ISLE OF MAN
FINANCIAL SERVICES AUTHORITY

Lught-Reill Shirveishyn Argidoil Ellan Vannin

Consultation Response

CP24-03 Update to the Insurance Regulations and Insurance Special Purpose Vehicles Regulations

CR24-03

Issue Date: 13 December 2024

Contents

Glossary

Authority	Isle of Man Financial Services Authority
Act	The Insurance Act 2008
CGC	Corporate Governance Code of Practice for Insurers 2021
MCR	Minimum Capital Requirement
PCC	Protected Cell Company
SCR	Solvency Capital Requirement
valuation and solvency regulations	The Insurance (Long-Term Business Valuation and Solvency) Regulations 2021 and Insurance (Non Long-Term Business Valuation and Solvency) Regulations 2021

1. Background

This Consultation Response is issued by the Isle of Man Financial Services Authority following Consultation Paper CP24-03[1].

The purpose of the consultation was to obtain views in relation to the Authority's proposals to update and integrate the Insurance Regulations 2021 with simplified elements of the Insurance (Special Purpose Vehicles) Regulations 2015 and Guidance Notes for Insurance Special Purpose Vehicles into a combined single document: the Insurance Regulations 2024. The consultation also included additional proposals relating to fast-track authorisation, regulatory sandboxing and potential restrictions on activities undertaken alongside regulated insurance activities.

2. Responses, including changes to the proposals

The following table details general responses and, in order, the responses to the 26 questions included in the consultation.

Readers should note that the proposals included in the consultation discussed in this document may have been updated in a second consultation in respect of the Insurance Regulations 2025, Insurance (Fees and Miscellaneous) (Amendment) Regulations 2025 and Insurance (Special Purpose Vehicle and Corporate Governance) (Amendment) Guidance Notes 2025. Some of those updates are referred to in the Authority's responses below.

General responses		
No.	**Responses (Anonymised)**	**FSA Response**
1	The overarching view of the Association is that these proposals are positive especially in respect of the proposed Class 13 and Fast Track-Authorisation. In the lead up and during the Consultation the Association has held various meetings with the Isle of Man Financial Services Authority and look forward to continuing this open dialogue as the Regulations develop.	Noted. As the Association is aware, post-consultation, the Authority has continued to engage with it in relation to the draft Insurance Regulations 2024 (now 2025). Some of the outcomes of that engagement are reflected in post-consultation changes to the regulations referred to in this document (for example, the proposed changes to class 12). The Authority expects to continue with this engagement over time as the regulations are finalised and brought into effect. The Authority has already brought forward some changes to guidance and information, which took effect on 30 June 2024. These address some of the matters raised or mentioned

[1] https://www.iomfsa.im/fsa-consultations/

		during the consultation by respondents (more details of this may be found in this document).
2	Consultation relates to Special Purpose Vehicles and so doesn't pertain to [the insurer].	Noted.
3	My understanding is that the Act [the Insurance Act 2008] is not being changed, but its application is. Therefore, to avoid misunderstandings, I suggest that the Header to this paragraph [paragraph 3 of Schedule 5] is changed from 'Modifications to the Act' to 'Modifications to the application of the Act'.	Your understanding of the approach is correct. In order to avoid any such misunderstanding, the regulations have been reviewed post consultation to clarify where necessary that – - the Act itself is not being modified; but - how the Act is applied to different legal forms of insurers, and insurers located outside of the Island, is being modified.
4	1. Schedule 2, Regulation 2(2) missed out the word 'of';	Corrected.
5	2. Schedule 2, Regulation 2(2)(a)(iii) missed out closing bracket;	Corrected.
6	3. Can any CGC exemptions be provided to standby authorised insurers? i.e. the requirement to have a NED?	Standby authorised insurers (currently known as dormant authorised insurers) are already generally exempt from the CGC. In relation to your specific question, the Authority requires a standby authorised insurer to have at least one director who is resident in the Island – but the director is not required to be non executive. Having at least one director resident in the Island (non executive or otherwise) is considered to be a reasonable substance requirement for a licenced entity (even a dormant/standby one). The Authority is planning a review and potential update of the CGC commencing in 2025 and will consider your request further then.
7	4. Regulation 5 - what is definition of winding up?	In Regulation 5(1) (now 7(1) in the draft Insurance Regulations 2025), the term 'winding-up' will follow the meaning applicable in the legislation under which the relevant insurer has been established.
8	Overall, we are supportive of the Authority's proposed updates and integration of various existing Regulations into a combined single document: the Insurance Regulations 2024.	Noted.

Question 1: Do readers have any comments or questions in relation to the combinations of classes of authorisation allowed or disallowed under Regulation 4A?		
No.	**Responses (Anonymised)**	**FSA Response**
9	Whilst we welcome the provision for grandfathering of existing authorisation for the combination of Class 1, 2 and 9 licences under requirement 4A(2); we believe that requirement 4A(1)(c) contradicts the provisions under 4A(1)(b), which cross refers to requirement 3(4)(c)(ii). We would be grateful if you could please clarify how these provisions will be read together.	Post consultation, Regulation 4A(1)(c) (now 5(1)(c) in the draft Insurance Regulations 2025) has been amended to avoid any contradiction with 4A(1)(b) (now 5(1)(b) in the draft Insurance Regulations 2025).
10	Will there be any future ramifications for insurers currently operating across a combination of classes that is prevented under the new regulations?	Transitional provisions are contained in Regulation 4A(2) (now 5(2) in the draft Insurance Regulations 2025).
11	Will there be any flexibility for insurers to apply for exceptions or waivers to these combinations under specific circumstances?	We do not propose to provide for any exceptions or waivers within the same authorisation. However, an insurer that is a PCC might, for example, have one or more cells authorised in respect of long-term business and one or more cells authorised in respect of non long-term business.
12	The formalising of the Authority's approach to new authorisations or changes to existing authorisations is understood and we are supportive of the proposed approach.	Noted.
13	The proposed Regulation 4A is noted and the Association and has no comments or questions.	Noted.
14	The Company has no comments or questions in relation to the combinations of classes of authorisation allowed or disallowed under Regulation 4A.	Noted.

