



**ISLE OF MAN
FINANCIAL SERVICES AUTHORITY**

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CONSULTATION PAPER

CP20-04/T17

INSURANCE REGULATIONS 2021

Issue Date: 10 November 2020

Closing Date: 22 December 2020

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

What is this paper for?

In June 2013 the Authority published its Roadmap for updating the Isle of Man’s regulatory framework for insurance business (“the Roadmap”). The Roadmap introduced a project with the objective of implementing a framework for the regulation and supervision of insurers, insurance managers and general insurance intermediaries that would establish a high level of observance in respect of the updated and revised Insurance Core Principles issued by the International Association of Insurance Supervisors, whilst remaining appropriate and proportionate to the risks of the different parts of the insurance industry that operate in and from the Isle of Man.

This continues to be the objective of the Authority.

Since then the Roadmap has been updated periodically to reflect progress made.

This paper deals with the revised Insurance Regulations, including provisions in respect of insurers that are protected cell companies, incorporated cell companies and limited partnerships. The Insurance Regulations also include the updated qualifying criteria for class 12 authorisation, as well as a number of other changes as set out in this document.

Readers may recall that the class 12 qualifying criteria were the subject of consultation paper CP19-04/T04 undertaken between 22 July 2019 and 13 September 2019, and consultation response paper CR20-04/T04 which was issued on 17 April 2020. The purpose of that paper was to identify certain types of insurer which represent a lower risk to policyholders and therefore may be subject to a proportionately reduced level of regulation. Accordingly, under these proposed new regulations (due to be introduced on 30 June 2021) insurers meeting the reduced risk criteria will be able to apply for class 12 authorisation which has reduced regulatory requirements.

Who is affected by this paper?

This paper will be of interest to the boards and senior management of existing and prospective insurance companies in the Isle of Man, as well as policyholders and other insurance market participants.

How may I respond to this paper?

The closing date for comments is 22 December 2020. Please send comments by email to

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Contents

Glossary of Terms.....	5
1. Introduction and background	6
2. Attachment – Draft Regulations	7
3. Executive Summary	7
4. Detailed comments in relation to the draft regulations.....	11
5. Appendix 1 – Class 12 Qualifying Criteria	40
6. Appendix 2 – Summary of Reporting Requirements	52

Glossary of Terms

Terms used have the same meaning as given in the attached draft Insurance Regulations 2021 or the Insurance Act 2008

Terms	Meaning in this paper
Captive	In general terms a captive insurer is an insurer which insures the risks of the group to which it belongs
CGC	Corporate Governance Code of Practice for Insurers
IAIS	International Association of Insurance Supervisors
ICC Regs	Insurance (Incorporated Cell Companies) Regulations 2011
ICPs	Insurance Core Principles (of the IAIS)
Island	The Isle of Man
LP	Limited partnership
LP Regs	Insurance (Limited Partnership) Regulations 2004
PCC Regs	Insurance (Protected Cell Companies) Regulations 2004
Roadmap	Roadmap for updating the Isle of Man's regulatory framework for insurance business

1. Introduction and background

- (1) As indicated above, in developing and maintaining the Island's insurance regulatory framework, the Authority has adopted the IAIS's ICPs as an appropriate, internationally recognised standard for insurance supervision.
- (2) An ICP theme is that supervisory frameworks should be proportionate to the nature, scale and complexity of the risks posed by insurers and of risks to which insurers may be exposed. This is consistent with the Authority's support for a proportionate approach to regulation appropriate to the insurance businesses in the Island.
- (3) This paper makes proposals for the Insurance Regulations 2021 which, together with the Insurance (Non Long-Term Business Valuation and Solvency) Regulations 2021 (which have been consulted on previously) update and replace the following (all of which will be revoked by the Insurance Regulations 2021):
 - a. Insurance Regulations 2018
 - b. Insurance (Amendment) Regulations 2018
 - c. Insurance (Protected Cell Companies) Regulations 2004
 - d. Insurance (Protected Cell Companies) (Amendment) Regulations 2005
 - e. Insurance (Limited Partnerships) Regulations 2004
 - f. Insurance (Limited Partnerships) (Solvency) (Amendment) Regulations 2011
 - g. Insurance (Incorporated Cell Companies) Regulations 2011
 - h. Insurance (Solvency) (Amendment) Regulations 2011
 - i. Insurance (Solvency) (Amendment) Regulations 2012
 - j. Regulations 4, 5 and 7 of the Insurance (Miscellaneous Amendments) Regulations 2015
 - k. Insurance (Protected Cell Companies and Limited Partnerships) Amendment Regulations 2020
- (4) The Authority has engaged in prior discussions with the Isle of Man Captive Association, and notably in relation the class 12 qualifying criteria as explained in more detail in Appendix 1 to this document. The Authority has sought, where appropriate, to take account of industry feedback provided to date. Appendix 1 details a number of changes made to the class 12 qualifying criteria since the 2019 consultation. These arise from feedback received and from further consideration given to the provisions by the Authority. Any insurers that are currently class 12, or wish to become class 12, should take this opportunity to look closely at the draft requirements.

2. Attachment – Draft Regulations

- (5) Attached are the proposed Insurance Regulations 2021.

That document is colour coded as follows:

- **Black** for unchanged provisions (these come from multiple sets of regulations being brought together in these proposals).
- **Green** for class 12 authorisation provisions consulted on previously.
- **Blue** for changes made to existing provisions or the class 12 provisions previously consulted on.

(Colour coding is provided in place of an automatically generated ‘mark up’ document which would be hard to follow. Deletions are not shown but may be referred to in this document. Whilst every effort has been made to ensure accuracy in the colour coding we do not guarantee that it is without error.)

3. Executive Summary

- (6) This document sets out the Authority’s proposals for changing the Insurance Regulations 2018 (including changing a number of other regulations which either amend or adapt the Insurance Regulations 2018).

The main changes (in no particular order) are as follows:

- Consolidation into one set of regulations of updated and amended requirements for insurers that are conventional companies, as well as insurers that are protected cell companies (PCCs), incorporated cell companies (ICCs) and limited partnerships (LPs). This is for ease of reference and to facilitate any future changes. During and after the consultation, the Authority will give further consideration to the arrangement and format of the regulations for ease of use. However, for the purposes of this consultation, the schedules in respect of PCCs, ICCs and LPs read similarly to current requirements which are in separate regulations.
- Removal of the detailed form and content of applications, supplementary information, certificates and reports from the regulations, and publishing them separately on the Authority’s website. This facilitates updates and developments being made more easily and quickly in future.

In respect of long-term insurers there are only minor (if any) revisions to supplementary information, certificates and reports.

For non long-term insurers:

- New electronic returns (which will be made available soon after this consultation begins) detail updated reporting requirements, including in respect of –
 - capital and solvency (pursuant to the Insurance (Non Long-Term Business Valuation and Solvency) Regulations 2021); and
 - updated and expanded supplementary information, including a new 12 month forecast requirement; and
 - directors' certificates and auditor's reports will be updated to take account of these changes and the Authority will be undertaking further discussions with insurers and auditors in that regard.
- Removal of the prescribed form of accounting returns for audited annual accounts in respect of non long-term insurers. Audited annual accounts will follow recognised accounting standards. Other (quarterly and bi-annual) accounting returns for non long-term insurers will seek to make greater use of insurers' existing and developing management information.
 - Removal of the detailed memoranda of continuance forms (in respect of an insurer transferring domicile to the Island). This is to help simplify the main regulations. These forms will now be included under separate regulations which will be consulted on in due course.
 - Reduced frequency of regulatory reporting between financial year ends for class 12 insurers (bi-annual instead of quarterly).
 - Changes to the class 12 qualifying criteria following the last consultation and additional review by the Authority. Whilst the approach is generally the same there are changes which interested parties should consider. Notably (but not limited to) –
 - class 12 authorisation can no longer be held with another class. This prevents reduced regulatory requirements from being pooled with, and therefore diluting, commercial requirements (however, this does not prevent a PCC from holding class 12 with other classes where appropriately segregated);

- more specific qualifying criteria for ‘sophisticated parties’ and more detailed requirements for ‘informed consent’;
 - transitional provisions have been included in respect of informed consent, which recognise existing consent and allow consent to be obtained after contracts have been entered into; and
 - ‘de-minimis rule’ calculations have been refined and made clearer in respect of dividing contracts into class 12 and non-class 12 qualifying components (this prevents a non-qualifying part of a contract from disqualifying the whole contract).
- New provisions concerning the scope and intended operation of section 12A of the Act (restrictions on dividends and other distributions). This includes a clarification as to how section 12A will apply to captives, mutuals and other insurers where a policyholder may also have an ownership interest in the insurer.
 - Removal of restrictions on reclassification of legacy statutory reserves.
 - New provisions governing the treatment of discretionary trusts within an insurer’s parent holding structure. The provisions look through the trust if the beneficiaries and their entitlements can be reliably identified.
 - Wider use of the ‘approved supervisor’ concept in relation to permit holders. This gives more flexibility for the Authority to recognise the home regulatory regimes of other jurisdictions when considering the need for any additional regulatory requirements in the Island.
 - Refinement of the provisions applying the Act and regulations to permit holders.
 - Specific provisions recognising that the fitness and propriety of position holders in relation to a regulated entity is first and foremost the responsibility of that entity.
 - New notification requirements in respect of significant changes in controlling interests in respect of insurers and insurance managers. This is to aid the Authority with monitoring developments in such relationships.

- Transitional arrangements allowing discretion for the Authority to reduce minimum capital requirements where appropriate for non long-term insurers in run-off.
- Transitional arrangements for regulatory approvals of–
 - ancillary own funds under capital requirements for non long-term insurers; and
 - class 12 ancillary business.
- Requirements in respect of surrender of authorisations and permits, and cancellation of insurance manager registration. These formalise existing practices.

