# Intermediary Seminar 18 December 2007

Diane Colton

Director of Insurance



# **Intermediary Sector 2007**

31/12/06 48

Licensed 2

Withdrawal 1

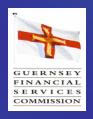
Surrendered 2

Pipeline Cases 10

18/12/07 48



# RATS



# Retirement Annuity Trust Schemes (RATS)

- Increased focus on and marketing of RATS since NU decision to withdraw from the Guernsey pensions market.
- Concerns have been expressed both from across all of the regulatory divisions of the Commission and parts of the finance sector about promotion and administration of RATS.

#### Areas of particular concern are:

- Suitability and quality of advice
- Issues of disclosure of fees, commissions, charges and conflicts of interest
- Investment expertise



### Position Paper and Working Party

- The Commission has prepared a Position Paper.
- Working Party to be established.



#### St James Global Limited

#### Background

- Licensed Intermediary.
- Commission notified of suspicious claim made by Coutts on company motor policy.
- Request to surrender licence just prior to pre-arranged on-site visit.
- On-site went ahead, resulting in the following concerns:
  - No plans for clients (and unable to provide an accurate list)
  - Unable to confirm financial position
- Coutts arrested for attempted deception.



#### St James Global Limited

#### **Regulatory Action**

- Conditions imposed restricting business and payments following Coutts' arrest.
- Warrant executed to search for client records and financial information.
- Assets of St James Global and Coutts frozen due to concerns over mixing of company and personal assets.
- Applied to Royal Court for compulsory winding up of St James Global.
- Applied to Royal Court for director disqualification against Coutts.



#### St James Global Limited

#### Results

- Coutts sentenced to 13 months imprisonment for attempted deception and failing to answer bail.
- Coutts declared "en desastre".
- St James Global placed into liquidation.
- Liquidator investigations found further suspicious transactions.
- Coutts disqualified from acting as a director for 11 years.



# Intermediary Seminar 18 December 2007

David Quick Senior Analyst - Insurance



#### Responsibilities of the Compliance Officer

Appointment of a Compliance Officer will be a requirement under the new Law to be introduced early next year

- Maybe client facing -procedures must address actual and/or potential conflicts of interest which this may give rise to.
- Maybe non- client facing.
- Maybe outsourced.
- In each case reports directly to the Board of Directors as a whole not just to an individual director.

#### Responsibilities of the Compliance Officer

What are the responsibilities of a Compliance Officer?

They include, but are not limited to:

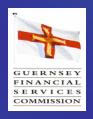
- Assisting the Board in formulating processes and procedures that comply with the Law and associated regulations.
- Introducing and explaining those processes and associated regulations to the operational staff.
- Ensuring that the internal guidelines pertaining to the business, and the regulatory regime are complied with.
- Reporting breaches to the Board.
- Keeping the Board informed of impending changes in regulatory requirements.
- Ensure changes are made to internal procedures to comply with new regulatory requirements.



#### Responsibilities of the Compliance Officer

#### The Board of Directors :-

- Have responsibility for Regulatory compliance.
- Can delegate the function, but not the responsibility.
- Should define the powers and scope of the Compliance Officer's responsibilities.
- Must accept full responsibility for any limitations placed on the scope of the Compliance Officer's activities.



#### Responsibilities of a Compliance Officer

- The potential scope of a Compliance Officer's responsibilities are set out in the checklist on the following slides.
- The list is not intended to be exhaustive but is a compilation of checklists seen during our on-site visits: -
- The frequency of the checks will vary with the type and size of your business- except where required by Law e.g. Annual Returns, Management Accounts
- The frequency keys A= Annual, M=Monthly, W=Weekly,
   D= Daily, E = Event Driven are examples only R= Regularly



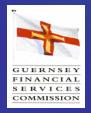
Action	Frequency	
Changes notifed to GFSC (over 15% for approval)	E	
PQs submitted	Е	
Leavers notified to GFSC	Е	
Proposed Joiners notified to GFSC for approval	E	
PQs submitted	E	
Conflicts of Interest reviewed		
Standing and experience reviewed		
Board skill set reviewed		
PQ s up to date		
Changes notified(with reasons)	Е	
Changes notified	Е	
MinimumCapital Requirement £25k	D	
Management Accounts Prepared	Q	
Business Continuity Plan reviewed	A	
Tested	Α	1
Premises ( Suppliers of Services)List		GUERNSE
Personnel ( Contact details) List		S E R V I C E COMMISSIO
	Changes notifed to GFSC (over 15% for approval) PQs submitted  Leavers notified to GFSC Proposed Joiners notified to GFSC for approval PQs submitted Conflicts of Interest reviewed Standing and experience reviewed Board skill set reviewed PQ s up to date  Changes notified(with reasons)  Changes notified  MinimumCapital Requirement £25k Management Accounts Prepared  Business Continuity Plan reviewed Tested Premises ( Suppliers of Services)List	Changes notifed to GFSC (over 15% for approval)  E PQs submitted  E Leavers notified to GFSC  Proposed Joiners notified to GFSC for approval  E PQs submitted  Conflicts of Interest reviewed  Standing and experience reviewed  Board skill set reviewed  PQ s up to date  Changes notified(with reasons)  E Changes notified  MinimumCapital Requirement £25k  Management Accounts Prepared  Business Continuity Plan reviewed  A Tested  Premises ( Suppliers of Services)List

ltem	Action	Frequency	
Mandatory Insurance	Professional Indemnity, Employers Liability, Motor		
	Level is adequate for the activities undertaken	M	
	Satisfies minimum regulatory requirements for PI		
	Compliance with PI disclosure requirements		
	All activities covered	M	
	All jurisdictions of activity covered	А	
	Deductible acceptable - able to meet deductible at all times	W	
	Exclusions / Warranties acceptable	А	
	Reviewed /renewed	А	
Other Insurance	Commercial Combined, Office, Directors & Officers		
	Reviewed /renewed	A	
Procedure Manuals	Reviewed & Updated to reflect current practice	R	
	GFSC website visited - current issues, legal updates etc	R	
Training & Competence	Staff - CPD Returns checked	M	
Complaints	Check Register	W	
	All complaints recorded		
	Prompt acknowledgement	Е	
	Prompt resolution		
	Not resolved in 30 days-Advised re GFSC	E+30	
	Board aware		
	GFSC advised if not resolved within 90 days	E+90	

