



**ISLE OF MAN
FINANCIAL SERVICES AUTHORITY**

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2021 ROADMAP
**FOR UPDATING THE ISLE OF MAN'S REGULATORY
FRAMEWORK FOR INSURANCE BUSINESS**
April 2021

The April 2021 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 were issued annually in June 2014, June 2015 and June 2016. As the project end date drew nearer, the Authority felt that it would be helpful to provide more frequent updates and so since then updates have been provided approximately every six months.

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 since the previous roadmap and to look ahead to significant deliverables and milestones over the next year, including the Authority’s intentions in respect of the implementation of the new requirements.

Who is affected?

All existing and prospective authorised insurers, permit holders, insurance managers and general insurance intermediaries, including their key functionaries, are 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.

2021 ROADMAP

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

1.	Introduction.....	5
	<i>What is the background to this project?.....</i>	<i>5</i>
2.	Project objectives	6
	<i>What are the main project objectives?.....</i>	<i>6</i>
3.	Delivering the objectives.....	7
	a) Our approach.....	7
	<i>How does the Authority ensure that changes are appropriate and proportionate?.....</i>	<i>7</i>
	b) Project plan.....	8
	<i>How can I see what will happen and when?</i>	<i>8</i>
	c) Project plan work streams explained	9
	<i>What are the project’s key elements?</i>	<i>9</i>
	d) Project plan milestones explained.....	20
	<i>Why set these project timescales in particular?</i>	<i>20</i>
	e) Industry participation.....	21
	<i>How can industry have its say?</i>	<i>21</i>
4.	Contact	22
	<i>Where can questions or comments on the April 2021 Roadmap be directed?.....</i>	<i>22</i>
5.	Schedule (project summary diagram)	23

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 aim 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 had 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 international 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. The last such update was in November 2019.

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 reduction of financial crime; and
 - 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.
- 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 are 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 are subject to new requirements to some extent. 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 continues to work closely with the Isle of Man's relevant stakeholders as indicated in Section 3e).

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.

Major milestones were reached when the updated risk-based capital and solvency regime came into force for long term insurers on 30 June 2018, the Conduct of Business Codes for all authorised insurers and a new Corporate Governance Code of Practice for Commercial Insurers came into force on 1 January 2019, the Group Supervision regime for long term insurers came into force on 1 July 2019 and the updated requirements for general insurance intermediaries came into force on 31 December 2020.

The current planned key future implementation dates for remaining elements of the project are as follows:

Life insurers

- 31 December 2021 – implementation of enhanced Corporate Governance requirements for all insurers, including updates for life insurers.
- 2022 – Development and implementation of public disclosure framework¹.

Non-life insurers

- 31 December 2021 – implementation of enhanced Corporate Governance requirements for all insurers, including updates for the majority of non-life insurers.
- 31 December 2021 – implementation of risk-based capital and solvency regime.
- 2022 – Development and implementation of public disclosure framework².
- 2022 – Development and implementation of group supervision framework³.

The project summary diagram can be found in Section 5.

¹ Dependent on the complexity of the provisions required.

² Dependent on the complexity of the provisions required.

³ Subject to the implementation of the Amendment Act 2022

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 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 was already reflected within the provisions of the Corporate Governance Code of Practice for Regulated Insurance Entities which was issued in 2010. 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 a non-life insurance model, having regard to the relatively wider variety, and often comparatively simpler risk profiles of Isle of Man non-life insurers, which include, for example, those with Class 12⁴ authorisation 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 is 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 is not expected. The MCR and SCR are both mandatory regulatory intervention thresholds/triggers.

Quantitative Impact Studies

The Quantitative Impact Studies (“QIS”) enabled the Authority and individual insurers to assess the impact on the solvency balance sheet of the companies in question and each exercise served as a basis for further refinement of the technical specification for subsequent exercises. Another purpose of the QIS exercises was 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.

