

INSURANCE CODE OF CONDUCT:
An Overview

1. **Background**

The Insurance Code of Conduct (the “Code”) came into effect on 1 July 2010 and the Bermuda Monetary Authority (the “Authority”) has established 1 July 2011 as the deadline for compliance with the Code in respect of all insurers. The Code is part of the continuing programme of regulatory change being implemented by the Authority in furtherance of its objective to establish a risk-based regulatory regime that meets or exceeds international standards, proportionally reflects the different constituents of the Bermuda market, and which is recognised as equivalent by other leading regulators around the world.

The Code identifies the duties, requirements and standards to be complied with, and the procedures and sound principles that shall be observed by, all insurers. At its heart, the Code is a codification of best practices adopted by Bermuda insurers and, for most insurers, is more a document of consolidation than one which creates new or further obligations.

2. **Implementation**

To the extent not already in place, insurers are expected to develop and apply policies and procedures, capable of assessment by the Authority, in order to achieve compliance with the Code. This broadly includes the development of a “Framework” which allows for the maintenance of sound corporate governance and risk management and ensures that the insurer is assessing and documenting its compliance.

In light of the Proportionality Principle (discussed below), compliance with the Code will be on a case by case basis as each insurer assesses its unique risk profile arising from the nature, scale and complexity of its business. This will allow insurers to review present practices and to determine what, if anything, might require revision or implementation. Each insurer, in collaboration with counsel, will be required to ensure that it has in place its own detailed Framework. Depending upon present practices of the insurer, and having regard to the Proportionality Principle, development of such a Framework may involve input or review by a number of major disciplines within the company as well as consultation with external service providers such as insurance managers and accountants, as required.

Failure to comply with the Code will be a factor taken into account by the Authority in determining whether an insurer is conducting its business in a sound and prudent manner, as required by paragraph 4 of the minimum criteria for registration under the Act.

3. **The Code**

The Code is divided into six categories: (1) Proportionality Principle, (2) Corporate Governance, (3) Risk Management, (4) Governance Mechanism, (5) Outsourcing, and (6) Market Discipline and Disclosure. The following is an overview of each of these categories. For a detailed description of the requirements of each category, please see the Schedule attached hereto.

3.1 *Proportionality Principle*

The fundamental principle underpinning the Code is that of proportionality. The Authority will assess compliance with the Code in a proportionate manner having regard to three key elements (which will be considered collectively):

- (i) nature - an insurer's relationship with its policyholders (captive versus commercial) or the characteristics of the business written (volatile versus stable etc.);
- (ii) scale - volume of business written or size of the balance sheet in conjunction with materiality considerations; and
- (iii) complexity - organizational structures and ease of information transmission, multifaceted business or business lines, and/or skill level required to properly assess the risks of contractual provisions.

Therefore, the appropriateness of provisions of the Code in relation to each insurer, taking into account these three elements, will be an important factor when determining compliance. This is particularly the case with respect to captive insurers.

3.2 *Corporate Governance*

The Code requires every insurer to establish and maintain a sound corporate governance framework, having regard for international best practice. Corporate governance, as espoused by the Code, includes principles on corporate discipline, accountability, responsibility, compliance, and oversight. The board of directors (the "Board") of each insurer is responsible for the sound and prudent management of the insurer and, ultimately, for compliance with the Code. Essentially, the Board's existing fiduciary duties have been incorporated into the Code, which requires the Board to direct, manage, and conduct the insurer's business in a sound and prudent manner with integrity, due care, and professional skill.

Under the Code, corporate governance touches on:

- (i) Oversight responsibilities of the Board;
- (ii) Responsibilities of the Chief and Senior Executive
- (iii) Relationship between the Insurer and the Authority
- (iv) Insurance Managers
- (v) Principal Representative

For a detailed checklist of the corporate governance requirements under the Code, please see Part 1 of the Schedule attached hereto.

3.3 *Risk Management*

The Board (together with the chief and senior executives), should adopt a sound risk management and internal controls framework, using their judgment and international best practice to guide them. The risk management framework must identify all material risks, assess the potential impact of all material risks, and develop policies and strategies to manage, mitigate, and report all material risks effectively.

