



Disclaimer: This document was created by the Isle of Man Financial Services Authority (“the Authority”) to assist regulated entities and other readers. The Authority accepts no liability for the document’s completeness and accuracy. Original legislation should always be consulted for legal purposes.

Authorisations Guidance Note

1. REGULATORY AUTHORITY

The Authority regulates and supervises persons undertaking regulated insurance activities under the IA2008.

A company or limited partnership incorporated in the Island carrying on, or holding itself out as carrying on, insurance business in or from the Isle of Man is required to be authorised under section 8 of the IA2008. The Authority may also issue a permit, under section 22 of the IA2008, to a foreign insurer, upon application to Authority, if carrying on any class of insurance business in a country other than the Island in accordance with the laws of that country. The applicant should be familiar with all statutory provisions applicable to insurance businesses in the Isle of Man, details of which are found on the Authority’s website – www.iomfsa.im.

2. SUBMISSION OF THE APPLICATION

Initially, the applicant should contact the Insurance, Pensions and Fiduciary Division of the Authority for a preliminary meeting to discuss the application.

Subsequent to a preliminary meeting, the information requirements outlined in the application form must be provided to the Authority. Any specific questions arising during completion of the application may be raised with the Authority.

The application should include all locations and activities in respect of which the authorisation is being made (e.g. any branches and products that are expected to be part of the business during the first three years of business).

If an applicant makes material changes to its application, it should submit a revised application form incorporating all of the changes and clearly highlighting where changes have been made.

The application form must be accompanied by the appropriate application fee. The fees are set out within the most recent [Insurance \(Fees\) Regulations](#) which can be found on the Authority’s website.

In practice, any application that is received is considered by the supervisory team responsible for the supervision of that sector, and where necessary, additional information is obtained and a recommendation is made to the Authority by the team.

The circumstances of each applicant will not be identical. The Authority examines all relevant matters and considers each application on its own merits. All applications will be subject to risk assessment by the Authority and may, as a consequence, be made subject to conditions.

3. FIT AND PROPER TEST

The Authority must be satisfied that the applicant is fit and proper to undertake the insurance business proposed. The “fit and proper” test will be applied to the business as a whole and also to the persons responsible for the management and control of the business (including owners).

The Authority has set out the criteria it will normally apply in considering ‘fitness and propriety’ of individuals within its regulatory guidance note on fitness and propriety, which can be found on the Authority’s website.

4. REAL PRESENCE

The Authority will expect the applicant to have a substantive physical presence and an adequate number of employees on the Isle of Man to ensure that, once authorised, it will be appropriately managed in the Island and be capable of being effectively supervised.

The governance and control requirements for an authorised insurer are outlined in detail in the Corporate Governance Code of Practice for Commercial Insurers (“CGC”). Applicants will be required to demonstrate that they will meet the requirements of the CGC as well as other regulatory requirements.

4.1 Executive Management

Without limiting the requirements outlined in the CGC the Authority expects insurer, as a minimum, to have -

- A Chief Executive Officer, or equivalent, (R8 F&P Guidance) resident in the Isle of Man; and
- A Chief Financial Officer.

Consideration will be given to Executives having other responsibilities, for example within Group, but applicants will need to demonstrate:

- Sufficiency of resource; and
- That any potential conflicts have been considered and addressed.

4.2 Outsourcing

The Authority will give consideration to applications where an insurer considers it appropriate, as part of its proposed business model, to outsource certain significant activities or functions. Insurers are required to retain the same degree of oversight and

accountability for any outsourced activity or function as would apply if the activity was not outsourced. Such oversight and control is required to be exercised from the Isle of Man. Where the board of an insurer delegates any of its activities or functions in relation to the insurer, it must do so in a manner that does not –

- Dilute its ultimate accountability in relation to the insurer; and
- Reduce its ability to discharge properly its duties and responsibilities or carry out its activities and functions in relation to the insurer.

Where an application for authorisation includes proposals for outsourced activities or functions, either to Group or other Third Parties, scrutiny will be given to the proposed oversight of these activities or functions in line with these principles.

Specific consideration will also be given to the proposed arrangements for the following activities:

- (a) new business processing and the determination of terms;
- (b) the acceptance and maintenance of all insurance contracts;
- (c) the processing of claims and policy redemptions;
- (d) statutory reporting, financial and actuarial;
- (e) the management and collection of premiums; and
- (f) bank account and cash control.

The Authority will also seek to ensure that applicants are capable of managing material risks locally. This means that the risks associated with the business of the applicant will be governed, managed and mitigated by the board of the applicant. As part of risk management system, the Authority will therefore expect a well-designed internal control framework commensurate with the nature, scale and complexity of the business model.

Important Note

The substance requirements set out in this section are restricted to those that will be considered as part of an application to carry on insurance business. They are not intended to provide guidance on requirements for economic substance for tax residency, which is published separately.¹

¹ <https://www.gov.im/categories/tax-vat-and-your-money/income-tax-and-national-insurance/economic-substance/>

5. DECISION ON THE APPLICATION

The Authority will advise the applicant in writing whether or not authorisation will be granted and, where relevant, any conditions that will be imposed. If the decision is not to grant authorisation the applicant will be advised of the reasons, to assist the applicant should it wish to make a new application.

The Authority will look to complete its consideration of the application within 3 to 6 months, dependent on the nature of the application.

6. ISSUE OF AUTHORISATION

When the Authority is satisfied that the applicant has complied with all requirements an authorisation certificate will be issued to the applicant or the appointed insurance manager. Receipt should be acknowledged in writing and the Authority should be advised of the date on which business in each class will commence and the date on which the first financial year will end.