Four QIS exercises were completed by the life insurance sector prior to the updated framework being implemented 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 and QIS5, the final exercise, which completed at the end of October 2018. Valuation and solvency regulations were issued for consultation in July 2019. A further limited consultation was issued in Q2 2020 in respect of capital requirements for Protected Cell Companies (“PCCs”) and Incorporated Cell Companies (“ICCs”).

⁴ Previous references to “captive” in older versions of this document are now included within the term “Class 12” in this version.

A key issue in determining the capital framework for non-life insurers is whether an insurer is considered to be a class 12 insurer or a class 3-9 or 11 insurer, reflecting amongst other things the extent of related or unrelated risk the insurer has underwritten or will underwrite. For the purpose of QIS4 and QIS5, 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.

In Q2 2019 the Authority consulted on and subsequently refined a proposed definition for a class 12 insurer. This was then further consulted on in Q4 2020 as part of the consultation on the Insurance Regulations 2021.

A more detailed class 12 compliance exercise was conducted ending in Q1 2021. That exercise has given rise to some additional matters which will require changes to the draft Insurance Regulations 2021. In order to allow time for those changes to be made, the Authority has deferred the implementation of the updated non-life capital and governance framework. The current proposed implementation date is 31 December 2021 (deferred from 30 June 2021).

Total balance sheet approach

The updated 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 for the purpose of the QIS exercises we permitted the use of accounting technical provisions (being conservative interim measures), insurers will be required to calculate a "best estimate plus risk margin" when the regime comes into force. 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.

The following summarises our work in the area of capital adequacy and solvency since the previous roadmap and sets out the future work planned:

Developments since the previous Roadmap

- *Carried out a consultation on proposals for the Insurance Regulations 2021.*
- *Carried out a prospective compliance exercise to assess all insurers (where class 12 is relevant) against the new class 12 requirements.*

Planned future work

- ***Planned implementation of updated capital framework for non-life insurers (31 December 2021).***
- ***Planned implementation of updated Insurance Regulations (31 December 2021).***
- ***Develop and implement Public Disclosure framework (2022)***
- ***Develop and implement group supervision for non-life insurers (2022)***

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 was consulted on in Q4 2020 to bring in new reporting requirements for non-life insurers to support the new capital framework for that sector to be introduced on 30 June 2021 (now planned for 31 December 2021 as explained above). This also included a number of additional, mostly non-financial, notification and reporting requirements for all sectors.

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 sets out the future work planned:

Planned future work

- ***Planned implementation of Insurance Regulations 2021 (including reporting requirements for non-life insurers and additional notification requirements for all insurers) (31 December 2021).***

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 historically have been reviewed as part of any on-site inspection in relation to general requirements contained, for example, in the Corporate Governance Code of Practice for Regulated Insurance Entities and, in respect of general insurance intermediaries, in the (now repealed) Schedule 3 to the Insurance Intermediaries (General Business) Regulations 1999 (Common Trading Practices). Nevertheless, the Authority recognised from the outset of the project that more detailed requirements would be 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.

In developing the new requirements in relation to these matters consideration was 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

The Insurance (Conduct of Business) (Long Term Business) Code 2018, with associated guidance, was issued on 1 November 2018. Most provisions came into force on 1 January 2019 with the remaining disclosure related requirements coming into force on 1 July 2019.

This followed an extensive period of consultation which started with the issue of a discussion paper in 2014, followed by consultation papers in 2015, 2016 and 2017.

An annual review of these regulations is carried out to ensure the exemptions contained within them remain appropriate. Following the most recent review the Insurance (Conduct of Business) (Long Term Business) Code 2021 is due to be implemented on 1 July 2021.

Non-life insurers

The Insurance (Conduct of Business) (Non Long Term Business) Code 2018 also came into force on 1 January 2019.

