

# Guernsey Insurance Regulation Changes



## "additional information will be required"

Clair Le Poidevin  
clepoidevin@bwcigroup.com

### Instruments affected

- The Insurance Business (Public Disclosure of Information) Rules, 2018
- The Licensed Insurer's (Conduct of Business) Rules, 2018
- The Insurance Business (Solvency) (Amendment) Rules, 2018
- Guidance Note on Licensed Insurers' Own Solvency Assessment
- Guidance Note for Licensed Insurers on Reinsurance and Other Forms of Risk Transfer
- Guidance Note for Licensed Insurers on Category 6 – Non-Special Purpose Insurers
- Guidance Note for Licensed Insurers on Change of Majority Shareholder Controller

In April of this year, the Guernsey Financial Services Commission (the "Commission") launched a public consultation on a number of proposed changes to insurance regulation in the Bailiwick, in a document entitled "Insurance Regulation Omnibus Consultation Paper". Following the consultation period, the Commission released a feedback paper in August, as well as final changes to affected rules and guidance notes.

The changes cover many facets of insurance regulation and have varying implementation dates and transitional rules. Many of the changes have been made to align regulation with the Insurance Core Principles promulgated by the International Association of Insurance Supervisors.

We have highlighted those changes which are expected to apply most widely. However directors and compliance managers of licensed insurers will need to become familiar with all of the new rules and guidance notes. Further details of the feedback paper can be found on the Commission's website at:

<https://www.gfsc.gg/news/article/insurance-regulation-omnibus-consultation-%E2%80%93-feedback-paper>

### Public Disclosure of Information

The new public disclosure rules apply to insurance companies with a year-end falling after 31 August 2018.

The new rules apply to all licensed (re)insurance companies with the exception of captive insurers, special purpose insurers, all PCCs and non-Bailiwick incorporated entities. Excepted (re)insurers will remain subject to the 2010 Public Disclosure Rules previously in force.

The new public disclosure rules aim to ensure relevant information is more readily available to persons with a valid interest, whilst maintaining a proportional approach. All (re)insurers will be required to make available annual audited financial statements. However where there are commercial policyholders, or the non-disclosure of information could potentially distract from enhancing market discipline, additional information will be required to be disclosed, including key features of the (re)insurer's risk profile and corporate governance framework.

There is provision within the new rules for an (re)insurer to withhold, redact or summarise any information normally subject to public disclosure. In these cases, the insurer must be able to provide the Commission with the reasons for any such non-disclosure.

### Conduct of Business

The new conduct of business rules apply from 3 August 2018, although there is a six-month transition period until 3 February 2019. Thereafter, insurers will be expected to achieve full compliance.

Both life and general insurers writing business to retail customers will be affected by these new rules. They relate to the fair treatment of customers and cover the entire relationship with the customer, from the development, distribution and promotion of insurance products to the provision of information and advice to customers, to the servicing, claims and complaints handling processes.

### Solvency

This amendment is effective from 3 August 2018 and broadens the scope of the full Own Risk and Solvency Assessment ("ORSA") requirement. However, the first ORSAs will not be required until 2019, or even 2020. Whereas previously reinsurers were exempt from completing a full ORSA and could instead prepare a more limited Own Solvency Capital Assessment ("OSCA"), life reinsurers with a Minimum Capital Requirement ("MCR") of at least £7.5 million and general reinsurers with an MCR of at least £7.0 million will now fall within the scope of the full ORSA requirement.

The Commission has also redefined the scope for insurers required to produce a full ORSA, but captive insurers and PCCs remain exempt. For those (re)insurance companies required to undertake a full ORSA, the frequency of solvency reporting has increased to every six months. The half year Regulatory Solvency Assessment will need to be submitted to the Commission no later than 60 days following the end of the half-year reporting period. The Commission has also revised its Guidance Note on Licensed Insurers' Own Solvency Assessment to provide further details of the change.

### Guidance Note

The guidance note was issued on 3 August 2018 and applies to all licensed (re)insurers. It sets out the Commission's expectations with respect to reinsurance and other forms of risk transfer as part of their risk management framework. Notably:

- Ceding insurers must have a reinsurance programme that is appropriate to their business, and that is part of their wider underwriting, risk and capital management strategies
- Insurers should establish effective internal controls over the implementation of any reinsurance programme
- Insurers should consider the impact of reinsurance programmes on liquidity management.



Location | PO Box 68, Albert House  
South Esplanade, St Peter Port  
Guernsey, GY1 3BY  
Tel | +44 (0)1481 728432  
Fax | +44 (0)1481 724082  
Web | www.bwcigroup.com