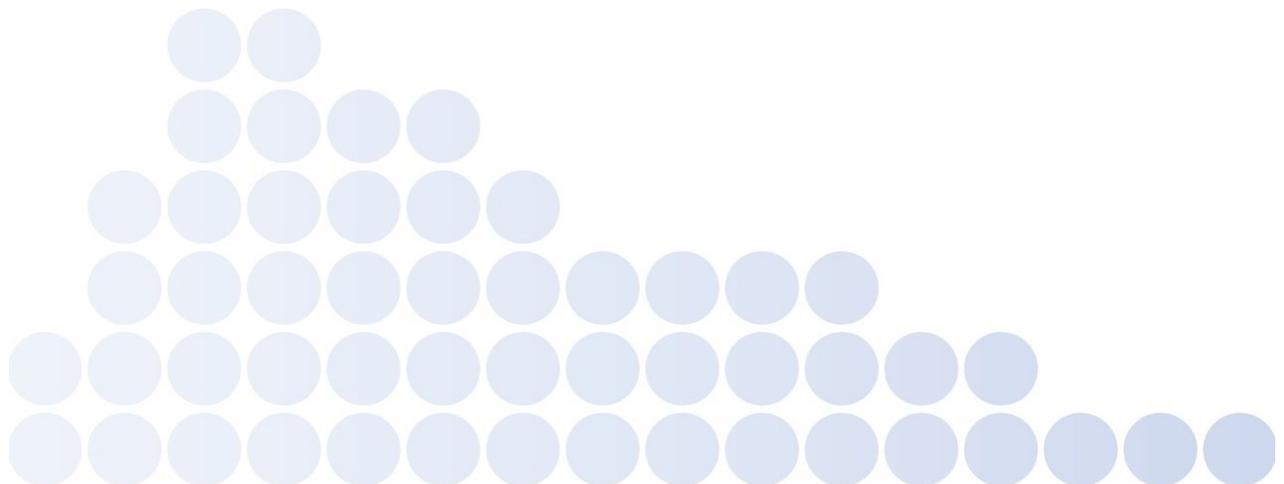




The Gibraltar Financial Services Commission

Insurance Managers Thematic Review

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Insurance Managers Thematic Review

In the Gibraltar Financial Services Commission's (GFSC) 2016-2017 Business Plan the GFSC set out its appetite for using thematic reviews as a tool to help deliver improved outcomes. The GFSC is now rolling out its approach to thematic reviews across the whole spectrum of regulated firms.

Targeted thematic reviews form an integral part of our supervisory and risk management approaches and we now plan to undertake a thematic review of Insurance Managers (IMs) to help inform our approach to supervision and risk management of that sector.

The principal aim will be to gain knowledge and understanding of the composition of the sector, its compliance policies, procedures and controls as well as determining how effectively IMs are managing risk. The GFSC also wants to ensure that IMs fully aware of their legal and regulatory obligations and are up to date on changes to the regulation of the insurers they manage, such as those brought about by the Solvency II Directive.

Why select Insurance Managers as a theme?

The topics for thematic reviews are selected on the basis of risks to the GFSC's regulatory objectives, which are set by statute. The insurance sector in Gibraltar conducts business both within and outside Gibraltar and non-compliance could pose a significant risk both to policyholders (in Gibraltar and elsewhere) and to the reputation of Gibraltar. The GFSC recognises the important role that IMs play in managing and influencing firms within the insurance sector.

The GFSC has identified a number of significant changes within the IM sector over the last 5 years, including an expansion into the management of general/life insurers as well as captives, in addition to changes to the legal and regulatory framework under the Solvency II Directive. IMs have also diversified from providing managerial services to a broader range of services.

These changes could impact a number of the GFSC's regulatory objectives including the promotion of market confidence, the protection of the good reputation of Gibraltar and the protection of consumers. As a result, a thematic review of IMs will help the GFSC to better understand and manage risk within the sector and the potential impact on the GFSC's objectives. The review will also give the GFSC an opportunity to gather information to inform the approach taken by its Authorisation, Supervisory and Enforcement functions.

Scope of study

The review will look at a range of matters including:

- Oversight and corporate governance;
- Risk management;
- Record-keeping;
- Ethics and competency issues;
- Conflicts of interests;
- Levels of work and capacity;
- Marketing strategies;
- Levels of communication with the GFSC;
- Concentration risk (where one IM manages a significant number of insurers).

The review will also look at a number of broader subjects including how IMs phase out services to improve insurers' self-sufficiency and jurisdictional presence, what changes IMs anticipate within the insurance sector over the next 5 years and what IMs' long term strategies are to evolve with the insurance sector.

Focus of study

The review will explore with IMs the following questions that the GFSC believe could potentially be linked to risks for consumers or to the reputation of Gibraltar:

- What is the full range of services offered/marketed?
- What is the client composition - size/type/number?
- How are key risk management principles complied with?
- What quality control/Four Eyes systems are in place?
- How are conflicts of interest between clients identified, managed and prevented?
- How is confidential and commercially sensitive information protected?

Timeline and next step

The GFSC will commence engagement with all GFSC licenced IMs in Q3 2016. Initial engagement will include a request for operational information, information on how key regulatory requirements are met and copies of internal documents which will include, but not be limited to:

- Management agreements;
- Organogram and roles & qualification of team members;
- Procedures manuals including those for risk management, client financial reporting and Four Eyes systems;
- Risk registers.

This information will be assessed in Q4 2016 and the GFSC may follow up with bespoke, focused, onsite visits for those IMs the GFSC considers appropriate following its assessment of the information provided.

Feedback will then be provided to the sector - with any follow-up supervisory work commencing after the feedback has been provided to the relevant IM(s).

Any on-going work addressing crystallised risks or urgent enforcement action will continue separately.

Further information

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