ISLE OF MAN
FINANCIAL SERVICES AUTHORITY

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2018 ROADMAP

FOR UPDATING THE ISLE OF MAN'S REGULATORY FRAMEWORK FOR INSURANCE BUSINESS

31 July 2018

The July 2018 Roadmap is issued by the Isle of Man Financial Services Authority ("Authority"), the regulatory authority responsible for the supervision of financial services in the Isle of Man including, with particular relevance to this Roadmap, insurance business.

The Authority was established on 1 November 2015 by the transfer of functions of the Financial Supervision Commission and the Insurance and Pensions Authority. In this Roadmap reference to the "Authority" includes reference to the Insurance and Pensions Authority.

What is the Roadmap for?

The Roadmap was first issued in June 2013 to provide an overview of a significant update to the Isle of Man's insurance regulatory framework, consistent with the Authority's aims of ensuring that the Island has a proportionate and robust regime for the regulation and supervision of insurance business, as reflected in developments in relevant international standards.

The first issue explained why and where change was necessary and how the Authority would approach the task, working closely with relevant stakeholders. It also identified key elements of the project and the timing of main work streams and milestones.

At that time we advised that the Roadmap would be updated periodically during the project in order to keep stakeholders informed and updated Roadmaps have been issued annually in June 2014, June 2015 and June 2016. As the project end date draws nearer, the Authority feels that it is helpful to provide more frequent updates and so additional updates were provided in January and June 2017 and January 2018.

The purpose of this Roadmap is to provide regulated insurance entities and other relevant stakeholders with a further update on the progress and work undertaken over the past six months, and to look ahead to significant deliverables and milestones over the forthcoming period including the Authority's intentions in respect of the implementation of the new requirements.

Who is affected by it?

All existing and prospective authorised insurers, permit holders, insurance managers and general insurance intermediaries, including their key functionaries, will be directly affected in a way that is appropriate and proportionate to their business insofar as it is regulated by the Authority.

Other parties with an interest in the Isle of Man insurance sector (auditors, legal firms, banks, investment managers and other professional service providers) may also be affected as a consequence of those changes.

2018 ROADMAP

For updating the Isle of Man's regulatory framework for insurance business

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1. Introduction

What is the background to this project?

The Isle of Man has a long established international insurance sector and is committed to maintaining appropriate standards of regulation for that sector.

International regulatory standards for insurance continue to develop in response to changes in the economic environment, moving increasingly towards risk sensitive capital frameworks, complemented by robust risk management and governance requirements, as well as transparency in respect of reporting to supervisory authorities and to the public in order to promote enhanced market discipline and enable appropriate comparability between firms.

The Authority recognises these benefits and considers developments to its own framework to be consistent with its aims of ensuring that the Island has a proportionate regime for the regulation and supervision of insurance business which is robust and which maintains the Island's reputation as a responsible jurisdiction.

International standards for effective insurance supervision have been undergoing significant change and the extent and pace of implementation of that change continues to pose a challenge to all jurisdictions, including the Isle of Man.

As noted in previous issues of the Roadmap, the International Association of Insurance Supervisors ("IAIS") substantially updated its Insurance Core Principles ("ICPs") in October 2011 in response to developments in insurance markets and supervision since they were last reviewed in 2003. One of the most significant developments over that period was the global economic crisis which started to manifest itself in 2007. As such, the ICPs emphasise the need for insurers and regulators to understand the nature and degree of risks assumed and provide for them appropriately, thus addressing financial stability concerns with the ultimate aim of protecting the interests of policyholders, beneficiaries and claimants.

The October 2011 update prompted a comprehensive review of the Isle of Man's existing regulatory framework, whereby the Authority carried out a gap analysis to compare the updated ICP provisions with the Island's current framework for the regulation and supervision of insurance business, including general insurance intermediation.

Given the degree to which standards have developed, it was unsurprising that the Isle of Man (like many jurisdictions) identified a number of areas where its framework would need to be amended to maintain its policy of a high level of observance with the ICPs.

The Authority considered these areas and concluded that a number of changes were appropriate, which would lead to the development and implementation of a significantly revised framework for insurance regulation and supervision. The Authority's stated aim was to achieve those changes in a way which was appropriate and proportionate for the Isle of Man's diverse insurance sector and this remains our objective.

