

1. Insurance (Amendment) Bill 2017 – First Reading approved

Mr Henderson to move:

That the Insurance (Amendment) Bill 2017 be read a first time.

The President: Hon. Members, the business before us this morning is the Insurance (Amendment) Bill First Reading.

I call on the mover, Hon. Member, Mr Henderson.

Mr Henderson: Gura mie eu, Eaghtyrane.

The Insurance (Amendment) Bill 2017 amends the Insurance Act 2008 to enable the implementation of an enhanced regulatory framework for insurance business carried on, in or from the Island, which is both appropriate and proportionate to the Island's significant insurance sector and consistent with relevant international standards. This is for the purpose of maintaining the Island's reputation as a well-regulated and responsible jurisdiction.

The enhanced framework will, for the most part, be implemented by secondary legislation enabled through the overarching provisions contained in this Bill; the Insurance (Amendment) Bill 2017. I will refer to the Insurance (Amendment) Bill 2017 as 'the Bill' from now on.

The Bill has 64 clauses in 10 Parts as well as 3 Schedules. Part 1 of the Bill is introductory providing for the short title, commencement, expiry and interpretation. It includes clauses 1 to 4.

Part 2 includes clauses 5 to 10 and deals with the capital requirements of insurers and the consequences of breaching capital thresholds.

Part 3 includes clauses 11 and 12 and deals with the transfer of business by insurers.

Part 4 includes clause 13 and introduces new provisions in relation to the supervision of an insurance group.

Part 5 includes clauses 14 to 27 and introduces a number of new and amended provisions in respect of financial risk and governance.

Part 6 includes clauses 28 to 31 and introduces amendments in respect of the authorisation of insurers.

Part 7 includes clauses 32 to 39 and introduces amendments in respect of the registration of insurance managers and insurance intermediaries.

Part 8 includes clauses 40 to 42 and introduces new powers in respect of the fit and proper status of persons.

Part 9 includes clauses 43 to 46 and introduces new remedial and investigation powers.

Part 10 includes 47 to 64 and introduces a number of miscellaneous and minor provisions which include Schedules 1, 2 and 3.

The principal reason for proposing this Bill is to provide for the implementation of an enhanced regulatory regime which reflects relevant international standards in insurance regulation while taking account of the nature of the Island's insurance industry. Most changes have arisen from a self-assessment exercise carried out by the Authority against the insurance core principles which are issued by the International Association of Insurance Supervisors, the international standard-setting body for insurance and solvency to the European Union standard. An underlying aim of all such international standards is to improve policy holder protection and the robustness of insurers and insurance markets.

In addition, in light of the fact that the Insurance Act 2008 was a consolidation of legislation rather than a full revision, a number of other amendments are proposed with the following effects: they clarify and update existing provisions where necessary, they enable the Authority to be more flexible and responsive to the need for the change, they enhance the Authority's power to deal with

fit and proper matters and also provide consistency in this respect with the Financial Services Act 2008. They reduce the administrative burden in certain areas and they address any anomalies.

The Bill has been the subject of wide consultation, and I stress wide consultation, and all feedback has been carefully reviewed and addressed and in many instances the industry has been re-consulted on, if I can use such an expression.

The provisions of the Bill will be brought into operation by Appointed Day Orders at such time as the underlying secondary legislation has been consulted upon and is also ready to come into operation. The framework as a whole, that is the primary and secondary legislation, is likely to result in the requirement for some additional resource for the Authority to administer the updated framework and for the insurance sector to demonstrate compliance. Notwithstanding the resource implications, the implementation of an updated framework for insurance business is vital for compliance with international standards to provide an appropriate environment in which business can thrive and policyholder's interests are appropriately protected.

Eaghtyrane, I beg to move that the Insurance (Amendment) Bill 2017 be now read a first time.

The President: The Hon. Member, Mr Crookall.

Mr Crookall: Thank you, Mr President.

I beg to second and reserve my remarks.

The President: Mr Turner.

Mr Turner: Thank you, Mr President.

