

Responses to consultation on Insurance Regulations 2018

IR2018 Regulation (consultation version)	IR2018 Regulations (final draft)	IR1986 Regulation	Topic	Comment	Authority's response
3(5)	3(5)	2(5)	Interpretation (related company)	Definition of related party business has been omitted.	Noted – this was an error and this definition has been reinstated.
6(6)	6(6)	12(6)	Statutory reserve – definition of “exposure ratio”	Why have the qualifying words “appearing on the accounts of the insurer for the financial year ending during the appropriate relevant period” been removed? Yet, we have kept the definition of “relevant period”.	Noted - the definition of relevant period appears to be no longer needed and has been removed.
10(2)	10(2)	20(d)	Exempted insurance business	<p>We note that it is proposed that the exemption for an overseas insurer authorised to carry on insurance business in the UK or EU which does not have a fixed place of business (other than an agency) in the Isle of Man (Overseas Insurer Exemption) currently contained in regulation 20(d) of the Current Regulations be made subject to additional conditions as set out in draft regulation 10(1)(d) of the Draft Regulations. We have the following comments in relation to this:</p> <ul style="list-style-type: none"> The Consultation provides that “the focus of the IR2018 [Draft Regulations] is to make changes which enable the new capital framework for long-term insurers to be implemented mid-2018.” It is not clear to us how the proposed changes to the Overseas Insurer Exemption correspond with this objective and, as such, may have escaped attention. We note that section 2.7 of the Consultation refers to changes being made to the Overseas Insurer 	The Authority has discussed further the practical implication of imposing conditions on the exemption for insurers authorised to carry on an insurance business in the United Kingdom or a member State of the European Union. On the basis of those discussions, the conditions have been removed and further consideration will be given to them.

IR2018 Regulation (consultation version)	IR2018 Regulations (final draft)	IR1986 Regulation	Topic	Comment	Authority's response
				<p>Exemption but it does not provide a clear rationale for these changes.</p> <ul style="list-style-type: none"> We query whether an impact assessment will be conducted in relation to the Overseas Insurer Exemption. We are concerned that there are various categories of insurers which currently benefit from the existing Overseas Insurer Exemption, including some who may not be aware of the proposed amendment. Insurers which rely on the Overseas Insurer Exemption may find the proposed ongoing reporting requirements to be unduly onerous. It is not inconceivable that a consequence of this may be that fewer insurers will be willing to write Isle of Man risks and this may ultimately impact on consumers in the Isle of Man. 	
14 (1) (b) (iv)	17(1)(b)(iv)	4(3) & Schedule 5, Part I	Three year projection	<p>These are points where clarification is sought on what is permissible.</p> <p>a) Is it required that the projected figures are to be prepared using central best estimate assumptions consistent with those used in the valuation of the business at the reporting date?</p> <p>b) We assume it will be permissible instead that the projection can be prepared using real world economic assumptions.</p> <p>These are points where clarification is sought on what is expected.</p>	<p>Correct, though we appreciate that there may be some elements of the revenue account which are more subjective such as new business volumes.</p> <p>See above response.</p>

IR2018 Regulation (consultation version)	IR2018 Regulations (final draft)	IR1986 Regulation	Topic	Comment	Authority's response
				<p>c) Where a business completes a significant post balance sheet date transaction in the period up to the submission of the annual returns, for example the acceptance of a significant block of reinsurance business, we think this should be reflected in the three year projection.</p> <p>d) Where a significant transaction becomes more likely than not, albeit not concluded, we think this should not be reflected in the core three year projection, but that a separate projection should be supplied (possibly in connection with regulatory non-objection being sought) showing the scenario where the transaction proceeds. If the transaction proceeds the scenario becomes the core projection, or a fresh projection would be supplied if required.</p>	<p>We agree.</p> <p>We agree that this seems a sensible approach.</p>
Part III	Part III	7 – 11 & 13	Reporting requirements for long-term business	[Company] has no specific comments on the reporting requirements set out within Part III of the draft Insurance Regulations 2018. Again, the consistency in keeping reporting requirements in line with previous disclosures and using the QIS style reporting templates makes the transition easier and is appreciated.	Noted
Schedule 5, Part II	Schedule 5 Part II	11, Part II	Directors' certificate	The directors' certificate refers to the old name for the insurance valuation and solvency regulations.	Noted – this has been corrected.
Schedule 5 Part III	Schedule 5 Part III	11, Part III	Auditor's report	<p>Extracts from comments received:</p> <p>Our initial review of the scope in Part (1) is that it seems reasonable. The scope of work in Part (2) could be onerous, even under limited assurance, due in particular to the inclusion of the ORSA. We note that the ORSA</p>	The Auditor's report (and the Directors' Certificate) has been amended to remove reference to the ORSA.