In relation to PCCs

- New provisions to more specifically allocate authorisations to the core and individual cells of a PCC. A similar approach is also taken in respect of permits.
- Introduction of a non-trading 'supporting core' with potentially reduced capital requirements. This provides more specifically for where a core of a PCC operates only as an administrative hub for its cells.
- Formalisation of the combinations of classes a PCC may hold.
- Removal of the unused class 12A.
- Removal of the prescribed form for audited accounts. However, if audited accounts do not comprehensively separate the financial information and accompanying notes for the core and each cell of a PCC the Authority will require additional analyses to be provided.
- A PCC's core and each of its cells will be required, where appropriate, to provide separate regulatory returns. This reflects the statutorily segregated nature of a PCC's business, which is the basis of its authorisation.

In relation to ICCs

- ICCs and incorporated cells (ICs) will be required to provide separate regulatory returns. That is, they must each report as a standalone regulated entity and cannot submit combined accounts or other returns. This reflects that every ICC and IC is separate legal entity authorised in its own right.
- Introduction of provisions allowing an ICC (which has authorised ICs) to be registered as an insurance manager rather than being required to be authorised as an insurer. This provides more specifically for where an ICC operates only as a non-trading administrative hub for its ICs.

Transfer of non long-term business:

- Readers may wish to note that transfer of business in respect of non long-term business has not been included pending discussions with industry. Any potential inclusion will now only be considered in respect of future updates.
- (7) For non-long term insurers, shortly after the release of this consultation, the Authority will be undertaking trial runs in respect of its new regulatory returns for solvency/capital and supplementary information, together with an exercise to help determine the prospective class of authorisation for any insurer where class 12 is a factor.

4. Detailed comments in relation to the draft regulations

Unless indicated otherwise, references in the tables below are as follows:

- **Left column:** are references to paragraphs, schedules (“Sch”) and regulations in the attached draft Insurance Regulations 2021;
- **Middle column:** are references to paragraphs, schedules and regulations in existing regulations (as indicated in the column heading); and
- **Right column:** provides comment in respect of the proposed changes (underlined references are to the draft Insurance Regulations 2021).

Where a change is considered to be self-explanatory, that fact is stated or no comment is provided.

As indicated above, the attached draft regulations consolidate a number of existing sets of regulations into one. Some of those regulations have been included in schedules to the attached regulations and therefore reflect the current arrangement of requirements, albeit now in one document. Readers should note that the Authority

will be considering (during and post consultation) if the requirements in the attached regulations can be rearranged and reformatted to allow for more ease of use.

Draft Insurance Regulations 2021	Insurance Regulations 2018	Comment
1	1	Self-explanatory.
2	2	Self-explanatory.
3	3	<p><u>Regulation 3(1)</u> contains the following changes in relation to definitions–</p> <p>“approved supervisor” provides a basis for the Authority’s recognition of equivalent regulatory jurisdictions and is similar to the approach already used in the Insurance (Long-Term Business Valuation and Solvency) Regulations 2018;</p> <p>“audited accounts” has been expanded to include the accounts of registered insurance managers, where applicable;</p> <p>“cellular entity” provides a basis for reference to protected cell companies incorporated outside of the Island;</p> <p>“dormant authorised insurer” is included to facilitate disapplication of certain solvency and reporting requirements where appropriate (such as where an insurer has not yet commenced business);</p> <p>“IFRS” and “FRS” are included in connection with the required form of audited accounts of regulated entities and in relation to certain verifications;</p> <p>“incorporated cell” and “incorporated cell company” are included in connection with provisions applicable to insurers that are those types of companies, which are now provided for in these regulations (and not in separate regulations);</p>

Draft Insurance Regulations 2021	Insurance Regulations 2018	Comment
		<p>“limited partnership” is included in connection with provisions applicable to insurers that are limited partnerships, which are now provided for in these regulations (and not in separate regulations);</p> <p>“MCR” and “minimum capital requirement” is amended to include reference to the Insurance (Non Long-Term Business Valuation and Solvency) Regulations 2021 which will come into force when these regulations come into force;</p> <p>“non long-term business”: self-explanatory;</p> <p>“permit holder”: self-explanatory;</p> <p>“protected cell company” is included in connection with provisions applicable to insurers that are protected cell companies, which are now provided for in these regulations (and not in separate regulations);</p> <p>“registered insurance manager”: self-explanatory;</p> <p>“regulatory return” is a collective term for the annual and quarterly (or bi-annual) returns required under the updated reporting requirements for insurers in <u>regulation 20</u>;</p> <p>“SCR” and “solvency capital requirement”: see “MCR”; and</p> <p>“technical provisions” is a term commonly used in industry and is now defined for the purposes of these regulations.</p> <p><u>Regulation 3(2)</u>: self explanatory.</p>

Draft Insurance Regulations 2021	Insurance Regulations 2018	Comment
		<p><u>Regulation 3(3) (Class 12 / Restricted)</u>: see paragraph (4) of Appendix 1 ('Other changes/refinements etc. relating to class 12').</p> <p><u>Regulation 3(4)</u> clarifies that a commercial insurer is able, within its authorisation, to also provide insurance of a type that would otherwise fall under class 12. Including this type of business under a commercial authorisation is permitted because it does not impact the level of minimum regulatory protection provided to the insurer's other policyholders.</p>
4	n/a	<p><u>Regulation 4 (and Schedules 4 to 7)</u> set out the regulated entities to whom the regulations apply. The schedules update, amend and replace standalone regulations in respect of insurers that are PCCs, ICCs, ICs and LPs.</p>
5	3	<p><u>Regulation 5</u> relates to class 12: see paragraph (4) of Appendix 1 ('Other changes/refinements etc. relating to class 12').</p>
6	n/a	<p><u>Regulation 6</u> relates to class 12: see paragraph (4) of Appendix 1 ('Other changes/refinements etc. relating to class 12').</p>
7	n/a	<p><u>Regulation 7</u> relates to class 12: see paragraph (4) of Appendix 1 ('Other changes/refinements etc. relating to class 12').</p>
8	n/a	<p>This regulation is in respect of section 12A of the Act. The purpose of section 12A is to preserve an insurer's assets covering its regulatory capital and solvency margin so that they remain available to meet its insurance obligations and operational costs.</p> <p><u>Sub-paragraph 8(1)</u> dis-applies dividend and distribution restrictions as part of a winding up as they are a natural part of that process where appropriate.</p>

Draft Insurance Regulations 2021	Insurance Regulations 2018	Comment
		<p><u>Sub-paragraph 8(2)</u> extends section 12A to take account of the MCR rather than SCR in cases where the MCR exceeds the SCR.</p> <p><u>Sub-paragraph 8(3)</u> clarifies how section 12A(1) operates where a person is both a policyholder and member of an insurer (which may be the case, for example, with an insurer that is a captive or mutual).</p> <p><u>Sub-paragraph 8(4)</u> provides detail on the range of transactions and arrangements included within the terms dividend or distribution used in section 12A(1).</p>
9	19-23 & Sch 7-11	<p><u>Regulation 9</u> requires insurers and insurance managers to submit audited annual accounts to the Authority which are in accordance with recognised accounting standards.</p> <p>In respect of non-long term insurers, the previously prescribed non long-term business revenue account, profit and loss account, balance sheet and reconciliation of shareholder funds were outdated and have been removed.</p>
10	5	<p><u>Regulation 10</u> is updated to make reference to “technical provisions” in respect of all insurers.</p> <p>In relation to <u>Regulation 10(b)</u> the Authority anticipates discussing this requirement further with audit firms in relation to its operation alongside presentation requirements in the recognised accounting standards. The outcome of those discussions may result in a change to, or removal of, <u>regulation 10(b)</u>.</p>
11	6 & 7	<p><u>Regulation 11</u> removes the need for an insurer to continue to hold any reserve designated as a statutory reserve. The statutory reserve is a carryover from an old regulatory requirement which is no longer part of the solvency and capital framework.</p>

Draft Insurance Regulations 2021	Insurance Regulations 2018	Comment
12	8	<u>Regulation 12</u> provides for the treatment of discretionary trusts in the ownership structure of insurers. The presence of a discretionary trust can be expected to potentially give rise to additional regulatory requirements to ensure that the beneficial owners of an insurer can be reliably identified.
13 (& Sch 2-4)	9 & (Sch 1-3)	<u>Regulation 13</u> : self-explanatory. (Changes to the schedules themselves are addressed in comments later in this document.)
14	10	<u>Regulation 14(d)(i)</u> has been amended to include the concept of an “approved supervisor” (as defined in regulation 3(1)). This approach is consistent (where relevant) with the terminology used in the Insurance (Long-Term Business Valuation and Solvency) Regulations 2018 and draft Insurance (Non Long-Term Business Valuation and Solvency) Regulations 2021. It provides greater flexibility for the Authority to recognise the regulatory regimes of other jurisdictions when considering the need for any additional regulatory requirements in the Island in respect of insurers from those jurisdictions conducting business in the Island.
15	11	<u>Regulation 15</u> has been amended to include a risk-based requirement, which is similar to requirements in the Authority’s Financial Services Rule Book.
n/a	12 & Sch 4	The forms of memoranda of continuance for an offshore insurer seeking to be continued in the Island will be set out in separate regulations. This is to help simplify these regulations by removing circa 20 pages of forms.
16	n/a	<u>Regulation 16</u> recognises that the initial and ongoing fitness and propriety of individuals working for or on behalf of a regulated entity is first and foremost the responsibility of that entity. It is also the entity’s responsibility to report to the Authority any matters relevant to the Authority’s fit and proper assessments connected with the entity.

