



**ISLE OF MAN
FINANCIAL SERVICES AUTHORITY**

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**Insurance Act 2008
Financial Services Act 2008**

**Guidance for Insurers, Insurance
Intermediaries and Licenceholders**

**Preparations for ceasing regulated business and
surrendering an authorisation, registration or
licence**

STATUS OF GUIDANCE

The Isle of Man Financial Services Authority (“the Authority”) issues guidance for various purposes, including to illustrate best practice, to assist licenceholders to comply with legislation and to provide examples or illustrations. Guidance is, by its nature, not law, however it is persuasive. Where a person follows guidance this would tend to indicate compliance with the legislative provisions, and vice versa.

Introduction

The cessation of regulated business is a major event in the life cycle of a business.

In support of the Authority's objective to provide appropriate protection to policyholders and customers, we aim to ensure that surrenders are orderly. The Authority carefully scrutinises any notification from an insurer, a licenceholder or an insurance intermediary ("**a Firm**") that proposes to cease conducting regulated business.

This guidance sets out a high-level approach to the orderly cessation of regulated business. However, detailed requirements vary between sectors of the industry. These reflect underlying differences in business and risk (and between items of legislation). More detailed sector-specific guidance may be issued.

This guidance focuses on complete cessation of regulated business and surrender of authorisation, as opposed to ceasing an activity whilst continuing to be authorised.

A Firm must have ceased regulated activities before it can surrender its authorisation. Otherwise it commits an offence.

The Authority's Key Principles include that Firms "... are responsible for managing the risks within their business. It is the Authority's role to design and advance a regulatory framework that promotes effective controls, good risk management and suitable disclosure..."

To effect an orderly surrender, the Authority expects the directors of a Firm to:

- i. Evidence and take proper steps to assure themselves that the Firm has ceased regulated activity;
- ii. Evidence and take proper steps to assure themselves that policyholders or clients have been made sufficiently aware of the Firm's intention to surrender and the options that are available to them and that the Firm has properly transferred or terminated customer relationships;
- iii. Take proper steps to secure the Firm's records including client and AML/CFT records, and to allow future access to the records if and when required; and
- iv. Address the risk of subsequent claims or other risks that may arise in respect of the Firm's former business, taking action to appropriately manage, mitigate or insure such risks.

Information to be provided to the Authority prior to surrender

To inform the Authority's consideration of the surrender and any related matters, a Firm should complete and submit [Appendix 1](#): Table of Information in respect of a proposed winding down and surrender.

In addition, the Authority requires a declaration to be provided in order to satisfy itself that the Firm is not undertaking activity that requires it to maintain its registration/authorisation/licence with the Authority. Before finalising the Surrender, a Firm should complete and submit the relevant declaration:

- [Appendix 3](#): General Insurance Intermediary Declaration
- [Appendix 4](#): Insurance Manager Declaration
- [Appendix 5](#): Authorised Insurers Declaration and List of Insurance Contracts
- [Appendix 6](#): Financial Services Act 2008 Firm Declaration

All regulatory reporting requirements up to the date of surrender are unchanged and the Firm should make appropriate arrangements in order to meet its regulatory obligations. The Authority may consider requests to alter reporting requirements on a case by case basis. Requests should include a clear rationale and consideration of associated risks.

How to help the Authority consider and process the surrender

In practice, an orderly surrender typically follows a dialogue over several months, the time frame being impacted by: the Firms' plans / timeline; the complexity of the surrender and related matters; and, the completeness of the information provided. To facilitate this process, we encourage you to:

- ✓ Advise the Authority at an early stage;
- ✓ Supply supporting and background information, and explanatory material¹;
- ✓ Nominate contact(s) in the Firm who are familiar with the plans and can answer questions; and
- ✓ Wherever possible, send documents in a searchable format.