The risk management component of the Framework should:

- (i) be embedded in both the organisational structure and strategic oversight process, supported by appropriate internal control policies and procedures;
- (ii) be supported by information systems that appropriately capture underwriting, investment, and operational data and provide relevant, accurate, and timely information to the applicable business functions;
- (iii) include techniques necessary to identify, measure, respond to, monitor, and report, on a continuous basis and on an individual and aggregate level, all material risks (e.g. financial and non-financial, on and off-balance sheet, current and contingent exposures, etc.);
- (iv) include regular reviews of the operating environment to ensure material risks are continuously assessed and monitored, and appropriate actions are taken to manage exposures and adverse developments;
- (v) include objectives, risk tolerance levels, and appropriate delegation of oversight, reporting, and operating responsibilities across all functions;
- (vi) include reporting systems (including sound accounting and financial reporting procedures and practices) that are appropriate for the insurer taking into consideration any outsourcing of responsibilities and safeguarding of assets;
- (vii) include documentation of significant policies and procedures, which should be reviewed at least annually; and
- (viii) include the annual review and approval of these policies and procedures by the Board and the chief and senior executives, on a risk basis (however, where appropriate, an insurer may take a risk-based approach to its review spanning over several annual periods).

The Code sets forth minimum requirements for the risk management framework and identifies certain material risks that should be addressed by the risk management framework. These material risks are: (a) insurance underwriting risk; (b) investment, liquidity, and concentration risk; (c) market risk; (d) credit risk; (e) systems and operations risk; (f) group risk; (g) strategic risk; (h) reputational risk; and (i) legal/litigation risk. The Code also provides a non-exhaustive list of the ways in which risk management framework should address such risks. The material risks that need to be addressed by a risk management framework are described in detail in Part 2 of the Schedule attached hereto.

Each insurer should also implement internal controls to facilitate effective and efficient operations and address the organizational structure of the insurer. The internal controls would impact areas such as duties and responsibilities, decision-making authority, procedures, segregation of duties, internal monitoring and reporting.

3.4 *Governance Mechanism*

To conduct business in a prudent manner, each insurer must establish sound governance mechanisms and integrate them into its corporate governance and risk management framework. The Code permits the Board to develop or appoint functions to assist with its oversight responsibilities. These functions may be developed internally, such as independent risk management, internal audit and/or compliance functions, or outsourced to third-party service providers, as appropriate, given the insurer's risk profile. The Code's recommendations for such functions are set forth in Part 3 of the Schedule attached hereto.

In addition, each insurer must develop policies, processes, and procedures to assess material risks and self-determine the capital requirement it would need to support its insurance undertaking.¹ Assessment should take place at least annually and, as a minimum, should: (a) be an integral part of the insurer's risk management framework, (b) be clearly documented, reviewed, and evaluated regularly by the Board and the chief and senior executives to ensure continual advancement in light of changes to strategic direction, risk management framework, and market developments; and (c) ensure an appropriate oversight process whereby material deficiencies are reported on a timely basis and suitable actions are taken.

3.5 *Outsourcing*

Each insurer should ensure that it has oversight and clear accountability for any outsourced functions. Such functions should be viewed as if they are to be performed internally by the insurer and subject to the insurer's own standards of corporate governance and internal controls. For example, service agreements pertaining to outsourced functions should include terms on compliance with jurisdictional laws and regulations, cooperation with the Authority, and prompt access to data and records.

¹ Upon implementation of the Commercial Insurer Solvency Assessment framework, relevant insurers must follow standards, guidance, and requirements established in place of the self-assessment.

3.6 *Market Discipline and Disclosure*

This section of the Code is only applicable to insurers writing domestic retail business. A detailed description of the requirements pertaining to such insurers is set forth in Part 4 of the Schedule attached hereto.

4. **Conclusion**

The Code became effective on 1 July 2010, but insurers have until 1 July 2011 to ensure compliance with its provisions. Many insurers should already be in compliance with the Code, particularly as it codifies many insurers' existing best practices. It is, however, recommended that prior to the relevant compliance date, each insurer review its internal procedures (particularly those dealing with risk management and corporate governance) and, utilising the proportionality principle, implement such changes as it deems necessary to ensure compliance with the Code.