Item	Action	Frequency
Money Laundering	Check MLRO records & reports	
	AML Procedure Manual reviewed and updated	
	KYC/CDD on every file	
	KYC/CDD checklist reviewed /updated	
	KYC/CDD new staff	E
	Training for AIR'S	А
	Training for AIRs recorded as CPD	Е
	Review Product /Client Risk Matrix	Α
Data Protection	Training for AIR's	Α
	Training recorded as CPD	Е
	Regular Password changes	
	Access Level Review	А
	Keyholders List updated	
	Daily Back up	D
	Discs/Tapes/ Sticks Offsite	D
Compliance	This checklist reviewed	Α
	Report to Board	M
	AIRs Leavers & Joiners notified	E
	AIRs signed up to Code of Conduct	Е
	Review Product/Client Risk matrix	
	Review frequency and % of file review per AIR	
	Terms of Business Agreements with Suppliers(insurance)	
	Regulated status of suppliers	А
Money Handling	Brokerage Account separate from Business account	
	Reconciliation Commission/ net premium	M
	Bank mandate signatures& sign off limits for Outgoings	M
	Risk Transfer TOBAs	
Accounts/Licensing	Notify Change to year end to GFSC( approval)	E
	Submit Annual return ( see GFSC checklist)	y/e +6 mos
	GFSC Fees paid	January
	Licence displayed	D
	Licence covers current categories	D

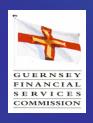


Item	Action	Frequency	
Claims Files	Prompt Processing Client/insurer		
	KYC/CDD recipients/third parties		
File review	Fact find/ proposal present complete & signed		
	KYC/CDD documentation certifed & signed		
	Recommendation /Reasons Why Letter (Closing old)		
	Terms of Business Agreement present & signed		
	Evidence of acceptance		
	Recommendation /Reasons Why Letter (opening new)		
	Evidence of Acceptance		
	Evidence of peer review		
	Renewal Terms to Client "in good time"		
	Clear statement of cost& fees to client		
	Significant or unsual exclusions notified to client		
	Prompt issue of policy documents/evidence of cover		
	Premium Collected or payment terms deposit etc		
	Next renewal diaried		
	MLRO referrals where appropriate		
Treating Customers Fairly	Review staff remuneration policy		
Conflicts of Interest	Commission disclosure policy		
	Review fees basis		
Adverts	Checked against GFSC guidelines	Е	
	"Licensed by GFSC"	Е	
	Claims can be substantiated	E	



#### Responsibilities of a Compliance Officer

- The checklist illustrated is available as an Excel spreadsheet should you wish to adapt and adopt it for your own business
- In the course of the year, the Commission have recognised some examples of good practice in the reporting of the appointment and resignation of Authorised Insurance Representatives, the recording of Continuing Professional Development (CPD) and the reporting of complaints.
- These examples are reproduced on the following slides and are available electronically should you wish to adapt and adopt them for use in your own business.



# Appointment and Resignation of AIRs

INTERMEDIARY NAME	
AIR Surname	
First Name(s)	
Date of Birth	
Qualifications	
(if applicable)	
Previous employer	
( if applicable)	
Date of Appointment	
Date of Authorisation	
( if different)	
Categories Authorised	
e.g.General Insurance/Long Term	
Date of Leaving	
Comments:	
e. g Reasons for Leaving / Any	
regulatory concerns?etc	



## **CPD Records**

CPD Record Sh Ver Mar 2007 Adviser

David Quick 2007

Date	Activity	Development	Hrs/Mins	Running Tota	
	Details	Achieved		Hrs/Mins	
27/09/2007	sex discrimination presentation	Awareness of issues	210	210	
	read trade press	Awareness of issues & marketdevelpome	30	240	
	cii presentation international pe		30	270	
	AML SEMINAR	Legal update	180	450	
27/11/2007	Dirctors liabilities seminar	Legal update	210	660	
30/11/2007	co inherent defects policy readi	product knowledge	10	670	
14/12/2007	read CII professional pointers	Current developments at FSA	10	680	
				7	
					2
				GUE	RNS
			680		VIC

#### **Complaints Update**

#### **COMPLAINTS UPDATE REPORT**

Intermediary Name

Outstanding Complaint over 90 Days

Date Received	Customer Name	Complaint Type*	Present Position	Resolution/Compensation

- e.g. Endowment Shortfall\*\*, Investment Performance, Service Level
- \*\* For Endowment please include policy inception date



#### Fees for 2008

- A timely reminder that those of you with a financial year end of 31 December need to get your estimated 2007 brokerage turnover to us before the end of January 2008.
- Failure to do so will mean you having to pay the maximum of £ 4790
- There will be no refunds if you miss the deadline

Happy Christmas and a Prosperous New Year