¹ For example structure charts, financial projections

Appendix 1: Table of Information in respect of a proposed winding down and surrender²

Item	Applicable?	Attachment?	Comments - If not applicable, state why. If information is to be provided at a later date, state the date it will be provided by.
1. Plan for winding down the business and surrender of authorisation			
a. The reasons for the surrender.	Yes	<input type="checkbox"/> Yes <input type="checkbox"/> No	
b. The proposed surrender date ³ .	Yes	<input type="checkbox"/> Yes <input type="checkbox"/> No	
c. The intended date before surrender at which regulated business will cease.	Yes	<input type="checkbox"/> Yes <input type="checkbox"/> No	
d. Proposals for ceasing regulated business, including transferring policyholders or clients to other providers and terminating client relationships;	Yes	<input type="checkbox"/> Yes <input type="checkbox"/> No	
e. Proposals for terminating relationships with counterparties. <i>For example, authorised insurers should submit a list of all the insurance contracts issued since authorisation, together with an explanation as to how the insurer's existing and future potential exposure under each have been fully and permanently terminated⁴.</i>	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	

² This guidance is not exhaustive. It does not cite all the applicable provisions of an Act, Code or Rule Book. The matters to consider during the surrender process vary according to the nature, complexity and scale of the Firm.

³ The Financial Services Rule Book specifies a minimum notice period of 30 business days (partly to prevent abandonment of a business). In practice, an orderly surrender typically follows a dialogue over several months, with the actual surrender date being agreed near the end of the process, when dates are reasonably firm.

⁴ The means by which insurance exposures can be terminated often depends on the type of wording used, for example –

- a. where insurance is provided on a 'claims made' basis it may be possible to identify the point in the past at which it was no longer possible for further claims under that insurance to be made (this would also require there to be no outstanding claims);

Item	Applicable?	Attachment?	Comments - If not applicable, state why. If information is to be provided at a later date, state the date it will be provided by.
<p><i>Insurance Managers should notify the companies for whom it has provided insurance management services too of their intention to cancel their registration as an insurance manager under the Insurance Act 2008.</i></p> <p><i>General insurance intermediaries should notify all insurers for whom the intermediary acts; they should provide an outline of the steps taken to advise existing general insurance clients of the intention to cease providing intermediation activities and the advice that has been given to them as to how they can make alternative arrangements (or what alternative arrangements have been made in relation to their policies).</i></p>			
<p>f. Contingency plans if the surrender takes longer than expected.</p> <p><i>For example, if there is a delay to the transfer of an item of business, how will that residual business be serviced, and what financial implications would this have?</i></p>	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
2. Financial and Reporting Matters			
<p>a. Projections of income and expenditure up to the planned surrender date, including projections of operating expenses⁵.</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
<p>b. Arrangements for supplying audited financial statements and other financial information (E.g. management letter and audit reports), where the Firm</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	

- b. where insurance is provided on an 'occurrence' basis, it may be possible to obtain written agreement from each insured that all of its claims have been settled and that it will make no further claims against the insurer; and/or
- c. exposures under either of the above-mentioned claims bases may be terminated by way of their novation to another insurer; or commutation back to the insured, provided that the insurer transferring its exposures has obtained agreement to do so from all of the parties insured under the contract being novated or commuted (as the case may be).

⁵ The Authority may agree to adjust the Annual Audited Expenditure in the financial resources calculation for Financial Services Act 2008 Firms.

Item	Applicable?	Attachment?	Comments - If not applicable, state why. If information is to be provided at a later date, state the date it will be provided by.
<p>normally provides these. Considerations should include:</p> <ul style="list-style-type: none"> • Any exemptions already in place; • The surrender date relative to the financial year-end (how much of the last financial year has involved regulated activity); • Matters arising from the Firm's most recent financial statements, auditors management letter or report; • The size, nature and complexity of the Firm's operations and its licence permissions; and • Whether the company is to be placed in members' voluntary liquidation (which involves a statutory declaration of solvency). 			
<p>c. For an authorised insurer, the Authority requires audited financial statements from the period of the last audited balance sheet date to the later of:</p> <ul style="list-style-type: none"> • the date (Date T) at which: <ul style="list-style-type: none"> ▪ the insurance liabilities were permanently terminated; ▪ the company has no outstanding insurance related balances; and ▪ all liens and charges relating to insurance activities are removed; • a date later than date T, subject always to the limitations on accounting periods set out in the Companies Act 1982. <p>Where at the last audited balance sheet date, the</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	