Question 2: Do readers agree or disagree with the Authority having available to it the mechanisms under Regulation 4B to control its regulatory perimeter? And why?		
No.	**Responses (Anonymised)**	**FSA Response**
15	Regulation 4B(1) and (2): Section 16 of the Insurance Act 2008 sets out the restriction of business to insurance in that is states "an authorised insurer shall not carry on any activities, in the Island or elsewhere, otherwise than in connection with or for the purpose of its insurance business". We note that regulation 4B(1) and (2) aimed at controlling the Authority's regulatory perimeter and to prevent the Authority from supervising or overseeing business outside of its area of expertise. Please explain the following: 1. How does the introduction of regulation 4B(1) and (2) change the application of section 16 to insurers and section 23(2)(a) to insurance managers? 2. What types of activity is the Authority seeking to restrict (which was not previously restricted in section 16 and section 23(2)(a))? 3. Are these new regulations aimed at limiting the offering of "value added services" to customers of insurers?	As indicated in the consultation, this regulation is expected to be considered from a new authorisation perspective as the Authority is not currently aware of any significant issues with current business. In terms of new business, the Authority has (for example) seen proposals for insurance authorisation in which insurance was the minor 'value added' part of the business in question. It therefore appeared to the Authority that, if the business was to go ahead, the major non-insurance part of that business may not be appropriate (for the reasons set out in the consultation) to fall under, or appear to fall under, the insurance regulatory remit of the Authority and should (for example) be undertaken by a legal entity other than the prospective insurer. A similar circumstance might be envisaged in relation to a prospective insurance management application. The proposed regulations would help in dealing with such situations. We note your concern about creating new restrictions. However, we do not see this as creating new restrictions, but instead it is about controlling any extremes to which an applicant might seek to interpret terms such as "in connection with" – as this may lead to issues such as those mentioned in the consultation. In terms of 'value added services' in relation to insurance managers, if there are development opportunities industry wishes to discuss with the Authority then, of course, the Authority would welcome such discussion. This may or may

		not have relevance to section 23(2)(b) of the Act under which the Authority may prescribe activities which may be carried on by a registered insurance manager.
16	We note the consultation guidance that regulation 4B(1) and (2) would be used for new authorisations and any existing authorised insurers would first be engaged in discussion. How will the discussion with existing insurers be implemented by the Authority?	Discussions would, where appropriate, be initiated with relevant industry bodies. However, if the Authority became aware of circumstances that were case specific and confidential, it would initiate discussions with the insurer in question. The Authority would also expect a regulated entity to raise with the Authority any significant uncertainties or concerns it may have in relation to whether its activities fall within its authorisation or registration.
17	Regulation 4B(3): We note that the Authority is aiming to set out circumstances where the insurance manager will be treated as providing insurance manager services. We note under section 23(3) of the Insurance Act 2008 that the Authority has the powers to declare a business to be deemed to be an insurance manager. Does the introduction of regulation 4B(3) mean that the Authority intends to issue guidance on "insurance manager services" and the how the arrangements between insurers and insurance managers should be conducted?	Post consultation, Regulation 4B(3) has been removed (also see next response below).
18	Regulation 4B(4): It is our understanding that the aim of introducing 4B(4) is to ensure that the Authority can restrict the activities that they may not be able to effectively supervise, rather than bringing entities regulated outside the Island by other competent regulatory authorities into the Authority's regulatory purview. Accordingly, we would anticipate that these requirements, particularly 4B(4), could potentially have a significant impact on existing intra-group arrangements where registered insurance managers are providing management services to insurers outside of the Island. [Deleted text] currently provides intra-group management services to [Deleted text], and in the future may look to replicate this model with external foreign [Deleted text] companies. Under the proposals	Post consultation, Regulation 4B(4) (now 6(3) and (4) in the draft Insurance Regulations 2025), have been revised to limit the scope of the Authority's discretion and more clearly indicate the activities (unless otherwise exempted) that are subject to regulation by the Authority. They also clarify how the proposal interacts with regulation 11(d)(ii) (now 13(d)(ii) in the draft Insurance Regulations 2025). What is our aim? The aim of this requirement is to help clarify when a permit under this Authority is required. For example, there is no existing or proposed exeption for intra-group management arrangements.

	of 4B(4), these [Deleted text] entities would be required to seek registration for a permit as a foreign insurer on the Isle of Man and be regulated by the Authority, in addition to supervision by their local regulator(s). Therefore, we would ask the Authority to advise on the following: 1. What is the aim of this requirement? 2. Has the Authority considered the Group Supervision Framework? [Deleted text].	Have we considered the group supervision framework? Yes. However, the group supervision framework does not alleviate the need for a permit. Instead, the group supervision framework would take into account relevant factors relating to any insurer subject to group supervision by the Authority and those factors may, of course, be influenced by the holding of a permit or otherwise.
19	Based on the Authority's views / responses to questions 1 and 2, we would be interested in whether the Authority when applying the requirements proposed under Regulation 4B(4), will consider the following: 1. Will grandfathering provisions exist for those arrangements already in place? 2. Will there be a scope of exceptions? 3. Have equivalent regulations in other jurisdictions been considered by the Authority?	The Authority does not consider grandfathering to be appropriate as it has sought to engage with all potentially impacted insurers, and considerations around any appropriate resolutions required are ongoing. Once again it should be noted that the provision of management services from the Island to foreign insurers on an intra-group basis does not in itself form the basis of any exemption from the requirement to hold a permit issued by the Authority, and nor is it proposed at this time to form the basis of an exemption. Post consultation, Regulation 4B(4) (now 6(3) and (4) in the draft Insurance Regulations 2025) been revised to limit the scope of the Authority's discretion and more clearly indicate the activities (unless otherwise exempted) that are subject to regulation by the Authority. The revision is consistent with applying the Act and are therefore considered to be appropriate.
20	We also note that there is a proposed provision for the Authority to have discretion in the application of requirement 4B(4); however, more clarity and certainty on scope of the application would be appreciated.	Post consultation, Regulation 4B(4) (now 6(3) and (4) in the draft Insurance Regulations 2025), have been revised to limit the scope of the Authority's discretion and more clearly indicate the activities (unless otherwise exempted) that are subject to regulation by the Authority. They also clarify how

		the proposal interacts with Regulation 11(d)(ii) (now 13(d)(ii) in the draft Insurance Regulations 2025).
21	Regulation 3(4)(c)(ii): We note the addition of paragraph 3(4)(c)(ii) and the requirement for a Class 9 licence where Non-Long-Term provisions of a contract of insurance are related to but are not subsidiary to the Long-Term provisions. How will the Authority determine what is classed as a "Subsidiary"? Is it in relation to each product, book of business, premiums and / or risk etc.?	For class 9 business to be undertaken within a long-term business authorisation, it must be related to and subsidiary to the long-term business on a contractual basis. For example, this might include accidental death/injury and critical illness products as a lesser supplement (or 'rider') to a long-term business contract. Otherwise, class 9 is required to be held.
22	Agreed. Such measures will ensure that insurers and insurance managers operate within the scope of their authorisation or registration, preventing them from engaging in activities that fall outside the regulatory framework. This in turn, will enhance consumer protection and maintain the integrity of the insurance sector.	Noted.
23	[The Insurer] is broadly supportive of the inclusion of Regulation 4[B], recognising the need for the Authority to control the regulatory perimeter in order to supervise only those activities for which it has the relevant expertise, capacity and funding. It is noted that this Regulation is expected to be considered in respect of new authorisations, but could be used in respect of existing authorised insurers. Further guidance from the Authority as to their expectations and timeframes for any existing arrangement that may be caught by this new Regulation would be appreciated.	This question appears to relate to Regulation 4B(1) and (2) (now 6(1) and (2) in the draft Insurance Regulations 2025), which, as indicated in the consultation document, were expected to be considered from a new authorisation perspective rather than an existing business perspective. If existing business did come into question in relation to this regulation, discussions would, where appropriate, be initiated with relevant industry bodies. However, if the Authority became aware of circumstances that were case specific and confidential, it would initiate discussions with the insurer in question. We would expect guidance and timeframes (and any other potentially relevant factors such as grandfathering, if appropriate) to be a natural outcome of such discussions in order to promote proportionality, transparency and consistency of approach.

