

**Guernsey Financial Services Commission**

**Feedback Paper following consultation on the Disclosure Rules  
for Insurance Intermediaries**

**April 2024**



Guernsey Financial  
Services Commission

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# 1. Introduction

This paper provides feedback on the responses received to the Commission’s consultation paper (“CP”) on Disclosure Rules for Insurance Intermediaries, which was issued in December 2023. It explains how we have responded to that feedback, including any changes we have made to the proposals originally put forward.

## Who is affected by the rule changes?

The rule changes set out in this feedback paper will affect licensed insurance intermediaries and their clients.

There are 35 intermediaries in the Bailiwick to whom the rules changes apply.

## Background to the Consultation

The CP proposed changes to the Insurance Intermediaries Rules and Guidance that would require insurance intermediaries to disclose the nature of their relationship with the insurers with whom they deal as well as a requirement to disclose the basis on which they are remunerated.

These disclosures have a positive impact on client protection and will bring the Bailiwick into compliance with the IAIS<sup>1</sup> Insurance Core Principles’ requirements laid out in ICP 18 in relation to “Intermediaries”. This remedies a shortcoming highlighted in Guernsey’s 2019 [IAIS review](#)<sup>2</sup>.

## Summary of the Consultation

The proposals in the CP focussed on increasing the amount of information disclosed to clients to ensure they can make a fully informed decision before purchasing a policy and comprised the following:

- Name and disclose the intermediary’s relationship to the insurers they represent, for example where they own or are part of the same group as the insurer,
- Disclose whether the intermediary is representing the client or acting for and on behalf of the insurer,

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<sup>1</sup>The International Association of Insurance Supervisors (IAIS) is an organisation of insurance supervisors and regulators which aims to promote effective and globally consistent supervision of the insurance industry. It sets international insurance standards which countries conducting international insurance business are expected to enact and enforce.

<sup>2</sup> [Detailed Assessment of Observance - IAIS Insurance Core Principles \(ICPs\) - Bailiwick of Guernsey](#)

- Identify and disclose where the intermediary is offering insurance products from a limited number of insurers (three or fewer), and
- Disclose the basis on which the intermediary is remunerated.

Prior to publication of the CP, the Commission engaged with industry, meeting with a selection of intermediaries (eight in total, including long-term, general, and combined long-term and general) to understand current industry practice. This engagement informed the content of the CP.

The Consultation period ran for seven weeks, until 29 January 2024.

During the consultation, the Commission received six responses, all from licensees. Therefore, licensees' responses have been taken into account and are laid out below as part of the consultation feedback.

## 2. Assessment of Consultation Feedback

### Feedback Summary

The Commission received 6 responses to its CP, in addition to the initial feedback received from its engagement with industry prior to publication.

The feedback received from licensees has been constructive and mostly positive. The majority of respondents confirmed that the proposed disclosures are well-established good practice and considered it a positive development for this to be formalised in the rules. A number of intermediaries highlighted the importance of an appropriate implementation period so they had time to update their systems and processes. In addition, several licensees commented that the proposed changes would increase transparency which would ultimately benefit consumers.

### Feedback regarding consultation Question One

Question one covered three related proposals, that intermediaries must:

- name, and disclose their relationship to, the insurers they represent, for example where they own or are part of the same group as the insurer,
- disclose whether they are representing the client or acting for and on behalf of the insurer, and
- disclose the basis on which they are remunerated.

As discussed in the CP, these proposals are intended to make clients of insurance intermediaries aware of conflicts of interest that may exist so that they can make an informed decision about the products they purchase.

**Q1: Do you have any comments on the proposal that intermediaries should disclose to clients the relationship of the insurers with whom they transact as well as the basis on which they are remunerated?**

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Of the six consultation responses the Commission received, the majority were either in favour of the proposals, noting that it was good practice within the industry, or had no comment. Several respondents also stated that increased transparency was in the interest of consumers. One respondent stated that they did not see the need for the proposed changes but did not provide further explanation.

As a result of the above feedback, no changes are proposed to the rules set out in the CP other than slightly re-phrasing rules 7.4.4.(2)(c) and (d) to make their intent clearer.

