



## New rules increase protection for the Insured

The Cayman Islands Monetary Authority issued two new rules and a Statement of Guidance on 2 March 2009 to increase protection for the insured. They are:

- The Rule on Market Conduct for Class A Insurers, Agents and Brokers;
- The Rule on Risk Management for Insurers; and
- The Statement of Guidance on Market Conduct for Class A Insurers, Agents and Brokers.

Over the years insurance companies have been criticised for issuing policies that were difficult to understand. The devastation of Hurricane Ivan in 2004 and Hurricane Paloma in 2008 served to exacerbate this perception as some insurance products appeared to inadequately cover the replacement value of the insured properties. Health insurance has received its share of criticism as well. Most recently, the inadequacies of the basic health plans to cover the cost of emergency air-transport to specialised health care facilities in the USA and elsewhere have been attributed to the health insurance provider's failure to educate the consumer on the scope of their coverage.

The Rule on Market Conduct for Class A Insurers, Agents and Brokers seeks to change these beliefs. The rule places a legal onus on insurance providers to clearly explain the insurance products and the extent of the coverage, thereby giving the insurance consumer the necessary tools to make an informed decision on these products.

The Rule on Risk Management for Insurers established a regime for the management of risk. This Rule is not a stand alone document and should be read in conjunction with previous rules, statements and guidance notes on asset management and investment strategies and re-insurance arrangement. This Rule on Risk Management specifies that the insurer must establish, implement, and maintain a risk management framework which can identify, measure, assess, report and control all sources of foreseeable risks. Any risk management policies and/or procedures implemented, must identify, assess, mitigate, control, monitor and report on the material risks to which the insurer is exposed.

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The Statement of Guidance on Market Conduct for Class A Insurers, Agents and Brokers compliments the Rule on Market Conduct and provides greater protection for the consumer through transparency.

Together, the rules and guidance seek to further regulate the insurance industry and formulate a system whereby consumers can feel increasingly confident that they are getting the product which best suits their needs. The implementation of these rules and the guidance is seen as another positive step in maintaining the global standards of the Cayman regulatory insurance regime.

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