



ISLE OF MAN  
FINANCIAL SERVICES AUTHORITY

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## **Frequently asked questions - Insurance (Conduct of Business) (Long Term Business) Code 2021**

**This document is intended to provide an overview of the consumer protection measures contained within the Insurance (Conduct of Business) (Long Term Business) Code 2021 (“the Code”) and answers to frequently asked questions. This document is not a substitute for specific professional advice.**

### **The Isle of Man Financial Services Authority (“the Authority”)**

The Authority is responsible for the regulation and supervision of financial services business, including insurance carried on in or from the Isle of Man. The Authority’s regulatory objectives are—

1. securing an appropriate degree of protection for policyholders, members of retirement benefits schemes and the customers of persons carrying on a regulated activity;
2. the reduction of financial crime; and
3. 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.

### **Q: What is the Code?**

A: The Code introduces binding requirements for insurers and is secondary legislation established under the Insurance Act 2008.

### **Q: When did the Code come into effect?**

A: Most provisions of the original 2018 Code became effective from 1st January 2019, with requirements in respect of the provision of pre-sale information contained in paragraphs 7 to 14 of the Code (Key Information Documents and Summary Information Documents) taking effect from 1st July 2019.

The new 2021 Code replaced and revoked the 2018 Code from 1 July 2021.

### **Q: Who will be regulated under the Code?**

A: Entities regulated under the Code are Isle of Man insurers authorised under section 8 of the Insurance Act 2008 to carry out Class 1 or Class 2 (long-term) insurance business pursuant to the Insurance Regulations.

**Q: Does the Code apply to insurers outside the Isle of Man?**

A: Foreign insurers, including those holding a permit issued under section 22 of the Insurance Act 2008, are not regulated under the Code.

**Q: Does the Code apply to policyholders of an Isle of Man insurer if the policy was taken up outside of the Isle of Man?**

A: Yes. Where an Isle of Man insurer effects a long term insurance contract with a policyholder outside of the Isle of Man, it is required to observe the requirements of the Code.

For a certain number of jurisdictions, the Code provides for exemptions from certain requirements of the Code, where an insurer acts in accordance with regulatory requirements in the jurisdiction in which the policy is sold. The list of exemptions is set out in paragraph 25.

**Q: Are any specific types of policyholders e.g. sophisticated / professional investors excluded from the consumer protection afforded by the Code?**

A: The Code does not seek to introduce different requirements for separate customer groups e.g. Retail customers. However, insurers are required to develop, market and distribute products in a way that pays due regard to the needs and interests of target market policyholders. The Authority has developed the Code as a binding minimum standard of good practice that is intended to be appropriate across all customer segments.

However, a specific exemption is available from the requirement to produce a Key Information Document (see below) for long term insurance issued under specific corporate employer sponsored employee benefits / savings contracts (paragraph 25).

**Q: Does the Code have rules around the types of investment fund / asset that I can link the benefits of my policy to?**

A: The Code does not have rules that limit the types of investment that benefits payable under investment linked life insurance policies can be linked to. However, insurers are required under the Code to only design and market products with features and risks that meet the interests, objectives and characteristics of the identified target market.

Given that benefits under certain investment linked life insurance policies (“portfolio bonds”) can be linked to a wide range of asset types, some of which may be suitable only for professional or experienced investors, the Authority has issued guidance to insurers to set out the Authority’s expectations on how insurers should oversee products to minimise the risk of poor outcomes for customers.

**Q: Is my intermediary regulated under the Code?**

A: No, intermediaries are not directly regulated by the Code. However, where an intermediary is appointed by and acts on behalf of a policyholder, insurers regulated under the Code are required to gather information to assess the suitability of intermediaries to distribute products in target markets. The requirements in the Code for insurers establishing terms of business with intermediaries are designed to ensure insurers conduct a fit and proper assessment of the intermediary.

**Q: What is a Key Information Document?**

A: Subject to specific exemptions (see below), a Key Information Document (“KID”) is a mandatory requirement of the Code (paragraphs 7 to 10) that must be provided to policyholders before a policy is issued. The KID is a prescribed document that contains important information about the insurance product to help policyholders understand the nature, risks and cost of the product. The KID has a number of mandatory, prescribed elements including how details of fees and charges, including any remuneration paid to intermediaries are required to be disclosed.

The intention of the KID is to provide policyholders with clear information at point of sale to allow them to make informed decisions when comparing the insurer’s product with others.

A similar “Summary Information Document” is required to be issued for pure protection long term insurance (that has no surrender value).

**Q: I am a policyholder and haven’t received a Key Information Document – does the Code allow for this?**

A: The Code permits certain, specific exemptions from the insurer’s requirement to produce and issue a KID. Most of the exemptions from the requirement to produce a KID are based on comparable conduct of business requirements being imposed by a regulator in the jurisdiction in which the policy is being sold.

**Q: Can I cancel my long term insurance policy?**

A: The Code introduces the right for policyholders to cancel a “cancellable contract” within the “cancellation period” and obtain a refund of premiums paid. Cancellable contracts are defined in the Code and are contracts falling under Class 1 and Class 2 pursuant to the Insurance Regulations.

The period during which a policyholder can exercise the right to cancel under the Code is 30 days, although insurers may be required to observe different periods according to rules in the jurisdiction in which the policy is sold.

Both initial premiums and top ups to policies have cancellation rights, however, subsequent premiums falling contractually due under existing terms and conditions of regular premium policies do not have rights of cancellation.

Top ups made after 1<sup>st</sup> January 2019 to contracts originally issued before 1<sup>st</sup> January 2019 have the rights of cancellation.

In the case of all top ups, the right to cancel will only apply to the additional premium paid.

**Q: I have a complaint but am unsure how to raise this with my insurer?**

A: The Code requires insurers to deal with policyholders’ complaints and disputes in a fair and transparent manner and as such insurers should make clear how you can raise a complaint. Information on how to make a complaint is required to be included in the Key Information document required by the Code.