Draft Insurance Regulations 2021	Insurance Regulations 2018	Comment
17	n/a	<p><u>Regulation 17</u> requires certain changes in control to be notified to the Authority. This is to aid the Authority in maintaining its awareness of the levels of controlling interests in its regulated entities, and is similar to approval thresholds in the Authority's Financial Services Rule Book.</p>
18	13 & 14	<p><u>Regulation 18(1)</u> has been updated such that a permit holder that is not exempt (<u>under regulation 18(3)</u>) is subject to the following revised regulations:</p> <ul style="list-style-type: none"> - 5-7 (Class 12 qualifying criteria, monitoring and remedial mechanism) - 8 (provisions in respect of section 12A of the Act) - 9 (accounting standards to be applied to audited accounts) - 16 (fit and proper requirements and notifications) - 17 (notification of changes in controlling interests) - 20 (reporting requirements for authorised insurers) <p>In <u>Regulation 18(2)</u>, the last four sentences have been added to replace old regulation 13(4) which previously referred to an acceptable home jurisdiction. The new wording is more specific about the scope of the acceptance decision involved (acceptability of the home jurisdiction's reporting for the Authority's purposes). It is also conditional on compliance with regulation 19(2) (acceptability of the home jurisdiction's regulatory capital and solvency regime for the Authority's purposes).</p> <p><u>Regulation 18(3)</u>: now recognises an approved supervisor.</p>
19	15 & 16	<p><u>Regulation 19(1)</u>: has been updated such that a permit holder that is not exempt is subject to the following additional sections:</p>

Draft Insurance Regulations 2021	Insurance Regulations 2018	Comment
		<ul style="list-style-type: none"> - 10A (actions required for surrender of permit) - 13 (consequences of not meeting solvency margin, including the mechanism to submit a remedial financial scheme) - 17A (corporate governance) <p><u>Regulation 19(2)</u> has been updated and replaces old regulation 15(5) which previously referred to an acceptable home jurisdiction. The new wording is more specific about the scope of the acceptance decision involved (acceptability of the home jurisdiction’s regulatory capital and solvency regime for the Authority’s purposes). It is also conditional on compliance with regulation 18(2) (acceptability of the home jurisdiction’s reporting for the Authority’s purposes).</p> <p><u>Regulation 19(3)</u> is a new provision that modifies section 12C(1)(b) of the Act in its application to a permit holder to take account of the fact that the insurer is not incorporated in the Island. The revised option recognises the role of the permit holder’s home regulatory authority in relation to potential regulatory action.</p> <p><u>Regulation 19(5)</u> – now recognises an approved supervisor.</p>
20(1)	17 & 18 & Sch 5, 6 & 11	<p><u>Regulation 20(1)</u> simplifies the references made to the regulatory returns required by the Authority.</p> <p>A tabular summary of reporting requirements for insurers may be found in Tables A and C of Appendix 2.</p> <p>The reports required in respect of:</p> <ul style="list-style-type: none"> - Long-term insurers will only be subject to minor changes (if any) - Non-long term insurers will be significantly changed to take account of the new capital and solvency

Draft Insurance Regulations 2021	Insurance Regulations 2018	Comment
		<p>requirements and updated supplementary information etc.</p> <p>For class 12 insurers, the reporting frequency of reports other than audited accounts is reduced to 6 monthly from 3 monthly.</p> <p>As indicated previously, for non-long term insurers, soon after the release of this consultation, the Authority will be undertaking a trial run in respect of its new regulatory returns for solvency and capital, and supplementary information, together with an exercise to help determine the prospective class of authorisation for any insurer where class 12 is a factor.</p>
20(2)	n/a	<u>Regulation 20(2)</u> specifies the start date of the first accounting period of quarterly and bi-annual returns.
20(3)	n/a	<u>Regulation 20(3)</u> specifically removes the need for a quarterly or bi-annual return submission in respect of the insurer's year end if the information has already been provided along with its audited accounts and annual return submission.
20(4)	n/a	<u>Regulation 20(4)</u> provides for the Authority set out the detail of the regulatory returns outside of the regulations (these will be published on the Authority's website). This will provide greater flexibility refine or develop the returns over time where appropriate.
21	n/a	<u>Regulation 21</u> defines dormant authorised insurers and exempts them from the regulatory returns (but not audited accounts). Dormant authorised insurers, for example, may be newly authorised insurers that have not yet commenced writing business, or standby facilities used to shorten the time needed to establish an insurer.
22	n/a	<u>Regulation 22</u> sets out certain minimum actions that the Authority considers to be necessary, prior to an authorised insurer surrendering part or all of its authorisation, to secure that any insurance business

Draft Insurance Regulations 2021	Insurance Regulations 2018	Comment
		carried on by the insurer relating to the authorisation being surrendered is appropriately discontinued and wound up.
23	n/a	<u>Regulation 23</u> sets out certain minimum actions that the Authority considers to be necessary, prior to a permit holder surrendering part or all of its permit, to secure that any insurance business carried on by the permit holder relating to the permit being surrendered is appropriately discontinued and wound up.
24	n/a	<u>Regulation 24</u> sets out certain minimum actions that the Authority considers to be necessary, prior to a registered insurance manager surrendering its registration, to secure that any regulated insurance management activity carried on by the insurance manager relating to such registration is appropriately discontinued and wound up.
25	n/a	<u>Regulation 25</u> provides a definition of “records” for the purposes of record retention in respect of the surrenders of authorisations and permits, and cancellation of registrations, referred to in <u>regulations 22 to 24</u> .
26	n/a	<p><u>Regulation 26(a)</u> is a transitional provision for insurers in run-off. Its intended use is to regularise longer-standing financial positions unduly impacted by an increase in solvency requirements because of the introduction of the new MCR. It is not intended to regularise any position, for example, which has arisen more recently due to dividends or distributions. The main regulatory concern is policyholder interests, which may be served by enabling an insurer that is administering the end of its insurance exposures to continue and provide cover for as long as possible.</p> <p>The Authority will separately consider the circumstances of each insurer wishing to have a reduced MCR.</p>

Draft Insurance Regulations 2021	Insurance Regulations 2018	Comment
		<p>A corresponding provision will be inserted into the Insurance (Non Long-Term Business Valuation and Solvency) Regulations 2021 to recognise that the MCR is subject to a reduction under regulation 26(a) of the Insurance Regulations 2021.</p> <p><u>Regulation 26(b)</u> provides an optional basis for the Authority to give provisional approval of ancillary own funds and ancillary business. This will allow for approvals in respect of existing business to be subsequently confirmed or revised etc. enabling the basis of approval decisions to be refined over early usage. It may also provide a means to facilitate transition to the new framework should any delays in approvals, or the provision of information to support approvals, occur for any reason.</p>
n/a	24 & 25 & Sch 11	The solvency margins and related savings for transition in relation to non long-term business are replaced by Insurance (Non Long-Term Business Valuation and Solvency) Regulations 2021.
27	26	<u>Regulation 25</u> sets out the secondary legislation being replaced by these regulations and the Insurance (Non Long-Term Business Valuation and Solvency) Regulations 2021.

Concerning Schedule 1 to the draft regulations

Schedule 1 to the draft regulations relates to the qualifying criteria for class 12 authorisation as referred to in paragraphs (2) to (4) of Appendix 1.

Concerning Schedules 2 to 4 to the draft regulations

The content of the statutory registers (as referred to in regulation 13 and set out in Schedules 2-4 to the draft regulations) has been updated as follows –

- the style of wording has been made more specific;
- requirements to include the details of individuals have been removed; and

- requirements to include the date and details of amendments (other than to record the date on which an insurer ceased to be authorised in respect of one or more of its classes of business) have been removed. This is more consistent with Financial Services (Register of Permitted Persons) Regulations 2011 applicable to other types of licenceholder of the Authority.

Concerning Schedule 5 to the draft regulations

Schedule 5 to the Draft Insurance Regulations 2021	Insurance (Protected Cell Companies) Regulations 2004 ("PCC Regs")	Comment
n/a	1(1)	The PCC provisions are no longer in separate regulations, therefore regulation 1(1) of the PCC Regs is replaced by <u>regulations 1 and 2 of the draft regulations</u> .
1	2 and 3	<u>Paragraph 1</u> is updated to apply the PCC provisions by way of <u>Schedule 5</u> (rather than separate regulations).
2	1(2)	<p><u>Paragraph 2</u> contains the following changes in relation to definitions –</p> <p>“cell” has been updated to facilitate the inclusion of authorised PCCs that are 2006 companies, and to facilitate the application of regulations to permit holders that are cellular entities;</p> <p>“cellular entity” has been updated to reflect that PCCs are a more widely recognised concept;</p> <p>“core” has been updated to facilitate the inclusion of authorised PCCs that are 2006 companies, and to facilitate the application of regulations to permit holders that are cellular entities;</p> <p>“PCC” has been updated to facilitate the inclusion of authorised PCCs that are 2006 companies;</p>

Schedule 5 to the Draft Insurance Regulations 2021	Insurance (Protected Cell Companies) Regulations 2004 (“PCC Regs”)	Comment
		<p>“PCC legislation” has been included to provide for authorised PCCs that are 2006 companies;</p> <p>“secondary liability” is a new definition in respect of <u>sub-paragraph 3(3) of Schedule 5</u>; and</p> <p>“supporting core” is a new definition in respect of <u>sub-paragraph 3(6) of Schedule 5</u>.</p>
3	n/a	<p><u>Sub-paragraphs 3(1) to 3(4)</u> create a more specific framework for applying authorisations to PCCs. A PCC’s business may be statutorily segregated into separate cells which, in turn, are segregated from its non-cellular part (its core). This means that the creditors of the core have no recourse to the assets of the cells, the creditors of a cell have no recourse to the assets of any other cell and, subject to any application of secondary liability, a cell may or may not have access to the assets of the core upon exhaustion of its own assets. Therefore, an authorisation of the core or any cell must be specific to the activities (and corresponding assets and liabilities) attributable to the core or that cell. This new provision is for that purpose.</p> <p><u>Sub-paragraphs 3(5) and 3(6)</u> create a more specific framework for a non-trading core (a “supporting core”) of a PCC.</p> <p>A supporting core—</p> <ul style="list-style-type: none"> • does not carry on insurance business in respect of its own account. In other words it does not write business attributable to the non-cellular part of the PCC. However, it may be authorised in respect of class 12 as the minimum solvency and governance requirements applicable to that class are