24	• It is agreed that the Authority should have mechanisms in place for it to control the regulatory perimeter to allow it to adapt to market developments and the use of new or enhanced technologies. It is also of importance that the perimeter is clearly defined and transparent to allow companies to know the scope of the regulations affecting them and the boundaries they need to abide by. We welcome the Authorities comments in respect of providing clarity in a number of aspects. For example 'insurance management services', a clear definition and practical examples provided by the Authority would assist companies in determining the activities to be undertaken by a registered insurance manager on the Island. • We note in CP24-03 that the Authority may specify what it considers to be 'insurance management services' may we request that practical examples are provided. This will help provide clarity on the activities which fall within the scope of Insurance Manager Activities.	This appears to relate to proposed regulation 4B(3) and (4). Post consultation, regulation 4(B)(3) has been removed and regulation 4B(4) (now 6(3) and (4) in the draft Insurance Regulations 2025), have been revised to limit the scope of the Authority's discretion and more clearly indicate the activities (unless otherwise exempted) that are subject to regulation by the Authority. Those activities are the carrying on of "insurance business". In response to your question, taking account of the above-mentioned changes, the Authority does not propose at this time to set out (in any greater detail than is already included within the Act) what is meant by "insurance business". However, if such becomes necessary, the Authority will consider doing so.
25	We agree with the proposed wording under Regulation 4B and note that this would be in line with economic substance requirements.	Noted
26	The proposed Regulation 4B is noted in respect of potential activity outside of the regulatory perimeter. The Association is comfortable with the Authority having the mechanisms detailed within Regulation 4B to control the regulatory perimeter.	Noted
27	Whilst understanding the necessity for the Authority to control its regulatory perimeter the Company has the following comments on Regulation 4B(1) and (2) within the context of Sections 16 and 23(2)(a) of the Insurance Act 2008.	As explained above, Regulation 4B(1) and (2) (now 6(1) and (2) in the draft Insurance Regulations 2025), are expected to be considered from a new authorisation perspective rather than an existing business perspective.

	Authorised insurers and/or registered insurance managers have pre-existing, unequivocal obligations and inherent duties to comply with both the letter and spirit of the legislative and regulatory frameworks in force and to operate in a manner aligned with the purposive intent of these frameworks on a continuing basis. Whereas Sections 16 and 23(2)(a) of the Act set clear obligations that activities must only be carried out in connection with or for the purpose of the respective business, placing an onus on the authorised/registered entity to satisfy the test therein, Regulation 4B(1) and (2) assigns this test into a matter of opinion on the part of the Authority. There is insufficient clarity and comfort as to the extent of information which the Authority would take into account in determining its opinion and ultimately restricting or prohibiting the insurer or manager from undertaking such activity. Further work is needed to ensure that the proposed new Regulation 4B(1) and (2) do not result in unintended consequences and materially adverse outcomes for insurers/managers. Further to the above, Regulation 4B(3) and (4) has the potential to destabilise established business positions [text deleted] in accordance with concurrent obligations, including those arising under Paragraph 10 of the Corporate Governance Code of Practice for Insurers 2021. [Text deleted, but referred to retrospective application of Regulation 4B(3) and (4) also being a concern]. The Company would welcome further positive and constructive direct dialogue with the Authority on this matter, having particular regard to the risks and complexities which Regulation 4B might serve to introduce.	If existing business did come into question in relation to this regulation, discussions would, where appropriate, be initiated with relevant industry bodies. However, if the Authority became aware of circumstances that were case specific and confidential, it would initiate discussions with the insurer in question. We would expect guidance and timeframes (and any other potentially relevant factors such as grandfathering, if appropriate) to be a natural outcome of such discussions in order to promote proportionality, transparency and consistency of approach. As part of this process, the Authority would, of course, support positive and constructive direct dialogue that has due regard to relevant risks and complexities. As indicated above, post consultation, Regulation 4B(3) has been removed and Regulation 4B(4) (now 6(3) and (4) in the draft Insurance Regulations 2025) has been specifically limited to insurance business activities and is therefore consistent with applying the existing provisions of the Act. Also, the Authority has engaged with the small number of potentially impacted insurers (in relation to Regulation 4B(4) (now 6(3) and (4) in the draft Insurance Regulations 2025) to consider their circumstances and any necessary resolution.
28	Regulatory perimeter – we have no issue with this proposal.	Noted

Question 3: Do readers have any comments or questions in relation to the Authority applying section 18 of the Act to non long-term insurers that are required to have a head of actuarial function?		
No.	**Responses (Anonymised)**	**FSA Response**
29	Class 3-9 & 11 insurers are required to have an Actuarial function. The current requirement is sufficient and extending Reg 18 of the Act to individuals and subjecting them to the Fitness and Propriety regime is unnecessary. At the present time, the Isle of Man does not have sufficient non-life actuarial resources (companies and individuals) to perform the actuarial function on island. Most Class 3-9 & 11 insurers outsource the function to third party companies in other countries to comply with the requirement. The Consultation does not explain why Regulation 18 of the Act should be extended to non-life insurers. However, it does state that the practice is included in regulatory guidance. It is not clear why/what benefit the Insurer or the Authority would get from appointing an individual. And subjecting that individual to the Fitness and Propriety regime. It is not known whether out-sourced providers based on other countries, would agree / allow their employees to hold a regulated positions in an Isle of Man insurer. If they would not, Isle of Man insurers would not be able to comply with the requirement. Extending Regulation 18 of the Act to individuals seems unnecessary and could further increase cost and complexity of Isle of Man Class 3-9 & 11 insurers. This would make the Isle of Man more uncompetitive.	The following comment applies only to non-log-term business (not long-term business): Subsequent to the consultation, under paragraph 11 of the Guidance Notes and Information Concerning Various Insurance Regulations and the CGC which came into operation on 30 June 2024, the Authority has limited its mandatory actuarial function requirements under the CGC such that they only apply to a 'commercial' non long-term business insurer. As a result, only a very small number of IOM non long-term business insurers meet the commercial definition, with the rest being deemed non-commercial. It is our understanding that this action has addressed the respondent's concerns.