Recognising the importance of consistent standards of supervision to internationally-active insurance groups, such as those of which many of the Island's life insurers are members, the Authority's aim has been to develop a framework for the Island's insurance market which is appropriately ICP-consistent and also capable of a positive Solvency II equivalence assessment for its life insurance businesses.

The IAIS continues to review and amend the 2011 ICPs and the Authority is monitoring such developments to ensure that they are reflected appropriately in the new framework.

2. Project objectives

What are the main project objectives?

The main objectives are to update the Isle of Man's insurance regulatory framework in line with relevant international standards in a way that is appropriate and proportionate for its diverse insurance sector.

The objectives of this project are to implement a framework for the regulation and supervision of insurers, insurance managers and general insurance intermediaries that -

- is consistent with the Authority's regulatory objectives, which are -
    - securing an appropriate degree of protection for policyholders, members of retirement benefits schemes and the customers of persons carrying on a regulated activity;
    - the maintenance of confidence in the Island's financial services, insurance and pensions industries through effective regulation, thereby supporting the Island's economy and its development as an international financial centre; and
    - the reduction of financial crime;
- will establish a high level of observance in respect of the ICPs, as assessed by international bodies such as the IAIS and the IMF;

- is capable of receiving a positive equivalence assessment under the Solvency II framework in respect of life insurance business;
- is appropriate and proportionate to the risks of the different parts of the insurance industry that operate in and from the Isle of Man; and
- allows the Isle of Man to be recognised as an up to date and responsible jurisdiction for insurance business, thus demonstrating its attractiveness both for existing regulated entities and new businesses that may wish to establish in, or transfer to, the Isle of Man.

3. Delivering the objectives

a) Our approach

How does the Authority ensure that changes will be appropriate and proportionate?

Throughout this project the Authority has worked with the Isle of Man's insurance sector and other relevant stakeholders. This will continue in order to ensure that changes made have due regard for the nature, size and complexity of the Island's existing and prospective businesses.

The ICPs apply, where relevant, to all classes of authorised insurers, insurance managers, permit holders and general insurance intermediaries.

The framework resulting from this project applies therefore to some extent to all insurance entities regulated by the Authority, and all parts of the industry can expect to be subject to new requirements. However, the Authority is mindful of the varying nature and extent of risks inherent in different types of regulated entities and of the need to implement a proportionate regime which is designed, where appropriate, to suit the specific characteristics of different parts of the market.

In order to achieve this degree of customisation, the Authority has continued to work closely with the Isle of Man's relevant stakeholders as indicated in Section 3e), with the level of engagement with industry increasing as we enter the implementation phase.

b) Project plan

How can I see what will happen and when?

The overall project is summarised at the end of this document and explained in the following paragraphs.

When the Roadmap was first issued in June 2013, the focus was on completion of the necessary legislation to implement the new framework. Over time more attention has been given to the actual implementation of the new requirements.

A major milestone was reached on 30 June 2018 when an updated risk-based capital and solvency regime came into force for long term insurers together with amended regulatory reporting for the purpose of the new regime.

Key future implementation dates for other elements of the project are as follows:

Life insurers

- 1 January 2019 – implementation of the Insurance (Conduct of Business) (Long Term Business) Code;
- 1 January 2019 – implementation of enhanced Corporate Governance requirements;
- Q2 2019 – implementation of group supervision framework.

Non-life insurers

- 1 January 2019 – implementation of enhanced Corporate Governance requirements for commercial non-life insurers (see 3c – Governance and Enterprise risk management for solvency purposes);
- 1 January 2019 – implementation of Insurance (Conduct of Business) (Non Long Term Business) Code
- 1 January 2020 – implementation of enhanced Corporate Governance requirements for all non-life insurers;
- 30 June 2020 – implementation of risk-based capital and solvency regime requirements;
- 30 June 2020 – implementation of amendments to regulatory reporting;
- End 2020/early 2021 – implementation of group supervision framework.

Life and non-life insurers

- Q3 2019 – implementation of additional non-financial reporting requirements.

General insurance intermediaries

Implementation of all requirements for general insurance intermediaries is expected to be during 2019.

The project summary diagram can be found in Section 5.

The summary sets out the key development work streams and milestones. For further information on these work streams see Section 3c) and for milestones see Section 3d).

c) Project plan work streams explained

What are the project's key elements?

