ISLE OF MAN
FINANCIAL SERVICES AUTHORITY

Lught-Reill Shirveishyn Argidoil Ellan Vannin

CONSULTATION RESPONSE CR17-04/T06

Summary of Responses to Consultation Paper CP17-05/T06

Conduct of Business Code for Long Term Insurance

Issue Date: 14 November 2017

Summary of responses to CP17-05/T06

1 Background

The Financial Services Authority ("the Authority") issued its consultation paper CP17-05/T06 in May 2017.

That paper set out a revised draft of the Insurance (Conduct of Business) (Long Term Insurance) Code 2017 ("the Code") for its final consultation. The Code set out within that consultation paper brought together the Authority's work on developing the Island's regulatory framework to enhance the fair treatment of policyholders in relation to long-term insurers over the last few years to place conduct of business requirements on Class 1 and 2 authorised insurers.

2 Overview of responses

Responses to CP17-05/T06 were received from 9 parties; 1 trade association and 8 authorised life insurers.

Details of the individual comments received and the Authority's response to these is given in the table at Appendix 1.

In June 2017, the Authority issued its revised Roadmap for the ICP Project in which it was announced that, following a review of the responses to CP17-05/T06, the Authority had revised the proposed implementation date of the Code to 1 January 2019; and, as a consequence of the revised implementation date, the requirement for the transitional "Standard Key Information Document" had been removed.

3 Next steps

In light of the responses received an updated final version of the Code has been included within this response at Appendix 2, reflecting the amendments detailed within the table. A tracked changes version of the Code will also be published by the Authority on its website for comparison purposes.

The Authority will make this legislation and lay it before Tynwald in time for it to come into effect on 1 January 2019.

Appendix 1

Summary of comments in response to Consultation Paper CP17-05/T06

Topic	Comment	FSA response
Comments on the Code	Interpretation – would a scanned copy of a signed document be considered as "durable medium".	Yes
Comments on the Code	I spent some time recently comparing our Terms for Business for Intermediaries with the requirements of paragraph 15(5) of the draft Code. The paragraph of the Code specifically says that "the applicant for terms of business must **warrant**…..". It is the requirement that all of the obligations must be covered by a warranty which is giving me a problem, particularly when we share TOB with our associated companies. Could the Code be slightly revised so that a more generic term is used?	Under the Code the word warrant is being used according to its generally applied dictionary definition e.g. officially affirm or guarantee, rather than for the obligations to be covered by a warranty. However, if this term is causing confusion we would be happy to change it to "the applicant for terms of business must **attest**….."
Comments on the Code	Under paragraph 8 (g)(i), we are required to show the maximum rate of commission on the premium paid. I appreciate that 'Explanatory note' on page 20 states that this must be disclosed as the maximum commission per product, but it's not clear whether this should be based on 'basic' commission and/or include 'override'. Obviously, the basic commission is set at product level, but the override can vary from broker to broker. We would welcome further clarification on this matter as this will issue require significant systems development for us.	No standard KID required
Comments on the Code	Paragraph 19(6) of the Code – Terms of Business retrospective review We have requested clarification from the Authority as to whether the retrospective review should also include agencies that are closed to new business but still generate commission via increments and top ups. It feels like a risk based approach/decision would be appropriate; however, we await the Authority's clarification.	The intention of the Code was to address the potential risks associated with intermediaries writing new business. The Authority does not consider it proportionate to require a mandatory retrospective review of intermediaries with servicing only permissions and has therefore amended the Code to confirm the same.
Comments on the Code	Claims Procedures for long term insurance business	The provisions in the Code were drafted to reflect the ICP guidance and had regard to the position in the UK post the

	We do not believe it is appropriate to classify the rejection of a claim due to 'non-negligent misrepresentation of a material fact to the risk'. We believe any material misrepresentation should make a claim invalid as we would not have accepted the risk in the first place.	implementation of the Consumer Insurance (Disclosure and Representations) Act 2012 ("CIDRA"). However, it is acknowledged that in many international markets insurance law around the requirement for customer disclosure of material facts is behind those developments. We propose to remove this paragraph of the Code which states that a rejection of a policyholder's claim is unreasonable (except where there is evidence of fraud) if it is rejected for the non-negligent misrepresentation of a fact material to the risk. Paragraph 27(2)(d) will be retained in the Code, which states that an insurer must not unreasonably reject a claim. We will supplement this with additional non-binding guidance stating that insurers should ask clear questions about facts they consider material. In deciding whether to avoid a policy, insurers should rely only on the answers given or withheld. Insurers should also only avoid policies where the non-disclosure or misrepresentation was deliberate or reckless, not where it was innocent.
Comments on the Code	The company has serious concerns that the specificity of the language framing paragraphs 19 and 20, in particular at 19(4) and (5) is beyond that required by the Insurance Core Principles and will have consequences for licensees operating on a multi-jurisdictional basis, and their policyholders, beyond those intended. The commercial and practical implications of requiring brokers, as the agents of transient, expatriate policyholders, to be appropriately authorised, licensed or regulated , in every relevant jurisdiction requires further and more detailed analysis. The proposals carry material risks both to the Company's business model and to existing and potential policyholders, the crystallisation of which are contradictory to fair treatment principles and objectives; there is a material likelihood that	The intention of the Code was to address the potentially more significant risks associated with distribution of new business by unregulated intermediaries, rather than the ongoing servicing of products. While we consider it reasonable that an intermediary should be required to understand the compliance implications of providing ongoing service to policyholders, we consider "relevant" jurisdiction for the purpose of the Code to be the jurisdiction in which the activity leading to the submission of new business (such as promotion, advising and signing of application) is undertaken.

