls within connected legal entities and connected individuals (but with simpler admittance criteria and no log keeping). It also extends further (under paragraph 2(4)), as a de minimis amount of non-captive business might now be approved by the Authority.
Requirements in respect of transfer or sale of class 12 business	Included (paragraph 7(1))
Contracts of insurance entered into in accordance with class 12 remain valid under class 12 if the relationship between the captive and insured subsequently changes	Included (paragraph 7(2))
New or renewed contracts of insurance with former related parties are permitted where claims relate to a time when they were related parties	Included (paragraph 7(3))
Discretion, in unclear compliance circumstances, for the Authority to clarify whether an insurer's business complies with class 12	Included (paragraph 8(1)(a))
Discretion for the Authority to adapt the requirements	Included and significantly expanded (throughout paragraphs 3 to 8))

Other features of the proposed Schedule 1 include –

- in respect of a captive's contracts of insurance, specified exclusion from class 12 requirements of named persons, or categories of named persons, to whom a class 12 qualifying insured party may have an obligation (including a discretionary obligation) indemnified under the contract (paragraph 2(5));
- discretion for the Authority to impose requirements if the captive's business is not predominantly the (re)insurance of its group's risks (paragraphs 8(2) to (4)); and
- seamless transition from the existing class 12 to the proposed new class 12 (paragraph 9).

Question 2

Do readers have any comments or questions in relation to the proposed revision of class 12?

3.20 Schedule 2 (CLASS 13 (FULLY FUNDED) INSURERS)

3.21 Paragraph 1 of Schedule 2, definition of “approved outward reinsurance”

Amended to address where an insurer is regulated by more than one supervisory authority in its home jurisdiction.

3.22 Paragraph 1 of Schedule 2, definition of “committed to write”

Amended to include parts of contracts.

3.23 Paragraph 1 of Schedule 2, definition of “eligibility requirements”

Amended to include where those requirements have, or may be, modified by the Authority.

3.24 Paragraph 1 of Schedule 2, definitions of “limited recourse”, “off-balance sheet”, “on-balance sheet” and “residual maximum exposures”

Amended for clarity.

3.25 Paragraph 2(1)(ii) of Schedule 2

Added so that the requirement to adequately fund other costs and expenses is given mention next to the requirement to fully fund residual maximum (re)insurance contractual exposures. As a result, paragraph 2(1) reflects the overall funding requirements applicable to a class 13 insurer.

3.26 Paragraph 2(2) of Schedule 2

Amended for clarity.

3.27 Paragraph 2(5) of Schedule 2

Amended for clarity and to allow the Authority discretion to agree or specify adjustments required to be made in calculating residual maximum exposures for the purposes of full funding.

3.28 Paragraph 3 of Schedule 2 (and paragraph 7(3) of Schedule 2 – see 3.31 below)

Class 13 is a simplified framework catering for fully funded insurance exposures. As such, an insurer that wishes to be authorised in respect of class 13 must be in a position to demonstrate compliance with the full funding requirement, including a –

- straightforward calculation of residual maximum exposures on an ongoing basis in a manner that is also practicable for the Authority to monitor; and
- size and duration of exposures that can be shown to be economically viable to fully fund over their entire lifetime.

Accordingly, these amendments provide some default requirements so that a class 13 insurer must have –

- readily identifiable aggregate exposure limits (see paragraph 3 of Schedule 2); and
- arrangements to control the length of its exposures (see paragraph 7(3) of Schedule 2),

otherwise the Authority's approval is required to apply for class 13 authorisation.

These requirements are intended to aid the Authority in controlling the admission to, or exclusion from, class 13 authorisation of potentially complex or long-tail exposures.

(A class 13 insurer, or applicant to be a class 13 insurer, should note that, if at any time it becomes undesirable or non-viable for it to continue fully funding its residual maximum exposures, it cannot simply apply to surrender its class 13 authorisation and continue with its other classes as this would likely involve a reduction in regulatory protections for policyholders – see 3.32 below.)

Question 3

Do readers have any comments or questions in relation to the Authority's proposed default requirements to aid with controlling the admission to class 13 of potentially complex or long-tail exposures?

3.29 Paragraph 4(4) of Schedule 2

Amended for clarity.