IR2018 Regulation (consultation version)	IR2018 Regulations (final draft)	IR1986 Regulation	Topic	Comment	Authority's response
				<p>would not form part of the "other information" reviewed for inconsistencies under UK Solvency II reporting and it would be useful to understand your expectations over these returns.</p> <p>Proposed form of reporting The report does not define the framework being applied by the auditor and does not include sections on independence, responsibilities of the directors / auditor and any necessary disclaimers (e.g. only for use by the FSA). In Part (2) the "reasonable for the directors" statement is not based on a recognised reporting framework.</p>	<p>A guidance note will be issued to set out the Authority's expectations.</p>
Schedule 6	Schedule 6	11, Schedule 6, Part I	Supplementary information	Reference to fund account should be removed – obsolete	<p>Noted – this has been corrected.</p>
n/a		5	Fit and proper notifications	<p>We have reviewed the consultation and have no comments other than the following observations:</p> <p>We note reference to a new fitness and propriety assessment process to be introduced to replace the current Schedule 2 and would be grateful for sight of this as soon as possible. We still have some concerns around the requirements under the act for a controller (that is, the CEO of a parent organisation) to directly give notice of a change, and the likelihood that most companies are in breach of the Act.</p> <p>The draft regulations refer to the 'Insurance Act 2018' – we presume this should be 'Insurance Act 2008'.</p>	<p>The new vetting process has now been consulted upon and will come into effect on 1 August 2018.</p> <p>An amendment has been made to the Insurance Act 2008 to enable post notification of changes.</p> <p>Correct – this has been amended.</p>

IR2018 Regulation (consultation version)	IR2018 Regulations (final draft)	IR1986 Regulation	Topic	Comment	Authority's response
				<p>The classes of business are unchanged but we note that these do not correlate with the Lines of Business defined in the QIS exercises. We wonder if any thought has been given to addressing this?</p> <p>On page 67 there is a definition of 'recognised exchange'. The reference to 'recognised exchange' has been brought in recently under the Beneficial Ownership Act and we wonder if any thought has been given to ensure that these definitions are aligned?</p>	<p>Classes of business will be reviewed in the next iteration of the regulations when they will be amended to address reporting for the non-life sector.</p> <p>This was not within the scope of the Insurance Regulations 2018 with reporting requirements for non-life insurance left unchanged. We will review this comment when drafting the next iteration of the regulations.</p>
n/a		n/a	Peer review	A number of queries were received about the peer review required by actuarial standards.	These queries relate to long term insurance and have been addressed in consultation feedback to the Insurance (Long Term Business Valuation and Solvency) Regulations 2018.
n/a		n/a	General	As the Insurance Regulations 2018 (CP17-14/T15) predominately affects long term insurance business and given your comments that "The requirements in respect of reporting and indeed, most other requirements in the proposed regulations, will not change in substance for non-long term insurers" and the FSA will be "...consulting on the new reporting requirement for non-long term insurance businesses towards the end of 2018", we do not have any comments to make.	Noted
n/a			General	Regarding Consultation Paper CP17-14/T15, having discussed these proposals with our colleagues at the IOMCA and MIA, we have no comments to make on this consultation. Though we have encouraged our members to respond directly.	Noted

IR2018 Regulation (consultation version)	IR2018 Regulations (final draft)	IR1986 Regulation	Topic	Comment	Authority's response
n/a			General	We are happy with the proposals as set out in the draft insurance regulations. These are in line with our expectations gained through the QIS process and discussions to date with the IOM FSA throughout the Roadmap and ICP project. We are comfortable with the dates and timeframes for first reporting and look forward to a continued open dialogue with the IOM FSA as the first results are formally reported and the regulations and reporting requirements are further refined.	Noted
n/a			General	This is just to advise out of courtesy that in respect of your Consultation Paper, [company name] have reviewed this but do not have any comments.	Noted