30	Regulation 13A(3) "In respect of an insurer that is required to have an actuarial function, as referred to in paragraph (2), the Authority may require the insurer to appoint an individual as the head of that function." - can you please clarify the word 'may'? What is the rule that triggers the 'may'?	The use of 'may' in Regulation 13A(3) (now 16(3) in the draft Insurance Regulations 2025) provides scope for the Authority to exercise discretion as to whether or not it requires a head of actuarial function to be appointed. At the present time the Authority considers it appropriate that all mandatory actuarial functions have an appointed head. As indicated in the previous response, the Authority has already taken action to significantly reduce actuarial requirements and does not see the need to try and specify (currently unforeseen) circumstances in which it might go further.
31	This clarifies the position that the head of actuarial function should be an individual, although we would question why this could not be a corporate entity to avoid potential administrative burden should the individual leave their respective employ (as they are generally appointed based on the actuarial firm). However, are Regulations 13A(2) & (3) contradictory as (2) states that "the Authority **requires** the insurer to appoint" and (3) states that "the Authority **may require** the insurer to appoint"?	The Authority has already taken action to significantly reduce actuarial requirements and considers it appropriate that all remaining mandatory actuarial functions have an appointed head. It is our understanding that this action has addressed the respondent's concerns. Under regulation 13A (now 16 in the draft Insurance Regulations 2025): subparagraph (2) applies subparagraph (1) only if the Authority requires a head of actuarial function to be appointed under subparagraph (3). Subparagraph (2) and (3) are not contradictory.
32	It is noted that this is the formalisation of existing Regulatory Guidance.	Noted.

4. Do readers have any comments or questions in relation to the changes made to Regulation 17 (regulatory reporting)?		
No.	**Responses (Anonymised)**	**FSA Response**
33	Can the reporting requirement be reduced to annually for class 12 or 13 insurers and bi-annually for classes 3-9 and 11?	The discussion in respect of exercising the proposed discretion to reduce reporting frequency is ongoing.

34	We would suggest that whilst Regulation 17(5) allows the authority to agree a different frequency of reporting, the preference would be for Regulation 17(1) to be amended to require only annual returns to be submitted for class 12 and class 3-9 licence holders and more frequent returns to be requested at the Authority's discretion. We would further suggest that Regulation 17(6)ai be further amended to allow the accounting balance sheet to be allowed in the case of a class 12 insurer too, without having to prove proportionality.	The Authority does not agree with a default annual reporting frequency for the suggested classes of authorisation. The discussion in respect of exercising the proposed discretion to reduce reporting frequency is ongoing. In relation to your comment on Regulation 17(6)(a)(i) and subsequent to the consultation, under paragraph 6 of the Guidance Notes and Information Concerning Insurance (Valuation and Solvency) Regulations which came into operation on 30 June 2024, the Authority has provided a simplified means by which non commercial non long-term insurers may use their accounting provisions to determine their best estimate provisions. It is our understanding that this addresses the respondent's concerns. As to the last point, if it is being suggested that a class 12 insurer's accounting balance sheet should simply be submitted instead of completing the current regulatory reporting returns, then the Authority would consider that to be out of scope for this consultation exercise.
35	The amended Regulation 17 is noted and the Association specifically notes that Regulation 17 (5) allowing for the variation of regulatory reporting in intervening periods where proportionate to do so. The Association looks forward to continuing discussions regarding Regulatory reporting frequencies.	Noted.
36	The Company's current practices are already aligned to the applicable proposed amendments to Regulation 17; the Company has no additional comments or questions in this regard.	Noted.
37	Regulatory reporting – we welcome any proposal to reduce regulatory reporting to reflect the nature of the authorised insurer.	Noted.

	Would the Authority consider annual reporting for dormant / run-off insurers?	Please note that dormant (now standby) authorised insurers are already subject only to annual reporting. The discussion in respect of exercising the proposed discretion to reduce reporting frequency is ongoing. In the interim, it should be noted that different run-off insurers may, of course, have significantly different risk profiles and therefore do not necessarily lend themselves to reduced requirements based simply on the fact that they are in run-off).

5. Do readers agree or disagree with the Authority having discretion, in respect of standby authorised insurers, to reduce regulatory fees whilst awaiting commencement of business? And why?		
No.	**Responses (Anonymised)**	**FSA Response**
38	Fully support the changes.	Noted. In relation to all comments received on this matter, upon review post consultation, the Authority now proposes to specify default fee amounts applicable to standby insurers that shall apply in lieu of any exercise of discretion. The default fees and corresponding discretion available to the Authority are set out in the draft Insurance (Fees and Miscellaneous) (Amendment) Regulations 2025.
39	The outlined strategy appears pragmatic in supporting new market entrants and easing market entry processes.	Noted.
40	Agree.	Noted.
41	We agree with the Authority having discretion to reduce regulatory fees in respect of standby authorised insurers. This will ensure that the option would be more attractive to customers and enhance competitiveness with other domiciles.	Noted.

42	IOMCA supports the Authority having discretion in respect of standby authorised insurers, to reduce regulatory fees whilst awaiting commencement of business. The Association views this as an important aspect in respect of Competitiveness and Speed to Market thereby strengthening the overarching Isle of Man Captive proposition.	Noted.
43	Fees for standby insurers – the Authority having discretion appears vague and publishing the criteria where this will be applied may be helpful.	Noted.

6. Do readers agree or disagree with the Authority having additional discretion under paragraph 1(6)(b) of Schedule 1 to modify class 12 for new or unforeseen circumstances, or circumstances for which existing provisions appear insufficient? And why?

No.	Responses (Anonymised)	FSA Response
44	Fully support.	Noted. In relation to all comments received on this matter, after detailed discussions with the relevant industry body post consultation, the Authority has now proposed a fully revised Schedule 1 (class 12 (captive) insurers) within the draft Insurance Regulations 2025. It is our understanding that this addresses any significant concerns of respondents.
45	Agreed. It grants the Authority flexibility to adapt to new or unforeseen circumstances, ensuring that regulations remain relevant and effective. Any adaptations should be applied consistently to insurers, where it is appropriate to do so, to ensure fairness.	Noted, see response above.
46	Agree, allows the Authority to be flexible in its regulatory perimeter.	Noted.
47	We agree with the proposed amendments to paragraph 1(6)(b) as this allows the Authority to request additional information if	In addition to the comments above, we would suggest that the simplicity of insurance arrangements in this context is

	required, which could then allow a reduced standard/reduced requirements to be applied for insurers with simple insurance arrangements. We would suggest that guidance could be provided to industry of potential circumstances where the requirements of Schedule 1 could be modified or reduced.	irrelevant. What matters is compliance or otherwise with Schedule 1. The discretion available to the Authority (including the increased discretion available in the revised Schedule 1) is primarily intended to address any new or unforeseen circumstances. As such they do not lend themselves to predetermination in guidance.
48	The Association notes paragraph 1(6)(b) of Schedule 1 and agrees with the Authority having the discretion described thereunder.	Noted.
49	Discretion to amend regulations – we welcome the Authority having greater ability to be flexible but if additional requirements were to be imposed on insurers, we would expect a proper consultation process to take place.	Noted, see response above. Whilst a formal consultation processes (like those applicable to the making of regulations) would not apply to the exercise of a discretionary power, the Authority would expect to discuss any prospective changes with industry prior to giving effect to them (and especially if any were to include additional requirements). Also, as indicated above, the discretion proposed to be available to the Authority is primarily to address any new or unforeseen circumstances.

