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CONSULTATION PAPER ON AMENDMENTS TO THE INSURANCE FEES

REGULATIONS

This consultation paper proposes a number of amendments to the insurance fees regulations. The Commission is seeking comments from interested parties on the proposals in this paper. Please note that there will be a separate consultation with industry later in the summer regarding the level of fees proposed for 2011.

1. Conversion of a PCC or an ICC to a non-cellular company

Applications for the consent of the Commission for the conversion of a non-cellular insurance company to a protected cell company ("PCC") or to an incorporated cell company ("ICC") and applications for consent for the conversion of an insurance PCC to an ICC attract a fee. As the Commission undertakes a similar amount of work for applications for the consent of the Commission for the conversion of an insurance PCC or ICC to a non-cellular company, it is proposed that a fee should be introduced for these at the same level.

2. Reactivation of a dormant cell

It is proposed that when a cell of a PCC that was dormant at the beginning of the year is reactivated during the year a pro-rata annual fee should be imposed to reflect the work involved in monitoring an active cell. The pro-rata annual fee should be calculated on the number of months the cell was dormant and the number of months it will be active and should take into account the fee for that dormant cell already paid for the year.

3. Transfer of long-term business

The Commission is proposing that an application for its consent to a scheme for the transfer of long-term business, to an insurer either within the Bailiwick or in a country outside the Bailiwick, should be accompanied by a fee of £1,000 to reflect the level of work undertaken by the Commission in considering the application.

4. Calculation of annual fee for intermediaries

Part of the annual fee for intermediaries is based on the level of the intermediary's turnover at the end of the most recent financial year. Where a licensee's year-end is towards the end of the calendar year it is likely that final audited accounts are not available before the fee is due on 31 January. In these cases, the fee is calculated on turnover from the draft accounts. It is proposed that with effect from January 2011 the fee should be based on the intermediary's turnover at the end of the most recent financial year prior to 30 June. As audited accounts should be provided to the Commission within 6 months of the financial year-end, the proposed change should allow for fees to be calculated on the last set of audited accounts rather than on draft accounts.

It is also proposed that turnover should be defined in the fees regulations in the following terms:

- (a) the figure, if any, shown in the intermediary's audited financial statements as being the gross turnover from his activities as an insurance intermediary in the financial year or, if none,
- (b) the figure, if any, certified by his auditor to the Commission as being the gross turnover from his activities as an insurance intermediary in the financial year or, if none,

(c) the figure shown in his audited financial statements as being his gross turnover in the financial year or,

(d) in the case of a person not obliged to produce audited financial statements for the financial year or not yet carrying on any activities as an insurance intermediary, the figure agreed between him and the Commission as an estimate of his gross turnover from his activities as an insurance intermediary for the financial year,

provided that if the financial year was not a period of twelve months, the turnover as determined above shall be annualised.

5. Temporary licence for intermediaries

At present the fees regulations include an exemption for temporary intermediary licences applied for and issued under section 4(6) of the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002. As the Commission would undertake a similar level of work when considering applications for temporary licences and the subsequent monitoring of temporary licensees as it does for permanent licences it is proposed that this exemption should be removed.

6. Insurance manager - pure captives

A reduced annual fee is paid by insurance managers that manage pure captives only. It is proposed that the fees regulations are amended to make it clear that the reduced annual fee also applies where an insurance manager manages a domestic friendly society or a domestic mutual insurer.

7. Consultation

The Commission is seeking comments from interested parties on these proposals. Would you please address comments to:

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Comments should be made by the close of business on 16 August 2010. Copies of correspondence received by the Commission in respect of this consultation will be forwarded by the Commission to the Commerce and Employment Department.