

The Isle of Man Financial Services Authority has produced a suite of guidance documents, including a “Frequently Asked Questions” document, to accompany the issue of the Code¹.

Key questions covered in the Frequently Asked Questions document include:

Q: Why is the Authority introducing the Code?

A: The introduction of the Code is part of a wider review of the Authority’s insurance regulatory framework. This development work is described in the Authority’s “Roadmap for updating the Isle of Man’s Regulatory Framework for Insurance Business”, which is available here, and draws upon the international standards for effective insurance supervision set out in the Insurance Core Principles (“ICPs”) issued by the International Association of Insurance Supervisors (“IAIS”).

One aspect of the development work explained in the Roadmap is the enhancement of existing insurance conduct of business requirements to promote insurers embedding the fair treatment of customers into their business culture and to implement policies and procedures which reflect fair treatment as a key strategic objective.

The Code reflects these aims with specific requirements in the following areas:

- over-arching, general principles for the fair treatment of policyholders;
- principles around the development and promotion of insurance products;
- requirements for disclosure of information about the insurance product to policyholders pre and post-sale;
- cancellation rights of policyholders; and
- expectations around claims procedures and complaints procedures.

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.

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

¹ I presume the term Code is defined on the website / webpage.

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: 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: 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 2018.

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 1st January 2019 to contracts originally issued before 1st 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.

A full copy of the Q&A document is available on the Isle of Man Financial Services Authority website, [here](#).