	the obligations imposed by paragraph 19 will result in a significant number of orphaned policyholders, who will lose the benefit of an established and potentially long standing intermediary relationship and without further access to appropriate advice. Experience in European markets has evidenced that local market authorisation or regulation does not per se guarantee adherence to, or observance of TCF principles and objectives and we would welcome the opportunity to engage further with the Authority on this matter.	
Comments on the Code	The wording at paragraph (19) – in particular at (4) and (5) cause particular difficulties for insurers operating on an international basis and with a customer base which has a high volume of transient expatriates. We would welcome the opportunity of discussing possible revisions to paragraph 19 to allow a risk based approach designed to achieve an appropriate balance between regulatory compliance and commercial viability.	As above.
Comments on the Code	Having regard to the detail of paragraph 23, observed experience in European markets has demonstrated that the important point in setting a cooling off period is establishing, with clarity, the point at which the cancellation period commences. The wording at paragraph 23(1) is sufficiently expansive as to potentially expose the Company to claims, at any future point, if it can be established by a policyholder that all necessary information under applicable legislation made elsewhere, was not delivered. The practical implications of an inherent obligation to monitor the breadth of potentially applicable legislation are vast and may be impossible to adhere to. A more pragmatic approach would be to fix the start of the cancellation period from a point at which it can be effectively measured e.g. the date the policy comes into force and we would welcome the opportunity to explore this issue further with the Authority.	The Authority does not support fixing the date of the commencement of the cooling off period as delays in delivery of documentation can reduce the time that a policyholder has for consideration. However, we acknowledge the point made about needing more clarity and so we have amended the Code to only require receipt by the policyholder of contract documentation and accompanying pre-contractual information required under the Code.
Comments on the guidance	**Appendix 2 - Guidance for unit linked single premium bonds – suitability of assets to policyholders** We were supportive of the approach suggested in CP15-02 such that insurers would have to differentiate at product level between a product	The Authority believes that the principles in paragraph 6 of the Code that insurers should apply to the development, marketing and promotion of products such that

	for retail investors and a product for professional investors. We were also supportive of the proposed removal of consumer protection when policyholders invest in a professional investor product. We are, therefore, disappointed to note the revisions made in CP17-05/T06 have been weakened such that the requirements are no different to the way most insurers already operate. The requirement to differentiate between a retail and a professional investor product has been reduced, in the latest consultation paper, to a suggestion rather than a mandatory requirement and the suggestion for a professional investor product is contained within the non-binding guidance note. We therefore support the FSA's original approach of introducing an experienced investor product.	policyholders are treated fairly will reduce the risk of potential policyholder detriment. The guidance has been put in place to assist regulated entities to comply with legislation and to provide examples/illustrations. As you point out it is not law, however it is persuasive and regulated entities will be encouraged to comply with its requirements or explain to the Authority how a different approach meets the requirements of paragraph 6 of the Code. The segregated product approach is still available under the Code and we welcome your support of this approach.
Comments on the guidance	**Appendix 2 – Guidance for suitability of assets to policyholders** We do not believe that the guidance notes go far enough to achieve the intended outcomes of the FSA, to protect retail investors from investing in unsuitable assets. Some home state regulators such as Hong Kong and Singapore (but not UAE IA) have specific rules relating to the definition of professional investors for whom broadly only authorised funds are considered suitable. Insurers rely on the broker, who is responsible for the advice process with the customer, to ascertain the suitability of assets. It is the broker that collects information relating to the customer's suitability for the product and underlying investments, not the insurer. Unless specific rules are introduced to define professional investors in the Code that insurers are instructed to comply with, we believe there is a risk that insurers will find it difficult to follow the guidance. Merely obtaining policyholder informed consent does not go far enough in our view as this is happening in many instances today but still customers are being mis-sold inappropriate underlying investment.	We have noted that some regulators define "professional" or "sophisticated investor" and that these definitions vary between regulators. The Authority does not wish to introduce a definition which may not be appropriate in all jurisdictions in which insurers operate, and which may even be in conflict with definitions other jurisdictions. The Authority considers that in complying with the Code insurers should consider the acceptability of an asset for a particular product and target market. The Code also requires insurers to monitor brokers with which it has terms of business to ensure that each broker remains an appropriate distribution channel for its products and target markets in order that it can rely on the advice being given.
Comments on the guidance	**Appendix 2 - Guidance for unit linked single premium bonds – suitability of assets to policyholders**	The point being made within the guidance is that the Authority would not want to see pooling arrangements in place to specifically meet the minimum investment criteria

	We have some concerns about the statement in 2.1(d) that "*the Authority does not consider the pooling of multiple policyholder investments to meet minimum investment levels for an asset/fund to be an appropriate practice in the context of the requirements of the Code*". As part of our planning for the implementation of the Code we have introduced processes which identify any requests to invest assets which do not fall within the FCA's definition of a retail investment product. It is now extremely rare what we will receive such a request but when we do our procedures require specific confirmation from the policyholder that they understand the nature of the asset. We would also expect the individual policyholder to meet any minimum investment criteria for the asset. For policyholders investing in assets which do not meet the FCA's definition of a retail investment product our process is to pool premiums. This pooling is a fundamental design feature of investment platforms and is one way in which the charges and fees for using a platform can be controlled for the benefit of the policyholder. Any requirement to change the process of 'pooling' policyholder premiums would involve a major overhaul of our systems and charging structure. Such a development could lead to questions regarding the viability of offshore bond business which is unable to follow group processes.	for the asset. Pooling as part of the normal administration process would be acceptable in the case described where there is specific confirmation from the policyholder that they understand the nature of the asset and the individual policyholder meets the minimum investment criteria for the asset.
Comments on the guidance	**Appendix 4 - Guidance on procedures for monitoring terms of business with brokers** Within the guidance for monitoring procedures which link into paragraph 20 of the Code, the Authority states that consideration should be taken in relation to the "Standards of documentation issued by the broker to which the insurer is party". We would be grateful if the Authority could clarify or supply a definition of the term "documentation", as it is not clear what type of documentation the Authority is referring to.	The usual dictionary definition of "documentation" would apply, examples would include a fact find or suitability letter issued to a client which the insurer may have sight of. Such documents can give useful information to the insurer about the way in which the broker operates.
Comments on the guidance	**Appendix 7 - Guidance on the provision of illustrations for long term insurance products**	In those jurisdictions where there is a specific requirement for the insurer to provide consumers with a separate

