



ANGUILLA FINANCIAL SERVICES COMMISSION

COVID-19: Statement on Expectations for Domestic Insurers

The COVID-19 pandemic has far-reaching impacts upon private citizens, enterprises and governments globally. Amidst the evolving crisis, the Anguilla Financial Services Commission (the “Commission”) is seeking to ensure that insurers are taking proactive measures and that consumers are adequately protected, and, as such has set out below certain expectations of licensed domestic insurers.

Protection of Policyholders

The following requirements are taken largely from the public statement issued by the Financial Conduct Authority on 19 March 2020 for all insurers.

It is expected that insurers will act fairly, honestly and in the best interest of policyholders. Insurers must consider the needs of their customers, particularly the vulnerable, and offer flexibility in dealings. The ability of a customer to claim should not be impaired by inability to claim in person or by any other obstacles created as a result of the pandemic.

In the event a policy contains exclusions that impact the cover as it relates to COVID-19, such must be clearly communicated to policyholders, both in the sale of new products or where changes are made to existing policies.

As insurers take steps to protect staff, consideration must also be given to the impact of staff physical absences on the continuity of service. Insurers must evaluate how absences can be managed such that critical services continue to be provided to customers. The Commission should be notified of any identified impediments to the provision of critical services.

Business Continuity

All domestic insurers are expected to have and maintain at all times fully approved Business Continuity Plans (“BCPs”) to govern the insurer’s response to crisis situations. In the current landscape, the Commission expects that there will be significant engagement between the Board and Senior Managers to ensure that the BCP is being effectively deployed. A crisis management team or a Senior Officer should be appointed to manage the implementation of the BCP.

Measures should be taken to secure health and safety of staff and any changes in operations must be clearly communicated to customers. Any forbearances offered to customers must also be clearly communicated.

The Commission therefore requests a complete report from insurers on the effective deployment of their BCPs to address the following:

1. The level of engagement of the Board and Senior Managers since the declaration of the COVID-19 pandemic by the World Health Organisation on 11 March 2020.
2. Whether a crisis management team has been established to assess potential threats and disruptions.
3. Changes to any internal approval processes due to modifications made to operations in order to maintain efficiency and effectiveness in the new operating environment.
4. Any measures taken to secure the health and safety of staff, including arrangements for working remotely, sanitation measures to protect staff and clients, policies on reduction of physical contact, reduced working hours, alternate communication and delivery channels including alternate arrangements for collecting premiums and making payments to policyholders.
5. In the event employees are being allowed to work remotely, detail the measures taken to maintain security and integrity of the licensee's information system and confidentiality of client data.
6. Copies of communication provided to clients providing information on changes in operations, delivery channels, modes of communication and forbearances granted, such as extended deadlines, waiver of late fees, payment plans, and the like.
7. Confirmation that key services continue to be provided, including timely settlement of claims and for long-term insurers offering annuities and pensions, that regular payments are being made and will continue to be made on a timely basis.
8. Confirmation of whether an assessment was made of outsourced functions to determine the efficacy and sustainability of such arrangements in light of the changing landscape surrounding the pandemic.
9. Whether any revisions are being made to the BCP to contemplate the current unprecedented scenario presented by COVID-19.

Provide the above-mentioned BCP deployment report by **31 March 2020**.

Risk Management

In light of the many disruptions to normal operations, it is incumbent upon insurers to assess the risks to which they are exposed in deviating from normal means of conducting business. As such, each insurer must develop and provide to the Commission an action plan for assessing and mitigating the following risks:

1. Operational risk arising from modifications to normal business operations. This includes inability to collect premiums from persons whose incomes have been negatively impacted by the pandemic, increased claims pay-outs, ineffective processes.

2. Compliance risk should be evaluated in relation to hampered ability to make statutory filings by the required deadlines, including quarterly returns, annual returns and audited financial statements.
3. Liquidity and solvency risk, arising from devaluation of investments, increased pay-outs, declining income and other factors. A stress test must be conducted, incorporating further exacerbation of the COVID-19 situation.
4. Key person risk. Insurers are expected to have and maintain fully executed succession plans. Given the nature of the pandemic, it is critical for insurers to ensure that adequate procedures are implemented for seamless hand-over of functions and roles should the need arise.
5. Cyber risk and fraud risk emanating from modifications to communication and payment channels used to both collect from and issue payments to policyholders, as well as the risks posed by remote access being granted to employees. These risks will increase in correlation with increased use of technological channels as an alternative to face-to-face contact.
6. New and emerging risks presented by the COVID-19 pandemic not previously addressed or assessed.

Provide to the Commission by **31 March 2020** the completed action plan, inclusive of the results of the insurer's internal stress testing in which a further escalation of the current pandemic is considered.

Updates from the Supervisor

The primary objective of the Commission is to ensure financial stability of its licensees and protection and fair treatment of policyholders. Therefore, it is our intent to maintain communication with licensees throughout the COVID-19 crisis to become apprised of how licensees are managing their operations in the current environment.

The Commission will continue to monitor the pandemic as it develops. Currently Anguilla has no confirmed cases of COVID-19, and business operations at the Commission continue as normal with the exception of newly implemented policies in keeping with recommendations and guidance issued by local and international health professionals. These policies dictate that in-person meetings be restricted as much as possible; teleconferencing facilities should be utilized as an alternative. Licensees are encouraged to call as opposed to visiting the Commission and to submit documents electronically, via email where possible. Onsite visits scheduled for the coming months will be postponed.

It is anticipated that the ability to carry out audit field work will be impacted thereby resulting in unavoidable delays in preparing audited statements. Please note that the Commission is willing to allow an extended period to make filings should there be a need.

Should there be a confirmed case of COVID-19 in Anguilla, the aforementioned information and policies are likely to change. The Commission will provide further updates as it relates to changes in hours of operation and other alerts as the threat of the COVID-19 pandemic evolves.

Please refer to the statement issued by the Financial Conduct Authority for further guidance on product suspensions, renewals and mid-term adjustments. A link has been provided below:

<https://www.fca.org.uk/firms/insurance-and-coronavirus-our-expectations>

Anguilla Financial Services Commission

23 March 2020