The principal areas of change are as follows–

- *the development of a more sophisticated risk based capital and solvency regime;*
- *enhanced regulatory reporting;*
- *additional conduct of business requirements;*
- *enhanced corporate governance, including enterprise risk management requirements;*
- *the introduction of a group supervision framework;*
- *enhanced requirements in respect of general insurance intermediation; and*
- *the introduction of public disclosure requirements where appropriate.*

The following sections correspond to the key work streams identified in the project summary diagram (see the Schedule in Section 5) and provide an overview of the changes that the Authority believes are required in those areas.

Capital adequacy and solvency

Overview

A fundamental aspect of the new framework is a more fully articulated, risk-based capital and solvency regime. The concept of risk-based capital is not new to the Island's insurance sector, and is reflected within the provisions of the Corporate Governance

Code of Practice for Regulated Insurance Entities ("CGC"). However, the new capital and solvency framework updates and expands significantly on this concept using more detailed implementation measures which require insurers to calculate regulatory capital using a new risk-reflective solvency and capital model. This is accompanied by enhanced governance provisions in respect of enterprise risk management for capital adequacy purposes, including own risk and solvency assessments.

In relation to the regulatory capital and solvency requirements, the Authority has developed standard capital and solvency model(s) ("SCSM") which address the main risks to which insurers may be exposed.

Our work in this area focused initially on life insurers, however, since 2015 we have also been working on the development of non-life insurer model(s) having regard to the relatively wider variety, and often comparatively simpler risk profiles of Isle of Man non-life insurers, which include, for example, captives and other specialist insurers. Under the new framework, all insurers are required to comply with two levels of solvency: a minimum capital requirement ("MCR"), below which no insurer will be regarded as viable to operate effectively, and a solvency capital requirement ("SCR") above which, on a routine basis, supervisory intervention in relation to solvency requirements will not be expected.

Quantitative Impact Studies

The Quantitative Impact Studies ("QIS") enable the Authority and individual insurers to assess the impact on the solvency balance sheet of the companies in question and each exercise serves as a basis for further refinement of the technical specification for subsequent exercises. One of the aims of all exercises is also to encourage insurers to prepare for the introduction of the SCSM and to identify areas where their internal processes, procedures and infrastructure might need to be enhanced, including in particular, data collection processes.

Quantitative Impact Studies – life insurers

The Authority completed its fourth and final quantitative impact study ("QIS4") for life insurers in 2017, which supplemented information gathered in its previous three QIS exercises which commenced in 2014. Following the completion of QIS4, the Authority issued for consultation the draft Insurance (Long-Term Business Valuation and Solvency) Regulations 2018 to support the new regime and these came into force on 30 June 2018.

Quantitative Impact Studies – non life insurers

The first QIS for non-life insurers ("QIS2") was launched in October 2015 but in response to feedback from industry, the exercise was not completed in order to enable the assessment process to be refined. QIS3 took place in the second half of 2016 and was followed by QIS4 which completed on 31 October 2017. A further exercise, QIS5, was launched mid-July 2018 and is anticipated to be the final QIS for this sector.

A key issue in determining the capital framework for non-life insurers is whether an insurer is considered to be a “captive” insurer or a “commercial” insurer or perhaps a combination of both, reflecting amongst other things the extent of related or unrelated risk the insurer has underwritten or will underwrite. For the purpose of QIS4, the Authority proposed a range of confidence levels to reflect the risk profiles of insurers and provided industry with a methodology for determining which category each insurer belonged to. This has been further refined in QIS5 with insurers being asked to assess once more the extent of related and unrelated risk in each insurer for the purpose of QIS5.

The Authority continues to work closely with the Isle of Man Captive Association (“IOMCA”) and individual insurance managers throughout the QIS exercises and is grateful to industry for the engagement of those parties with this process.

Group solvency – life insurers

A small number of life insurers belong to insurance groups of which the Authority expects to be Group Supervisor and the Authority has confirmed to the relevant insurers where this is the case though it is recognised that this may change, given the dynamic nature of group structures. Discussions were held on group solvency during the second half of 2017 and a consultation on other group requirements was carried out in the third quarter of 2017. A further consultation on all aspects of group supervision will be issued in November 2018 following which requirements are scheduled to be implemented in the second quarter of 2019 (slightly later than the original date of 1 January 2019).