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Schedule

Schedule Part 1 Corporate Governance

Board of Directors	Chief and Senior Executives	Insurance Managers	Principal Representative
1. Ultimate responsibility for ensuring compliance with the Code and may not delegate this responsibility.	1. Support the Board in the prudent administration of the insurer.	1. Responsibilities of the chief and senior executives may be outsourced to an insurance manager.	1. Monitor the insurer's compliance with the Code in accordance with Section 8A of the Act.
2. Direct, manage and conduct business in a sound and prudent manner with integrity, due care, and skill.	2. Manage and execute day-to-day operations of the insurer, subject to the mandate established by the Board and laws and regulations in the operating jurisdiction.	2. An insurance manager must have a strong risk management and internal controls framework and be sufficiently knowledgeable about jurisdictional laws and regulations to appropriately discharge its responsibilities.	2. Must be resident in Bermuda and maintain a principal office in Bermuda.
3. Ensure processes to assess and document the fitness and propriety of its members, controllers, and officers are in place.	3. Assist the Board to develop and implement an appropriate control environment (including those around reporting systems).	3. The Board must ensure the fitness and propriety of any insurance manager and that the duties, responsibilities, and authorities of such insurance manager are clearly set out in the management agreement.	3. Must be knowledgeable of insurance, Bermuda laws and regulation.
4. Where required, Board should include an appropriate number of non-executive directors. In certain circumstances, non-executive directors may form part of the parent's board.	4. Recommend strategic plans, objectives, key policies, and procedures to the Board for evaluation and authorization.		4. Generally, must be a director or senior executive of the insurer, normally resident in Bermuda, or a Bermuda registered insurance management company.
5. Deal with conflicts (including potential conflicts) of interest.	5. Assist the Board with its oversight responsibilities by ensuring that the Board has accurate and timely information, allowing the Board to conduct robust and candid discussions on operational performance, strategy, and major policies, and to appraise the performance of management.		5. Pursuant to Section 8A of the Act, has a duty to report certain events to the Authority.
6. Set appropriate strategies and policies and provide for suitable prudential oversight of the insurer's risk management and internal controls framework.	6. Support oversight of internal functions, including risk management, audit, compliance, actuarial, and external third-party services.		6. Insurer must make arrangements to enable the principal representative to undertake its duties pursuant to the Act in an efficient and effective basis, including providing access to relevant records.
	7. Ensure key functions assigned corporate governance responsibilities are supported with adequate resources to execute and discharge their duties, including independent functions having direct access to the Board and relevant committees.		

Board of Directors	Chief and Senior Executives	Insurance Managers	Principal Representative
(a) Operational and oversight responsibilities toward sound corporate governance throughout the organization;	8. Ensure external service providers, including the principal representative, insurance manager, and approved auditors have adequate resources and information to fulfill their role, including access to timely and accurate internal and outsourced records.		
(b) Processes to assess and document the fitness and propriety of board members, controllers, officers, and third-party service providers, including insurance managers, auditors, actuaries, and the principal representative;	9. Communicate with the Authority in an open and cooperative manner.		
(c) Board committees to oversee key operational areas including underwriting and investments and key functions including risk management, corporate governance, audit, and compliance;			
(d) Processes to confirm that key staff members are adequately skilled, having the expertise in their relevant field and knowledge of policies and procedures to execute and discharge their duty;			
(e) Broad business and operational strategies, and significant policies and procedures (including those surrounding oversight);			
(f) Review and approve significant policies and procedures (at least annually), promoting effective corporate governance across the organisation, including those for risk management and internal controls and external audit, compliance, and actuarial functions;			
(g) Clear documentation and regular review of processes regarding the roles and responsibilities of the Board, the chief and senior executives, and key staff delegated corporate governance responsibilities;			
(h) Independent functions, such as risk management, internal audit, actuarial, and compliance to assist in oversight responsibilities and have direct communication to the Board and relevant committees;			
(i) Processes regarding the engagement and dismissal of the services of the chief and senior executives and third-party service providers assisting with oversight responsibilities, including policies and procedures to manage and mitigate conflicts of interest and undue influence;			
(j) Processes to confirm that the Board has appropriate access to accurate, relevant, and timely information, including relevant information available to stakeholders participating in the corporate governance process;			

