



**ISLE OF MAN
FINANCIAL SERVICES AUTHORITY**

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Survey for businesses selling insurance alongside other goods and services

DP18-01/T08

12 January 2018

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

What is it for?

Many businesses sell insurance alongside their principal goods or services. In this paper we call such insurance “ancillary insurance”. The selling of ancillary insurance is not currently regulated because there is an exemption in legislation (at regulation 9(1)(b) of the Insurance Intermediaries (General Business) Regulations 1999, as amended (“**the Regulations**”)) which allows such activity to be carried on without being registered with the Authority if the insurance provided “covers the risk of loss or damage to goods or services provided by that person, if the person’s principal business is not that of an insurance intermediary”.

As part of its wider review of the selling of general insurance products the FSA issued a discussion paper (“**DP16-07**”) in October 2016 which set out its views in respect of developments in the supervision of general insurance intermediaries. DP16-07 included suggestions for potential developments to enhance the Island’s existing framework.

On the basis of the feedback received to DP16-07, the FSA has identified the need to conduct a further exercise to review the selling of insurance when offered alongside other goods or services.

Accordingly, the purpose of this discussion paper is to gather information from businesses currently taking advantage of that exemption to help formulate the FSA’s views on whether or not the sellers of ancillary insurance should be registered. The FSA intends to produce proposals on this topic which will be set out in a further consultation later in 2018.

Who is affected by it?

This document will be of interest to any business that is offering ancillary insurance which is complementary to its primary goods or services.

Responding to DP18-01/T08

The closing date for comments is **28 February 2018**.

Please complete the survey online, or attached, and send any further comments by email to:

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Glossary of Terms

Term	Meaning in this document
Act	Insurance Act 2008
Ancillary insurance	insurance that covers the risk of loss or damage to goods or services provided by the person, if the person's principal business is not that of insurance intermediation
FSA	The Isle of Man Financial Services Authority
Bill	Insurance (Amendment) Bill
DP16-07	Insurance Intermediaries Discussion Paper – issued October 2016
General insurance intermediary	A person who for remuneration brings together, either directly or through the agency of a third party, with a view to the insurance of risks, persons seeking insurance and insurers and carries out work preparatory to the conclusion of contracts of general insurance (taken from the Insurance (Amendment) Act 2017) – also known as an insurance broker
IAIS	International Association of Insurance Supervisors
ICPs	Insurance Core Principles (of the IAIS)
IPA	The former Insurance and Pensions Authority
Regulations	Insurance Intermediaries (General Business) Regulations 1999, as amended
Roadmap	Roadmap for updating the Isle of Man's regulatory framework for insurance business

Executive Summary

A person who acts as an insurance intermediary in respect of the effecting or carrying out of contracts of insurance (which are not investments within the meaning of the Financial Services Act 2008) must be registered as an insurance intermediary with the FSA, unless that person is exempt.

There is an exemption within the Regulations for persons arranging insurance that covers the risk of loss or damage to goods or services provided by the person, if the person's principal business is not that of a general insurance intermediary.

The FSA is reviewing this exemption to consider whether it remains current and consistent with international standards. If this exemption was removed, those persons arranging ancillary insurance alongside their principal business activity would be required to register with the FSA.

The FSA is undertaking further research into the underlying risk profile of businesses that are known to currently utilise the exemption in order to determine what level of regulation is appropriate for ancillary insurance.

Where the FSA expresses a view in this document, this should not be taken as an indication that a particular policy or approach has already been determined. The main purpose of this document is to invite comments from stakeholders, either in response to the specific questions raised in the survey or through more general feedback, as part of the FSA's considerations in putting forward proposals for consultation in due course.

1 Introduction

The FSA recognises the need to assess the effectiveness of its framework relevant to general insurance intermediation in line with developing industry practice and regulatory standards and, where necessary, update the framework to ensure it:

- provides for an appropriate level of customer protection;
- promotes professional standards; and,
- maintains confidence in the Island's insurance sector.

This is being carried out as part of a wider project to update the Isle of Man's regulatory framework for insurance business, further details of which can be found on the FSA's website at: <http://www.iomfsa.im/regulatorydevelopments/insuranceframework.xml>

In order to ensure that the Island's regulatory framework remains effective in securing an appropriate degree of protection for consumers in the distribution of general insurance products in or from the Island, the FSA has identified areas where enhancements to the existing regulatory framework are likely to be needed and these were set out in DP16-07, which was issued by the FSA in October 2016.

International standards, as set out within the ICPs, allow in specific and limited circumstances for the regulator to make exceptions or exemptions to certain registration requirements; however, where such exemptions are permitted, they must not encourage regulatory arbitrage or increase the risk to consumers.