Schedule 5 to the Draft Insurance Regulations 2021	Insurance (Protected Cell Companies) Regulations 2004 ("PCC Regs")	Comment
		<p>considered appropriate to supporting its administrative role;</p> <ul style="list-style-type: none"> • can, of course, still provide support services to the PCC's cells and therefore is referred to as a "supporting core" (Note: a PCC is a single legal entity that can be statutorily split into a core and different cells for business purposes. As such, the core and cells of a PCC are not separate legal entities that can contract with one another in the traditional sense. However, they can enter into internal arrangements which may, for example, reflect a centralisation of management in the core (the business of which is to the benefit of core shareholders) which then operates under internal arrangements to provide management services to each cell (the business of which is to the benefit of the cell's shareholders); and • can be exposed to secondary liability from one or more of the PCC's cells (Note: a supporting core, like any other authorised core, must maintain risk-based capital adequacy under the CGC, which will exceed its SCR/MCR where appropriate for the risks involved. Therefore, a supporting core providing financial support to one or more cells must be adequately funded to do so.) <p><u>Sub-paragraph 3(8)</u> applies the relevant parts of <u>paragraph 3</u> as conditions of authorisation so that they have suitable regulatory effect.</p>
4	n/a	<p><u>Paragraph 4</u> formalises the Authority's approach to authorisation which prevents a PCC from mixing long-term insurance business with non long-term insurance business. The only exception being in respect of long-term insurers which may be</p>

Schedule 5 to the Draft Insurance Regulations 2021	Insurance (Protected Cell Companies) Regulations 2004 ("PCC Regs")	Comment
		authorised in respect of class 9 (personal miscellaneous, including accident, health and disability). The provisions also take account of a supporting core.
5	4	<p><u>Sub-paragraph 5(1)</u>, in effect, reproduces the wording under regulation 4(1) of the old PCC Regs (first line of the description of class 12).</p> <p><u>Sub-paragraph 5(2)</u> adapts the new Class 12 qualifying criteria for circumstance where the insurer is the core or cell of a PCC. For more details in respect of the changes, see paragraph (4) of Appendix 1 ('Other changes/refinements etc. relating to class 12').</p> <p>Note: old regulation 4 of the PCC Regs (Categories of insurance business) is superseded by the new class 12 qualifying criteria. The Insurance (Protected Cell Companies) (Amendment) Regulations 2005 will be revoked, thereby removing class 12A in respect of PCCs (which is unused). Any insurance of regulated financial institutions going forwards shall be authorised under the remaining available classes of business (classes 1 to 13¹, as appropriate).</p>
n/a	5	Old regulation 5 of, and Schedule 1 to, the PCC Regs (Application for authorisation) have been deleted as the form of applications are now published outside of the regulations.
6 and 7	6-11 & Sch 2-6	<u>Paragraphs 6</u> adapts the reporting requirements of <u>regulation 20</u> for an insurer that is a PCC. It also takes account of management accounts in columnar format (if that is to remain a preference of PCCs for quarterly or bi-annual regulatory returns).

¹ Class 13 relates to Insurance Special Purpose Vehicles.

Schedule 5 to the Draft Insurance Regulations 2021	Insurance (Protected Cell Companies) Regulations 2004 ("PCC Regs")	Comment
		<p>A tabular summary of reporting requirements for insurers that are PCCs may be found in Tables B and D of Appendix 2. These tables reflect the segregated business and authorisation of a PCC. Essentially, if a PCC operates with separate books of business in its core and cells, the core and each cell will be required to report to the Authority accordingly.</p> <p><u>Paragraph 7</u> adapts the provisions for a dormant authorised insurer in <u>regulation 21</u> for an insurer that is a PCC.</p> <p>Old regulations 6-9 of, and Schedules 2-4 to the PCC Regs (form of accounts) have been deleted as audited annual accounts will follow recognised accounting standards in accordance with <u>regulation 9</u>, and other financial regulatory returns will seek to make greater use of existing and developing management information.</p> <p>Old regulation 10 of, and Schedule 5 to, the PCC Regs (supplementary information, certificates and reports) will be updated and published outside of the regulations.</p> <p>Old regulation 11 of, and Schedule 6 to, the PCC Regs (solvency margins) have been deleted as this is superseded by the Insurance (Long-Term Business Valuation and Solvency) Regulations 2018 and the Insurance (Non Long-Term Business Valuation and Solvency) Regulations 2021 (as applicable), and corresponding reporting requirements under <u>regulation 20</u>.</p>
8	12	<p><u>Paragraph 8</u> clarifies, for the avoidance of any doubt, how regulation 12 will operate in respect of an insurer that is a PCC.</p>

Schedule 5 to the Draft Insurance Regulations 2021	Insurance (Protected Cell Companies) Regulations 2004 ("PCC Regs")	Comment
		This replaces old regulation 12 of the PCC Regs (restriction on issue and transfer of cell shares) which has been deleted.
n/a	13 & Sch 7	Old Regulation 13 of the PCC Regs (fees for authorisation) has been deleted as it is superseded latterly by the Insurance (Fees) Regulations 2020.
9	15	<p><u>Sub-paragraph 9(1)</u> updates the application of the Act and regulations in respect of permit holders that are PCCs.</p> <p><u>Sub-paragraphs 9(2) and 9(3)</u> apply the approach to authorisation under <u>sub-paragraphs 3(1) to 3(4)</u> to permits.</p>
n/a	16 & Sch 8	Old regulation 16 of, and Schedule 8 to, the PCC Regs (applications for permits) has been deleted as the form of applications are now published outside of the regulations, and fee provisions have been superseded latterly by the Insurance (Fees) Regulations 2020.
10	14	<u>Paragraph 10</u> updates the registers applicable to PCCs for greater consistency with the current register content for non PCCs, and also to include further detail of how the content applies in respect of the core and cells of a PCC.

Concerning Schedule 6 to the draft regulations

Schedule 6 to the Draft Insurance Regulations 2021	Insurance (Incorporated Cell Companies) Regulations 2011 ("ICC Regs")	Comment
n/a	1 & 2	The ICC provisions are no longer in separate regulations, therefore regulations 1 and 2 of the ICC Regs are replaced by <u>regulations 1 and 2 of the draft regulations</u> .
1	4	<u>Paragraph 1</u> is updated to apply the ICC provisions by way of <u>Schedule 6</u> (rather than separate regulations).
2	3	<p>The following definitions have been deleted –</p> <p>“authorised insurer” – because the term is already defined in the Act;</p> <p>“the Insurance Act” – because ‘the Act’ is now used and is already defined in <u>regulation 3(1)</u>;</p> <p>“insurance manager” – because the term ‘registered insurance manager’ is already defined in <u>regulation 3(1)</u>;</p> <p>“the principal Regulations” – because the regulations being referred to are now part of the same document as the ICC provisions.</p> <p>The following definition has been added –</p> <p>“combine” – in connection with <u>paragraph 5 of Schedule 6</u>.</p>
3	n/a	<p><u>Paragraph 3</u> in general terms makes provision for a trading and non-trading ICC under the Act. In this context a –</p> <ul style="list-style-type: none"> • trading ICC must be authorised as an insurer; and • non-trading ICC may be either – <ul style="list-style-type: none"> ○ an authorised as an insurer (but may not be eligible to be a dormant authorised insurer – see comments in relation to <u>paragraph 9</u>); or

Schedule 6 to the Draft Insurance Regulations 2021	Insurance (Incorporated Cell Companies) Regulations 2011 ("ICC Regs")	Comment
		<ul style="list-style-type: none"> ○ a registered insurance manager. <p>A non-trading ICC is a similar concept to a PCC 'supporting core' as introduced in <u>sub-paragraphs 3(5) and 3(6) of schedule 5</u> (with the difference that an ICC and each of its ICs are separate legal entities).</p> <p>Note: should the anticipated Incorporated Cells (Amendment) Regulations 2020 be significantly delayed or not introduced for any reason, this proposed change may need to be set aside. The Incorporated Cells (Amendment) Regulations 2020 are expected to remove the mandatory requirement for all ICCs and ICs to be authorised as insurers.</p>
4	16	<p><u>Paragraph 4</u> has been amended to include only authorised ICCs, which prevents it from contradicting <u>sub-paragraph 3(1)</u> in respect of an ICC that is a registered insurance manager.</p>
n/a	5	<p>Old regulation 5 of the ICC Regs (Provisional authorisation of an ICC or an IC) has been deleted in anticipation of the introduction of the Incorporated Cells (Amendment) Regulations 2020. Should these regulations be significantly delayed or not introduced for any reason, this proposed change may need to be set aside.</p>
5	n/a	<p><u>Paragraph 5</u> requires each ICC and IC that are insurers or insurance managers (as the case may be) to submit separate audited annual accounts (not combined accounts). These will follow recognised accounting standards as set out in <u>regulation 9</u>. This requirement is on the basis that any authorised or registered ICC or IC is a separate regulated entity in its own right and will be required to report to the Authority as such.</p>

