



ISLE OF MAN
FINANCIAL SERVICES AUTHORITY

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Guidance Notes and Information in Respect of Approved Supervisor and Similar Acceptances

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INFORMATION

In this document, where the Isle of Man Financial Services Authority (“the Authority”) indicates that it has exercised a power, this is not guidance but is information confirming that the power has been exercised as stated.

STATUS OF GUIDANCE

The Authority issues guidance for various purposes including to illustrate best practice, to assist regulated entities (in this case authorised insurers and permit holders (as applicable)) to comply with legislation and to provide examples or illustrations. 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.

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1. Interpretation

- (1) In this document, unless specified otherwise, references to regulations are references to the Insurance Regulations 2021.
- (2) In this document—
 - (a) “the Act” means the Insurance Act 2008;
 - (b) “the CGC” means the Corporate Governance Code of Practice for Insurers 2021;
 - (c) “the Valuation and Solvency Regulations” mean the Insurance (Long-Term Business Valuation and Solvency) Regulations 2021 or the Insurance (Non Long-Term Business Valuation and Solvency) Regulations 2021 or both, as applicable;
 - (d) “the Regulations” means the Insurance Regulations 2021; and
 - (e) terms used in relation to the Regulations, the Valuation and Solvency Regulations and the CGC (as the case may be) have the meaning (if any) as given in those documents or the Act (as appropriate).

2. Approved Supervisor

2.1 Definition

The Regulations, the Valuation and Solvency Regulations and the CGC all contain provisions which refer to ‘Approved Supervisor’.

The definition of Approved Supervisor in the Regulations is as follows:

“approved supervisor” means—

- (a) the insurance supervisory authorities of the United Kingdom;*
- (b) an insurance supervisory authority of a country in the European Union;*
- (c) an insurance supervisory authority responsible for a solvency regime insofar as it is determined by the European Commission as equivalent (whether fully, provisionally or temporarily) to the requirements of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 relating to the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II); or*
- (d) any other insurance supervisory authority approved by the Authority,*
and any approval of a supervisor under any of sub-paragraphs (a) to (d) may be restricted, as specified by the Authority, to apply only to certain categories of authorisation granted by the approved supervisor.”

The definition of Approved Supervisor in the Valuation and Solvency Regulations extends the list above to include the Isle of Man Financial Services Authority.

2.2 Supervisors which have been approved

- (1) **Norway, Iceland and Liechtenstein** are approved under sub-paragraph (d) of the definition of Approved Supervisor due to their European Economic Area (EEA) relevance. The European Insurance and Occupational Pensions Authority (EIOPA) maintains a list of European Supervisory Authorities included, amongst other things, within the EEA here:

https://www.eiopa.europa.eu/register-of-national-supervisory-authorities-of-reinsurance-undertakings_en

- (2) At the time of publishing this document, the other supervisors that have been determined by the Authority to be approved under sub-paragraph (d) of the definition of Approved Supervisor are:

Jurisdiction	Approved Supervisor
Bermuda (Licence class dependent)	Bermuda Monetary Authority (BMA) for all licence categories meeting the approval criteria (for example, classes 1, 2, 3, A and B from the BMA are not deemed to be supervised by an approved supervisor as the requirements for that aspect of the BMA's framework do not meet the approval criteria in terms of having risk based capital and solvency framework set to an equivalent confidence level).
South Africa	Financial Sector Conduct Authority (FSCA)
Guernsey	Guernsey Financial Services Commission (GFSC) for all licence categories meeting the approval criteria (for example, 'reinsurance' is not deemed to be supervised by an approved supervisor as the requirements for that aspect of the GFSC's framework do not meet the approval criteria in terms of having risk based capital and solvency framework set to an equivalent confidence level; and 'captive insurance/reinsurance' is not deemed to be supervised by an approved supervisor as the requirements for that aspect of the GFSC's framework is not subject to equivalent business qualifying criteria.)