Can I ask the mover of the Bill, at this First Reading stage, he says the industry obviously were widely consulted; the feedback was then listened to and that possible amendments may have been made at the drafting stage. Could he confirm whether the industry, following those secondary consultations, was satisfied with the outcomes of that consultation period in the drafting of the final Bill which has come before the Branches?

The President: Mr Henderson, do you wish to deal with that now?

Mr Henderson: Yes, certainly, Eaghtyrane, Gura mie eu.

Just to confirm that the industry were widely consulted and there was a secondary consultation and workshops, and indeed consultation will continue with them.

In overview, they are broadly satisfied with what we are trying to achieve here. One of their main concerns was the timing of the changes and implementation of the change to the regulatory framework and the effects that that may have on their business and they were working with us to ensure we had the timeframe going forward. They advised of one or two changes they might like to see, such as they were reassured that the secondary legislation will be laid before Tynwald or put to Tynwald anyway, so it will receive Tynwald approval and there were various smaller matters that were listened to and taken on board. I can say that the industry are quite happy inasmuch that they know they have to aspire to these standards. Other countries are already aspiring towards them as we speak and, in fact, some of the industry were quite keen for us to get on with this at any rate to get the thing rolling, if I can put it like that, Eaghtyrane.

The President: Mr Anderson.

Mr Anderson: Thank you, Mr President.

Just a couple of points; firstly, is there any crossover here with the visit of Moneyval and the recommendations, does this tick any boxes as far as they are concerned?

The other one I was wondering about, does this increase our competitive element as a jurisdiction to do business here or are we just keeping ourselves up-to-date with everybody else? Are we giving ourselves a competitive advantage or are we just making sure regulation is complying with everybody else? Thank you.

The President: Mr Henderson.

Mr Henderson: Gura mie eu, Eaghtyrane.

It is not strictly related to Moneyval, although I am sure I can say Moneyval would be pleased to see this process running and that we are actually undertaking the legislation. I think it is more relevant to the European protocol I referred to earlier with regard to our international standards there.

Can I just clarify, Eaghtyrane, the second part of your question, Hon. Member?

Mr Anderson: Yes, the second part was does this enhance our competitive edge in this area or are we just simply doing what everybody else is doing already?

Mr Henderson: Well, there are one or two countries already aspiring to this, although I suppose it could be said we are in the vanguard, and that would certainly hold us in a good light for a jurisdiction to do business from and with as regards to that, so that in itself would hold our competitiveness in a reasonable light as far as a well-regulated insurance industry goes.

I think, Eaghtyrane, the Hon. Member may be hinting at the fact that we might be possibly over regulating inasmuch that it might hamper industry, but I do not believe that is the case because of the amount of consultation that has gone on and working with the insurers, and I may add working with individual companies, not just on a broad spectrum base but actually consulting individually as well with the sector, has helped greatly in progressing this.

Mr Anderson: Thank you.

The President: Any further comments?

In that case, Mr Henderson, do you wish to reply?

Mr Henderson: Thank you, Eaghtyrane.

I am just looking for the European directive on this that the Hon. Member, Mr Anderson, was querying about and that is the Solvency II protocol and the European standard which affects this rather than the Moneyval.

But other than that, I thank my seconder, Eaghtyrane, and I thank Hon. Members for their enquiries which I am grateful for because this is a complicated piece of legislation. I think it might give the impression that it may be too complicated, if I can put it like that, for the industry, but it is not, it actually puts in a lot of practical issues. It is just in the legal drafting and I am sure as we go along to the clauses stage each part will be explained.

And if I may add, Eaghtyrane, that if any Hon. Member has any queries with the Bill I am more than happy to see Members individually or indeed, to arrange any particular small briefings that they may wish with our technical staff.

I thank Members for their support for the First Reading.

The President: Thank you, Mr Henderson.

I put the question that the Insurance (Amendment) Bill be read for the first time. Those in favour, say aye; against, no. The ayes have it. The ayes have it.

That brings us to the end of the business on the Order Paper.