Item	Applicable?	Attachment?	Comments - If not applicable, state why. If information is to be provided at a later date, state the date it will be provided by.
authorised insurer had fully and permanently terminated its insurance liabilities and the directors are able to confirm that Date T (as defined above) was on, or prior to, the last audited balance sheet date, the Authority may exempt the company from the requirement to submit audited financial statements.			
<p>d. In the case of Firms that normally produce a Clients Assets Report (“CAR”), in deciding whether a CAR should be provided up to the date of surrender and whether this is reviewed by the Auditor, consideration should be given to:</p> <ul style="list-style-type: none"> • Matters arising from the Firm’s most recent CAR, auditors management letter or auditors report; • The CAR frequency and factors considered in determining the frequency per the Authority’s risk based approach; and • The number of client money breaches that have occurred. 	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
3. Business Planning			
a. Changes to activities, services or products as regulated activity is wound-down.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
4. Organisation, Corporate Governance and Compliance			
a. Proposals for maintaining services to policyholders and clients in the period prior to surrender;	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	

Item	Applicable?	Attachment?	Comments - If not applicable, state why. If information is to be provided at a later date, state the date it will be provided by.
b. Proposals for changing the company name and any subsidiary company name(s) after surrender to remove any restricted words which could indicate regulated activities in the name.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
<p>c. Where a Firm holds Professional Indemnity Insurance (“PII”)⁶, proposed arrangements for run-off PII, including the proposed extension/run-off period and rationale for this period.</p> <p>Please refer to Appendix 2 in respect of matters for consideration.</p> <p>Note: if the Firm is being dissolved, you should obtain insurance advice that any PII cover will remain in effect notwithstanding the liquidation and eventual dissolution.</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
<p>d. How long the Firm plans to remain in existence post-surrender.</p> <p>If it is proposed that the Firm will be dissolved, confirm the process by which a customer can make a claim after that dissolution.</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
e. Plans for nominee companies and other subsidiaries whether regulated or not.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	

⁶ The Authority expects PII cover to be maintained after surrender, taking account the sort of period over which any potential claims might reasonably be expected to come to light. After considering the Firm’s winding up plan and rationale for not extending its PII arrangement, the Authority may require a relevant Firm to hold “run-off” PII cover for a specified period in respect of claims arising from past acts or omissions.

Item	Applicable?	Attachment?	Comments - If not applicable, state why. If information is to be provided at a later date, state the date it will be provided by.
5. Client and policyholder services			
a. Copies of notifications to policyholders or clients advising them of the Firm's intention to surrender and the options that are available to them ⁷ .	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
b. For General Insurance Intermediaries, a copy of the notification issued to insurers (for whom the intermediary acted and has active terms of business agreements in place) setting out its intention to cancel the registration.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
c. Confirmation of plans to manage policyholders or clients who have lost contact.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
d. Details of any unresolved or undischarged complaints against the Firm, and if applicable, details of the steps taken under the Firm's complaints procedures and an explanation of the arrangements made for the future consideration of any such complaints.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
e. Arrangements to cease holding clients' assets.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
f. Any assets that need to be vested with IoM Treasury as bona vacantia ⁸ .	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	

⁷ Where the Firm provides services to collective investment schemes under the Financial Services Act 2008 (Class 3 permissions), the Authority will want to establish what alternative arrangements each collective investment scheme has made.