Group solvency – non-life insurers

As with life insurers, a fairly small number of non-life insurers belong to insurance groups of which the Authority expects to be Group Supervisor. Those groups will be required to carry out a group solvency calculation. A key factor in determining whether the Authority expects to be Group Supervisor or not is the outcome of the discussions currently underway on whether an insurer should be treated as a captive or commercial insurer. Where it is determined that an insurer’s profile is such that it should be treated as a captive insurer and be subject to a lower confidence level in respect of its capital requirement, the Authority would not expect group supervision to apply.

The Authority will identify groups for which it anticipates being Group Supervisor in conjunction with the development of the proposal for the treatment of insurers with varying degrees of related and unrelated party business and will then liaise with relevant insurers. It is anticipated that this will be during 2019.

Implementation of solvency at the individual insurer level is now on 30 June 2020. This means that implementation at group level will follow that date, and is expected to be towards the end of 2020 or early 2021.

Total balance sheet approach

The framework for life and non-life insurers uses a total balance sheet approach in the valuation of assets and liabilities for solvency purposes. This recognises the interdependence between assets, liabilities, regulatory capital requirements and capital resources to ensure that risks are properly recognised and that the determination of available and required capital is based on consistent assumptions.

Assets and liabilities are valued on an economic basis such that an insurer's financial position is not obscured by hidden or inherent conservatism or optimism in the valuation. An economic value reflects the prospective valuation of the future cash flows of the asset or liability allowing for the inherent risk of those cash flows and the time value of money.

The valuation of technical provisions includes a risk margin to cover the inherent uncertainty of the insurer's obligations over the lifetime of the insurer's portfolio of insurance policies. For non-life companies, while we continue to permit the use of accounting technical provisions (being conservative interim measures), in anticipation of this exercise being the last QIS the Authority is encouraging insurers to identify a "best estimate plus risk margin". This is important because accounting methodologies are proposed to converge towards this approach over the next few years.

Internal models

Some regulatory regimes allow the use of internal models which may be partial or full internal models, subject to stringent criteria set by the supervisor and subject to a detailed assessment by the supervisor and prior supervisory approval. At this point the Authority does not envisage internal models being included in the capital framework although this will be kept under review.

Operational risk (life insurers)

The calibration of operational risk is included in the Insurance (Long-Term Business Valuation and Solvency) Regulations 2018, having been refined through the third and fourth QIS exercises that completed in 2017.

The following summarises our work in the area of capital adequacy and solvency over the past six months and sets out the work planned for the next 6 months:

Developments since the January 2018 Roadmap

- *The Insurance (Amendment) Act 2017 (Appointed Day) (No.2) Order 2018 was made, to bring into effect, inter alia, new capital and solvency requirements for long term insurers*
- *Implementation of the Insurance (Long-Term Business Valuation and Solvency) Regulations 2018*
- *Launch of QIS5 for non-life insurers*

Planned for period to 31 December 2018

- ***Completion of QIS5 exercise***
- ***Consultation on group supervision regulations (including group solvency)***

Implementation

As indicated earlier, the new capital framework was implemented for life insurers with effect from 30 June 2018. Group solvency requirements for relevant life insurers will be implemented in the second quarter of 2019.

The Authority plans to complete most of the work required to implement the new capital framework for non-life insurers by mid-2019, however, as previously communicated, implementation has now been deferred until 30 June 2020 to allow those insurers additional lead time to integrate the anticipated changes required.

Group solvency for non-life insurers will be implemented after implementation at the individual insurer level, with an exact date to be determined and communicated in due course, but expected to be late 2020 or early 2021.

Regulatory reporting

The Insurance Regulations 2018 came into effect on 30 June 2018, their key purpose being to introduce new reporting requirements for life insurers, with existing requirements being transposed into the new regulations and continuing to apply to non-life insurers.

A further review and revision of those regulations will follow to bring in new reporting requirements for non-life insurers when the new capital framework is introduced for that sector in June 2020. In the meantime, the Authority will consult on a number of additional mostly non-financial notification and reporting requirements for all sectors which are planned to come into effect third quarter 2019.

As previously reported, the Authority is developing a new IT system which will enable insurers to submit regulatory returns via a secure connection over the internet. Prior to the new IT system being implemented, quantitative reporting is being submitted electronically using templates published by the Authority.