3.30 Paragraphs 5(2) to (5) of Schedule 2

Amended for clarity.

3.31 Paragraph 7(3)

As referred to in 3.28 above, this paragraph provides for the regulatory control in respect of duration of exposures.

3.32 Paragraph 8 of Schedule 2

Although this paragraph (which prohibits the surrender of class 13 without the Authority's approval) is unchanged from the first consultation, the Authority wishes to add to its previous consultation comments.

As a reminder, class 13 authorisation does not, in itself, enable a class 13 insurer to carry on any insurance business but must be held with another class or classes of authorisation (essentially, class 13 adds a full funding requirement to the other class(es) held). Paragraph 8 addresses circumstances where a class 13 insurer with existing insurance business wishes to surrender its class 13 authorisation and continue with its other class(es) of authorisation. A significant outcome of such a surrender would be that the insurer would be no longer required to be fully funded and would be subject to the SCR, MCR and capital adequacy requirements applicable to its remaining classes – which are likely to represent a reduced mandatory requirement compared to class 13's full funding requirement.

Previous comments in consultation 1: [This paragraph] “prohibits the surrender of class 13 authorisation without the Authority’s approval. This, for example, prevents a class 13 insurer in breach of the full funding requirement from unilaterally altering the basis of its authorisation (and SCR) by surrendering its class 13 authorisation.”

Added comments: Another viewpoint for preventing an ‘in-use’ class 13 authorisation from being surrendered is because it would alter, and likely reduce, regulatory protections for policyholders. As such, the Authority cannot be expected to grant such an approval unless there are appropriate mitigations. For example, the Authority might consider approval if the insurer obtains written agreement from its policyholders for the change, clearly acknowledging and accepting that the change may result in increased risk to the policyholder (and, in the interests of fair treatment of policyholders, the Authority may also impose requirements such as a minimum sophistication of policyholders, ensuring that clear and prominent information is provided to inform the policyholders about the risks involved and clear evidence of acceptance by policyholders).

3.33 Paragraph 9 of Schedule 2

Amended to give the Authority greater discretion to allow a class 13 insurer’s MCR and SCR to be calculated net of limited recourse. For example, this may allow for limited recourse to be used as a remedy for an inadvertent SCR breach, representing a proportionate and practical recognition of the economic reality of the insurer’s contractual arrangements.

In relation to a limited recourse agreement, the Authority’s decision is expected to take account of relevant factors. For example, ensuring that only sophisticated counterparties are involved, ensuring that clear and prominent information is provided to inform counterparties about the risks involved, clear evidence of acceptance by counterparties and avoidance of, or pre-agreed contractual provisions to manage, any competing demands on available assets in the event that limited recourse is triggered.

In relation to the scope of potential approvals, it is expected that no SCR deficit would be allowed to be remedied by such a decision of the Authority if the deficit was caused or worsened by any removal of the insurer’s funding for any purpose other than to meet its (re)insurance obligations (including a dividend or distribution). In other words, the Authority cannot be expected to facilitate the removal of assets prior to the termination of insurance exposures. This also requires that full funding is established at the outset of the relevant exposures and all arrangements are designed to maintain full funding for the lifetime of the exposures.

Question 4

Do readers have any comments or questions in relation to the Authority’s proposal to have greater discretion to allow a class 13 insurer’s MCR and SCR to be calculated net of limited recourse?

3.34 Schedule 3 (FAST-TRACK AUTHORISATION)

Amended for clarity and also to specifically provide (under paragraph 2) for the Authority to use its powers to support the application of fast-track related requirements.

3.35 Schedule 4 (REGULATORY SANDBOXING)

Amended for clarity and also to specifically provide (under paragraph 2) for the Authority to use its powers to support the application of sandbox-related requirements. In addition (under paragraph 5), to specifically provide for the use of a sandbox within a PCC cell.

3.36 Schedule 5 (MATTERS RELATING TO INSURERS THAT ARE PROTECTED CELL COMPANIES)

3.37 Paragraph 2 of Schedule 5, in the definition of “contract”

Amended for clarity.

