

# PRISM & Regulatory Investigations

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# Introduction



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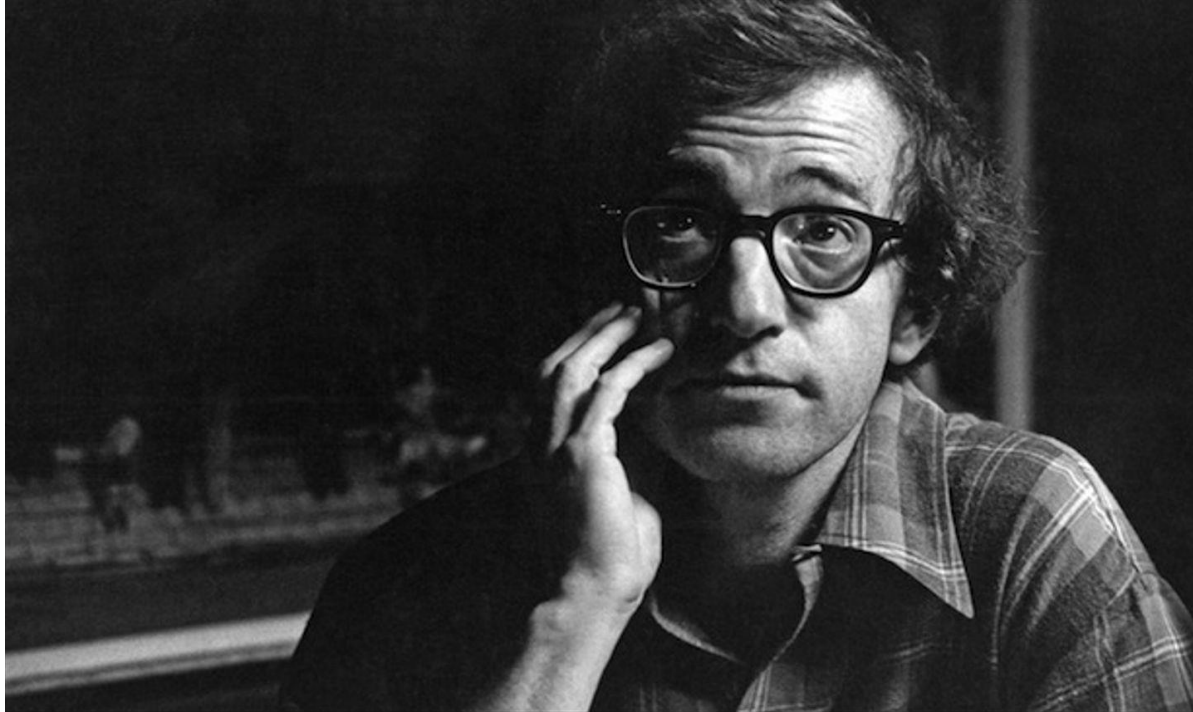
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# Why am I here?



# PRISM

## Solvency Categorisation:

- 1) Commercial Life Insurer
- 2) Commercial Life Reinsurer
- 3) Commercial General Insurer
- 4) Commercial General Insurer
- 5) Captive
- 6) SPI

## Impact Assessment:

- High
- Medium/High
- Medium/Low
- Low

# Process

- Written notification of full risk assessment
- Request for documentation
- Review and interviews, departure meeting
- Draft assessment – 10 days to respond on factual inaccuracies
- Final risk assessment
- Observations/remediation

# Themes – Board Composition

- iNED
- Guernsey resident directors
- Committees
- Minutes
- Outsourcing
- Internal audit
- Risk register

# On-site inspections / investigations

- Distinction between the PRISM assessment process and inspections instigated following concerns.
- Appointment – interests of investors [POI LAW] or clients/policyholders [IBL].
- PRISM – Concerns over adherence with remediation plans or significant changes to the business.
- POI Licensee – more reactive – complaint, adverse media or disclosure.

# On-site inspections / investigations

## Pre-visit:

- Meeting with the Commission
- Outline and parameters of the proposed inspection
- Limiting scope and relevant period
- Preparation
- Exchange of information and documentation



# On-site inspections / investigations

## Post-visit

- Be proactive
- Offer solutions
- Report back

# Remediation exercises

## Governance

- Problems:
  - independence within a group of companies
  - limited number of board meetings
  - business risks
- Intended outcome:
  - demonstrate appropriate independence from related parties
  - signatories

# Remediation exercises

- sufficient time (ad-hoc or fixed agenda items)
- reasonable steps to mitigate risks and frequent consideration of risks posed

## Operational Risk

- Problem:
  - Can the firm demonstrate it has adequate oversight of its service providers?
- Intended Outcome:
  - effective policies and procedures in place for oversight of outsourced functions and service providers

# Remediation exercises

- section 7 of the Guidance Note for Licensed Insurers on Outsourcing – independent assurance that the insurance manager is operating in accordance with applicable laws and regulations.

## Financials

- Problem:
  - can the firm demonstrate accurate and verified financial records?
- Intended outcome:
  - reasonable steps to ensure accuracy of financial data received from entities
  - reasonable steps – supporting data; reconciliations; internal/external audit reports.

# Investigation

- Resisting referral to Enforcement Division:

*“Where appropriate, the Commission will address contraventions or misconduct by agreement with the licensee or individual(s) concerned through ordinary supervisory processes and will endeavour to agree the implementation of a remedial action plan to restore that licensee or individual to compliance as soon as possible.”*

However:

*“where action by agreement is not considered to be sufficient or appropriate, or where co-operation is lacking, or where the contravention or misconduct is of sufficient seriousness”*

= need for more assertive enforcement action by the Commission.

# Enforcement

- Referral from Supervisory – initial review
- Case Review Panel
- Draft Enforcement Report
- Representations
- 2<sup>nd</sup> review
- No action or enhanced supervision or refer to SDM
- Minded to notice
- Representations prior to final decision

# Enforcement

- Appeals
- Push back
- Mitigation

# Questions

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