The following summarises our work in the area of regulatory reporting over the past six months and sets out the work planned for the next 6 months:

Developments since the January 2018 Roadmap

- *Implementation of Insurance Regulations 2018*

Planned for period to 31 December 2018

- ***Issue consultation on amendments to Insurance Regulations 2018 (additional reporting requirements)***

Conduct of business

Matters in relation to conduct of business are typically discussed by the Authority with regulated entities as part of its existing supervisory process and may be reviewed as part of any on-site inspection in relation to general requirements contained for example in the CGC and, in respect of general insurance intermediaries, in Schedule 3 to the Insurance Intermediaries (General Business) Regulations 1999 (Common Trading Practices). Nevertheless, the Authority recognises that more detailed requirements are needed in this area in order to meet the standard put forward in the revised ICPs.

The ICPs expect the supervisory framework to require insurers to embed the fair treatment of customers into their business culture and to implement policies and procedures which reflect fair treatment as a key strategic objective. For example, insurers are expected to meet specific requirements in respect of –

- development and promotion of insurance products;
- disclosure of information about the insurance product to policyholders and prospective policyholders;
- disclosure to policyholders of their rights and obligations;
- claims procedures; and
- complaints procedures.

New requirements in relation to these matters are therefore required, with consideration being given to the requirements of the relevant ICP, developments in other jurisdictions and the specific nature of different parts of the Isle of Man's insurance sector.

Life insurers

A consultation paper addressing conduct of business issues for life insurers was issued in July 2015 following a discussion paper on the same topic which was issued the previous year. This excluded consideration of conflicts of interest issues in the sales process as it was decided that additional research on trends in other jurisdictions was required in this area. A consultation on that specific matter was issued in July 2016.

A further draft of the Insurance (Conduct of Business) (Long Term Business) Code ("Code") with associated guidance was issued on 5 May 2017 for consultation and following further discussions with the industry and the Manx Insurance Association in particular, the Code was finalised in the Authority's response document CR17-04, which was issued in November 2017. The Code will come into force on 1 January 2019.

Non-life insurers

A consultation paper for conduct of business requirements for non-life insurers was issued at the end of January 2017. This was followed by the issue of a consultation on the final draft of the Conduct of Business Code for non-life insurers in October 2017. The Insurance (Conduct of Business) (Non Long Term Business) Code will also come into force on 1 January 2019.

Developments since the January 2018 Roadmap

- *Further engagement with stakeholders on matters arising from conduct of business consultations*

Planned for period to 31 December 2018

- ***Issue of the Insurance (Conduct of Business) (Long Term Business) Code (to come into force on 1 January 2019)***
- ***Issue of the Insurance (Conduct of Business) (Non Long Term Business) Code (to come into force on 1 January 2019)***

Implementation – life insurers

As indicated above, the Insurance (Conduct of Business) (Long Term Business) Code is planned to come into effect on 1 January 2019.

Implementation – non-life insurers

Requirements for non-life insurers are also planned to come into effect on 1 January 2019.

Governance and Enterprise risk management for solvency purposes

Although the existing CGC is broadly consistent with the requirements of the relevant ICPs with the gaps being mainly in detail, there are a number of matters which need further consideration including potential actuarial requirements in respect of certain non-life businesses and the requirement for an enterprise risk management ("ERM") framework.

The new risk-based capital requirement will rely on insurers having an ERM framework (including risk appetite framework) that can adequately identify, assess, measure, monitor and control risks. The Authority will require insurers to evidence to it that they have such systems in place; that they understand thoroughly their risks; and that both economic and regulatory capital reflect the risks to which they are exposed. Account has to be taken of both current and future risk exposure and insurers will be expected to undertake periodic, forward-looking analyses of their ability to meet their obligations under various adverse economic and business scenarios to ensure that they maintain adequate capital and other financial resources to do this. Insurers are expected to assess this on both a going concern and winding-up basis using suitable and reliable methods, and to use that information to inform their approach to risk taking.

This requirement is currently addressed at a relatively high level in the CGC. However, the new framework will require all insurers to carry out an Own Risk and Solvency Assessment ("ORSA"). The ORSA is an insurer's own assessment of its capital needs, based on all of the current and prospective risks it faces, determined by reference to the entirety of its risk processes and procedures and having regard to its business strategy and plan. As part of the ORSA, insurers will be required to carry out a continuity analysis whereby capital requirements over a longer period of time such as 3 – 5 years will also need to be considered.

In order to reflect fully the need for proportionality, the ORSA requirement may be tailored as appropriate for life insurers and non-life insurers and in respect of the particular profiles of captives and other specialist insurers.