3.38 Paragraph 3 of Schedule 5

Amended to more clearly apply section 12 and 13 of the Act to PCC's and to specifically provide the option, in the event of an unresolved breach of a cell's MCR, for the Authority to petition for a receiver to be appointed in respect of the cell (and no other part of the PCC). This option, for example, may be more appropriate than the option to petition for the winding up of the PCC overall, as other parts of the PCC may have segregated business which is not in breach of solvency requirements.

Question 5

Do readers have any comments or questions in relation to the proposed option, in the event of an unresolved breach of a PCC cell's MCR, for the Authority to petition for a receiver to be appointed in respect of that individual cell?

3.39 Paragraph 4 of Schedule 5

Amended for clarity

3.40 Paragraph 7 of Schedule 5

Amended for clarity and to take account of the changes in Schedule 1 (see 3.19 above).

3.41 Paragraph 8 of Schedule 5

Amended for clarity and to take account of the changes in Regulation 20 (see 3.16 and 3.17 above).

3.42 Paragraphs 9 and 10 of Schedule 5

Amended to clarify that the regulations are not being modified, only their application to certain insurers.

3.43 Schedule 6 (MATTERS RELATING TO INSURERS THAT ARE INCORPORATED CELL COMPANIES OR INCORPORATED CELLS)

Amended for clarity and, where making modifications to the Act or regulations, amended to clarify that the Act and regulations are not being modified, only their application to certain insurers.

3.44 Schedule 6 (MATTERS RELATING TO INSURERS THAT ARE LIMITED PARTNERSHIPS)

Amended for clarity and, where making modifications to the Act or regulations, amended to clarify that the Act and regulations are not being modified, only their application to certain insurers.

3.45 Paragraph 3 of Schedule 7

A number of definitions have been amended to provide a more direct meaning.

3.46 Paragraph 4(2) of Schedule 7

Amended to take account of the changes in Schedule 1 (see 3.19 above).

3.47 Paragraph 5(7) of Schedule 7

Amended for clarity.

4. Proposals in respect of the Insurance (Fees and Miscellaneous) (Amendment) Regulations 2025

Attached is a copy of the draft Insurance (Fees and Miscellaneous) (Amendment) Regulations 2025. The Authority has endeavoured to highlight changes made in the draft (compared to the proposals previously consulted on) by using **blue text** (deletions are not shown). The changes, where considered necessary, are explained below. The Authority has not explained any changes which it considers to be self-explanatory.

4.1 Parts 1 and 2

These amend the valuation and solvency regulations for changes consequential to the Insurance Regulations 2025 (including cross references to those regulations and the renaming of dormant insurers as “standby insurers”).

4.2 Regulation 10

Has an updated proposed definition of “controlling interest”, which takes account of the change to regulation 17(1)(a) in the draft Insurance Regulations 2025 (see 3.13 above).

It also has new definitions of “sandbox” and “standby authorised insurer”, which are terms used in new regulation 12 (see 4.3 below).

4.3 Regulation 12

Provides discretion for the Authority to vary the regulatory fees applicable to standby authorised insurers, authorised insurers subject to a sandbox and class 13 authorised insurers transitioning to the Insurance Regulations 2025. Such discretion was previously consulted on in the above mentioned CP24-03.

Further amendments (see 4.4 to 4.6 below) specify fees in respect of standby authorised insurers and authorised insurers subject to a sandbox which shall apply in lieu of any exercise of the above-mentioned discretion. (No fees are specified in respect of an existing class 13 authorised insurer transitioning to class 13 under the Insurance Regulations 2025 as it is currently anticipated that no fee will be applied to such a transition.)

4.4 Regulation 13

In the table:

- Row 3 proposes a fee reduction relating to incorporated cells and protected cells authorised in respect of long-term business.
- Rows 12 and 22 clarify fees that apply to a supporting core.
- Rows 26 and 27 establish fees (as referred to in 4.3 above) for standby authorised insurers and authorised insurers subject to a sandbox.

4.5 Regulation 14

In the table, Rows 2,3,5,6,8 and 9 establish fees (as referred to in 4.3 above) for standby authorised insurers and authorised insurers subject to a sandbox.

4.6 Regulation 15

The tables in subparagraph (a) and (b) are updated for reference to “approved supervisor”.