The FSA considers the current project as an appropriate opportunity to review exemptions to registration under the current framework, to consider whether the exemptions available remain current and consistent with international standards.

2 Current position

2.1 Ancillary insurance

Many businesses offer ancillary insurance and, as noted above, the current regulatory framework provides for an exemption for such activity.

Although this exemption has been interpreted quite widely in the past it is unclear whether or not some of the developments to business models and selling practices that currently take advantage of the exemption strictly fall within the current wording of the exemption. The FSA considers its current review of general insurance as an appropriate opportunity to review and consider whether the exemption should be amended.

The FSA is aware of a range of businesses that may recommend insurance as an ancillary service to the business's main activity, such as:

- veterinary practices;
- travel agents, airlines and other travel providers;
- removal firms;
- freight companies, couriers and the Post Office;
- ship management companies;
- providers of yacht/aircraft registration and management services;
- electrical retailers and vehicle retailers;
- dentists;
- jewellers;
- vehicle hire companies;
- banks providing insurance as part of a packaged bank account;
- businesses providing loans and credit cards.

As noted, the FSA issued DP16-07 in October 2016 which set out its views in respect of developments in the supervision of general insurance intermediaries. There was strong feedback to this paper in relation to the ancillary insurance exemption. Many respondents suggested that ancillary insurance should be regulated to the same standard as the general insurance intermediary sector, to ensure an appropriate degree of policyholder protection and a fair level of competition in the market.

The FSA's principle consideration is that its regulatory regime must be proportionate to the risks posed; therefore, further research into the underlying risk profile of businesses that are currently utilising the exemption is being carried out.

2.2 Jurisdictional comparison

The FSA has carried out a jurisdictional comparison and noted that it is not common practice to regulate all ancillary insurance intermediaries. For example, the Insurance Distribution Directive ("IDD") which is to be implemented by EU states (including the UK) by February 2018 provides for an exemption for ancillary insurance intermediaries whose insurance distribution activities are limited to products that meet particular criteria. These criteria include the nature of cover provided by the products and the amount of the annual premium.

The Jersey Financial Services Commission does register ancillary insurance intermediaries but supervises them with a reduced level of oversight when compared to general insurance intermediaries.

The Guernsey Financial Services Commission has an exemption within its legislation for ancillary insurance intermediaries.

3 Responding to the survey

The FSA is interested in gathering more information from businesses currently taking advantage of the ancillary insurance exemption to help formulate its views in this area before producing firm proposals for consultation.

1. Name of business

2. What is your primary business activity?

- veterinary practice
- travel agent
- other travel provider – *give details* _____
- removal firms
- freight companies, couriers, the Post Office;
- ship management company
- yacht/aircraft registration and/or management services;
- electrical retailer
- vehicle retailer
- dentist
- jeweller
- vehicle hire company
- bank providing packaged accounts
- business providing loans
- business providing credit card
- other – *give details* _____

3. What kind of customers do you deal with?

- a natural person acting for purposes outside his or her trade, business or profession
- a natural person acting for purposes within his or her trade, business or profession
- a business

4. Give a summary of the insurance cover provided, including the main risks insured and a summary of the excluded risks.

5. Do you offer a choice of insurance policy?

- No we only offer one policy
- Yes we offer a selection for the customer to choose from
- Yes we advise the customer on which would be best for their needs

6. Do you sell insurance policies other than in conjunction with your main business activity?

- Yes, please give details _____
- No

7. How much insurance do you sell? Please give an indication of the premium involved during 2016

8. What training do sales staff have on the insurance products?

- None
- Relevant professional qualification that incorporates insurance products
- In house training by the company
- In house training provided by the insurer
- Other – give details _____

9. What information is given to customers on the insurance during the sales process?

- The name of the insurer
- Main risks insured
- Main exclusions and limitations of the insurance
- Level of premium
- Level of any excess payable
- Any additional fees and charges associated with the product (i.e. cancellation charges)
- Obligations in the event that a claim is made
- The term of the contract including start and end dates
- Other – give details _____

10. Are there any codes of practice or standards that your business adheres to?

- Yes, please give details _____
 No

11. If yes, does the Code include any requirements on the intermediation of insurance?

- Yes
 No

12. Do you handle clients' money in relation to the placing of insurance?

- Yes
 No

13. Please give details of your complaints policy/procedure, including whether it covers complaints in relation to the insurance offered, details of availability of the procedure and how customers are made aware of this, the review process for complaints and the average time taken to respond:

14. Please give an indication of the number of complaints that relate to the insurance sold over the past year, if statistics are available.

- None
 1 – 2
 3 – 10
 11 – 20
 20 – 50
 50+

Feedback on these specific questions along with any other feedback to this document can be given using the survey on the consultation hub or by email, by 28 February, to:

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