

INSURANCE REGULATORY OVERVIEW

Key advantages of the Isle of Man

The success of the financial services industry on the Isle of Man can be attributed to a combination of the following factors: -

- Welcoming and supportive government
The Isle of Man Government has created a fiscal environment and a legislative framework to positively encourage the development of the Island's financial services sector.
- Politically and economically stable environment
The Isle of Man has its own Parliament, Tynwald that makes its own laws and oversees all internal administration, fiscal and social policies. The Island's diversified economy continues to go from strength to strength and the Isle of Man has an S&P "AAA" Country Risk Rating.
- Space for growth and development
Whilst many other offshore centres have become overcrowded and expensive the Isle of Man has the capacity for sustaining growth. There are no restrictions on new residents and the Island has an open property market with no restrictions or qualifications limiting property acquisition.
- High regulatory standards
The Island has earned a reputation for world-class regulatory standards within a regulatory framework that offers a flexible and non-bureaucratic approach.
- Attractive tax environment
The Isle of Man government operates a policy of low taxation both for individuals and companies. The Government has recently unveiled a radical new tax strategy, which will reduce the tax burden for both companies and individuals even further.
- Established Infrastructure
The Isle of Man is a mature financial centre offering a wide variety of professional services.
- Modern communications fully embracing E-Commerce needs
The Isle of Man boasts state of the art digital telecommunications systems and is home to a number of Internet technology businesses.

Regulation of Insurance & Pensions Business

The aim of the Insurance & Pensions Legislation and regulatory process is to deter the unscrupulous without hindering forward thinking dynamic companies. Supervision is achieved in an environment of trust and co-operation between the IPA and the marketplace.

The result is that the Island protects its history, and its future, as an international insurance and pensions centre of high repute, whilst at the same time encouraging new business and helping those businesses already here expand. It is this organic growth, which has contributed greatly to the flourishing success of the Island's Finance Industry.

The ultimate goal is to ensure that companies based on the Island, and their clients, have the confidence that they are transacting business in a high quality, secure and well regulated centre, which has the expertise and capacity to cater for their needs both now and in the future.

IOMIPA Mission Statement

The IPA exists to maintain and develop an effective regulatory framework for insurance and pension business that will: -

- Provide security for investors
- Prevent and deter the Isle of Man being used for the purposes of financial crime.
- Preserve the International Reputation of the Isle of Man.
- Ensure a flourishing environment for Isle of Man business.

IPA Objectives: -

- To ensure that the Authority's policies are up to date and timeously implemented.
- To resource the Authority with staff of high quality, integrity and experience.
- To maintain high standards in the authorisation, supervision and good conduct of insurance business.
- To maintain a cost-effective support system which, appropriate to needs, is sufficient to support the regulatory and other responsibilities of the authority.
- Without compromising regulatory impartiality, to safeguard the Authority's and the Island's image.

Insurance Regulations

The aim of the insurance legislation and regulatory process is to deter the unscrupulous without hindering forward thinking dynamic companies. Supervision is achieved in an environment of trust and co-operation between the IPA and the marketplace.

Companies carrying out insurance business in or from the Isle of Man are required to be authorised under the Insurance Act 1986. Regulations made under this Act provide for detailed supervisory reporting requirements.

The Act seeks to ensure that senior management and controlling parties of insurance businesses are fit and proper and that the companies are financially sound. The legislation is clear and comprehensive and its reporting requirements satisfy the IPA's strict supervisory needs without placing unnecessary demands on the market place.

The IPA is committed to the continued development of an appropriate and up-to-date regulatory framework and was one of the first domiciles to introduce legislation allowing captive insurance companies from other territories to re-domicile to the Island without being liquidated in the original territory. This has considerable savings for the company concerned both in time and cost.

The Authority is also drafting legislation to allow the formation of protected cell companies (PCCs). Such entities will offer a means of alternative risk transfer to

companies for which traditional insurance was previously the only commercially viable option.

PDF documents of the regulatory environment include: -

- Insurance Act 1986
- Insurance Regulations
- Insurance Guidance Notes

Fiscal Options

The Island currently offers a number of fiscal options to insurance companies. Insurance companies may operate under the provisions of the Income Tax (Exempt Insurance Companies) Act 1981, whereby they may be exempted from tax on all, or part, of their profits.

Island based companies transacting business internationally can choose to operate under the International Business Act 1994, whereby they may elect to pay tax at a rate between 1% and 35%.

All companies have the option of paying tax at the standard rate.

Under the Isle of Man's new Taxation Strategy announced in June 2000, it is intended to rationalise the fiscal options available so that all persons carrying on insurance business (whether domestic or international) in or from the Isle of Man will be subject to a zero rate of taxation. It is anticipated that such new provisions will be available in 2003/2004. In addition, the standard rate of tax will be reduced to 10% for trading companies and 15% for other companies.