	We believe that by including a 0% growth rate scenario within our presale illustrations, this requirement will impact the competitiveness of Isle of Man life insurers and put them at a disadvantage in certain markets due to the following: - customers could see themselves faced with a decision between a "good value" product marketed by an Isle of Man life insurer that looks poor due to the 0% growth rate and a "poor value" product from a local insurer that uses rates within their pre-sale illustrations that are just above their average charges, which would on the surface, make the product look like better value for the customer; - All life policies have charges, so by using a 0% growth rate scenario, the customer will see a loss from day 1 and could potentially question/challenge the advice given by the intermediary on the need to purchase the product in the first place; - While a 0% growth rate scenario is a possibility, we doubt a customer or intermediary would allow a policy to continue to be invested in such a poor fund range that had a 0% or negative growth rate, and feel that this is an unrealistic scenario. We understand the Authority's intentions by proposing this scenario; however, we are raising our concerns on the impact this will have on the customer's perception of the products on offer, between the two types of life insurer. We are also aware of developments linked to this point in the UAE where the IA have proposed a maximum growth rate of a 3 month Eibor rate plus 4%, demonstrating a conflict between regulatory approaches.	illustrative document with prescribed growth rates, the Authority agrees that this practice should continue in line with the relevant local conduct rules.
Comments on the guidance	**Appendix 7 - Guidance on the provision of illustrations for long term insurance products** We assume that where local jurisdictional requirements permit the use of illustrations and their content is prescribed by those local	Agreed

	regulations, their requirements take precedence over anything set out in this guidance?	
Policy – Cross-border application of the Code	We continue to believe that when an Isle of Man life insurer trades through a formal insurance licensed entity, the local conduct rules on commission disclosure of that jurisdiction should apply rather than the prescribed requirements under the Code – we also believe this to be the case when there is a jurisdiction where local conduct rules do not currently have a disclosure requirement, or other measures in lieu of disclosure, as per ICP 19.7.5. •	The Authority does not consider it appropriate that a broad exemption be provided for regulated branches. It continues to believe that consideration should be given to the underlying conduct framework in place, consistent with the procedure adopted to derive the current exemptions proposed from the Code, which provides exemptions in a number of the jurisdictions where insurers operate branches. Based on responses, a number of additional exemptions have been included in the latest update to the Code.
Policy – Cross-border application of the Code	We would also be interested in understanding the rationale for extending Isle of Man conduct rules on regulated overseas branches and subsidiaries as we are not aware of any other supervisory regime that has such extra territorial application for their detailed conduct rules on foreign markets.	See response above The rationale for our proposed approach to the cross border model was signposted very early in the consultation process, both in DP14-05 and notably in section 6 of CP15-02. Our discussions with the [respondent] have focussed on the practical application of the Code to cross border business and the development of appropriate jurisdictional exemptions.
Policy – Cross-border application of the Code	Whilst regulation in places such as the UAE are following a similar direction, other competitor jurisdictions such as BVI, Cayman Islands and Guernsey, show no sign of keeping pace with our regulatory developments. This lack of level playing field has the potential to impact significant *[sic]* on our business particularly between the Crown Dependencies. We would welcome the Authorities *[sic]* feedback as to whether engagement has taken place with other such jurisdictions.	We have engaged considerable time in researching standards in other competitor jurisdictions, the only exception being the BVI which had not previously been brought to our attention as being considered a competitor jurisdiction. We will continue to liaise with other jurisdictions through the International Association of Insurance Supervisors and the Group of International Insurance Centre Supervisors and individually where appropriate. An underlying assumption of our work is the need to develop a framework that is proportionate to the

		nature, scale and complexity of the Island's insurance sector. Accordingly, as a large mature market we do not consider it appropriate to benchmark to those smaller jurisdictions with less robust regulatory requirements that fall below that considered appropriate, both in the context of our regulatory objectives and in the context if international standards.
Timing of implementation	Whilst we accept that the broad outline of what is required has been set out in previous consultation and we have had a formal project established for some time we do have some remaining concerns. Until such time that the Code has been finalised there will be inevitable reluctance to allocate resource and finance to the system developments required by 1 January 2018. We are only 6 months away from the first implementation date and we still do not have a final position. Also in our response to CP15-02 we stated: "[*We are*] broadly in agreement that remuneration should be disclosed. Our only concern is that the Isle of Man should not be out of line with key competitor jurisdictions." The primary concern is that the generic KID is required to be issued from 1 January 2018, stating the worst case scenario for remuneration. This taken together with no evidence to suggest that other jurisdictions namely Guernsey, Mauritius and Cayman are introducing the same level of disclosure leaves Isle of Man insurers at a competitive disadvantage to insurers operating out of those jurisdictions into the same markets. The second concern relates to hard disclosure of commission. [*We*] met, this week, with a number of intermediaries and it is clear from those meetings that they will seek out providers from other jurisdictions rather than go down the hard disclosure route. That will have severe impact in Isle of Man revenue and jobs. Taking the two issues together we would suggest that the requirement to issue a generic KID is removed altogether leaving insurers time to allocate resources ready for implementation of the Code after 1 January 2019. We would also request that the FSA gives consideration to a	Implementation date of 1 January 2019 agreed No standard KID required, confirmed in Roadmap The Authority continues to believe that disclosing the actual monetary value of the payment to be made will be the clearest way for customers to understand exactly how much they will be paying.

	softer form of commission disclosure as adopted by both Hong Kong and Singapore regulators. We remain broadly supportive of the proposed regime and we recognise that this regime introduces an enhanced level of disclosure and protection for policyholders. That said it is imperative that the FSA considers the impact on the ability of Isle of Man insurers to attract business.	
Timing of implementation	Whilst still having the Code effective from 1 January 2018, we would ask the Authority to allow a period of 12 months for regulated entities to implement and be fully compliant with the Code in all its aspects, i.e. full compliance by 1 January 2019. In regard to the point above, we ask the Authority to remove the sections of the Code relating to the provision of the standard KID, instead asking regulated entities to comply by 1 January 2019 with the provision of the policyholder specific KID, as currently set out.	Implementation date of 1 January 2019 agreed
Timing of implementation Timing of implementation	The developments and changes in practice, which the entirety of the Code and supporting guidance material seek to introduce, are far reaching. Necessary changes in systems and controls, functional and operational activities, overarching governance frameworks and IT systems are complex and challenging and demand the commitment of time and skills from a finite resource pool which will simultaneously be required to cope with consultation exercises and implementation plans arising from the wider Roadmap and extraneous regulatory developments. We do not have the benefit of an internationally active parent for provision of additional resource, experience or expertise in these developmental areas. The Company is also mindful of the concurrent work required, both within the company and with its external stakeholders on the important cultural and behavioural aspects of the changes proposed. We request that the Authority reviews its implementation timetable for the Conduct of Business regime specifically and the Roadmap more generally.	Implementation date of 1 January 2019 agreed