**Feedback regarding consultation Question Two**

As with the first set of proposals, the proposal covered by Question two is intended to provide clients with the information they need to make an informed choice regarding the insurance products offered or recommended by insurance intermediaries.

**Q2: Do you have any comments on the proposal that intermediaries should disclose to clients whether they are offering insurance products from a limited number of insurers (three or fewer)?**

The six consultation responses received for Question two were similar to those received for Question one, with the majority either in favour or making no comment and one stating that they do not see the need for the proposed change, noting that they are limited to three insurers for one of their lines of business. While the Commission recognises that there may be a limited number of insurers serving a particular market, customers should still be made aware of this limited selection.

As a result of the above feedback, no changes are proposed and the rules are be amended as proposed in the CP.

**3. Next Steps**

The Commission has carefully considered the feedback it has received.

As noted above, the overwhelming majority of the feedback was positive. As a result, the Commission intends to proceed with the proposed changes as outlined in the Consultation Paper, other than the changes to rule 7.4.4., noted above. In addition, the content of the guidance boxes has been amended for greater clarity. The final version of the amended rules and guidance can be found in Annex A, below.

A number of respondents highlighted the importance of an appropriate lead in time. As a result, the amendments to the Insurance Intermediaries Rules and Guidance will come into effect on the 1<sup>st</sup> January 2025.

# Annex 1 – Insurance Intermediaries Rules and Guidance, 2021

Marked up Copy of the Amendment to Rules 7.4.4 and 7.4.5 – as proposed in the CP.

## 7.4.4 Client relations – disclosure

- (1) This rule does not apply where a licensee provides intermediary services to a client who is an eligible counterparty.
- (2) Before a licensee provides insurance intermediary services to a client it must disclose to them, in writing:
  - (a) the services and products offered;
  - (b) the expertise of the licensee;
  - (c) the nature of the relationship between the licensee and the insurer with whom it transacts or intends to transact; and
  - (d) whether they are acting for and on behalf of the insurer or represent the client.
- (3) A licensee must not recommend a transaction to a client unless it has taken reasonable steps to make them aware of the risks involved; including conflicts of interest.

### Guidance Note

Where the insurance intermediary has chosen to or is able to only select products from a limited selection of insurers (three or fewer) for a particular line of business, the intermediary should make appropriate disclosures to the client, including at least:

- the fact that the selection is limited (and to how many insurers)
- name of the insurer whose policies are offered,
- the nature of the relationship with any insurer whose policies are offered to the client. *This includes whether they are under common ownership, or are otherwise related businesses, have a financial interest in an insurer or insurance group, act as an agent of the insurer, or any other circumstance from which potential conflicts of interest could arise.*

Disclosures should be provided as part of a terms of business agreement.

In addition, intermediaries are expected to highlight such disclosures orally when dealing directly with clients and to disclose appropriate information on websites and other media made available to clients.

#### 7.4.5

#### Client relations – fees, charges, and remuneration

- (1A) Before a licensee provides insurance intermediary services to a client it must disclose to them, in writing the basis on which the licensee is remunerated.
- (1) Before entering into an agreement to provide investment services to a client, a licensee must disclose, to the client in writing, all fees and charges for providing those services, together with the basis of their calculations.
  - (2) A licensee must disclose all remuneration to be received in connection with a transaction prior to the execution of the transaction. If the amounts are not known then the basis of the calculation must be provided. This does not apply –
    - (a) to transactions relating to general insurance business, unless the client requests disclosure; or
    - (b) to execution-only business, unless the client requests disclosure.
  - (3) Remuneration must be disclosed in a manner appropriate to the category of client to which it relates.

##### Guidance Note

For the avoidance of doubt, intermediaries must disclose the basis on which they are remunerated, whether through fees, commission or other methods of remuneration (including economic benefit).

Intermediaries must disclose details of all fees and charges to clients before entering into an agreement for investment services, including single premium products.

Intermediaries must disclose full details of their fees, charges and remuneration prior to executing long term insurance contracts.

For General Insurance intermediaries must disclose the basis of remuneration and are only obliged to disclose full details of the amount of remuneration when requested by the client.