2.3 Process for future approvals

To be approved by the Authority under sub-paragraph (d) of the definition of Approved Supervisor, the following requirements need to be met: the regulatory framework of a supervisor must—

- (a) be suitably compliant with the Insurance Core Principles ("ICPs") of the International Association of Insurance Supervisors ("IAIS");
- (b) have similar requirements to that in the Island for governance, suitability of persons, and reporting;
- (c) have a risk based capital and solvency framework set to an equivalent confidence level to that in the Island; and

- (d) have been the subject of any external assessment (by the IAIS, International Monetary Fund or similar) in the last 3 years (longer periods will also be considered where the insurance supervisory framework in the jurisdiction has not changed materially), and have achieved a minimum rating of “largely observed” in the areas of governance, suitability of persons and capital adequacy. (IAIS assessments can be on-site assessments or the results of a Peer Review Process.)

3. Acceptances under Regulations 15 and 16 in relation to Permit Holders

3.1 Requirements

- (1) The requirement under regulation 15(2) is as follows:

“...the financial statements and reports, and capital and solvency calculations, of the permit holder required to be reported to the insurance supervisory authority of its home jurisdiction are acceptable to the Authority instead of their equivalents under these Regulations”

- (2) The requirement under regulation 16(2) is as follows:

“Section 12 of the Act does not apply to a permit holder where the capital and solvency requirements of the insurance supervisory authority in its home jurisdiction that are applicable to the permit holder are acceptable to the Authority instead of their equivalents under the—

(a) Insurance (Long-Term Business Valuation and Solvency) Regulations 2021;
or

(b) Insurance (Non Long-Term Business Valuation and Solvency) Regulations 2021,

(as applicable) and where the requirements of regulation 15(2)(a), (c) and (d) are met.”

- (3) In accordance with regulation 15(4) or 16(5) (as applicable), an insurer authorised to carry on an insurance business in its home jurisdiction where that jurisdiction has an approved supervisor is not subject to either of the requirements referred in sub-paragraphs (1) and (2) above).

3.2 Status of current acceptances

Given the exclusion of insurers referred to in paragraph 3.1(3), the Authority has not been requested to consider any matters requiring acceptance as referred to in paragraphs 3.1(1) or 3.1(2) and therefore, at the time of publishing this document, there are no such acceptances.

3.3 Process for future acceptances

To be accepted by the Authority under 3.1(1) the financial statements and reports must be shown to provide equivalent information to that required under the Regulations.

To be accepted by the Authority under 3.1(2) the capital and solvency requirements must be risk based and calibrated to at least a '1 in 200' year (or a 99.5% value at risk) confidence level over a one year time horizon.

4. Qualifying Ceding/Retroceding Insurers in relation to Class 12

4.1 Definition

The definition of qualifying ceding/retroceding insurers in the Regulations is as follows:

“qualifying ceding insurer” and “qualifying retroceding insurer” mean an insurer that is licensed in a jurisdiction which requires the insurer to hold capital determined using a risk-based approach and calibrated to at least a ‘1 in 200’ year (or a 99.5% value at risk) confidence level over a one year time horizon (for the purposes of this definition, the “qualifying criteria”), and include only an insurer—

- (a) authorised accordingly to carry on an insurance business in the United Kingdom, any Member State of the European Union or any other jurisdiction which is acceptable to the Authority based on the qualifying criteria; or*
- (b) that is part of an insurance group where—*
 - (i) the group overall is subject to such capital requirement; and*
 - (ii) the group supervisor of the group is located in such jurisdiction;”*

4.2 Jurisdictions which have been accepted

In relation to the definition of qualifying ceding insurer and qualifying retroceding insurer, under sub-paragraph (a) of the definition of ‘qualifying ceding insurer’ and ‘qualifying retroceding insurer’, and provided that the qualifying criteria are complied with, at the time of publishing this document, **the other jurisdictions which are acceptable to the Authority are those which have an approved supervisor.**

4.3 Process for future acceptances

To be accepted by the Authority under sub-paragraph (a) of the definition of ‘qualifying ceding insurer’ and ‘qualifying retroceding insurer’, the qualifying criteria, as set out in that definition must be shown to be met.

5. Future Approvals and Acceptances

Should any party wish to propose an addition to any of the approvals or acceptances in this document then that party must provide to the Authority sufficient evidence

that the relevant requirements are met in order to allow the proposal to be considered.