7. Do readers have any comments or questions in relation to the change to the definition of "insures only persons" within the class 12 requirements in Schedule 1? (Noting that the Authority is intending to address any inappropriate impact in relation to additional insureds.)		
No.	**Responses (Anonymised)**	**FSA Response**
50	The practical application of the proposed change requires careful consideration. Industry feedback and agreement is essential. Ideally a workable solution to the issues raised by Industry would be agreed and published before the change is implemented in regulations.	In relation to all comments received on this matter, after detailed discussions with the relevant industry body post consultation, the Authority has now proposed a fully revised Schedule 1 (class 12 (captive) insurers) within the draft

		Insurance Regulations 2025. It is our understanding that this addresses any significant concerns of respondents.
51	We have noted the change, and understand that this further restricts class 12 insurers who may have a policy that ultimately benefits an unrelated party. However, we also note the Authority is intending to address any inappropriate impact in relation to additional insureds. It would be useful to understand how this will be addressed prior to the new regulations coming into force.	Noted, see response above.
52	The proposed changes to "insures only person" in Schedule 1 add additional complexity to the existing Class 12 definition, especially when considered alongside the potential exercise of power the Authority may introduce for Class 12 insurers to be able to insure the risks of unrelated persons in contact with a related party of the insurer. The current Class 12 definition is quite focused on the content of insurance contracts currently written by Class 12 insurers and may prove unnecessarily limiting to future business. We would suggest that consideration be given to a simplified Class 12 definition, such as a definition that recognises a captive insurer as opposed to a commercial insurer. Captive insurers have many reasons to insure unrelated parties in varied circumstances resulting from the business needs of related parties i.e. the primary reason for insuring unrelated parties is not simply to earn commercial premium or to provide cover to 'true' third parties. In addition, captive insurers often follow or adapt insurance market wordings that provide cover to unrelated persons where they have some connection to the related party (and providing this cover is beneficial to or required by the related party) and the proposed changes may adversely impact the ability of a captive insurer to respond to the needs of its related party.	Noted, see response above.
53	The Association notes paragraph 1 (7) of Schedule 1 and the reasoning behind the change. The practical application of the proposed change requires careful consideration, and we acknowledge that the IOMFSA has engaged with IOMCA regarding	Noted, see response above.

	this change. We look forward to progressing discussions regarding additional circumstances where persons are eligible under class 12.	
54	Insured only persons – we will welcome the opportunity to discuss this further once Authority publishes its proposals.	Noted, see response above.

8. Do readers agree or disagree with the approach taken by the Authority to generally simplify the current ISPV framework and replace it with Schedule 2? And why?		
No.	**Responses (Anonymised)**	**FSA Response**
55	We agree with the simplified approach. However, the framework allows for the Authority to exercise discretion in certain aspects rather than providing certainty. This discretion is evident in exemptions, modifications, and approvals required throughout the framework, such as exemptions from the CGC requirements and actuarial requirements, modifications to SCR and MCR eligibility requirements and restrictions on business activities. Whilst we support a flexible approach, it introduces a level of uncertainty when trying to establish the viability and costs for a class 13 insurer. We believe it would be preferable to provide clarity on the CGC exemptions/modifications that a class 13 insurer may benefit from.	As was explained in the consultation document, the discretionary flexibility allows the Authority to develop the framework over time. The majority of respondents support this approach despite some inevitable uncertainties, especially early in the process. In relation to the CGC, class 13 already has a degree of clarity (e.g. class 13 insurers are proposed to apply the CGC in accordance with their other class(es) and are exempt from actuarial function requirements). Additional refinements may be made over time as needed and also in the planned review and potential update to the CGC in 2025.
56	Furthermore we think it would be beneficial to move regulation 3(4) and 3(5) to immediately after regulation 2(1)(b) which outlines the fully funded requirement.	Post consultation, in the draft Insurance Regulations 2025, paragraph 2(1)(b)(ii) now references the funding of other costs and expenses alongside the funding of residual maximum exposures. We therefore agree that the two requirements are beneficial to appear alongside one another early in the Schedule (however, we do not believe it would be beneficial to move the whole content of 3(4) and (5) (now 4(4) and (5)) to that location). In any event, we believe this change addresses the respondent's concerns.

	Is the Authority able to provide guidance on the nature of an off balance sheet asset?	Essentially, it's an asset insofar as it does not appear on the balance sheet. A definition has been included in the revised proposals to avoid any further uncertainty.
57	Agree.	Noted.
58	We agree with the replacement of the current ISPV framework with Schedule 2 to simplify the framework for prospective customers, reduce associated costs and ensure competitiveness with other domiciles.	Noted.
59	The Association is in absolute agreement with the approach taken by the Authority to generally simplify the ISPV Framework via the use of the proposed Schedule 2. The Association considers Class 13 as an important part of maintaining and/or improving the Captive Sectors competitiveness.	Noted.
60	Simplification of ISPV framework – we welcome the simplification proposals for Schedule 2 and Class 13 insurers.	Noted.

9. In respect of the approval of assets to count towards full funding requirements, do readers think that a pre-approval of unrated Isle of Man Banks to hold a class 13 insurer's assets should or should not be given? And why?		
No.	**Responses (Anonymised)**	**FSA Response**
61	Yes, this brings the benefits of diversification and access to additional banking options. These banks are regulated by the Authority, and should be provided the opportunity to participate in class 13 business, if the risk appetite of the insurer allows.	Noted.
62	We believe that pre-approval of unrated Isle of Man Banks to hold a class 13 insurer's assets should be given; this is owing to the banks being entities which are regulated by the Authority.	Noted.

63	It would appear sensible to pre-approve unrated Isle of Man Banks to hold a Class 13 insurer's assets as these tend to be part of larger groups and are still subject to Regulatory oversight in the Isle of Man.	Noted.
64	Pre approval of IOM Banks would be welcome.	Noted

10. In respect of the approval of assets to count towards full funding requirements, do readers agree or disagree with the pre-approval of outward reinsurance in respect of class 13 insurers also holding class 12? And why?

No.	Responses (Anonymised)	FSA Response
65	This pre-approval appears comprehensive, though consideration should be given to extend it to credit quality step 3, pending alignment with the insurers risk appetite.	Noted. However, the Authority has considered the matter and proposes that credit quality step 2 is an appropriate minimum requirement for the purposes of these simplified regulations.
66	We agree with the pre-approval of outward reinsurance in respect of class 13 insurers also holding class 12; this is owing to the nature of the risk of class 12 insurers, although, where possible, we would expect the requirement of a minimum credit rating for these reinsurers.	A minimum credit rating is required as it is contained within the required credit quality step of 0, 1 or 2.
67	The Association would agree with this approach.	Noted.
68	Pre-approval of outward reinsurance to holders of Class 12 – we agree this should be pre-approved as counting towards full funding requirements. This would likely make the scheme more attractive to prospective clients.	Noted.