Timing of implementation	Whilst we acknowledge that the Authority has been fully engaged with the industry throughout the consultation process, the recent delivery of the finer detail of the final draft Code and associated papers leaves the industry with a six month window to implement the proposed changes by 1 January 2018. Given the nature of some of the changes and the system enhancements and change in collateral requirements we strongly believe it is too short a timeframe and would strongly lobby for this to be amended to reflect the lead time required to ensure compliance with the new Code. Particularly when this is coupled with other regulatory demands across industry such as PRISPs, Circular 12 in the UAE and the EU General Data Protection Regulations will be somewhat challenging.	Implementation date of 1 January 2019 agreed
	The timing of implementation remains a significant concern for us and we would support the approach proposed by the MIA CEO's to delay the implementation of key elements until the earliest of 1 January 2019.	Implementation date of 1 January 2019 agreed
Timing of implementation	We only have one concern in response to the consultation paper, being that the proposed implementation date for some of the requirements of 1 January 2018 is a tight timescale to work towards. An implementation date of 1 January 2019 for all of the new requirements would be preferable, particularly in view of the other projects we are working on at present including Solvency II, PRIIPs, CRS reporting and the new EU Data Protection requirements.	Implementation date of 1 January 2019 agreed
Standard KID	It is our view that it makes more sense to concentrate on the development of the policyholder specific KID and implement in 2019, rather than introducing a standard KID in 2018. This is due to having to look up the advisor/broker specific commission terms as part of the development required to produce a standard KID, which would be close to the same level of development it would take to produce a policyholder specific KID.	No standard KID required, confirmed in Roadmap
Standard KID	As a consequence of reviewing the finer detail and mechanics of the proposed disclosure regime it has become clear that substantial resource will be required to produce the standard KID to comply with a	No standard KID required

	1 January 2018 implementation date. We would strongly advocate removing the requirement to issue a generic KID which would allow members to commit resource to meeting a 1 January 2019 date for the implementation of fully compliant, systems supported, policyholder KIDs.	
Standard KID	As we work through the technical issues associated with the production of the Standard KID a number of concerns have arisen which include, but may not be limited to the following points: - The standard KID may not be representative of a policyholder's particular circumstances to the degree that he disclosure may ultimately be misleading, in contradiction to fair treatment principles, - The obligation to disclose some aspects of remuneration on a "maximum commission payable" basis, such as override commission, may necessitate the disclosure of commercially sensitive information to a broker, as agent of the policyholder, which has the capacity to cause detriment to both the policyholder and the Company, - Development of the standard KID requires the investment of significant time and resource. This would be better diverted to investment in development of the policyholder specific KID during the period to 1 January 2019.	No standard KID required, confirmed in Roadmap
Standard KID	Currently, as the draft Code requires compliance with the need to issue a standard KID to policyholders from 1 January 2018, our project has been focussed on this as a priority for system development. Given that this is only an interim requirement until the introduction of the client specific KID, we feel our development resource would be best focussed on this rather that the standard KID. Equally, whilst we appreciate the rationale to the proposal for the standard KID, we feel that disclosing maximum commission as opposed to policy specific commission) introduces an element of potential complexity and confusion to the customer experience at point of sale, which would be better addressed by client specific disclosure of commission and charges. We therefore	No standard KID required, confirmed in Roadmap

	propose that he standard KID be removed from the Code and the focus placed on compliance with the provision of the client specific KID by 1 January 2019.	
Exemptions	Whilst it is acknowledged that the Authority are continuing to engage with the Regulatory Authorities in both Singapore and the UAE, the fact remains that given current timescales of less than six months to the implementation date, entities must continue to plan on the basis of non-exemption until these are confirmed and this further creates a strain on our resources and development work across the Group. We wonder whether the Authority would consider allowing us to move forward with development at this time on the assumption that Singapore and UAE will gain exemptions.	The Authority will be reissuing the Code with exemptions for Singapore and the UAE (once the enhanced conduct regime becomes effective, which is expected to be prior to implementation of the Code).
Exemptions	Do you have an update on the potential exemptions for Singapore and South Africa?	The Authority will be reissuing the Code with exemptions for Singapore and South Africa (once the enhanced Policyholder Protection Rules become effective, which is expected to be prior to implementation of the Code).
Exemptions	The UAE Insurance Authority's Circular 12 of 2017 evidences the changing landscape of the Middle East. We have seen moves by the IA to strengthen product design to further protect customers and enhance transparency. We look forward to your further consideration and update following your meeting with the IA.	The Authority will be reissuing the Code with an exemptions for the UAE (once the enhanced conduct regime becomes effective, which is expected to be prior to implementation of the Code).
Exemptions	We have highlighted the issue around applying the Code to the corporate product lines of Group Risk and Savings, the business to business relationship and the engagement process to on-board a Scheme. We propose the exemption of this business line and we await the Authority's final decision on whether this type of business will be exempt from the Code. We believe that it is achievable to separate Employer Sponsored Schemes from the retail market.	The Authority considers the requirement for enhanced policyholder protection to be reduced where insurance business is conducted on a business to business basis and is of the view that in these circumstances the requirement for a KID is disproportionate and may be impractical for such schemes. We are mindful, however, that many insurers accept corporate applicants that do not form part of larger schemes; small family businesses for example. We have taken care, therefore, to ensure that any exemption provided gives clarity to the type of corporate schemes we

		consider appropriate to exempt. Our proposal is an exemption for insurance policies issued under employer sponsored schemes, where the contracting party is a corporate entity and the product provides earmarked savings or risk benefits for employees of the corporate employer, but the underlying employee has no contractual rights.
Exemptions	We note that whilst the need for an IOM KID is exempted where a PRIIP KID is applicable, the need to obtain policyholder acknowledgement of the PRIIP KID is not. This adds to the complexity of our system development and we do not fully understand the rationale for this as it conflates two regulatory regimes and will confuse the customer experience at point of sale. We propose this is aligned to the general full exemption criteria provided for in this section.	We agree that this could become too complex and, on the basis of the strength of the overall regime under PRIIPS, it is proposed to amend the exemption so that firms complying with EU PRIIPS KID requirements are exempt from the full KID requirements in the Code.

Appendix 2

INSURANCE (CONDUCT OF BUSINESS) (LONG TERM BUSINESS) CODE 2018

Index

Statutory Document No. XX/20XX

Insurance Act 2008

INSURANCE (CONDUCT OF BUSINESS) (LONG TERM BUSINESS) CODE 2018

Laid before Tynwald:
Coming into Operation:

The Isle of Man Financial Services Authority makes the following Guidance Notes under section 51 of the Insurance Act 2008 as binding guidance, after carrying out the consultations required by section 51(6) of that Act.

1 Title

These Guidance Notes are the Insurance (Conduct of Business) (Long Term Business) Code 2018.

2 Commencement

These Guidance Notes come into operation on 1 January 2019.