In the table in subparagraph (c), Row 1 provides for any insurer that has an existing combination of classes of authorisation that would not be allowed going forwards but are allowed under the transitional provision in regulation 5(2) of the proposed Insurance Regulations 2025.

In the tables in subparagraphs (d) and (e), Row 2 in each applies fees to supporting cores. And the table title applicable to class 12 has been updated consistent with the change to class 12 change of category description from “Restricted” to “Captive”.

The table in subparagraph (f) establishes fees (as referred to in 4.3 above) for standby authorised insurers and authorised insurers subject to a sandbox.

5. Proposals in respect of the Insurance (Special Purpose Vehicle and Corporate Governance) (Amendment) Guidance Notes 2025

Attached is a copy of the draft Insurance (Special Purpose Vehicle and Corporate Governance) (Amendment) Guidance Notes 2025. The Authority has endeavoured to highlight the changes made to the draft documents being amended by using [blue text](#) (deletions are not shown). The changes, where considered necessary, are explained below. The Authority has not explained any changes which it considers to be self-explanatory.

5.1 Part 1

Withdraws in full the Guidance Notes for Insurance Special Purpose Vehicles (the framework for insurance special purpose vehicles will be replaced by Schedule 2 to the Insurance Regulations 2025).

5.2 Part 2, paragraphs 4 to 6

These amend the CGC for changes consequential to the Insurance Regulations 2025 (including cross references to the regulations and the renaming of dormant authorised insurers as “standby authorised insurers”).

5.3 Part 2, paragraph 7

Amends the CGC as a consequence to changes to class 12 in the Insurance Regulations 2025 (see 3.19 above).

5.4 Part 2, paragraph 8

Amends the CGC to recognise a clarification made in paragraph 4.9 of the Guidance Notes and Information Concerning Various Insurance Regulations and the CGC, which came into operation on 30 June 2024.

6. Impact Assessment

The Authority considers these proposals will –

- be low impact in terms of existing class 13 business, as the transition to the updated framework will be straightforward (class 13 fees will increase from 1 April 2025 compared to existing class 13 fees; however, these were due for review having been kept extremely low since 2015);
- have a positive impact on class 12 (captive) business (including captive insurers and their managers) in terms of ease of use and adaptability;
- have a neutral or positive impact in respect of new default admission controls for class 13 insurance business, as this provides a starting structure for gaining access to class 13’s simplified regulatory framework;

- have a positive impact in respect of wider discretionary power for the Authority (where appropriate) to allow for a class 13 insurer's SCR or MCR to be calculated net of limited recourse arrangements, as this reflects the economic reality of the insurer's contractual arrangements;
- have a positive impact in relation to the newly specified alternative remedy available to the Authority under section 13 of the Act to petition for receivership of an authorised PCC cell which has an unresolved breach of its MCR, as this provides a more appropriate regulatory intervention mechanism where there is need to protect the interests of different stakeholders in other segregated parts of the PCC which do not have an unresolved breach of their MCR(s); and
- have a positive impact in relation to the additional changes to fees (other than as explained bullet point 1 above), as they represent a neutral change or fee reductions and, in the case of existing standby authorised insurers, a significant reduction.

The Authority expects the Island's insurance sector to generally view these proposals as positive.

7. Questions

Note: readers are not limited to responding only to these questions.

Question 1

Do readers have any comments in relation to the recategorisation of class 12 as "captive", and/or any preferences for the category description given to the proposed class 13?

Question 2

Do readers have any comments or questions in relation to the proposed revision of class 12?

Question 3

Do readers have any comments or questions in relation to the Authority's proposed default requirements to aid with controlling the admission to class 13 of potentially complex or long-tail exposures?

Question 4

Do readers have any comments or questions in relation to the Authority's proposal to have greater discretion to allow a class 13 insurer's MCR and SCR to be calculated net of limited recourse?

Question 5

Do readers have any comments or questions in relation to the proposed option, in the event of an unresolved breach of a PCC cell's MCR, for the Authority to petition for a receiver to be appointed to that individual cell?

8. Next Steps

Following closure of the consultation period, the Authority will review the responses received and publish a Consultation Response document on the Authority's website and the Isle of Man Government's Consultation Hub.

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

- Isle of Man Captive Association
- Isle of Man Insurance Association
- Innovation Working Group