A consultation document on changes to the CGC (including ERM) was issued in October 2017 and the Authority's response to the feedback from that exercise was issued at the end of June 2018. On review of feedback to the consultation it was agreed that further engagement with relevant stakeholders would be needed on the application of some aspects of the CGC to certain non-life insurers, notably the requirements for an actuarial function and ERM/ORSA.

The Authority's intention is for the updated CGC to apply from 1 January 2019 to all life insurers and to those non-life insurers currently regarded as "commercial" in that they carry on insurance business exclusively with the characteristics of Classes 3 to 9 and not Class 12 or Class 11. The Authority will contact those "commercial" insurers individually to confirm this.

Also relevant to these matters is the need to finalise a captive insurance class of authorisation.

Developments since 31 January 2018

- *Response to feedback on consultation document issued*

Planned for period to 31 December 2018

- ***Issue of updated CGC for life insurers and non-life commercial insurers***
- ***Further engagement with non-life insurers (other than commercial insurers) on updated CGC***

Implementation

The updated CGC will come into operation on 1 January 2019 for life insurers and "commercial" non-life insurers.

The existing CGC will remain in force for all other insurers to enable further engagement on specific elements of the updated CGC. The updated CGC will then come into force for all insurers from 1 January 2020.

Group-wide supervision

Financial stability has been a key consideration for regulation since the economic crisis and a fundamental aspect of this is expected to be the ability to supplement legal entity supervision with supervision at the group level. Group-wide supervisors are expected to be able to understand the business strategy, financial position, legal and regulatory position and the risk exposure of the group as a whole.

Whilst the Authority currently participates in group supervision arrangements and attends supervisory colleges where it is appropriate to do so, additional powers are required to enable it to act as group-wide supervisor for the limited number of insurers where the group headquarters, or the most significant insurance operations of the group, are based on the Island. Those powers are provided in the Insurance (Amendment) Act 2017 and will be brought into force on 1 January 2019

The Authority's intended approach to group supervision was set out in a discussion document issued in April 2016 and in consultations on the Insurance (Amendment) Bill which were issued in September 2015 and September 2016.

A consultation paper which set out the Authority's detailed proposals in the areas of fitness and propriety, conduct of business, governance and reporting at group level, with draft regulations, was subsequently issued in October 2017. Although potentially of interest to life and non-life sectors, this was initially aimed at life insurers belonging to groups of which the Authority expects to be Group Supervisor. Feedback on the consultation was responded to on an individual basis and resulted in only minor changes to the draft regulations. Since then the Authority had decided to combine these requirements with those for group solvency and so a consultation on all group supervision requirements will be issued in November 2018.

Developments since 30 January 2018

- *Response provided to feedback on consultation document on requirements at group level for all areas except group solvency*

Planned for period to 31 December 2018

- ***Issue of consultation document with regulations on all group supervision requirements for life insurers.***

Implementation

The provisions to enable a group supervision framework for life insurers, which are contained in the Insurance (Amendment) Act 2017, will be brought into force on 1 January 2019. We anticipate implementing all group supervision requirements for life insurers in the second quarter of 2019, though this is to some extent dependent on the outcome of the consultation planned for November 2018.

Solvency requirements at the level of individual insurers will now come into force on 30 June 2020 for non-life insurers. Group requirements will naturally follow those and so we anticipate that they will come into operation at the end of 2020 or early 2021, with the exact date still to be determined.

Public disclosure

The ICPs set out standards for public disclosure by insurers of relevant, comprehensive and adequate information on a timely basis to give policyholders and market participants a clear view of their business activities, performance and financial position. This is expected to enhance market discipline and understanding of the risks to which an insurer is exposed and the manner in which those risks are managed.

The IAIS recognises, however, that certain information is either proprietary or sensitive in nature and could impact the competitive position of the insurer if it were made public. The Authority will therefore ensure that, when establishing requirements in this area, careful consideration is given to achieving an acceptable balance between the need for transparency and the need to allow confidentiality in appropriate circumstances.

For example, ICP 20 specifically allows a supervisor to decide not to apply the public disclosure requirements to captives *"....provided there is no potential threat to the financial system, no public interest need for disclosure and no legitimately interested party is prevented from receiving information"*.

As well as considering the ICP requirements, the Authority is also taking account of Solvency II requirements in line with its objective of developing a framework which is capable of a positive Solvency II equivalence assessment for life insurance.