3 Interpretation

In these Guidance Notes —

"**the Act**" means the Insurance Act 2008;

"**board**" means the board of directors of the regulated entity or, if the regulated entity has no board of directors, its equivalent governing body;

"Class" means a class of insurance business as set out within the table in the Insurance Regulations 2018[1];

"**durable medium**" means any instrument which enables the recipient to store information in a way accessible for future reference for a period of time adequate for the purposes of the information and which allows the unchanged reproduction of the information stored;

"IVA" means investment value adjustment;

"KID" means key information document;

[1] SD xxxx/xx

"policyholder" includes a prospective policyholder;

"regulated entity" means an entity authorised to carry on insurance business of Class 1 or Class 2, pursuant to the Insurance Regulations 2018;

"**senior management**" means, in relation to a regulated entity, any person whose appointment is required to be notified to the Authority under the Act, excluding its —

(a) non-executive directors;

(b) external auditor; and

(c) controller where such a controller is not a person whose appointment is required to be notified to the Authority under the Act other than as a controller;

"**SID**" means summary information document; and

"**top up**" means —

(a) any premium paid after the initial premium, in respect of single premium policies; and

(b) any additional non-contractual payment or increase in the amount of regular premium paid, in respect of regular premium products.

4 Application

These Guidance Notes apply only in relation to business written by regulated entities under Class 1 and 2.

5 Fair treatment of policyholders – general principles

(1) In paying due regard to its policyholders and treating them fairly, a regulated entity must —

(a) establish and implement policies and procedures for the fair treatment of policyholders as an integral part of its business and culture; and

(b) ensure that its policies and procedures for the fair treatment of policyholders are set out in writing and are provided to all relevant staff.

(2) The policies and procedures at (1) should include a consideration of how a regulated entity —

(a) develops and markets its products in a way that pays due regard to the interests of policyholders;

(b) ensures policyholders are provided with clear information before, during and after the point of sale;

(c) only permits distribution methods that are appropriate to the regulated entity's products and its policyholders' needs;

(d) deals with policyholder complaints and disputes in a fair and transparent manner;

(e) manages the reasonable expectations of policyholders;

(f) monitors the regulated entity's performance with respect to the fair treatment of policyholders;

(g) ensures that its staff and management are aware of their obligations in relation to the fair treatment of policyholders including through regular training; and

(h) ensures that any performance and reward strategies for a regulated entity's staff and management are aligned with the principles of the fair treatment of policyholders and do not result in unfair policyholder outcomes.

(3) The responsibility for the design, implementation and monitoring of adherence to the policies and procedures in (1) rests with the board and senior management of the regulated entity.

(4) A regulated entity must regularly review, and update where necessary, the policies and procedures in (1) to ensure that they remain valid and up to date.

6 Product development, marketing and promotion

(1) A regulated entity must establish and implement product development oversight and governance arrangements designed to treat policyholders fairly. Such arrangements should aim to minimise the risk of potential policyholder detriment, provide for proper management of conflicts of interest and ensure that the interests of policyholders are duly taken into account.

(2) A regulated entity's product development arrangements must identify and manage any conflicts of interest in the product design and distribution.

(3) A regulated entity must take all reasonable steps to identify the intended target market for its products, including an assessment of the level of information available and the degree of financial capability of the target market, and maintain a record of this.

(4) A regulated entity must only design and market products with features, charges, fees and risks that meet the interests, objectives and characteristics of the identified target market. When deciding whether a product meets the interests, objectives and characteristics of a particular target market, the regulated entity should include the identification of any groups of policyholders for which the product is not considered suitable, as may be the case.

(5) A regulated entity must monitor its products on an ongoing basis to ensure that the product continues to meet the interests, objectives and

characteristics of the identified target market. Where the regulated entity identifies a risk of policyholder detriment after designing and bringing products to the market or after carrying out product monitoring, the regulated entity should take timely, appropriate and proportionate action to mitigate the situation and prevent the re-occurrence of detriment.

(6) A regulated entity must ensure that any staff responsible for designing products possess the appropriate skills, knowledge and competence and are appropriately trained in order to understand the operation of the products' main features and characteristics as well as the interests, objectives and characteristics of the target market.

(7) A regulated entity must assess the appropriateness of the distribution channels for its products and target market. Such an assessment must include consideration of whether—

(a) persons distributing products have the appropriate skills, knowledge and experience to properly distribute each product to the market and, where considered necessary for the product and characteristics of the target market, to provide appropriate advice to policyholders;

(b) persons distributing products are able to provide appropriate information to policyholders, as required; and

(c) persons distributing products hold the necessary regulatory permissions, authorisations, licences or other forms of consent required for the distribution and, if necessary advisory, activity concerned.

(8) In selecting a distribution channel and promoting its products through it, a regulated entity must provide the distributor with information which is —

(a) of an adequate standard; and

(b) clear, precise and up-to-date.

(9) The information provided to distributors must be sufficient to enable the distributor to—

(a) understand and place the product properly to the target market;

(b) identify the target market for which the product is designed and also identify any group(s) of consumers, whose interests, objectives and characteristics the product is considered likely not to meet; and

(c) meet any other obligations under applicable legislation with regard to the target market, notably with regard to the relevant information that needs to be communicated to policyholders.

(10) A regulated entity must take all reasonable steps to ensure that distribution channels act in compliance with the objectives of its product oversight and governance arrangements. Where a regulated entity

considers that a distribution channel does not meet the objectives of the regulated entity's product governance oversight arrangements, the regulated entity should take timely remedial action with regard to the distribution channel.

(11) If a regulated entity outsources the design and marketing of its products to a third party, it retains full responsibility for compliance with its product oversight and governance arrangements as described in these Guidance Notes.

7 Key information documents for long term insurance products with an investment element

(1) Subject to (2), a regulated entity must prepare a KID for each policy and issue it in accordance with paragraph 9.

(2) Sub-paragraph (1) does not apply to —

(a) contracts under which benefits are payable only on death or in respect of incapacity due to injury, sickness or infirmity; or

(b) any product that is closed to new policyholders.

(3) A KID must be accurate, fair, clear and not misleading. A regulated entity must put in place a process to regularly review the information contained in a KID.

(4) A KID must be a stand-alone document, clearly separate from marketing materials. It must not contain cross-references to marketing material. It may contain cross-references to other documents including a prospectus where applicable, and only where the cross-reference is related to the information required to be included in a KID by this paragraph.

(5) By way of derogation from sub-paragraph (4), where a regulated entity's product offers policyholders a range of options for investment, such that all information required in paragraph 8(3) with regard to each underlying investment option cannot be provided within a single, concise stand-alone document, a KID must provide at least a generic description of the underlying investment options and state where and how more detailed pre-contractual information and documentation relating to the investment products backing the underlying investment options can be found.