11. In respect of the approval of assets to count towards full funding requirements, do readers think that a pre-approval of outward reinsurance should or should not also be applied in respect of class 13 insurers also holding any of classes 1 to 11? And why?		
No.	**Responses (Anonymised)**	**FSA Response**
69	Pre-approval of outward reinsurance should be considered for regulatory clarity and efficiency, and be kept in line with the pre-approval for class 12/13.	Noted. Before any changes are made, the Authority will wish to consider the matter from other perspectives, including those of ultimate customers/policyholders.
70	We would suggest that the pre-approval of outward reinsurance should not be applied in respect of class 13 insurers also holding any of classes 1 to 11, the allowance should be based on the inherent risk of the policy underwritten and a minimum credit rating of the proposed reinsurer.	Noted. It is not yet clear to us how the respondent's suggestion for the allowance to be "based on the inherent risk of the policy underwritten" might be included on a practical basis within a simplified framework.
71	The Association would like to take the opportunity to discuss this further.	Noted and we support that discussion.
72	Pre-approval or outward reinsurance application to holders of Class 1 to 11- we agree this should be pre-approved as counting towards full funding requirements for class 3-9 insurers. This would likely make the scheme more attractive to prospective clients.	We note the potential attractiveness to prospective clients [being client insurance companies]. Before any changes are made, the Authority will wish to consider the matter from other perspectives, including those of ultimate customers/policyholders.

12. Do readers agree or disagree with the use of an adjusted accounting balance sheet to calculate full funding in respect of class 13 insurers? And why?		
No.	**Responses (Anonymised)**	**FSA Response**
73	Agreed in principle as it provides a more accurate picture of the insurer's financial position. However, the reliance on approvals from the regulatory authority for certain assets and liabilities may introduce delays in the calculation process so it would be helpful to have clarity over how long these approvals are likely to take.	Noted. As was explained in the consultation document, the proposed discretionary flexibility allows the Authority to develop the framework over time. That development will provide more certainty. We therefore encourage managers to engage with related discussions between the Authority

		and relevant industry bodies, or privately in relation to any particular prospective cases. Where class 13 proposals are consistent with pre-considered and pre-approved arrangements, then class 13 is expected to lend itself to efficient authorisation times (including fast-track authorisation). However, if an application includes complex or unusual proposals for approval which have not been suitably discussed with the Authority in the lead up to the application or before, then it may take longer for the Authority to consider the application and any wider precedent that any component decisions of the Authority might set.
74	We agree that the use of an adjusted accounting balance sheet to calculate full funding in respect of class 13 insurers should be allowed. This will reduce the costs and time taken which would be required to determine best estimate liabilities and is commensurate for the risk of a class 13 insurer.	Noted.
75	The Association would agree with this proportionate approach.	Noted.
76	Use of adjusted accounting balances – we agree with this as the simplest approach.	Noted.

13. In respect of the approval of assets to count towards full funding requirements, do readers think that a pre-approval of LOCs should or should not be given in respect of class 13 insurers? And why?

[*Note: responses to questions 13 to 15 in relation to on-balance sheet assets, unless the respondent specifies otherwise, shall be assumed to also apply to off-balance sheet assets as referred to in* ***paragraph 2(2)(c)(ii)*** *of Schedule 2).*]

No.	Responses (Anonymised)	FSA Response

77	Pre-approval of LOC's should be considered for regulatory clarity and efficiency.	Noted. Again, before any changes are made, the Authority will wish to consider the matter from other perspectives, including those of ultimate customers/policyholders.
78	The consultation paper (page 17) refers to regulated banks, or financial institutions with a 'high credit rating' please clarify what is meant by 'high credit rating'.	It means a high-quality credit rating (if 'approved reinsurance' proposals are taken as a potential guide, then it would suggest a credit quality step of at least 0, 1 or 2, for example).
79	We believe that pre-approval of LOCs should be given in respect of class 13 insurers, subject to the provider of the LOC being a recognised provider with a minimum credit rating commensurate to the risk of the insured.	Noted. It is not yet clear to us how the respondent's suggestion that "the provider of the LOC being a recognised provider with a minimum credit rating commensurate to the risk of the insured" might be included on a practical basis within a simplified framework.
80	The Association believe that there are various asset types (including for example Letters of Credit and Surety Bonds) which should be considered from a pre-approval point of view subject to the instrument meeting certain criteria. We look forward to progressing discussions regarding this with the Regulator.	Noted and we support that discussion. In particular, we will be interested to discuss the specific criteria referred to.
81	The Company has no comments on or objections to the proposals.	Noted.
82	Pre-approval of LOC's – we agree pre-approval of LoC's should be given.	Noted. We look forward to discussing a supporting rationale.

14. If the answer to question 13 is yes, what combination of classes including class 13 should the pre-approval apply to or not apply to? And why?		
No.	**Responses (Anonymised)**	**FSA Response**
83	For clarity and efficiency this should be considered for all classes.	Noted. We look forward to discussing a supporting rationale from other perspectives, including those of ultimate customers/policyholders.

84	We believe that pre-approval should be given to all combination of classes including class 13, should the previously suggested minimum [credit rating] requirements be met. The level of counterparty risk of the LOC provider should not change with a difference in the insurers class of licence.	Noted. In relation to the previously suggested minimum [credit rating] requirements, we reiterate that we would wish to understand how the approaches suggested might be included on a practical basis within a simplified framework. We also look forward to discussing the rationale supporting your statement that "the level of counterparty risk of the LOC provider should not change with a difference in the insurer's class of licence".
85	The Association would like to take the opportunity to discuss this further.	Noted and we support that discussion.
86	Combination of classes – to holders of Class 3 to 9 and class 12 insurers.	Noted. We look forward to discussing a supporting rationale.

15. Are there any other specific types of asset readers think should be pre-approved by the Authority for the purposes of full funding of class 13 insurers? And why?

No.	Responses (Anonymised)	FSA Response
87	Consideration should be given to the pre-approval of Group loans where the Board has assessed the successful recoverability of the Group loan or right of off-set.	Noted. We look forward to discussing this further.
88	Crypto currency, although we would expect increased solvency requirements based on the volatility of these assets. The class 13 licence could be attractive to Fintech companies who deal regularly with these assets and risk crystallised losses upon conversion to regular currency.	Noted. We look forward to discussing this further.
89	Refer to Question 13. [The Association believe that there are various asset types (including for example Letters of Credit and Surety Bonds) which should be considered from a pre-approval point of view subject to the instrument meeting certain criteria. We look forward to progressing discussions regarding this with the Regulator.]	Noted and we support that discussion. In particular, we will be interested to discuss the specific criteria referred to.

90	Other specific types of assets – parental guarantees which can sometimes be used in place of LoC's.	Noted. We look forward to discussing this further.