Board of Directors	Chief and Senior Executives	Insurance Managers	Principal Representative
(k) Management of the market conduct of the insurer, including confirming that policies on independence, conflicts of interest and disclosures to external stakeholders are documented and reviewed;			
(l) Internal policies and procedures to address potential issues arising from the business conduct and unethical or fraudulent actions by Board members, chief and senior executives, and staff;			
(m) Review compliance with all relevant laws, regulations, codes of conduct, industry standards, and guidance notes;			
(n) Appropriate information systems to support the organisation's business platform, including producing reliable information to the relevant business functions;			
(o) Maintenance of sufficient records as required by laws and regulations;			
(p) Contingency plans, including those surrounding natural disasters and information recovery, to ensure the continual operation of the insurer; and			
(q) Proper safeguard of sensitive information, including employee and policyholder information.			
8. Communicate with the Authority in an open and cooperative manner.			

1. Insurance underwriting risk component	2. Investment risk component	3. Liquidity risk component	4. Concentration risk component	5. Market risk component
1. Underwriting strategies should be aligned with the overall organisational strategy, including alignment to the appropriate investment strategy and risk tolerance levels.	1. Adopt the “prudent person” principle in relation to the investment of assets (i.e. only invest in instruments that any reasonable individual with objectives of capital preservation and return on investment would own). ²	1. Adopt sound liquidity management practices that cover short, medium, and long-term objectives that support the overall organisational strategy, including investment, underwriting, and claims strategies.	1. Develop strategies and policies to identify, measure, respond to, monitor, mitigate, and report credit risk arising from an individual risk exposure or from a combination of risk exposures such as credit, market, underwriting, and liquidity.	1. Investment strategy should be aligned with the insurer’s overall short-term and long-term strategic objectives, including those surrounding the management of assets and liabilities.
2. Underwriting policies should be sufficiently detailed to allow appropriate management of exposures.	2. Establish strategies that align with the insurer’s overall organisational strategy, especially those surrounding underwriting (including claims management), capital requirements and capital adequacy.	2. Adopt practices to manage short-term liquidity requirements, including access to sufficient funds to meet its day-to-day obligations.		2. Detailed policies on concentration and allocation limits, including counterparty, assets, and sectors.
3. Reserve techniques prescribed by laws and regulations and that adequately reflect the obligations to policyholders.	3. Design an investment policy, supporting established strategies, that: (a) governs the selection and composition of the investment portfolio, including detailed composition and allocation limits, to allow appropriate execution of the investment policy and strategies and future assessment of compliance;	3. Adopt benchmarking and stress and scenario testing to assist in the identification and determination of unexpected adverse developments in the medium and long-term.		3. Identify and quantify techniques related to both on and off-balance sheet exposures, including materiality, level, and trend.
4. Management of policyholder claims, including those surrounding claims processing (validation of claims, timely settlement of payments, and capturing and storing claims data).	(b) governs the employment, valuation, and effectiveness of off-balance sheet hedging and derivative instruments;			
5. Methodologies to identify and evaluate risks arising from insurance policies and obligations, including concentration of risks.	(c) aligns with the insurer’s overall risk tolerance limits and exposures;			

² The “prudent person” principle requires that an insurer, in determining appropriate investment strategies and policies, may only assume investment risks that it can properly identify, measure, respond to, monitor, control, and report while taking into consideration its capital requirements and adequacy, short-term and long-term liquidity requirements, and policyholder obligations. The insurer must also ensure that investment decisions have been executed in the best interests of its policyholders.