(6) A KID must be drawn up as a short document written in a concise manner, generally no longer than 3 sides of A4-sized paper when printed, and—

(a) set out in a way that is easy to read, using characters of clearly legible size;

(b) focussed on the key information that prospective policyholders need; and

(c) facilitates policyholders' understanding by using language that is clear, succinct and comprehensible.

(7) Where colours are used in a KID, these must not diminish the comprehensibility of the information if a KID is printed or photocopied in black and white.

(8) Where corporate branding or logos are used in a KID, this must not distract the policyholder from the information contained in the document or obscure the text.

8 Mandatory content of a KID

(1) The title "Key Information Document" must appear prominently at the top of the first page of a KID.

(2) The following explanatory statement must appear directly underneath the title—

"This document provides you with key information about this insurance investment product. It is not marketing material. The information is required by law to help you understand the nature, risks and cost of this product and to help you compare it with other products".

(3) A KID must contain the following information —

(a) at the beginning of the document, the name of the product, the identity and contact details of the regulated entity and confirmation of the entity's authorisation by the Isle of Man Financial Services Authority;

(b) under a section titled "What is this product?", the nature and main features of the product, including —

(i) the type of product;

(ii) its objectives and the means for achieving them, in particular whether it is intended that the objectives are achieved by means of direct or indirect exposure to the underlying investment assets;

(iii) a description of the policyholder type to whom the product is intended to be marketed, in particular in terms of the ability to bear investment loss and the investment horizon;

(iv) where the product offers insurance benefits, details of those insurance benefits, including the circumstances that would trigger them;

(v) the term of the product, if known;

(c) under a section titled "Could I lose money?", a brief indication of whether loss of capital is possible, including:

(i) any guarantees or capital protection provided, as well as any limitations to these;

(ii) the availability of cancellation rights and the conditions attaching to those rights;

(iii) whether the product is covered by a compensation or guarantee scheme, including any protection available under the Life Assurance (Compensation of Policyholders) Regulations 1991[2];

(d) under a section titled "What are the risks and what might I get back?", the risk and reward profile of the product and warnings in relation to any specific risks of the product;

(e) under a section titled "How long should I hold it and can I take money out early?"

(i) details of the cooling off or cancellation period for the product;

(ii) an indication of the recommended and, where applicable, required minimum holding period;

(iii) the ability to make any conditions on disinvestments, withdrawals or surrender, including all applicable fees and penalties;

(iv) information about the potential consequences of cashing in or policy surrender, in full or part, such as the loss of a guarantee, bonuses or additional contingent fees;

(f) under a section titled "How do I make a complaint?", information about how and to whom a policyholder can make a complaint about the product and/or the conduct of the regulated entity (consistent with the regulated entity's complaints procedures established under the Corporate Governance Code of Practice for Regulated Insurance Entities[3]);

(g) under a section titled "What are the costs?", —

(i) where remuneration is paid to an intermediary at the commencement of a policy, disclosure in the following form in bold text—,

"**Although the intermediary firm that has advised you may not charge directly for the advice received, if you take up this policy it will receive a payment from [*regulated entity name*] of [*value of commission, in policy currency*] on the commencement of your policy, the cost of which will be met by the charges you pay for the policy.**";

however, the wording "the cost of which will be met by the charges you pay for the policy" may be removed if it is included in a disclosure in (2);

(ii) for single premium policies where ongoing remuneration is paid to an intermediary, disclosure of the amount of the of

[2] GC 0048/91
[3] SD 0880/10

ongoing remuneration where this is calculable at policy outset or the annual rate of ongoing remuneration where it is based on a variable calculation in the following form in bold text—

"**In addition, after commencement of your policy, the intermediary firm that has advised you will receive ongoing remuneration from [*regulated entity name*] of [*annual value of ongoing remuneration in policy currency]* or *[% annual rate of ongoing remuneration, showing up to 3 decimal places of your policy value*] each year for [*duration of ongoing remuneration*]. The costs of these payments will be met by the charges you pay for your policy.**";

however, the wording "In addition" may be removed if no initial remuneration has been taken;

(iii) for regular premium policies where ongoing remuneration is paid to an intermediary, disclosure of the amount of the of ongoing remuneration where this is calculable at policy outset or the annual rate of ongoing remuneration where it is based on a variable calculation in the following form in bold text—

"**In addition, after commencement of your policy, the intermediary firm that has advised you will receive ongoing remuneration from [*regulated entity name*] of [*annual value of ongoing remuneration in policy currency*] OR *[% commission rate, showing up to 3 decimal places, of future premiums paid into your policy*] each year for [*duration of ongoing remuneration*]. The costs of these payments will be met by the charges you pay for your policy.**";

however, the wording "In addition" may be removed if no initial remuneration has been taken;

(iv) disclosure of all fees and charges directly related to the insurance contract, in tabular format, setting out the annual level of charges and the duration of the charging period. Charges should be shown as a percentage annualised rate or value in the policy currency where the charge is calculable at policy outset as a monetary amount. The table should also describe where these costs will be deducted from.

9 Issue of the KID

(1) A regulated entity must issue a KID to each policyholder either—

(a) on paper; or

(b) using a durable medium other than paper.

(2) Subject to (3), a KID must be provided in good time before a policyholder is bound by contract or offer related to the regulated entity's product. In determining what constitutes "in good time", a regulated entity must consider —

(a) the time necessary for a policyholder to read and understand a KID;

(b) the degree of financial capability of the target market for the product, as identified by the requirements set out in paragraph 6 of these Guidance Notes; and

(c) the complexity of the investment.

(3) Policyholders paying a top up must be provided with a KID before or immediately after making the top up.

10 Policyholder acknowledgement of a KID

(1) Subject to (4), a regulated entity must obtain confirmation from a policyholder that he or she has received and understood the information provided in a KID before the policyholder is bound by the contract.

(2) In order to demonstrate this acknowledgement, a KID must be signed by the policyholder on the same page as the disclosure made in compliance with paragraph 8(3)(g).

(3) A record to demonstrate this acknowledgement from each policyholder must be maintained by the regulated entity.

(4) Policyholder acknowledgement is not required for top ups.

11 Summary information documents for long term pure protection insurance products

(1) A regulated entity must prepare and issue a SID for those contracts it produces under which benefits are payable only on death or in respect of incapacity due to injury, sickness or infirmity.

