



# Jersey Financial Services Commission

## GENERAL INSURANCE MEDIATION BUSINESS

### THEMED EXAMINATION PROGRAMME 2010: TRAVEL INSURANCE BY TRAVEL FIRMS SUMMARY FINDINGS

#### DOCUMENT OVERVIEW

1	Introduction .....	1
2	Scope and process .....	2
3	Observations .....	2
4	Specific areas identified as requiring attention .....	2
5	Conclusion.....	3

#### 1 Introduction

- 1.1 Officers of the Commission carried out themed on-site examinations of eight travel firms during the second quarter of 2010, to assess the sale of travel insurance by this sector of the market.
- 1.2 In accordance with the Commission's on-site examination process, these travel firms were assessed in terms of their adherence to the relevant Laws, Orders and Codes of Practice as well as their internal standards, policies and procedures. The objective in publishing summary findings from a programme of themed examinations is to identify how different firms seek to meet the requirements of the regulatory regime and to highlight the difficulties that are sometimes encountered.
- 1.3 The purpose of this paper is to summarise the key findings of the themed examination programme and to provide assurance that registered persons are operating in compliance with all applicable regulatory requirements.
- 1.4 The examination programme was designed to:
  - 1.4.1 Assess risks and related controls, policies, procedures and processes;
  - 1.4.2 Ensure the collation of sufficient evidence to support examination findings;
  - 1.4.3 Obtain a greater understanding of entities' activities in order to focus current and future examinations on higher risk areas; and

- 1.4.4 Ensure that existing information is used to direct each examination, review the resolution of any previous examination issues and obtain assurances over any deficiencies highlighted through off-site reviews.

## **2 Scope and process**

- 2.1 The 2010 Travel Insurance examination programme included assessment of:
  - 2.1.1 The handling of client money and management of insurance broking accounts against the provisions of the Financial Services (General Insurance Mediation Business (Client Assets)) (Jersey) Order 2005 (the “**GIMB Client Assets Order**”); and
  - 2.1.2 The firms’ policies, procedures and processes for the conduct of travel insurance.
- 2.2 Travel firms registered to carry on general insurance mediation in Jersey at the time of themed examination programme were asked to complete the Commission’s ‘Travel Insurance Survey’ (the “**Survey**”) and provide additional supporting documentation, which was reviewed against information held by the Commission relevant to the conduct of travel insurance in Jersey. Officers of the Commission then conducted a series of on-site examinations following which post-examination reports were issued specifying recommended remedial action together with a timetable for completion.

## **3 Observations**

- 3.1 The following observations were compiled from the examinations:
  - 3.1.1 The Survey indicated that travel firms accounted for nearly 6,000 travel insurance policies sold in or from within Jersey over the preceding twelve-month period;
  - 3.1.2 The majority of travel insurance sold by travel firms comprises single-trip cover, with less than 20% being sales of annual travel insurance;
  - 3.1.3 Although two of the eight firms subject to the Commission’s on-site themed examination are registered to carry on advised sales of travel insurance (that includes the giving of advice on the terms, conditions or suitability of travel insurance), neither was found to be doing so. All firms examined were identified by the Commission as offering travel insurance on a non-advised basis; and
  - 3.1.4 The Survey identified that only one insurance-related complaint had been received in the preceding twelve-month period. The Commission found no evidence of any additional complaints associated with travel insurance during the on-site examinations.

## **4 Specific areas identified as requiring attention**

- 4.1 Four travel firms (50% of those examined) do not have a regulatory exemption from the GIMB Client Assets Order but handle insurance money that includes insurance premiums paid by customers.

- 4.2 The Commission's examination of these four firms against the regulatory requirements for the appropriate handling of insurance money found that none were fully compliant with the provisions of the GIMB Client Assets Order:
- 4.2.1 One business was found not to be segregating insurance money from other money of the business, in accordance with Article 5, which requires registered persons to hold such funds in a separate insurance broking account;
  - 4.2.2 One business was found not to have disclosed to its customers that its arranging of travel insurance includes it passing insurance money to a different insurance intermediary located outside of Jersey, as required by Article 7(7);
  - 4.2.3 Two businesses were found not to be disclosing to customers the details of the recipient of the interest being earned from their insurance broking accounts, as required by Article 10; and
  - 4.2.4 Three businesses were found not to be performing client money reconciliations of their insurance broking accounts within the timeframe prescribed by Article 11.
- 4.3 Three of the travel firms (38% of those examined) were found to be offering travel insurance underwritten by insurers that were not authorised to carry on insurance business in or from within Jersey, which is a breach of Article 5(2) of the Insurance Business (Jersey) Law 1996.
- 4.4 One registered person was found to be providing travel insurance for customers introduced by third-party businesses (e.g. where travel insurance is introduced by other related businesses that include hotels and guest houses etc.) that were not registered to make such travel insurance introductions under the Financial Services (Jersey) Law 1998.
- 4.5 All of the eight travel firms reviewed by the Commission offer travel insurance in Jersey under a formal written agreement with an insurance intermediary resident outside of Jersey. However, three of these firms (38%) were found not to be adhering in full to the terms and conditions of their agreements with their respective insurance intermediary.
- 4.6 The Commission's assessment of the insurance cover being offered by each of these travel firms identified that four firms (50%) sold travel policies that did not appear to include Jersey residents in the scope of cover, as defined in the policy wording.

## 5 Conclusion

- 5.1 Although the themed examination programme has identified some weaknesses in the conduct of travel insurance by travel firms in Jersey, the Commission notes the candour and co-operation that was provided in response to its findings. The Commission considers that the sale of travel insurance by these firms has been, or is in the process of being, improved as a result of the Commission's ongoing discussions with them.

5.2 Any comments on the contents of this paper would be welcomed. The Commission would also be happy to address any concerns or questions that the reader may have in this respect. Any such communications should be addressed to:

**David Hart**  
**Deputy Director, Insurance**  
**Jersey Financial Services Commission**

PO Box 267  
14-18 Castle Street  
St Helier  
JE4 8TP

Telephone: +44 1534 822123  
Fax: +44 1534 822002  
Email: [d.hart@jerseyfsc.org](mailto:d.hart@jerseyfsc.org)

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