1. Insurance underwriting risk component	2. Investment risk component	3. Liquidity risk component	4. Concentration risk component	5. Market risk component
6. Measurement techniques to ensure compliance with risk tolerance levels and overall strategy.	(d) governs the selection and compensation of service providers including those providing custodian and investment management services;			
7. Response techniques to ensure that unexpected exposures or deviations are mitigated, including those surrounding reserves, and that risk mitigation strategies are appropriately employed.	(e) governs the reporting and data management of the investment portfolio; and			
8. Systems to capture, maintain, and analyse underwriting data and policies and procedures to ensure relevant and accurate data is used to price underwriting contracts, establish adequate reserves, appropriately settle claims, and establish strategies and objectives.	(f) governs the oversight responsibilities of board sub-committees, internal functions, and third-party service providers.			
9. Board and the chief and senior executives' oversight, including employing techniques such as benchmarking and stress and scenario testing to review, approve, and assess strategies and tolerance limits.	4. Establish techniques to analyse performance results and identify current and contingent exposures arising from execution of a planned strategy or market development.			4. Performance measurement techniques, including benchmarking and stress and scenario testing to ensure compliance with the investment strategy.
10. Embed risk mitigation techniques into underwriting strategies and develop processes and procedures to approve, evaluate, and assess the effectiveness of such risk mitigation techniques in light of the insurer's risk tolerances, underwriting results, and investment strategies.	5. Establish techniques to regularly assess and monitor the adequacy of capital to support the current strategy and the effectiveness of the management of assets and liabilities including the effectiveness of hedging strategies, the development of contingent exposures, and (with respect to long-term insurers) the impact of embedded options in long-term products.			5. Monitor procedures to assess the insurer's tolerance to changes in the market.
	6. Report investment results to the Board and the chief and senior executives on a timely basis for monitoring and for ensuring compliance with the established investment policy.			6. Mitigation techniques to ensure appropriate management of adverse developments.

6. Credit risk component	7. Systems and operations risk component	8. Group risk component	9. Strategic risk component	10. Reputational risk component	11. Legal / Litigation risk component
1. Credit risk policy that is aligned with the insurer's overall short-term and long-term strategic objectives.	1. Define systems and operations risk and establish tolerance limits for each material risk area, which may include business process risk, business continuity risk, compliance risk, information systems risk, distribution channels risk, fraud risk, human resources risk, and outsourcing risk.	1. Identify group structure and interrelationships, including ownership and management structure.	1. Develop processes and procedures to ensure execution of the insurer's overall organisational strategy.	1. Procedures to identify and monitor potential reputational risks.	1. Develop mitigation and monitoring techniques to ensure compliance with internal and jurisdictional laws and regulations, safeguarding policyholder and organisational assets, market discipline, and financial or public reporting.
2. Detailed exposure limits surrounding: (a) individual counterparty or concentration of counterparties; (b) intra-group transactions; (c) assets and/or sectors; (d) off-balance sheet (e.g. guarantees and letters of credit); and (e) zones or territories.	2. Establish a system to identify systems and operations exposures, and to capture and track systems and operations near-miss data.	2. Identify and measure material intra-group transactions and exposures, including intra-group guarantees and contagion risks.	2. Develop techniques to measure, monitor, mitigate and respond to exposures and risks arising while implementing strategies.	2. Methodologies to understand the impact of other material risks as they relate to the insurer's reputation.	2. Ensure management of and access to records meet requirements established by laws and regulations.
3. Identify and quantify techniques related to both on and off-balance sheet exposures, including materiality, level, and trend.	3. Establish a system of effective internal reporting and operating controls (including IT infrastructure) to manage and appropriately mitigate the systems and operations risk.	3. Evaluate and execute strategies to mitigate group risk and ensure that the insurer is operating within its tolerance levels, as established by the Board and the chief and senior executives.	3. Pay particular attention to the resources that will be needed to accomplish the strategic objectives, including internal and external resources, and tangible and intangible resources.		3. Comply with internationally recognised contract certainty standards and codes.

6. Credit risk component	7. Systems and operations risk component	8. Group risk component	9. Strategic risk component	10. Reputational risk component	11. Legal / Litigation risk component
4. Mitigation tools employed to manage adverse developments.	4. Establish measurement techniques, such as stress and scenario testing, to assess the vulnerability of the insurer.				4. Maintain appropriate documentation of all transactions such as documentation on investments, underwriting, and claims management transactions, and agreements (e.g. custodian, investment management, letters of credit, debt agreements, etc.).
5. Measurement techniques to assess the risk exposures and effectiveness of the mitigation tools used, including stress and scenario testing.	5. Establish frequent reviews to ensure mitigation strategies, such as an early warning system, has been effectively deployed and the systems and operations risk is within a tolerable limit.				