(2) A SID must either be in a separate document or within a prominent separate section of another document clearly identifiable as containing key information that the policyholder should read.

(3) A SID must properly describe the policy and be sufficiently concise not to overload a policyholder with detail.

12 Mandatory content of a SID

(1) A SID must include the following information —

(a) a statement that the SID does not contain the full terms of the policy, but these can be found in the policy document;

(b) the name of the regulated entity;

(c) the type of insurance and cover;

(d) significant features and benefits;

(e) significant or unusual exclusions or limitations, and cross-references to the relevant policy document provision;

(f) the duration of the policy;

(g) a statement, where relevant, that the policyholder may need to review and update the cover periodically to ensure that it remains adequate;

(h) existence and duration of the right of cancellation (other details may be included);

(i) contact details for notifying a claim;

(j) how to complain to the regulated entity, including a statement that complaints may subsequently be referred to the Isle of Man Financial Services Ombudsman Scheme; and

(k) that, should the regulated entity be unable to meet its liabilities, the policyholder may be entitled to compensation according to the Life Assurance (Compensation of Policyholders) Regulations 1991.

13 Issue of the SID

(1) A SID must be issued to the policyholder either –

(a) on paper; or

(b) using a durable medium other than paper.

(2) A SID must be provided in good time before a policyholder is bound by contract or offer related to the regulated entity's product. In determining what constitutes "in good time", a regulated entity must consider the time necessary for a prospective policyholder to read and understand the SID.

14 Policyholder acknowledgement of a SID

(1) A regulated entity must obtain confirmation from a policyholder that he or she has received and understood the information provided in the SID before the policyholder is bound by the contract.

(2) A record to demonstrate this acknowledgement from each policyholder must be held by the regulated entity.

15 KID as an alternative to a SID

A regulated entity may provide a document that has the contents of a standard KID instead of a SID. The document must include details for notifying a claim.

16 Procedures for granting terms of business to brokers

(1) This paragraph applies to a regulated entity which permits the distribution of its products through an intermediary acting on behalf of a policyholder, hereafter referred to as a "broker". For the avoidance of doubt, the requirements in this paragraph shall not apply where an intermediary is appointed as an agent to act on behalf of the regulated entity.

(2) A regulated entity must establish documented procedures for—

(a) the appointment of brokers; and

(b) the entering into of written terms of business with brokers.

(3) The procedures referred to in (2) must take account of any requirements prescribed by the Island's Anti-Money Laundering and Countering the Financing of Terrorism legislation, relevant to the regulated entity entering into written terms of business with a broker.

(4) The procedures referred to in (2) must include a requirement for an application to be made by a broker to a regulated entity, which must be completed by the broker applying for terms of business, and a regulated entity must use this, and where relevant other, information to assess the suitability of the broker for its products and target markets. The application should allow the regulated entity to conduct a fit and proper assessment of the broker based on the review of the following types of information —

(a) regulatory matters, including —

(i) details of the applicant's authorisation, regulatory or licence permissions granted in the jurisdictions in which the applicant operates. Copies of documents certifying such permissions should be requested; and

(ii) details of any affiliations or membership of relevant professional bodies or trade associations;

(b) corporate status; and

(c) jurisdictional risk.

(5) Terms of business entered into with brokers must, as a minimum, require the broker to attest that—

(a) the introduction of business by the broker to the regulated entity pursuant to the agreement does not breach any legal obligation or laws of any competent authority in any relevant jurisdiction;

(b) the applicant will use all reasonable efforts to observe the conditions of the agreement;

(c) the applicant will at all times act only as the agent of policyholders and not for or on behalf of the insurer;

(d) the applicant will at all times maintain every obligatory licence, authorisation and registration and comply with or procure compliance by its officers and agents (as the case may be) with all applicable laws and regulations of jurisdictions in which they distribute products and notify the regulated entity without delay in the event of any material breach or non-compliance with same;

(e) the applicant will comply with all anti-money laundering and countering the financing of terrorism laws, regulations, instructions, guidance or rules applicable to the applicant, issued in the Island or elsewhere;

(f) where documents and other information are provided by a regulated entity for the attention of the policyholders via the applicant, the applicant will ensure that the policyholders receive such information in good time to enable them to properly consider that information.

(6) Terms of business entered into with brokers before the implementation of these Guidance Notes that do not comply with (5) may continue in operation, but any terms of business with brokers that distribute products must be replaced with terms of business that do comply with (5) by 30 June 2019.

17 Procedures for monitoring terms of business with brokers

A regulated entity must establish procedures to regularly monitor brokers with whom it has entered into terms of business to ensure that each broker remains an appropriate distribution channel for its products and target markets.

18 Cancellation rights for long term insurance business

(1) Subject to (5) and (6), contracts of insurance of the description falling within Class 1 and Class 2 as set out in the Insurance Regulations 2018, are cancellable contracts.

(2) Subject to the provisions set out within these Guidance Notes, policyholders have the right to cancel a cancellable contract within the cancelation period and obtain a refund of premiums paid.

(3) By exercising a right to cancel, a policyholder withdraws from the contract and the contract is terminated.

(4) Subject to (6), initial premiums and any top ups paid in respect of single premium policies attach the rights of cancellation set out in these Guidance Notes.

(5) Initial premiums and any top ups paid in respect of regular premium policies shall attach the rights of cancellation set out in these Guidance Notes. Subsequent premiums made falling contractually due under

existing terms and conditions of regular premium policies do not have attached rights of cancellation.

(6) In the case of top ups, the right to cancel will only apply to the additional premium paid. By exercising a right to cancel, a policyholder withdraws from any additional contract in force as a result of the top up and that contract is terminated. If there is no additional contract as a result of the top up, by exercising a right to cancel, a policyholder has the right to a refund of the additional premium paid.

19 Cancellation disclosure requirements

A regulated entity must disclose to a policyholder in good time before or immediately after, a policyholder is bound by a contract that attracts a right to cancel and in a durable medium —

(a) the existence of a right to cancel, its duration and any conditions attaching to the exercising of the right to cancel; and

(b) practical instructions to a policyholder on how to exercise the right to cancel.

20 Start of and duration of the cancellation period

(1) The cancellation period commences on the date on which the policyholder receives —

(a) the policy contract documentation; and

(b) any accompanying pre-contractual information required under this Code.

(2) The cancellation period must be a minimum of 30 days.

(3) Where applicable legislation made outside the Island requires a different cancellation period to that required under these Guidance Notes, the longer duration must be observed.