16. Do readers agree or disagree with the requirement that a class 13 insurer must fully fund its exposures gross of limited recourse? And why?		
No.	**Responses (Anonymised)**	**FSA Response**
91	We agree that exposures should be fully funded gross of limited recourse as this ensures that the insurer has the necessary capital to cover potential losses without relying on limited recourse arrangements, which may not provide sufficient protection in case of large scale events or catastrophic losses. By funding its exposures in entirety, the insurer can better manage risks and fulfil its obligations to its policyholders.	Noted.
92	We agree with the Authority's view that fully funding the exposures gross of limited recourse serves to protect the policyholder. However, there may be (prospective) Class 13 insurers that are essentially Class 12 captives where the policyholder is the shareholder and source of funding, and is fully aware of the risk of the Class 13 insurer not being fully funded gross of limited recourse e.g. where the Class 13 is providing access to reinsurers and relying on a cut through clause. Requiring the insurer to be fully funded gross of limited recourse may discourage the use of Class 13 insurers intending to write sizable exposures.	Noted. Please note that 'cut through' clauses are not prohibited; however, full funding would need to be established gross of any accompanying limited recourse clauses [such as 'pay as paid'], for example. At present we understand from other consultation responses and discussions with industry that there is a consensus that full funding should be gross of limited recourse. However, as indicated in the row below, limited recourse is viewed in industry as a valid 'second line of defence'. The Authority agrees, and anticipates that there may be circumstances other than transition where it is appropriate to calculate SCR or MCR net of limited recourse. The Authority has therefore proposed in the draft Insurance Regulations 2025 to widen its discretionary power to agree

		or specify where a class 13 insurer's MCR or SCR can be calculated net of limited recourse. See supporting consultation document for additional comments and rationale. Also, we note and acknowledge that captive business might involve valid use of limited recourse arrangements.
93	Agreed as limited recourse is typically a second line of defence.	Noted.
94	Class 13 to fund gross exposures – we agree with the proposal.	Noted.

17. Do readers agree or disagree with the discretion given to the Authority to modify the CGC in respect of class 13 insurers? And why?

No.	Responses (Anonymised)	FSA Response
95	Class 13 insurers, with their fully funded profiles, do not require the same level of regulatory oversight as other classes, and thus allowing exemptions and modifications will promote efficiency and attractiveness of the class 13 proposition. However, clarity on what these exemptions and/or modifications are would be preferable to ensure consistency and equality is applied across the licence class. Whilst we support a flexible approach, it also introduces a level of uncertainty when trying to establish the viability and costs for a class 13 insurer.	Class 13 already has a degree of clarity (e.g. class 13 insurers are proposed to apply the CGC in accordance with their other class(es) and are exempt from actuarial function requirements). Additional refinements may be made over time as needed and also in the planned review and potential update to the CGC commencing in 2025.
96	We agree that the Authority can modify the CGC in respect of class 13 insurers, as the requirements should be commensurate to the risk of the insurer. We would prefer to have details of the minimum CGC requirements required either through legislation or guidance, rather	Noted. Additional refinements may be made over time as needed and also in the planned review and potential update to the CGC commencing in 2025.

	than reliance on the insurer's interpretation of a proportional approach.	
97	Agreed. This Characteristics of Class 13 (i.e its fully funded profile and typically lower cost base model) would lend itself to requiring a significantly more proportionate CGC Framework.	Noted.
98	Authority discretion to modify CGC for Class 13 – we welcome any proposal to grant the Authority some discretion in line with the likely lower risk profile for Class 13.	Noted.

18. Do readers agree or disagree with the approach to costs and expenses of class 13 insurers lying outside of the full funding requirement? And why?		
No.	**Responses (Anonymised)**	**FSA Response**
99	We agree with this approach. It ensures the insurer maintains adequate financial resources to cover all its obligations, including operational costs. However, how does the Authority intend to assess the minimum amount of resources required, especially given that the costs are likely to fluctuate and it is the insurer who has oversight of this.	Noted. In respect of costs and expenses lying outside of the full funding requirement, the Authority will consider proposals at the application for authorisation stage and will monitor the position subsequently in accordance with approved business plans and any imposed minimums (e.g. at reporting intervals or if any issues arise). The insurer will be responsible for forecasting and assessing its costs and maintaining appropriate funding to meet those costs on an ongoing basis, as well as reporting its position to the Authority. The Authority will keep this element of funding under consideration and, if appropriate, may specify a generally applicable minimum.
100	We disagree with the approach to costs and expenses of class 13 insurers lying outside of the full funding requirement. We would suggest that a prudent estimation of the associated costs and	The proposal has always included the approach that a class 13 insurer should – - fully fund its residual maximum exposures; and

	expenses be included in the approach, although we would expect any investment income projected to be further included. We appreciate the difficulty budgeting for costs and investment income therefore minimum levels could be provided through guidance and any departure from this be reviewed on an individual basis.	- adequately fund its other costs and expenses, and that its – - SCR should be based only on the full funding of its residual maximum exposures; and - funding of other costs and expenses should fall within capital/other resource adequacy under the CGC. In the updated proposals in the draft Insurance Regulations 2025, the requirement to fund other costs and expenses has been shown more prominently next to the requirement to fund residual maximum exposures (in paragraph 2(1)(b) of Schedule 2). However, the SCR is still proposed to be based on the full funding of residual maximum exposures. (We are not sure if you are suggesting that SCR should also include the funding of other costs and expenses but, if so, we would wish to discuss this). At present we understand from other consultation responses and discussions with industry that there is a consensus that the funding of other costs and expenses of class 13 insurers should lie outside of SCR but within capital/other resource adequacy under the CGC).
101	Agreed.	Noted.
102	Costs and expenses to be outside full funding requirement – agreed.	Noted.

19. Do readers agree or disagree with an SCR based simply on full funding in respect of class 13 insurers? And why?		
No.	**Responses (Anonymised)**	**FSA Response**

103	Agreed as this simplifies the approach whilst ensuring adequate financial resources are available.	Noted.
104	We agree with an SCR based on fully funding in respect of class 13 insurers as this is commensurate with the risk of the insurer and will reduce the costs and expenses.	Noted.
105	Agreed, this is an appropriate and proportional approach.	Noted.
106	SCR based simply on full funding – agreed as a proportional approach.	Noted

20. Do readers agree or disagree with the discretion given to the Authority to reduce MCR in respect of class 13 insurers? And why?		
No.	**Responses (Anonymised)**	**FSA Response**
107	Agreed. The approach is pragmatic and will account for the unique characteristics and risk profile of each insurer. However, we are unsure why the MCR is prescribed depending on class of insurer. If the exposures are fully funded, the MCR could be enough to meet its operating expenses as referred to in 18.	It is incorrect to assume that MCR exists only to provide a safety margin to meet operating expenses (i.e. other costs and expenses lying outside of residual maximum exposures). If the MCR regulatory intervention level has been breached by a class 13 insurer then the insurer is likely failing to fully fund its residual maximum exposures. As such, MCR is a safeguard relevant to insurance obligations as well as other obligations and the regulatory intervention levels should (unless agreed otherwise) follow the nature of the business as distinguished by classes 1 to 12.
108	We agree that the Authority be allowed discretion to reduce MCR in respect of class 13 insurers as the inherent risk would be less than other classes of insurance.	Noted. We agree that MCR might be reduced where proportionate (which might, for example, be the case if the insurance exposures required to be fully funded are less than the default MCR).