Schedule 6 to the Draft Insurance Regulations 2021	Insurance (Incorporated Cell Companies) Regulations 2011 ("ICC Regs")	Comment
n/a	6	Old regulation 6 of, and Schedule 1 to, the ICC Regs (applications for authorisation) has been deleted as the form of applications are now published outside of the regulations.
n/a	7	Old regulation 7 of, and Schedule 2 to, the ICC Regs (solvency requirement) is no longer required due to the provisions for dormant insurers in <u>regulation 21</u> and corresponding reduced solvency requirements in the Insurance (Non Long-Term Business Valuation and Solvency) Regulations 2021.
n/a	8	Old regulation 8 of the ICC Regs (accounting requirements for 2006 Act ICCs and ICs) is deleted as section 14(3) of the Act and <u>regulation 9</u> impose the necessary accounting requirements.
6	9-14 & Sch 3-7	<p><u>Paragraph 6</u> requires separate supplementary information, certificates and reports, and other quarterly or 6 monthly or bi-annual reports from ICCs and ICs under <u>regulations 20</u>. Again, this requirement is on the basis that ICCs and ICs are separate regulated entities in their own right and will be required to report to the Authority as such.</p> <p>The following provisions have been deleted accordingly:</p> <p>Old regulations 9-12 of (and Schedules 3-5 to) the ICC Regs (combined form of accounts) has been deleted as the combining ICC/IC audited annual accounts and other regulatory returns are to be prohibited for ICCs and ICs that are insurers or insurance managers. Separate audited annual accounts will follow recognised accounting standards in accordance with <u>regulation 9</u>, and other (non long-term) financial regulatory returns will seek to make greater use of management information.</p>

Schedule 6 to the Draft Insurance Regulations 2021	Insurance (Incorporated Cell Companies) Regulations 2011 ("ICC Regs")	Comment
		<p>Old regulation 13 of (and Schedule 6 to) the ICC Regs (Combined supplementary information, certificates and reports) has been deleted, again, as the combining ICC/IC audited annual accounts and other regulatory returns are to be prohibited for ICCs and ICs that are insurers or insurance managers. The required supplementary information, certificates will be published outside of the regulations.</p> <p>Old regulation 14 of (and Schedule 7 to) the ICC Regs (combined calculation of solvency margin) has been deleted, again, as the combining ICC/IC audited annual accounts and other regulatory returns are to be prohibited for ICCs and ICs that are insurers or insurance managers. Each authorised ICC and IC must meet the requirements of the Insurance (Long-Term Business Valuation and Solvency) Regulations 2018 or the Insurance (Non Long-Term Business Valuation and Solvency) Regulations 2021 (as applicable), and corresponding reporting requirements under <u>regulation 20</u>.</p>
n/a	15	Old regulation 15 of the ICC Regs (appointment of auditor) has been deleted to be consistent with the non-combining of accounts.
7	17	<p><u>Paragraph 7</u> has been updated to take account of an ICC that is a registered insurance manager.</p> <p>Failure to provide a notification under this provision is no longer a criminal offence, but will be dealt with as a breach of regulations.</p>
8	18	<u>Paragraph 8</u> has been updated to correspond to the updated register numbering and to include any business names.
9	n/a	<u>Paragraph 9</u> is a new provision to clarify that an authorised ICC cannot be considered to be a dormant

Schedule 6 to the Draft Insurance Regulations 2021	Insurance (Incorporated Cell Companies) Regulations 2011 ("ICC Regs")	Comment
		authorised insurer if it has any 'active' ICs (i.e. any IC that is not a dormant authorised insurer).
n/a	19	Old regulation 19 of the ICC Regs (amendment of the Insurance Fees Regulations 2010) has been deleted as it is superseded latterly by the Insurance (Fees) Regulations 2020.

Concerning Schedule 7 to the draft regulations

Schedule 7 to the Draft Insurance Regulations 2021	Insurance (Limited Partnership) Regulations 2004 ("LP Regs")	Comment
n/a	1(1)	The LP provisions are no longer in separate regulations, therefore regulation 1(1) of the LP Regs is replaced by <u>regulations 1 and 2 of the draft regulations</u> .
1	1(2), 4 & 5	<u>Paragraph 1</u> is updated to apply the LP provisions by way of <u>Schedule 7</u> (rather than separate regulations).
n/a	2	<p>Old regulation 2 of the LP Regs (interpretation) has been deleted as each of its definitions are no longer required, as follows –</p> <p>“the Act” – as it is already defined in regulation 3(1);</p> <p>“the Regulations” – as these provisions are now located within the draft regulations;</p> <p>“Isle of Man Limited Partnership” and “limited partnership” as a definition is already provided in regulation 3(1); and</p>

Schedule 7 to the Draft Insurance Regulations 2021	Insurance (Limited Partnership) Regulations 2004 ("LP Regs")	Comment
		<p>"Partnership agreement" is not required as it was only used in connection with applications that are now published outside of the draft regulations.</p>
2	3	<p><u>Paragraph 2</u> is updated to refer to section 6(2) of the Act (formerly section 5(a) of the Insurance Act 1986).</p>
3(1)	n/a	<p><u>Sub-paragraph 3(1)</u> is a new provision modifying <u>regulation 8</u> to reflect that an LP has partners rather than shareholders.</p>
See comments column	Sch 2	<p>Old Schedule 2 to the LP Regs has been deleted for the following reasons:</p> <p>Old paragraph 1 (requirement in respect of a financial certificate) – as this is now part of an 'annual return' under <u>regulation 20</u>.</p> <p>Old paragraph 2 (requirement in respect of an auditor's report) – as this is now part of an 'annual return' under <u>regulation 20</u>.</p> <p>Old paragraph 3 (requirement in respect of applications for authorisation) – as applications are now published outside of the regulations.</p> <p>Old paragraph 4 (appendix to applications) – as applications are now published outside of the regulations.</p> <p>Old paragraph 5 (supplementary information for applications) – as applications are now published outside of the regulations.</p> <p>Old paragraph 6 (personal questionnaire for connected persons under the Act) – as these</p>

Schedule 7 to the Draft Insurance Regulations 2021	Insurance (Limited Partnership) Regulations 2004 ("LP Regs")	Comment
		<p>are now part of the Authority's fitness and propriety (F&P) assessment framework.</p> <p>Old paragraph 7 (form of profit and loss account) – as the form of audited accounts are no longer prescribed, but follow recognised accounting standards under <u>regulation 9</u>.</p> <p>Old paragraph 8 (form of balance sheet) – as the form of audited accounts are no longer prescribed, but follow recognised accounting standards under <u>regulation 9</u>.</p> <p>Old paragraph 9 (form of financial certificate) – as this is now part of an 'annual return' under <u>regulation 20</u>.</p> <p>Old paragraph 10 (form of auditor's report) – as this is now part of an 'annual return' under <u>regulation 20</u>.</p> <p>Old paragraph 11 (solvency margins) – as this has been superseded by the Insurance (Long-Term Business Valuation and Solvency) Regulations 2018 or Insurance (Non Long-Term Business Valuation and Solvency) Regulations 2021 (as applicable), and the regulatory returns required under <u>regulation 20</u>.</p>
3(2)	n/a	<p><u>Sub-paragraph 3(2)</u> is a new provision which adapts the new Class 12 qualifying criteria for an insurer that is an LP. Further details in respect of the Class 12 qualifying criteria are set out in paragraph (4) of Appendix 1 ('Other changes/refinements etc. relating to class 12').</p>

Schedule 7 to the Draft Insurance Regulations 2021	Insurance (Limited Partnership) Regulations 2004 ("LP Regs")	Comment
3(3)	n/a	<u>Sub-paragraph 3(3)</u> is a new provision removing the requirement for the register of insurers to contain details of registered office, as an insurer that is an LP is not required to have a registered office.
3(4)	n/a	<p><u>Sub-paragraph 3(8)</u> is a new provision amending the solvency regulations in respect of an insurer that is an LP, reflecting that the insurer will have general partners rather than a board of directors.</p> <p>Note: the solvency regulations have not been amended to specifically take account of partner capital accounts in relation to own funds as the regulations already have sufficient flexibility to accommodate this.</p>
4(1)	1 of Sch 1	<u>Sub-paragraph 4(1)</u> modifies section 7(a)(ii) of the Act (formerly section 5(b) of the Insurance Act 1986) in respect of an insurer that is an LP to reflect that the LP has partners who are required to be fit and proper persons.
4(2)	n/a	<u>Sub-paragraph 4(2)</u> is a new provision included due to the Act now having two required solvency levels (at the time of the LP Regs there was only one solvency level). It provides for the basis on which the Authority might elect to present a petition under section 12C(1)(b) of the Act for the winding up of insurer which is an LP in breach of its MCR.
4(3)	3 of Sch 1	<p><u>Sub-paragraph 4(3)</u> modifies section 13(7)(a) of the Act (formerly section 17(6) of the Insurance Act 1986). It provides for the basis on which the Authority might elect to present a petition under section 13(7)(a) for the winding up of insurer which is –</p> <ul style="list-style-type: none"> - an LP, - in breach of its MCR; and

Schedule 7 to the Draft Insurance Regulations 2021	Insurance (Limited Partnership) Regulations 2004 ("LP Regs")	Comment
		<p>- unable to, or has failed to, submit (or failed to give effect to) an acceptable remedial scheme.</p> <p>The provision has also been amended to refer to section 37(e) of the Partnership Act (rather than 37(a)) as the current relevant section.</p>
4(4)	2 of Sch 1	<u>Sub-paragraph 4(4)</u> modifies section 14(3) of the Act (formerly section 12(2) of the Insurance Act 1986).
4(5)	4 of Sch 1	<u>Sub-paragraph 4(5)</u> modifies section 16 of the Act (formerly section 18 of the Insurance Act 1986).
4(6)	n/a	<u>Sub-paragraph 4(6)</u> is a new provision included to clarify for corporate governance purposes that the general partners of an insurer that is an LP are the equivalent of a board of directors of a conventional company.
4(7)	n/a	<u>Sub-paragraph 4(7)</u> is a new provision included for group supervision purposes to take account of the structure of an insurer that is an LP.
4(8)	5 of Sch 1	<u>Sub-paragraph 4(8)</u> modifies section 29(1) to 29(3) of the Act (formerly section 20(1) to 20(3) of the Insurance Act 1986). It has been amended to take account of new wording in the Act, including the new category of 'principal control officer'.
4(9)	6 of Sch 1	<u>Sub-paragraph 4(9)</u> modifies section 29(9) of the Act (formerly section 20(8) of the Insurance Act 1986). It has been amended to take account of new wording in the Act.
4(10)	n/a	<u>Sub-paragraph 4(10)</u> is a new provision included so that the current wording in section 29(10) of the Act (formerly section 20(9) of the Insurance Act 1986) takes account of the partners of an insurer that is an LP.