Governance and Enterprise risk management for solvency purposes

Although the Corporate Governance Code of Practice for Regulated Insurance Entities as issued in 2010 was broadly consistent with the requirements of the relevant ICPs with the gaps being mainly in detail, there were a number of matters which needed 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 relies on insurers having an ERM framework (including risk appetite framework) that can adequately identify, assess, measure, monitor and control risks. Under this framework, insurers are required to evidence 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 are 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.

Although previously addressed at a relatively high level, the new framework expressly requires 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 are required to carry out a continuity analysis whereby capital requirements over a longer period of time such as 3 – 5 years also need to be considered.

The Corporate Governance Code of Practice for Commercial Insurers came into force on 1 January 2019, applying to all life insurers as well as a small number of non-life insurers only engaged in commercial business. In the course of consultation on this legislation, it was agreed that further engagement with relevant stakeholders would be needed on the application of some aspects of updated governance requirements (actuarial function and ERM/ORSA) to certain non-life insurers once a definition for Class 12 insurers had been agreed. Updated governance requirements were subsequently issued for consultation in December 2019. While the amendments are mainly in relation to non-long term insurers, the Corporate Governance Code of Practice for Insurers will apply to all insurers and will replace the Corporate Governance Code of Practice for Commercial Insurers and the Corporate Governance Code of Practice for Regulated Insurance Entities. The latter will remain in force for insurance managers only. All changes will come into force on 31 December 2021 at the same time as the new capital framework for non-long term insurance (this was deferred from 30 June 2021, as explained above, to allow changes to be made in relation to class 12).

Planned future work

- *Issue of the response to the consultation paper on Corporate Governance Code of Practice for Insurers.*
- ***Planned implementation of Corporate Governance Code of Practice for Insurers (31 December 2021).***

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 already had the powers to participate in group supervision arrangements and to attend supervisory colleges where appropriate, additional powers were 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, were based on the Island. Those powers were included in the Insurance (Amendment) Act 2017 and were brought into force on 1 January 2019.

The Authority's intended approach to group supervision was initially 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. These were followed by a consultation paper issued in October 2017 which set out the Authority's detailed proposals in the areas of fitness and propriety, conduct of business, governance and reporting at group level. In the course of 2017 discussions were also held with individual insurers in respect of group solvency. A final consultation on the legislation in respect of all group requirements was issued in November 2018.

The group supervision framework was implemented initially for long term insurers only and came into force for that sector on 1 July 2019. At the time of implementation, the Authority had determined that it should be Group Supervisor in respect of three insurance groups.

As with life insurers, only a fairly small number of non-life insurers belong to insurance groups of which the Authority expects to be Group Supervisor. A key factor in determining whether the Authority expects to be Group Supervisor is whether an insurer should be treated as a Class 12 or commercial insurer. Where it is determined that an insurer's profile is such that it should be treated as a Class 12 insurer and be subject to a lower confidence level in respect of its capital requirement, the Authority would not expect group supervision to apply. To effect this change for class 12 insurers, amendments to the Insurance Act 2008 are anticipated to be brought in via an amendment bill proposed for 2022.

Group requirements for non-life insurance will naturally follow the implementation of the updated capital framework at the level of individual insurers and the implementation of the proposed amendment bill and so we anticipate that they will come into operation during 2022, 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 currently no requirements for the mandatory disclosure of an insurer’s business activities, including its financial position, other than to the Authority as regulator. A discussion paper was issued in December 2018 to elicit views on possible approaches and to give industry the opportunity to highlight any areas of concern. This will be followed by a consultation paper with more detailed proposals expected to be issued during 2022.

General insurance intermediaries

A number of aspects of the updated ICPs deal with matters in relation to insurance intermediaries which, at the start of this project, were either not addressed by the Isle of Man’s existing legislation, or were only addressed at a very high level. Accordingly, a number of new requirements were proposed 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 subsequently 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 existing 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. This was followed by a consultation paper on proposed corporate governance requirements for intermediaries which was issued in November 2018. A final consultation paper consolidating all requirements for intermediaries was issued in December 2019, with implementation planned for 1 October 2020, this was subsequently delayed to 31 December 2020.