⁸ Information from the Financial Governance Division of the Treasury can be found at: <https://www.gov.im/about-the-government/departments/the-treasury/financial-governance-division/bona-vacantia/>

Item	Applicable?	Attachment?	Comments - If not applicable, state why. If information is to be provided at a later date, state the date it will be provided by.
6. Record retention and access			
a. Arrangements for storage and location of the Firm's accounting records, sufficient to show and explain transactions effected by it on behalf of its clients.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
b. Arrangements for storage and location of the Firm's internal organisation and risk management systems.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
c. Arrangements for storage and location of the Firm's policyholder or client records.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
d. Arrangements for storage and location of the Firm's AML/CFT records.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
e. Arrangements to access the records after the Firm is wound-up (if that is planned).	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
7. Outsourcing			
a. An overview of any transitional arrangements involving outsourcing, material delegation, or being managed by another Firm.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
8. Regulation			
a. Details of any outstanding regulatory matters that need to be concluded.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	
b. Details of any overseas regulator, who regulates some or all of the parties to the structure. The Authority will	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	

Item	Applicable?	Attachment?	Comments - If not applicable, state why. If information is to be provided at a later date, state the date it will be provided by.
contact the regulator.			
9. Liquidators			
a. If there is an intention to go into liquidation after ceasing regulated activity, please advise the Authority with an overview of the planned liquidation.	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	

Appendix 2: PII Run-Off Cover Considerations

For Firms normally required to obtain PII, a period of two years run-off cover is usual practice where there are no related high risk indicators. This period may be extended up to six years post surrender date/date of cessation of regulated activities for surrenders with high risk indicators or may be reduced, as appropriate.

High Risk Indicators, for example and not limited to:

- The Firm has a track record in respect of complaints or has ongoing claim(s) or a high likelihood of having future claims.
- The Firm has recent or outstanding material regulatory issues.
- Client Types such as a high proportion of retail clients (i.e. Quantum of AUM / customer numbers).

Low Risk Indicators, for example and not limited to:

- Where group PII policy arrangements adequately cover the Firm, this is usually considered acceptable.
- Where the Firm virtually ceased regulatory activity at least one year before the date of surrender, the PII run-off period should take this into account.
- Where the book of business is being transferred to another Firm, and the Authority is satisfied in respect of the acquirer assurances obtained.

The Firm is responsible for arranging and maintaining the required cover for the agreed period; any deviation from this post surrender must be immediately discussed with the Authority.

Appendix 3: General Insurance Intermediary Declaration

Declaration of the Directors of [state name of intermediary] to the Authority

We, the undersigned, being the Directors of, and the senior person in the Isle of Man responsible for the good conduct of [state name of intermediary] (herein "the Company") hereby declare that:-

1. Having made full enquiry into the affairs of the Company, have formed the opinion that the Company is no longer carrying on any activity which would require it to be registered under section 25 of the Insurance Act 2008.
2. All insurers for whom the Company acts have been notified of the Company's intention to cancel its registration as a general insurance intermediary under the Insurance Act 2008.
3. The Company ceased to hold or control clients' assets with effect from **dd/mm/yyyy** (delete if not applicable, for instance where a firm has never held or controlled clients' assets).
4. The Company has notified all current policyholders of the intention to cease the provision of intermediation activities and advised those policyholders of any alternative arrangements put in place **(if applicable)**.
5. There are no unresolved or undischarged complaints against the company from policyholders for whom intermediation services have been provided **(or alternative wording if such complaints do exist)**.
6. The Company's professional indemnity insurers have agreed to extend the reporting period for the notification of claims under the expiring professional indemnity insurance arrangements for **XX** years. **OR**

*The Company has purchased a run off professional indemnity insurance policy for **XX** years. **OR, omit if not applicable***

The Firm confirms it will provide the information required by the Authority as follows:

- a. [Include here any other items that have been agreed to be provided but have not been provided as at the date of this declaration]
- b. ...
- c. ...