Schedule 7 to the Draft Insurance Regulations 2021	Insurance (Limited Partnership) Regulations 2004 ("LP Regs")	Comment
n/a	7 of Sch 1	<p>Old paragraph 7 of Schedule 1 of the LP Regs has been deleted insofar as it relates to section 33 of the Act (formerly section 22F of the Insurance Act 1986). This is because the current wording of section 33 is such that it does not require modifying for an insurer that is an LP.</p> <p>Readers may wish to note comments below in relation to <u>sub-paragraph 4(24) of Schedule 7</u>, which relate to the remainder of old paragraph 7 (in respect of sections 21 to 22E of the Insurance Act 1986.)</p>
n/a	8 of Sch 1	<p>Old paragraph 8 of Schedule 1 has been deleted as the wording of section 37(1) of the Act (formerly section 22G(1) of the Insurance Act 1986) is such that it does not require modifying for an insurer that is an LP.</p>
4(11) & 4(12)	n/a	<p><u>Sub-paragraphs 4(11) and 4(12)</u> are new provisions included so that section 29E of the Act takes account of the partners (and the directors and any chief executives of the partners) of an insurer that is an LP.</p>
4(13)	n/a	<p><u>Sub-paragraph 4(13)</u> is a new provision included so that section 30 of the Act (formerly section 20A of the Insurance Act 1986) takes account of the partners (and the directors and any chief executives of the partners) of an insurer that is an LP.</p>
4(14)	9 of Sch 1	<p><u>Sub-paragraph 4(14)</u> modifies section 37(2) of the Act (formerly section 22G(2) of the Insurance Act 1986). It has been amended to take account of the current wording in the Act (referencing senior manager), and to include the chief executive of the LP if any has been appointed.</p>
4(15)	n/a	<p><u>Sub-paragraph 4(15)</u> is a new provision so that section 37(9) of the Act takes account of the general</p>

Schedule 7 to the Draft Insurance Regulations 2021	Insurance (Limited Partnership) Regulations 2004 ("LP Regs")	Comment
		partners (and, as applicable, the controllers and directors of the general partners) of an insurer that is an LP.
4(16)	n/a	<u>Sub-paragraph 4(16)</u> is a new provision included so that section 39A(5) of the Act takes account of the general partners of an insurer that is an LP.
4(17)	10 of Sch 1	<p><u>Sub-paragraph 4(17)</u> modifies section 53 of the Act (formerly section 31 of the Insurance Act 1986). It has been amended to take account of the current wording of the Act.</p> <p>Old sub-paragraphs of paragraph 10 of Schedule 1 have been deleted insofar as follows–</p> <ul style="list-style-type: none"> • 10(5) as the Authority is considering its policy in respect of authorisation of companies incorporated under the Limited Liabilities Companies Act 1996 (notably because of the absence of a board of directors and potential impact on governance and oversight). • 10(4) as it is now provided for in section 53(7) of the Act.
4(18)	16 of Sch 1	<u>Sub-paragraph 4(18)</u> modifies section 54 of the Act (formerly section 34 of the Insurance Act 1986) in relation to the definition of "associate", which has been amended for current numbering in the Act.
4(19)	n/a	<u>Sub-paragraph 4(19)</u> is a new provision included to modify the definition of "chief executive" to recognise that an insurer that is an LP will have general partners instead of directors.
4(20)	15 of Sch 1	<u>Sub-paragraph 4(20)</u> modifies section 54 of the Act (formerly section 34 of the Insurance Act 1986). It has been amended to take account of the current wording of the definition of "controller".

Schedule 7 to the Draft Insurance Regulations 2021	Insurance (Limited Partnership) Regulations 2004 ("LP Regs")	Comment
4(21)	13 of Sch 1	<u>Sub-paragraph 4(21)</u> modifies section 54 of the Act (formerly section 34 of the Insurance Act 1986). It has been amended to reflect a new location for the insertion of the definition of "general partner" (i.e. its place in the alphabetical order of definitions under section 54).
4(22)	14 of Sch 1	<u>Sub-paragraph 4(22)</u> modifies section 54 of the Act (formerly section 34 of the Insurance Act 1986). The definition of "limited partner" has been updated, including for gender neutrality.
4(23)	11 of Sch 1	<u>Sub-paragraph 4(23)</u> modifies paragraph 1(2) of Schedule 3 to the Act (same for the Insurance Act 1986). It has been expanded for additional clarity.
4(24)	7 of Sch 1	<u>Sub-paragraph 4(24)</u> modifies Schedule 5 to the Act (formerly sections 21 to 22E of the Insurance Act 1986). Changes reflect the new location of the provisions being modified. Note: also see additional comments above in respect of paragraph 7 of Schedule 1 to the LP Regs.
4(25)	12 of Sch 1	<u>Sub-paragraph 4(25)</u> modifies (by inserting paragraph 18A into) Schedule 7 to the Act (whereas the old provision amended paragraph 12L of Schedule 4 to Insurance Act 1986). For added clarity the provision has been changed to the form of an insertion, and its wording has been expanded to include the chief executive of the LP (if any). Reference to "controllers" has been deleted as this is inconsistent with the provision of the Act being modified.

5. Appendix 1 – Class 12 Qualifying Criteria

This Appendix relates to the class 12 qualifying criteria and related provisions contained in the draft regulations.

(1) Background and summary reminder of previous consultation proposals

As indicated previously, the Authority consulted on the class 12 qualifying criteria (and related provisions) in its consultation paper CP19-04/T04 (Class 12 Insurance Authorisation), which was undertaken between 22 July 2019 and 13 September 2019. The Authority responded to consultation submissions in its consultation response paper CR20-04/T04 which was issued on 17 April 2020.

These regulations include proposed subsequent amendments to the aforementioned class 12 provisions previously consulted upon. Those amendments include changes arising from the consultation and post consultation review and refinement by the Authority as explained below.

The following is a general summary/reminder for readers in relation to the class 12 qualifying criteria.

A class 12 insurer may (re)insure a person² that is one or more of the following:

Category of (re)insured party	Reason for being considered as reduced regulatory risk
1. A related party of the insurer (such persons may be directly insured or indirectly reinsured by the insurer).	The insurer and its insureds (or the direct insureds underlying its reinsurance) have interests in common.
2. A sophisticated person that provides informed consent to being directly insured or indirectly reinsured by the insurer.	The insured (or the direct insured underlying the reinsurance) is able to understand and manage any additional risks involved, is aware of those risks, and has demonstrably agreed to accept those risks.

² An insured person (legal or natural) includes any appearing in the contract by name or any other description or category. Put another way, for example, all principal insureds and any additional insureds must comply with the class 12 requirements.

<p>3. Where a ceding insurer, or a retro ceding insurer provides an underlying commercial level of protection (commercially fronted);</p>	<p>The insurer's involvement does not reduce the minimum regulatory protection provided to underlying insureds by the ceding or retro ceding insurer.</p>
<p>4. Other ceded business where the underlying direct insurance is accepted by the Authority as ancillary to the business of the insurer's parent group (fronted ancillary business);</p>	<p>The insurer's group is additionally incentivised to support the insurer if required. And, by assumption of scale, is able to do so.</p>
<p>5. Any other party directly insured or indirectly reinsured where the combined amount of such business is no more than 5% of the insurer's total business (the de-minimis rule).</p>	<p>This small amount of 'other' business is allowed in order to provide a degree of flexibility for class 12 insurers within their insurance programs. The 5% amount is not considered to materially change the insurer's financial risk profile from a regulatory perspective.</p>

In addition:

- A. A class 12 insurer's business can qualify using any combination of criteria 1 to 5 in the table above.
- B. Individuals may only be (re)insured by a class 12 insurer if they –
 - a. meet criterion 2; or
 - b. are an employee or director of a corporate related party and the insurance is linked to that role.
- C. Criteria 3 and 4 are subject to any determination of the Authority that the business involved should not be class 12.
- D. Class 12 insurers are required to monitor their ongoing compliance with the qualifying criteria and report any non-compliance to the Authority.
- E. A remedial process provides a mechanism for an insurer, with the agreement of the Authority, to rectify any non-compliance with the qualifying criteria within an agreed timescale.
- F. The Authority has discretion to resolve uncertainties about compliance with the qualifying criteria.

(2) Matters (including some changes) arising from the consultation on class 12 qualifying criteria

In its response paper (CR20-04/T04 as referred to above) the Authority indicated that it would consider (and in some cases make) changes to the proposals consulted on. Details on those matters are as follows.