In the Isle of Man there are no existing requirements for the mandatory disclosure of an insurer's business activities, including its financial position, other than to the Authority as regulator. In addressing this topic, the Authority recognises the importance of establishing the relevance of disclosures to stakeholders and considering the approach of other comparable jurisdictions.

Implementation

Much of the quantitative reporting required is dependent on the implementation of other work streams, notably the new capital framework. As the new capital framework for life insurers has now been implemented, the Authority is turning its attention to public disclosure requirements. Work has started on a discussion paper, the purpose of which will be to obtain industry's views on the requirements and to give industry the opportunity to highlight any areas of concern. This will be issued in November 2018.

Planned for period to December 2018

- ***Issue of a discussion paper on possible approaches to public disclosure***

General insurance intermediaries

A number of aspects of the updated ICPs deal with matters in relation to insurance intermediaries which are either not currently addressed by the Isle of Man's existing legislation, or are only addressed at a very high level. Accordingly, a number of new requirements are expected across a range of areas, such as the fair treatment of customers, disclosure to customers, corporate governance and the treatment of client monies.

A discussion paper was issued in October 2016 setting out possible changes which was followed by a consultation paper on matters in relation to general business and conduct of business which was issued in July 2017. There followed a period of engagement and discussion with industry with agreement having now been reached on some key issues such as our approach to professional qualifications.

A further consultation paper was issued in April 2018 which set out our proposals in relation to current exemptions from registration as an insurance intermediary on the Island and the allowances for insurance intermediaries providing services on a cross-border basis into the Island from another jurisdiction. The consultation period closed in June 2018 and feedback is currently being reviewed.

Work continues on developing proposed governance requirements for intermediaries and we expect to issue a consultation paper on this in November 2018. A final consultation including all requirements for intermediaries will be carried out during 2019.

Developments since January 2018

- *Survey carried out on the current use of the ancillary business exemption by businesses in the Island*
- *Consultation paper in respect of exemptions from registration and cross-border business issued*
- *Ongoing engagement with key stakeholders*

Planned for period to 31 December 2018

- ***Consultation paper on corporate governance for intermediaries to be issued***

Implementation

The timescales for the implementation of requirements will be kept under review as the consultation exercises progress with the expectation that implementation will start during 2019.

Other areas of change

In the Roadmap issued in January 2018, we indicated that there were a number of other areas where less extensive changes were anticipated. It remains our view that this is the case for the following areas:

Transfer of business for non-life insurers

Schedule 2 to the Insurance Act 2008 sets out provisions for portfolio transfer for life insurance business and enables provisions to be applied to non-life insurance business by regulation with any necessary amendments. The Authority is still consulting with the non-life sector on current business practices and needs in this area in order to determine the best approach. Subject to no further feedback being received, we will start work on regulations to apply portfolio transfer provisions to the non-life sector in October 2018.

Additional enforcement powers and published regulatory approach to enforcement

Although the Authority currently has at its disposal a range of general powers of enforcement, more specific provisions have been proposed in certain areas as part of the update to the Insurance Act 2008, including the power to impose prohibitions and to petition the Court to appoint a receiver or business manager. Those provisions were brought into force on 30 June 2018.

An Authority-wide initiative is planned which is anticipated to include the publication of the Authority's overall approach to enforcement and how the Authority assesses the seriousness of any failings identified and determines an appropriate strength of response.

Winding up and exit from market

A new provision was added to the Insurance Act 2008 on 30 June 2018 which enables the Authority to require insurers to take the necessary steps to ensure that any insurance business carried on by the insurer is discontinued and wound up prior to surrender of authorisation. There is a similar requirement for insurance managers and insurance intermediaries.

The policyholder compensation scheme for life insurance has been reviewed including an assessment of any changes required to reflect the new capital regime. Updated guidance has been published on the Authority's website.

Suitability and licensing

Changes to the assessment of fitness and propriety will be introduced for all entities regulated by the Authority from 1 August 2018. In line with those changes, the requirement to prescribe fitness and propriety assessment forms was removed from Regulations, and the relevant forms are now available on the Authority's website.

Similarly, in respect of licensing, application forms no longer need to be prescribed in regulations and will be published on the Authority's website.

Changes to primary legislation

An important element of the work to update the framework has been to define those areas which require primary legislative change, either to introduce or amend existing powers and functions of the Authority under the Insurance Act 2008 or to provide for the enabling powers to introduce the necessary changes via secondary legislation.