109	Agreed, this is an appropriate and proportional approach.	Noted.
110	Reduced MCR in respect of Class 13 – agreed as a proportional approach.	Noted.

21. Do readers agree or disagree with the discretion given to the Authority to modify the eligibility of Tier 1 own-fund items in respect of class 13 insurers? And why?		
No.	**Responses (Anonymised)**	**FSA Response**
111	Agreed. It adds flexibility which will allow adaptation to changing market conditions and foster innovation in capital management.	Noted.
112	We agree with the Authority been given discretion to modify the eligibility of Tier 1 own-funds items in respect of class 13 insurers as this will provide additional flexibility and opportunity for emerging capital items to be considered based on the requirements of the insurer.	Noted.
113	Agreed.	Noted.
114	Discretion to modify Tier 1 own fund items in respect of Class 13 – agreed as a proportional approach.	Noted.

22. Do readers agree or disagree with a class 13 insurer's exemption from the requirement to appoint an actuary under the Act? And why?		
No.	**Responses (Anonymised)**	**FSA Response**
115	Agreed. A fully funded insurer is demonstrating financial stability and responsibility and this makes the appointment of an actuary unnecessary and disproportionate to the level of risk.	Noted.

116	We agree, as the requirement to appoint an actuary would not be commensurate with the risk of the insurer (which has limited variability) and would be cost prohibitive.	Noted.
117	Agreed, given the nature of the Licence Class the requirement for an Actuary would not be appropriate.	Noted.
118	Class 13 exemption to appoint an actuary – agreed as a proportional approach.	Noted.

23. Do readers agree or disagree with the discretion given to the Authority to impose limits on the business and activities of a class 13 insurer? And why?		
No.	**Responses (Anonymised)**	**FSA Response**
119	Agreed (where necessary), to ensure that insurers maintain adequate control over their operations and prevent excessive risk taking. However, the right balance between regulation and industry flexibility needs to be struck.	Noted. In relation to all comments received on this matter, upon review, the Authority proposes to specify some default requirements applicable to class 13 insurers that shall apply in lieu of any other limitations imposed by the Authority. Those requirements help ensure that complex or long tail business must obtain the Authority's approval to apply for class 13 authorisation (see paragraphs 3 and 7(3) of Schedule 2 of the proposed Insurance Regulations 2025 and supporting consultation document).
120	We agree with the discretion given to the Authority to impose limits on the business and activities of a class 13 insurer as this may be necessary to ensure that the insurer remains fully funded should the assets reduce in advance of liabilities being fully extinguished.	Noted.
121	This approach is noted and understood.	Noted.
122	Discretion of the Authority to impose business limits in respect of Class 13 – agreed.	Noted.

24. Do readers agree or disagree with the requirement for a class 13 insurer to obtain the Authority's approval in order to surrender class 13? And why?		
No.	**Responses (Anonymised)**	**FSA Response**
123	Agreed. It will prevent insurers from altering their authorisation without proper scrutiny, especially if they are in breach of their funding requirements.	Noted.
124	We agree with the requirement for a class 13 insurer to obtain the Authority's approval in order to surrender class 13 to ensure that it complies with the fully funding requirements and policy holders are protected. We would be in favour of a fast-track transitional arrangement should the insurer wish to apply for a different insurance licence from the existing class 13 licence.	Noted.
125	This approach is noted and understood.	Noted.
126	Requirement to obtain approval to surrender Class 13 – agreed.	Noted.

25. Do readers agree or disagree with the Authority's intended approach, in respect of reduced risk insurers (such as class 12 and 13), to provide competitive fast-track authorisation using Schedule 3 and any other relevant powers available to it? And why?		
No.	**Responses (Anonymised)**	**FSA Response**
127	Fully support. Competitor jurisdictions already have similar fast-track processes. They have operated for a number of years, without issue.	Noted.
128	We agree with the intended approach as it offers a streamlined process with simplified requirements which will help to accelerate the authorisation timeline. This will benefit both insurance managers and consumers, promoting efficiency and accessibility in the insurance market.	Noted.

129	We agree with the proposed fast-track authorisation using schedule 3 but would suggest that this should include a specified time period and that this be achievable in practise without delays caused by additional information requests. We would also be in favour of a fast track approach for other insurers, where appropriate, although the current F&P procedures would require overhaul as they create unnecessary delays and are overly onerous compared to other domiciles.	The Authority believes that a process can be established where extremely fast approvals and even pre-approval can be achieved, and anticipated timescales may be included along with the details of that process (indeed point (b) of Schedule 3 refers to such accelerated timescales). However, speed of authorisation is also dependent on the completeness and quality of applications (and, where possible, the effective use of pre application engagement with the Authority). The Authority's Fitness and Propriety framework is outside the scope of this consultation. However, it has been taken into account in some discussions regarding fast-track as it can be less of a factor, for example, in the context of manager-sponsored PCC structures (i.e. rent-a-captive cells) and standby insurers.
130	Fully support. Competitor jurisdictions already have similar fast-track processes. They have operated for a number of years, without issue, and having fast track authorisation will improve competitiveness.	Noted.
131	Provide fast track authorisation for Class 12 & 13 – we support this approach which will help to level the field with some other jurisdictions.	Noted.

26. Do readers agree or disagree with the Authority's intended approach to provide insurance regulatory sandboxing using Schedule 4 and any other relevant powers available to it? And why?		
No.	**Responses (Anonymised)**	**FSA Response**
132	We agree with the intended approach as it will allow controlled testing of new or innovative insurance business in a temporary regulatory environment whilst providing exemptions and simplified requirements, which will reduce the burden on insurers whilst	Noted. In relation to fees, upon review post consultation, the Authority now proposes to specify default fee amounts

	facilitating and developing new products or services. Additionally the reduction of fees for participants in the sandbox could incentivise participation and experimentation.	applicable to insurers that are subject to a sandbox that shall apply in lieu of any exercise of discretion. The default fees and corresponding discretion available to the Authority are set out in the draft Insurance (Fees and Miscellaneous) (Amendment) Regulations 2025.
133	The purpose of regulatory sandboxing is well understood and [Insurer] welcomes the introduction in order to foster innovation and collaboration between the Authority and business.	Noted.
134	We agree with the Authority's intended approach to provide insurance regulatory sandboxing using Schedule 4. Although we do not expect this approach to be required on a regular basis it would be available for innovative risks that could be tested in a secure environment.	Noted.
135	This approach is noted and could play an important role in the development of the Industry.	Noted.
136	The Company has no objections to the intended approach. This development presents a positive approach to encouraging and supporting innovation.	Noted.
137	Provide insurance regulatory sandboxing – this is potentially a good idea.	Noted.

3. Next Steps

Full details of updated proposals shall be the subject of a further consultation to be released in the next few weeks.

In case of any query, please contact the undersigned —

Mr Alan Rowe
Isle of Man Financial Services Authority
PO Box 58, Finch Hill House, Bucks Road, Douglas Isle of Man, IM99 1DT
Email: Alan.Rowe@iomfsa.im

Telephone: +44 (0) 1624 646004

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

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