1. Further clarity was requested on how the qualifying criteria would operate where a trust, and notably a discretionary trust, is part of a beneficial ownership structure. The resultant clarification is contained in the definition of “beneficial ownership” in paragraph 1(3) of Schedule 1. In relation to a discretionary trust, the definition seeks to follow the substance of economic transactions passing through the trust.
2. Transitional arrangements:
 - Concerning changes to authorised classes: the Authority does not propose to include any particular transitional provisions in this regard. However, it anticipates taking a pragmatic approach where appropriate to resolving any ongoing authorisations where class 12 is a factor. As indicated earlier in this paper, shortly after the release of this consultation, the Authority will be undertaking an exercise to help determine the prospective class of authorisation for any insurer where class 12 is a factor. This will help insurers with compliance preparations, as well as inform the Authority’s assessment of changes required to authorised classes held by insurers. It should also be noted that there are some mechanisms which may be used in relation to bringing existing business into compliance with the new qualifying criteria, including:
 - The remedial process in regulation 6 is a potential option if a short term plan to achieve compliance can be put forward.
 - Sub-paragraph 3(3) of Schedule 1 provides additional options to obtain informed consent in respect of existing business.
 - Concerning ancillary business: the Authority anticipates refining the basis of approving ancillary business during early usage. Therefore, it has included an option of provisional approvals for existing business. Where used it would indicate that the approval may be

subsequently confirmed, revised or refined (see regulation 26(b)(i)). Provisional approvals may also be used for transitional purposes.

- Concerning the monitoring of insured related parties to identify whether they continue to meet the requirements to be a related party: the Authority does not propose to include any transitional arrangements in this regard, but acknowledges that this requirement may be challenging in some circumstances (including when applied to legacy business).
 - Concerning minimum solvency for insurers that are in deep run off: see discretion given to the Authority to reduce minimum solvency under regulation 26(a) in respect of existing business. As indicated above, its intended use is to regularise longer-standing financial positions unduly impacted by an increase in solvency requirements because of the introduction of the new MCR. It is not intended to regularise any position, for example, which has arisen more recently due to dividends or distributions. The main regulatory concern is policyholder interests, which may be served by enabling an insurer that is administering the end of its insurance exposures to continue and provide cover for as long as possible.
3. It was proposed to remove an example reference to directors and officers insurance. This has been removed from the provisions now appearing in paragraph 2(1)(b) of Schedule 1.
 4. Consideration was being given to a potential requirement for disclosure about the nature of class 12 insurance to any employee or director directly insured under class 12. This type of requirement would ordinarily be expected to be included in the CGC. The Authority does not propose at this time to amend the CGC on the basis that a class 12 insurer, in any event, must carry on its business in a manner that ensures its policyholders and other stakeholders are treated fairly (including having regard for their information needs).
 5. It was commented on that some examples of insurance arrangements that were discussed with industry were not included in the class 12 qualifying criteria. However, it was not clear if the available criteria had been considered to determine if any of those arrangements would or could qualify. If there are remaining concerns that the class 12 qualifying criteria

warrant further amendment at this stage then respondents are invited to provide their views in response to this consultation. However, the Authority requires any request for widening the class 12 criteria to be supported with a clear, risk based rationale.

(3) Quick reference/summary of where the revised class 12 qualifying criteria are located in the draft regulations (details are provided in paragraph (4)).

The following summary is provided as an aid to quickly find the class 12 requirements in the draft regulations.

- Regulation 3(3) - categories of insurance business: class 12 ('restricted')
- Regulation 3(4)(b) - classes 1-11 insurers may undertake class 12 business corresponding to their classes held
- Regulation 5:
 - class 12 cannot be combined with any other class (this does not limit the 'de-minimis rule')
 - the main class 12 qualifying criteria (i.e. related parties, informed consent, qualifying ceded reinsurance, other ceded ancillary business and the de-minimis rule)
- Regulation 6 - remediation mechanism if not complying with the class 12 qualifying criteria
- Regulation 7 - requirement to monitor compliance with the class 12 qualifying criteria
- Schedule 1 (definitions and other matters relating to the class 12 qualifying criteria):
 - Paragraph 1 - related parties (other than individuals)
 - Paragraph 2 - related parties (individuals)
 - Paragraph 3 - sophisticated person and informed consent
 - Paragraph 4 - de-minimis rule calculations
 - Paragraph 5 - ancillary (reinsurance) business
- Schedule 5 (application of the regulations to PCCs):
 - Sub-paragraph 3(5) and 3(6) – a 'supporting core' is treated as class 12
 - Paragraph 4 – permitted combinations of authorisation
 - Paragraph 5 – class 12 qualifying criteria (PCC modifications)
- Schedule 7 (application of the regulations to LPs):
 - Sub-paragraph 3(3) - class 12 qualifying criteria (LP modifications)

(4) Other changes and refinements etc. relating to class 12

In the following, no comment is provided where the change is self-evident.

1. In regulation 3(3) the definition of class 12 (restricted) insurance has been updated to cross reference the new class 12 qualifying criteria.
2. Regulation 3(4)(b) is a new provision specifying that insurers authorised for any of classes 1-11 (commercial) can also write class 12 (restricted) within that authorisation without needing to be authorised as class 12. In other words, insurers subject to a higher level of regulation may, under that higher level of regulation, undertake business that would otherwise qualify for a lower level of regulation. For example, a class 4 (property) insurer can also provide property insurance for its 'related parties' without the need to have class 12 authorisation. This is because the inclusion of related party policyholders under a commercial authorisation does not affect the minimum level of regulatory protection given to its other policyholders.
3. Regulation 5(1) is a new provision prohibiting a class 12 insurer from holding any other class of business. This prevents the class 12 reduced regulatory requirements from being mixed with, and therefore reducing, the overall level of regulatory protection given to other (non class 12) policyholders. An insurer wishing to combine class 12 and non-class 12 business might, for example, achieve this through the use of the de-minimis rule, informed consent, or structuring itself as a PCC and statutorily ring-fencing its classes within its cell structure (the permitted combination of classes within a PCC is set out in the provisions of sub-paragraph 4 of Schedule 5).
4. In regulation 5(2)(a) the words "insofar as the contract directly insures only persons" replace the previous words "involve only policyholders".
 - 'Insofar' is used to facilitate the application of the de-minimis calculation on a contract by contract basis.
 - 'Directly insure' is more specific than 'involve'.
 - 'Persons' replaces 'policyholders' to allow for the additional meaning set out in the definition of "person" in regulation 5(5).
5. In regulation 5(2)(a)(ii) the bracketed words "(other than an insurer)" have been removed as superfluous. (Regulations 5(2)(a)(ii) and 5(2)(b)(i) allow only the original insured to provide informed consent).
6. Regulation 5(2)(b)(i) has been amended in the same way as, and for the reasons given in respect of, regulation 5(2)(a) above.

7. In regulation 5(2)(b)(ii) reference is now made to a 'ceding insurer' and 'retroceding insurer' for additional clarity.
8. Regulation 5(3) has been updated so that any business which falls outside of class 12 as a consequence of the Authority disapplying the qualifying criteria may still qualify under the de-minimis rule (provided that the de-minimis threshold of 5% is not exceeded as a result of that disapplication). This replaces the previous proposal which included only the option to require the insurer to be authorised under a class other than class 12. The new provision may result in a new class of authorisation being required but now it takes account of the de-minimis rule and the remediation mechanism.
9. In regulation 5(5), the definitions have been changed as follows:
 - "Class 12 insurance business" has been removed as superfluous;
 - "De-minimis rule" has been added as the term is used, for example, in regulation 5(1);
 - "the Act" is now defined under regulation 3(1);
 - "Class 12 insurer" is now defined under regulation 3(3);
 - "Direct contract of insurance" has been extended to include "directly insure" (used, for example, in regulation 5(2)(a)).
 - "Non-class 12 insurance business" has been expanded to accommodate the change to regulation 5(3).
 - "Person" replaces, and expands on, the definition of 'policyholder'. The change is avoid confusion with the use of the term 'policyholder' elsewhere in the Regulations.
 - "Qualifying ceding insurer" and "qualifying retroceding insurer" are now used for additional clarity as referred to above in connection with regulation 5(2)(b)(ii).
 - "Reinsured" uses simpler wording with the same meaning.
10. Regulation 6(1)(a) now requires an explanation of the non-compliance to be given.
11. In regulation 6(1)(b) additional wording has been added to be more specific as to how compliance has been, or will be, rectified and provides for the appropriate control of timescales.

12. Regulation 6(4)(c) now refers to “regulatory action” rather than steps as this is more reflective of the parameters within which the Authority must operate.
13. In regulation 6(5)(b) the words “(in accordance with paragraph 7)” have been added for additional clarity on the monitoring required.
14. Regulation 7(3) now specifically references regulation 5(2), including the de-minimis rule which require a contract by contract approach.
15. In regulation 20(1), the regulatory returns in respect of class 12 insurers will include information in respect of ongoing compliance with the class 12 qualifying criteria.
16. Regulation 20(1), as referred to earlier in this document, reduces the frequency of regulatory returns between financial year ends for class 12 insurers from every 3 months to every 6 months.
17. In sub-paragraph 1(1)(a) of Schedule 1 related parties now include direct reference to ‘holding companies’ and ‘subsidiaries’, and corresponding definitions have been included in sub-paragraph 1(3) of Schedule 1. This approach is similar to the existing class 12 qualifying criteria in the Insurance Regulations 2018, in that holding companies and subsidiaries are indirectly included³. However, in the draft regulations one definition of ‘holding companies’ and ‘subsidiaries’ is used for insurers incorporated under the Companies Act 1931 and those incorporated under the Companies Act 2006.
18. In sub-paragraph 1(1)(c) of Schedule 1 has been updated to use the new definition of “beneficial ownership” in sub-paragraph 1(3) of Schedule 1.
19. Sub-paragraph 1(2) of Schedule 1 applies the changes (as referred to above in connection with sub-paragraph 1(1) of Schedule 1) to an insurer that is a mutual.