Risk Management Function	Internal Control Function	Internal Audit Function	Compliance Function	Actuarial Function
1. Assist with the oversight responsibility of the organization's risk management framework.	1. The Board and the chief and senior executives should review and assess the effectiveness of the internal reporting and operating controls.	1. Clearly defined and documented roles and responsibilities that are reviewed and approved by the board on a regular basis.	1. Assist with the monitoring and evaluation of the insurer's internal controls, policies, and procedures, and external laws and regulations.	1. Establish an effective actuarial function based on the nature, scale, complexity, and profile of risks to which the insurer is exposed.
2. May be headed by a Chief Risk Officer or the responsibilities shared amongst the operational unit leaders, who will report directly to the Board or its established committees.	2. Material deficiencies in the internal reporting and operating controls should be documented and resolution measures implemented in a timely manner.	2. Document material policies and procedures to be reviewed and approved by the Board at least annually.	2. May be delegated to third-party service providers or internal audit.	2. May be delegated to third-party service providers. However, it may be performed by the approved loss specialist (general business insurers) or approved actuary (long-term insurers) in addition to their respective responsibilities to the Authority.
3. Clearly defined and documented roles and responsibilities that are reviewed and approved by the Board on a frequent basis.	3. The Board and the chief and senior executives should ensure that policies and procedures requiring direct reporting of internal control weaknesses to them are developed.	3. Unrestricted access to all areas of the organisation, including access to records held at third-party service providers.		3. Perform or oversee the estimation of policyholder obligations, including assessing the adequacy of methodologies and assumptions and the quality of underlying data.
4. Sound and effective risk management framework, including developing (with the support of operational unit leaders) policies, procedures, and internal controls promoting the identification, evaluation, mitigation, monitoring, and reporting of material risks.		4. Examine operational practices to ensure compliance with jurisdictional laws and regulations, and internal policies, procedures, and controls.		4. Assist in the execution of the risk management framework particularly as it relates to modelling techniques used to estimate policyholder obligations, potential exposures, and capital requirements.
5. Assess the effectiveness of policies, procedures, and internal controls and compliance with established policies (e.g. investment, underwriting, etc.), tolerance limits, and strategies.		5. Appropriate authority within the organisation to ensure management addresses current and prior period recommendations, including those arising from the reviews conducted by external auditors.		5. Assist with the underwriting process, including those surrounding pricing and writing of underwriting contracts and risk transfer mechanisms (e.g. ceding reinsurance, derivative instruments, catastrophe bonds, etc.).
6. Employ measurement techniques such as benchmarking or stress and scenario testing.		6. Sufficient resources and fit and proper staff to carry out duties and responsibilities.		6. Perform analysis comparing the estimated policyholder obligations against actual policyholder obligations paid.
7. Review on a regular basis the risk management techniques employed in light of changing operational, regulatory, and market developments to ensure continued		7. Sufficient knowledge and experience to employ methodologies designed to assist the insurer in identifying key risks.		7. Report to the Board and the chief and senior executives on the dependability and sufficiency of the estimates.

Risk Management Function	Internal Control Function	Internal Audit Function	Compliance Function	Actuarial Function
effectiveness and adoption of international best practice.				
		8. Assist the Board to identify areas for improvement in light of the changing operating environment.		