21 Exercising the right to cancel

(1) A policyholder may exercise the right to cancel before the expiry of the cancellation period disclosed in accordance with paragraph 19. This condition shall be deemed to have been observed if notification from a policyholder to cancel is dispatched before the cancellation period expires and is subsequently received in a durable medium accessible to the regulated entity.

(2) When complying with policyholders' right to cancel, a regulated entity has the right to deduct, from the refund of premiums paid under a cancellable contract, an investment value adjustment ("IVA"), to reflect the loss a regulated entity may incur in realising the value of any assets purchased by or in respect of the premiums paid under the cancellable contract.

(3) For the avoidance of doubt, any IVA should not include any allowance for other expenses, including acquisition costs incurred in connection with issuance of the cancellable contract unless applicable legislation made outside the Island permits the inclusion of such expenses.

(4) The details of the IVA must be set out in the notice required under paragraph 19 and in a KID or SID required under these Guidance Notes.

22 Records

Without limiting any other applicable legislative or regulatory requirement, a regulated entity must maintain records concerning the exercise of a right to cancel in accordance with the requirements of the Corporate Governance Code of Practice for Regulated Insurance Entities.

23 Post-sale disclosure requirements

(1) A regulated entity must ensure a policyholder receives, on an ongoing basis, adequate and appropriate information on the product and services provided by the regulated entity.

(2) Without limiting the requirements in the Corporate Governance Code of Practice for Regulated Insurance Entities, a regulated entity must establish procedures to ensure effective communication to policyholders of information regarding the regulated entity. Such information should include—

(a) any change in the name of the regulated entity, its legal form, the address of its registered office and any other offices as appropriate; and

(b) any transfer of the regulated entity's voting shares which has a material effect on its immediate or ultimate control.

(3) Where an insurance contract issued by a regulated entity allows for changes in terms and conditions, in exercising any change to terms and conditions, a regulated entity must disclose to a policyholder the policyholder's rights and obligations regarding such changes and obtain a policyholder's consent, as appropriate, in accordance with the terms and conditions.

24 Claims procedures for long term insurance businesses

(1) For the purposes of this paragraph the term "claim" does not include payments to policyholders or annuity holders under which a policy is voluntary, wholly or partially, terminated before its maturity or the insured event occurs, for example the payments of a full or part surrender value.

(2) A regulated entity must —

(a) handle claims promptly and fairly;

(b) publish and provide reasonable guidance or a summary of its claims procedures to help policyholders make a claim;

(c) provide appropriate and timely information on the progress of claims to policyholders, or persons acting on their behalf;

(d) not unreasonably reject a claim (including by terminating or voiding a policy); and

(e) settle claims promptly once settlement terms are agreed.

(3) For the purposes of sub-paragraph 2(d), a rejection of a policyholder's claim is unreasonable (except where there is evidence of fraud) if it is rejected for any of the following reasons —

(a) (under contracts requiring the disclosure by a policyholder of material facts) the non-disclosure of a fact material to the risk which a policyholder could not reasonably be expected to have disclosed; or

(b) for breach of warranty or condition unless the circumstances of the claim are connected to the breach and unless —

(i) under a 'life of another' contract, the warranty relates to a statement of fact concerning the life to be assured and, if the statement had been made by the life to be assured under an 'own life' contract, the insurer could have rejected the claim under this paragraph; or

(ii) the warranty is material to the risk and was drawn to the policyholder's attention before the conclusion of the contract.

25 Exemptions

(1) A regulated entity is exempt from paragraphs 7 to 10 of the Guidance Notes, in relation to a product that is to be distributed in Hong Kong, if an Important Facts Statement and a Key Facts Statement have been produced for the product and issued to a policyholder in accordance with the Guideline on Underwriting Class C Business published by the Hong Kong Insurance Authority and the Updated Requirements Relating to the Sale of Investment Linked Assurance Schemes to Enhance Customer Protection issued by the Hong Kong Federation of Insurers.

(2) A regulated entity is exempt from paragraphs 7 to 10 of the Guidance Notes in relation to a product that is to be distributed in the United Kingdom, if the product is distributed through an entity regulated by the United Kingdom Financial Conduct Authority.

(3) A regulated entity is exempt from paragraphs 7 to 10 of the Guidance Notes, in relation to a product to be distributed in the European Union, if the regulated entity has been required to draw up a KID for that product

under Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs).

(4) A regulated entity is exempt from paragraphs 7 to 10 of the Guidance Notes, in relation to a product that is to be distributed in Singapore, if it has obtained written approval from the Monetary Authority of Singapore for distribution of that product.

(5) A regulated entity is exempt from paragraphs 7 to 10 of the Guidance Notes, in relation to a product that is to be distributed in Argentina, if it has obtained written approval from the Superintendicia de Seguros de la Nacion for distribution of that product.

(6) A regulated entity is exempt from paragraphs 7 to 10 of the Guidance Notes, in relation to a product that is to be distributed in the United Arab Emirates, if it is in compliance with the Regulations for Life Insurance and Family Takaful Business issued by the Insurance Authority.

(7) A regulated entity is exempt from paragraphs 7 to 10 of the Guidance Notes, in relation to a product that is to be distributed in South Africa, if it is in compliance with the Policyholder Protection Rules (Long Term Insurance) 2017 issued by the Financial Services Board.

(8) A regulated entity is exempt from paragraphs 7 to 10 of the Guidance Notes in relation to insurance policies issued under employer sponsored schemes, where the contracting party is a corporate entity and the product provides earmarked savings or risk benefits for employees of the corporate employer, but the underlying employee has no contractual rights.

MADE

GEOFF KARRAN
Chairman, Isle of Man Financial Services Authority

EXPLANATORY NOTE

(This note is not part of the Code)

This Code is in the form of binding Guidance Notes issued by the Financial Services Authority. It requires insurers authorised by the Authority to carry on long term business under Class 1 or Class 2 to put in place measures to ensure the fair treatment of its customers before, during and after the point of sale.

It applies a range of principles to insurers' business practices in order that policyholders of such insurers are treated fairly, including:

- consideration of the customers interests when developing, marketing and promoting insurance products;
- standardised information to be provided to customers in the form of a Key Information Document or a Summary Information Document. The Key Information Document contains disclosure of the commission paid to intermediary firms per policy. This document must be acknowledged by the customer;
- ensuring that intermediary firms used are suitable distribution channels for the insurer's products;
- creating cancellation rights for long term insurance products and ensuring that customers are made aware of these; and
- prompt and fair treatment during the claims process.