³ The Insurance Regulations 2018 allow a class 12 insurer to insure ‘related companies’. ‘Related companies’ are defined to include body corporates that are ‘associates’ of the insurer. ‘Associates’ are defined under the Act and includes ‘holding companies’ and ‘subsidiaries’ which, in turn, are defined under the Companies Act 1974 and the Companies Act 2006 (the version that applies depends on which of those Acts the insurer is incorporated under).

20. In sub-paragraph 1(3) of Schedule 1 the definitions have been changed as follows:

- “Adequate calls” has been amended to reflect that compliance with solvency requirements is an ongoing obligation, and also to use the defined solvency terms (MCR and SCR).
- “Beneficial ownership” has been added which makes use of the definition contained in the Beneficial Ownership Act 2017, plus additional provisions to beneficiaries by way of a discretionary trust.
- “Company” has been added in respect of Schedule 1’s usage of that term.
- Definitions of “holding company” and “subsidiary” have been added (as explained above in relation to sub-paragraph 1(1)(a) of Schedule 1). These are based on a modified version of provisions contained in section 220 of the Companies Act 2006. The changes are as follows:
 - Subsection 220(1)(a)(i) now refers to “45% or more” rather than “a majority”, as this is the threshold previously consulted on.
 - Subsection 220(1)(a)(iii) has been removed. This limits the qualifying criteria so that they include joint venture participants in the insurer itself and exclude any other joint ventures in the insurer’s wider group.

21. In sub-paragraph 2(1) of Schedule 1 reference has been made to ‘immediate family’ rather than ‘relatives’, and a definition of “immediate family” has been provided in sub-paragraph 2(2) of Schedule 1. This change was made as the previous wording was considered too wide in scope. In addition, reference to directors and officers insurance has been deleted (as referred to above).

22. Sub-paragraph 3(1)(a) of Schedule 1 is a revised approach using more specific requirements to determine persons eligible to provide informed consent. It should be noted that the requirements for individuals are higher than those for corporate bodies. This reflects the Authority’s view that informed consent is intended for use by corporates rather than individuals. Use by individuals has been limited to those of very high value net worth, which would likely be part of a bespoke insurance arrangement.

23. Sub-paragraph 3(1)(b) of Schedule 1 has been updated to include informed consent in respect of reinsurance as well as direct insurance. It should be noted that consent in relation to reinsurance would only be necessary if the contract did not already qualify as class 12 as a result of being –
- ceded or retroceded by a qualifying ceding insurer or retroceding insurer under regulation 5(2)(b)(ii); or
 - otherwise ceded and approved by the Authority as ancillary business under regulation 5(2)(b)(iii).
24. Sub-paragraph 3(2) of Schedule 1 is an enhancement to ensure that informed consent is visibly made. This includes signed and dated wording stating that the insurer holds a class of authorisation meaning the insurer is subject to a reduced level of regulation which may result in increased risk to the consenting person. It should be noted that the informed consent category is only included in class 12 on the basis that the consenting party is able to manage the potential risks involved, is aware of those risks and has agreed to accept them. The records of the insurer must evidence that all of these requirements have been met.
25. Sub-paragraphs 3(3)(a) and 3(3)(b) of Schedule 1 has been added to provide transitional arrangements as an option to bring existing business into compliance with the new qualifying criteria (using post-contract informed consent and recognising informed consent already in place).
26. Sub-paragraph 3(3)(c) of Schedule 1 has been added to otherwise allow post-contract informed consent, but only as part of a remediation process under regulation 6 (otherwise the requirement is for informed consent to be given prior to, or simultaneously with, entering into relevant contracts).
27. Sub-paragraph 4(3) of Schedule 1 has been added to specify the basis for recognition and valuation of premiums and technical provisions for the purposes of the de-minimis calculations.
28. Sub-paragraph 4(4) of Schedule 1 has been added to clarify that the de-minimise rule must be applied to parts of contracts (i.e. so that a non-qualifying element of a contract does not, in itself, disqualify the whole contract). This is consistent to the change made in respect of regulation 5(2)(a) (specifically the use of the wording “insofar as”).
29. Sub-paragraph 5(1) and the first 4 lines of paragraph 5(2) of Schedule 1 have been amended to be clearer that the Authority’s approval is required.

30. Paragraph 5(2)(a) of Schedule 1 has been amended to refer to “enhances the incentive” rather than “incentivise”. This better reflects the requirement for circumstances that demonstrate an increased likelihood of financial support being given to the insurer by its group if needed. Therefore, business arrangements need to show that the ‘ancillary business’ is secondary to, and necessarily supportive of, a much higher value primary group activity such that, if the ancillary insurance were to require a financial top up, then the group would likely be –
- able to do so (on the basis of scale, given it is undertaking the much higher value activity); and
 - willing to do so (given the potential impact on the primary activity in the event of a failure of insurance).

It should be noted that it remains the insurer’s responsibility in accordance with its ongoing own risk and solvency assessment (ORSA) process to monitor risks which may impair any future additional capital being provided and to take action accordingly to ensure its ongoing capital adequacy on a risk assessed basis.

31. Sub-paragraphs 3(5) and 3(6) of Schedule 5 is linked to class 12 in that a ‘supporting core’ will be authorised as class 12. Class 12 is used because the requirements attaching to class 12 are considered to be appropriate to the profile of a non-trading PCC core (that is, where the PCC is only undertaking insurance business attributable to its cells).
32. Paragraph 4 of Schedule 5 is linked to class 12 in that it shows the combinations of classes of authorisation available to a PCC, including class 12.
33. Paragraph 5 of Schedule 5 applies the changes (as referred to above in connection with sub-paragraph 1(1) of Schedule 1) to an insurer that is a PCC –
- core; or
 - cell.

It should be noted that the provisions link to holding companies of a PCC’s core and cell shareholders respectively, rather than holding companies of the PCC itself. This is because the definition of holding company is based to some extent on share voting rights which may or may not apply to core or cell shares (despite the current common practice of authorised PCCs to have voting shares for their cores and non voting shares for their cells). In this way the provisions are made more flexible to accommodate different share

structures if required. Beneficial ownership is similarly linked to the PCC's core and cell shareholders.

34. Sub-paragraph 3(3) of Schedule 7 applies the changes (as referred to above in connection with sub-paragraph 1(1) of Schedule 1) to an insurer that is an LP.

6. Appendix 2 – Summary of Reporting Requirements

The following tables cover insurers that are conventional companies as well those that are PCCs.

For LPs, substitute “Partners’ certificate” for “Directors’ certificate”.

For ICCs, each authorised ICC and IC will report as a conventional company. An ICC registered as an insurance manager will report as such.

A. Long-term insurers

Type of return	Annual	Quarterly
Audited accounts	✓	
Electronic return requiring details of the insurer’s— (i) economic balance sheet; and (ii) SCR and MCR (This will contain only minor changes, if any, from the current ‘RER’)	✓	✓
Electronic return requiring supplementary information to be submitted with the audited accounts (This will contain only minor changes, if any, from the current ‘RER’)	✓	Some elements
Directors’ certificate (This will be unchanged from the current certificate)	✓	
Auditor’s report (This will be unchanged from the current report)	✓	
Actuarial report (This will be unchanged from current report requirements)	✓	

B. Long-term insurers (PCC)

Type of return	PCC “SC” = supporting core “Core” = core authorised to underwrite	Annual	Quarterly
Audited accounts	PCC	✓	
Electronic return requiring details of the insurer’s— (iii) economic balance sheet; and (iv) SCR and MCR	Core and each cell	✓	✓

Electronic return requiring supplementary information to be submitted with the audited accounts	Core (not an SC) and each cell	✓	Some elements
Electronic return requiring supplementary information to be submitted with the audited accounts	SC	Some elements	Some elements
Electronic return requiring PCC summary	PCC	✓	✓
Directors' certificate	PCC	✓	
Auditor's report	PCC	✓	
Actuarial report	Core and each cell	✓	
Additional information and analyses in respect of audited accounts in order to identify and assess the separate matters relating to the PCC's core and each of its cells respectively	Core and each cell	Potentially	

C. Non long-term insurers

Type of return	Annual	Quarterly (any of classes 3-9 or 11)	6 Monthly (class 12)
Audited accounts	✓		
Electronic return requiring details of the insurer's— (i) economic balance sheet; and (ii) SCR and MCR	✓	✓	✓
Electronic return requiring updated supplementary information to be submitted with the audited accounts	✓		
Updated directors' certificate	✓		
Updated auditor's report	✓		
Board report on valuation (non class 12)	✓		
Management accounts (the Authority will seek to make use of the existing and developing management information of insurers - noting that existing management accounts will currently be largely consistent with the existing prescribed form of annual accounts)		✓	✓

D. Non long-term insurers (PCC)

Type of return	PCC "SC" = supporting core	Annual	Quarterly	6 Monthly (class 12)
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	"Core" = core authorised to underwrite		(any of classes 3-9 or 11)	
Audited accounts	PCC	✓		
Electronic return requiring details of the insurer's— (i) economic balance sheet; and (ii) SCR and MCR	Core and each cell	✓	✓	✓
Electronic return requiring updated supplementary information to be submitted with the audited accounts	Core (not SC) and each cell	✓		
Electronic return requiring a PCC summary	PCC	✓	✓	✓
Updated directors' certificate	PCC	✓		
Updated auditor's report	PCC	✓		
Board report on valuation	Core and each cell	✓		
Additional information and analyses in respect of audited accounts in order to identify and assess the separate matters relating to the PCC's core and each of its cells respectively – this requirement might be met with management accounts (see next box below)	Core and each cell	Potentially		
Management accounts (the Authority will seek to make use of the existing and developing management information of insurers - noting that existing management accounts will currently be largely consistent with the existing prescribed form of annual accounts)	Core and each cell (a suitable columnar format may be used)	Potentially	✓	✓