Insurers that conduct retail business should:	Insurers that conduct retail business must:
1. Establish and maintain properly documented systems, controls, and procedures to enable on-going monitoring of compliance with the market conduct outlined in the Code.	1. Make certain that its business is conducted in such a way as to treat its policyholders fairly, including through dealing appropriately with conflicts of interest and disclosing relevant information.
2. Develop a policy statement on the treatment of policyholders (such policy statement to be approved by the Board).	2. Avoid misleading and deceptive acts or representations.
3. Communicate the policy statement to all relevant staff and provide appropriate training to ensure compliance by personnel and any authorised sales representatives.	3. Not unfairly place its interests above those of its policyholders.
4. Observe high standards of integrity and fair dealing in the conduct of its business.	4. If it is responsible for providing advice or exercising discretion for, or in relation to, policyholders, be able to demonstrate that the advice is appropriate for the policyholder. The insurer should seek from the policyholder such information about their circumstances and objectives as may be appropriate with regard to the services requested. Any information that a policyholder can reasonably expect to be kept confidential should be treated as such.
5. Not seek to exclude or restrict any duty or liability to a policyholder unless the liability is clearly excluded from the policy.	5. If it grants terms of business to an authorised intermediary: (a) ensure that the terms of business agreement have been completed and signed by the authorised intermediary to require the authorised intermediary to warrant that the agreement does not breach any legal obligations, and that the authorised intermediary will clearly explain the risks inherent in the product to policyholders or prospective policyholders; and (b) take measures to monitor the performance of the authorised intermediary, including complaints made against the authorised intermediary with respect to advice or sales made by the authorised intermediary on behalf of the insurer.
6. Not seek to rely unreasonably on any provision of a contract seeking to exclude or restrict any such duty or liability.	6. Where the insurer has control of, or is otherwise responsible for, assets belonging to a policyholder, arrange proper protection. Protection can be by way of segregation and identification of those assets or otherwise, in accordance with the responsibility it has accepted. Such protection must be in compliance with the terms and conditions established in the contractual agreement and authorised by the policyholder.
7. Either avoid any conflict of interest arising or, where a conflict arises, should ensure fair treatment to affected policyholders through disclosure, internal rules on confidentiality, declining to act, or otherwise, as appropriate.	7. Where the insurer is required to take responsibility for the appointment and activities of authorised intermediaries in relation to its authorised intermediaries who are carrying on business in Bermuda: (a) ensure they are registered with the Authority; and (b) ensure that they provide policyholders and prospective policyholders with the name of the insurer represented by the authorised intermediary and the types of product(s) the authorised intermediary is authorised to sell and/or provide advice on, on behalf of the insurer.
8. Act with skill, care, and diligence in the conduct of its business and in its dealings with policyholders.	8. Have procedures in place, as appropriate, to deal with policyholder complaints effectively and fairly through a simple and equitable process. These procedures should be well disclosed and easily accessible. A record of the details of the complaint, the insurer's response and any action taken as a result, must also be made and retained.
9. Transact its business (including the establishment, maintenance, transfer, or closure of business relationships with its policyholders) in an expeditious manner.	
10. Take reasonable steps to give policyholders, in a comprehensible and timely way, information to assist their decision making while avoiding misleading or deceptive representations or practices.	
11. Communicate in writing: (a) relevant and meaningful information in a timely and comprehensive manner before entering into a contract; (b) benefits and risks to the policyholder in a fair and balanced way; (c) obligations of the parties involved, including those for insurers, intermediaries, policyholders in a clear and understandable way, for the duration of the contract; (d) complaints handling and other contractual arrangements; and (e) the duty of policyholders to disclose material information.	

Insurers that conduct retail business <u>should</u>:	Insurers that conduct retail business <u>must</u>:
12. Be prepared to provide a policyholder with a full and fair account of the fulfilment of its responsibilities. The frequency with which additional information is to be disclosed during the course of the contract depends on the type of contractual arrangement. However, reasonable care should be taken to ensure that the information disclosed is accurate, not misleading, comprehensible, and available in writing or through appropriate electronic means.	
13. Ensure that its advertisements: (a) do not contain a statement, promise or forecast that is untrue or misleading; (b) are not designed in such a way as to distort or conceal any relevant subject material; (c) are clearly recognisable as advertisements; (d) do not contain a statement relating to taxation benefits unless it contains appropriate qualifications to show what it means in practice and to whom such benefits apply; (e) include a statement of the related risks; and (f) do not contain a statement relating to past performance unless: the basis on which such performance is measured is clearly stated and the presentation is fair, it is accompanied by a warning that past performance is not necessarily a guide to future performance, and the past performance is relevant to the investment or the services offered by the investment provider.	
14. If the insurer undertakes long-term business, endeavour to impress upon policyholders in its promotional material that a whole life or endowment policy is intended to be a long-term contract and that surrender values, especially in early years, are frequently less than the total amount of premiums paid.	

Bahrain

Cayman Islands

Isle of Man

Mauritius