Developments previous Roadmap

- *Implementation of the Insurance Intermediaries (General Business) Regulations 2020 on 31 December 2020.*
- *Implementation of the Insurance Intermediaries (Corporate Governance)(General Business) Code 2020 on 31 December 2020.*
- *The Insurance Intermediaries (Conduct of Business) (General Business) Code 2020 came into force in 31 December 2020.*

Other areas of change

We have also previously indicated that there were a number of other areas where less extensive changes were required as follows –

Transfer of business for non-life insurers

Schedule 2 to section 21(1) of the Insurance Act 2008 sets out provisions for portfolio transfer for life insurance business. Section 21(2) of the Act enables provisions to be applied to non-life insurance business by regulation with any necessary amendments. Such regulations will not be progressed in the current round of updates, pending conclusion of feedback awaited from the non-life industry.

Additional enforcement powers and published regulatory approach to enforcement

Although the Authority already had at its disposal a range of general powers of enforcement, more specific provisions were introduced 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.

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.

At the same time as the updated capital framework for life insurers was implemented, the policyholder compensation scheme for life insurance was reviewed to assess any changes required to reflect the new capital regime. Updated guidance was subsequently published on the Authority's website.

A further review of the scheme is now planned to consider the practical operation of the scheme should it be invoked, in the context of the Authority's overall review of crisis management frameworks. We have engaged with the Manx Insurance Association on this and a number of insurers have participated in a desk-based scenario exercise. We anticipate issuing an industry wide thematic on this topic in H1 2021.

Suitability and licensing

Changes to the assessment of fitness and propriety were 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 are published on the Authority's website.

Changes to primary legislation

An important element of the work to update the framework was to define those areas which required 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 provided for group supervision provisions for life insurers to be implemented from 1 January 2019. The Insurance (Amendment) Act 2017 (Appointed Day) (No.3) Order 2020 ("ADO3") removed the requirement for general insurance intermediaries to re-register annually. The new capital

requirements for non-life insurers, will come into force by a further appointed day order which will be made during 2021.

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 capital, governance and conduct requirements have now been implemented. The main outstanding area is public disclosure and the consultation process on this is anticipated to commence in 2022.

In respect of the non-life sector, we are working towards implementation of updated solvency and capital requirements and enhanced corporate governance requirements from 31 December 2021.

In respect of general insurance intermediaries, all requirements have been implemented on 31 December 2020.

The Authority's priorities for 2021 along with the current planned dates are as follows

–

- ***Implement Insurance (Non Long-Term Business Valuation and Solvency) Regulations 2021*** 31 December 2021
- ***Implement Insurance Regulations 2021*** 31 December 2021
- ***Implement Corporate Governance Code for Insurers*** 31 December 2021
- ***Consult further on public disclosure framework*** 2022
- ***Consult on non-life group supervision framework*** 2022

e) Industry participation

How can industry have its say?

The Authority has worked 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. This will continue to be the case as the project nears completion.

Engagement from the Isle of Man's insurance industry and other relevant stakeholders is a vital part of the successful implementation of the new framework; the Authority has endeavoured to build constructive relationships with industry bodies across the sector, as well as with individual regulated entities and other organisations such as professional firms and bodies, and is very appreciative of the cooperation of industry throughout this process.

In addition to the more general briefings provided from time to time at relevant events, over the past six months the Authority has provided updates at the periodic meetings of the MIA and IOMCA.

The Authority has also engaged with regulated entities specifically on the QIS exercises for non-life insurers and the Class 12 definition, and on conduct of business proposals for life insurers.

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 April 2021 Roadmap be directed?

Questions or comments in relation to the April 2021 Roadmap may be directed to the Authority.

The objective of the April 2021 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)