(To be signed and dated by **all** the Directors of the Company and dated accordingly)

Appendix 4: Insurance Manager Declaration

Declaration of the Directors of [state name of insurance manager] to the Authority

We, the undersigned, being the Directors responsible for the good conduct of [state name of insurance manager] (herein “the Company”) hereby declare that:-

- 1. Having made full enquiry into the affairs of the Company, we have formed the opinion that the Company is no longer carrying on any activity which would require it to be registered under Section 25 of the Insurance Act 2008.*
- 2. All insurers for whom the Company provided insurance management services have been notified of the Company’s intention to cancel its registration as an insurance manager under the Insurance Act 2008;*
- 3. There are no unresolved or undischarged complaints against the company from insurers for whom insurance management services were provided ;and*
- 4. That the Company has put in place run-off professional indemnity insurance (there is no legal requirement to do this). **Omit if such a precaution has not been taken but include in a covering note the reasons as to why the company has not chosen to put in place run-off professional indemnity insurance.***

The Firm confirms it will provide the information required by the Authority as follows:

- a. [Include here any other items that have been agreed to be provided but have not been provided as at the date of this declaration]
- b. ...
- c. ...

(To be signed by **all** the Directors of the Company and dated accordingly)

Appendix 5: Authorised Insurers Declaration and List of Insurance Contracts

The Authority requires the following declaration, together with a list of all the insurance contracts issued by the insurer since its authorisation, and, an explanation as to how the insurer's existing and future potential exposure under each has been fully and permanently terminated⁹.

Declaration of the Directors of [state name of insurer] to the Authority

We, the undersigned, being the Directors of [state name of insurer] (herein the "Company"), hereby declare that we have made full enquiry into the affairs of the Company, and that, having so done, we have formed the opinion that the Company is no longer carrying on an insurance business (as defined under Section 54 of the Insurance Act 2008), and that the Company has no existing or future potential exposure to costs or liabilities in connection with its carrying on of an insurance business.

(To be signed by **all** the Directors of the insurer and dated accordingly)

It should be noted that this declaration refers to the full and final termination of exposures and not just the absence of reported claims or provision for unreported claims.

⁹ *The means by which insurance exposures can be terminated often depends on the type of wording used, for example –*

- d. where insurance is provided on a 'claims made' basis it may be possible to identify the point in the past at which it was no longer possible for further claims under that insurance to be made (this would also require there to be no outstanding claims);*
- e. where insurance is provided on an 'occurrence' basis, it may be possible to obtain written agreement from each insured that all of its claims have been settled and that it will make no further claims against the insurer; and/or*
- f. exposures under either of the above-mentioned claims bases may be terminated by way of their:

 - a) novation to another insurer; or*
 - b) commutation back to the insured,**provided that the insurer transferring its exposures has obtained agreement to do so from all of the parties insured under the contract being novated or commuted (as the case may be).**

Appendix 6: Financial Services Act 2008 Firm Declaration

Declaration of the Directors of [state name of Firm] to the Authority

We, the undersigned, being the Directors responsible for the good conduct of [state name of Firm] (herein "the Company") hereby declare that:-

1. *Having made full enquiry into the affairs of the Company, we have formed the opinion that the Company is no longer carrying on any activity which would require it to be licensed under Financial Services Act 2008.*
2. *The Company has notified all current customers or clients of the intention to cease regulated activities and advised those customers or clients of any alternative arrangements put in place (if applicable).*
3. *The Company ceased to hold or control clients' assets with effect from **dd/mm/yyyy** (delete if not applicable, for instance where a firm has never held or controlled clients' assets).*
4. *There are no unresolved or undischarged complaints against the company (**or alternative wording if such complaints do exist**).*
5. *The Company's Professional Indemnity Insurers have agreed to extend the reporting period for the notification of claims under the expiring Professional Indemnity Insurance arrangements for **XX** years.*

OR *The Company has purchased a run off Professional Indemnity Insurance ("PII") policy for **XX** years and will/has provide/d the [PII Run-off Confirmation Form within 20 days of it being effected](#).*

OR, omit if not applicable.

The Firm confirms it will provide the information required by the Authority as follows:

- a. [Include here any other items that have been agreed to be provided but have not been provided as at the date of this declaration]
- b. ...
- c. ...

(To be signed by **all** the Directors (of the Company) and dated accordingly)