The Insurance (Amendment) Bill 2017 was consulted on twice, in 2015 and 2016, and received Royal Assent on 18 July 2017.

A small number of provisions were brought into force on 1 February 2018. These were mainly enabling and housekeeping changes as well as the introduction of the new notifiable role of Principal Control Officer. The majority of changes were brought into force on 30 June 2018 by the Insurance (Amendment) Act 2017 (Appointed Day) (No.2) Order 2018 ("ADO2"). ADO2 also provides for group supervision provisions for life insurers to be implemented from 1 January 2019. The remaining provisions, the new capital requirements and group supervision provisions for non-life insurers, will come into force by a further appointed day order which will be made during 2020.

d) Project plan milestones explained

Why set these project timescales in particular?

The project timescales are those currently considered to be appropriate for the nature and scope of work to be carried out, but may be subject to change as necessary depending on circumstances over the course of the project as it progresses.

In respect of the life sector, the focus through the first half of 2018 has been to prepare for implementation of the new valuation and solvency regime and related regulatory reporting. Our focus for the remainder of the year is on the implementation of new conduct and governance requirements.

In respect of the non-life sector we will continue to work with industry on the development of the capital framework for non-life which includes the treatment of related and unrelated party business. The other main focus is to liaise with industry on certain key elements of the updated CGC.

Work on proposals for governance requirements for intermediaries starts during the second part of 2018 as well as discussions on the outcome of the consultation on exemptions from registration and cross-border business.

The Roadmap of January 2018 set out the Authority's priorities for the first part of 2018; the following table shows the progress and current status of those items due for completion by 30 June 2018 as follows –

• *Consultation paper on ancillary and cross border intermediation business to be issued*	Complete
• *Full instructions for the QIS5 exercise and results templates issued for completion by non-life insurers*	Complete (July 2018)
• *Consultation paper on corporate governance for intermediaries to be issued*	Due November

The Authority's priorities for the remainder of 2018 are as follows -

• ***Issue of updated Corporate Governance Code of Practice for Insurers (to apply to life insurers and commercial non-life insurers) (to come into force on 1 January 2019)***	September
• ***Issue of Insurance (Conduct of Business) (Long Term Business Code) 2019 (to come into force on 1 January 2019)***	September
• ***Issue of Insurance (Conduct of Business) (Non Long Term Business Code) 2018 (to come into force on 1 January 2019)***	As above
• ***Completion of QIS5 exercise for non-life insurers***	End October
• ***Issue of consultation paper on group supervision requirements for life insurers.***	November
• ***Issue of consultation paper on corporate governance for intermediaries***	November
• ***Issue of discussion paper on Public Disclosure.***	December
• ***Issue of consultation paper on additional non quantitative reporting requirements for insurers.***	December
• ***Further engagement with non-life insurers (other than commercial insurers) on updated CGC***	Ongoing

e) Industry participation

How can industry have its say?

The Authority continues to work closely with the Island's insurance sector and other interested parties throughout the project by way of detailed pre consultation discussions, quantitative impact studies, formal consultations, update communications and such other means as appear appropriate during the course of the project.

Engagement from the Isle of Man's insurance industry and other relevant stakeholders is vital to the successful implementation of the new framework and the Authority is committed to building constructive relationships with industry bodies across the sector as well as with individual regulated entities and other organisations such as professional firms and bodies.

In addition to the more general briefings provided from time to time at relevant events, over the past year the Authority has provided updates at the periodic meetings of the MIA and IOMCA and in April 2018 a number of forums for the non-executive directors of non-life insurers were held, to update them on key aspects of the new framework.

The Authority has also engaged with regulated entities specifically on the QIS exercises for non-life insurers, and on conduct of business proposals for life insurers. As noted earlier, we will soon be working with non-life insurers on certain aspects of the updated CGC. As expected, the level of engagement has increased as the project has progressed.

This Roadmap will be further updated at the appropriate time to provide regulated entities and other interested parties with current information about the project.

4. Contact

Where can questions or comments on the July 2018 Roadmap be directed?

Questions or comments in relation to the July 2018 Roadmap may be directed to the Authority.

The objective of the July 2018 Roadmap is to provide an update on the Authority's plans in respect of developing an updated regulatory framework and it is not a consultative document per se. Nevertheless, the Authority is happy to receive any comments or questions from interested parties. These should be directed in the first instance to:

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5. Schedule (project summary diagram)