



Guidance on the winding up plan for cancellation of registration as a general insurance intermediary

This guidance is issued in consideration of the requirements of the Insurance Intermediaries Regulations 2020 (“the Regulations”) and sets out the Isle of Man Financial Services Authority’s (“the Authority”) expectations in respect of the winding up plan to be submitted when an insurance intermediary wishes to cancel its registration.

The Authority issues guidance for various purposes, including to illustrate best practice, to assist regulated entities to comply with legislation and to provide examples or illustrations. This 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.

When an insurance intermediary is intending to cancel its registration, the Authority requires the following information and declaration to be provided as part of a winding up plan in order to satisfy itself that the insurance intermediary is not undertaking activity that requires it to maintain its registration with the Authority.

The winding-up plan should provide information about the arrangements the insurance intermediary proposes to make to dispose of its business including:

- (1) An outline of the steps taken by the intermediary to advise its 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).
- (2) Details of any unresolved or undischarged complaints against the intermediary, and if applicable, details of the steps taken under the intermediary’s complaints procedures and an explanation of the arrangements made for the future consideration of any such complaints.
- (3) Confirmation as to whether the intermediary has taken the precaution of triggering the automatic extended reporting period in relation to its professional indemnity insurance arrangements¹ or to purchase “run off” professional indemnity insurance, and if this has not been done, the rationale behind the decision for not doing so.

¹ After considering the intermediary’s winding up plan and rationale for not extending its professional indemnity insurance arrangement, the Authority may require an insurance intermediary to hold “run-off” professional indemnity insurance cover in respect of claims arising from past acts or omissions.

- (4) Details of the arrangements which have been made for the safeguarding of clients' records. There is a requirement to continue to hold records for at least 6 years; however, it is acknowledged that some firms may need to hold these for longer to deal with long tail business. Records in electronic format would be acceptable as long as they provide legible accurate, verifiable, timely, complete and comprehensible information.
- (5) Confirmation as to whether the company will be dissolved after its registration is cancelled, if not, confirmation of the change of name of the company to remove any implication that the company will be undertaking intermediation, if applicable.

The winding up plan should be accompanied by the following documents:

- (1) Satisfactory audited financial statements, unless the Authority has confirmed otherwise.
- (2) 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.
- (3) A copy of the notification issued to the intermediary's existing general insurance clients advising them of its intention to cease providing services and how they can make alternative arrangements.
- (4) A declaration of the directors of the intermediary and the senior person in the Isle of Man in the format below:

The wording of the formal declaration is as follows:

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 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).*

4. *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)**.*

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***
5. *The Company has purchased a run off professional indemnity insurance policy for **XX** years. **(OR, 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 trigger the extension)**.*

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