
INTERNATIONAL ASSOCIATION OF CONSULTING ACTUARIES

A E G Round, Isle of Man

1. Introduction

The Isle of Man, located in the Irish Sea with a population of just under 70,000, is a self-governing dependency of the British Crown. Whilst the United Kingdom is responsible for foreign relations and external defence, the Island is politically independent with its own Parliament, Tynwald. There is, however, a customs treaty with the UK and so a common rate of Value Added Tax. For the most part, no political parties are represented in Tynwald and the administration of government is carried out by Departments of Tynwald and various Statutory Boards.

The political independence of the elected representatives means that the five yearly general elections are not followed by marked changes in policy. This history of political stability has helped to produce the prosperity currently being experienced in the Island.

2. European Economic Community

The Island has a special relationship with the European Economic Community as the result of a special Protocol attached to the UK's Treaty of Accession to the EEC. In general terms, this preserves the Island's strong economic links with the UK and provides for free movement of industrial and agricultural goods to and from the EEC. Apart from matters affecting the visible trade of the Island it has only a tenuous connection with the Community. The Island remains free to determine its own tax structure (it has low rates of income tax and no tax on capital) with no requirement to harmonise commercial and most other fields of legislation.

EEC legislation does not apply unless and until specifically passed by Tynwald.

The Island plans to maintain its existing (satisfactory) relationship with the EEC after the "open market" position applying from the end of 1992.

3. Insurance Activities

The Isle of Man has insurance legislation and a tax regime designed to be attractive to life insurance companies of good standing, writing international expatriate business. There are ten such companies at the present time, the majority of which are subsidiaries of UK companies.

There is only one Manx-based assurance company transacting business (non life) on the Island. There are, however, a number of companies (mainly United Kingdom based) which have a permit from the Manx Authorities allowing them to have an office in the Island.

There are in excess of one hundred captive insurance companies managed on the Island.

4. Legislation

In the field of occupational pension schemes, it has been the practice for the legislation to follow that applying in the United Kingdom, although subject to a time-lag in the legislation being passed by Tynwald. It is now a matter for discussion as to whether this following in the trail of the UK is in fact the best policy for the Island.

There is an agreement between the UK and Isle of Man Revenue Authorities which facilitates the transfer of pension rights between the two countries.

The monitoring of the legislation applying to assurance companies is in the hands of the Supervisor of the Insurance Authority. He is assisted in this task by a firm of consulting actuaries.

The Financial Supervision Act was passed in 1988. It provides for the authorisation, recognition and regulation of collective investment schemes.

The Isle of Man is a member of the Organisation for Economic Co-operation and Development (OECD) and in 1990 the UK Government made a declaration confirming that the OECD Convention applied to the Isle of Man. As a result, Isle of Man financial products and services have access to markets where OECD membership is an entry requirement.

The Investment Business Act 1991 has now introduced a regime for the licensing and supervision of intermediaries providing "investment advice" which is far more embracing than advice on the purchase of stocks and shares. The provisions of the Act are due to come into force early in 1992.

5. Social Security

The system of Social Security provision is almost the same as in the UK. Certain of the benefits are, however, at a slightly higher level.

As in the UK, it is possible for an employee to be contracted out of the State Earnings Related Pension Scheme.

There is virtually complete transferability of Social Security entitlements as between the two countries.

6. The Role of the Actuary

The Isle of Man has a small but growing actuarial presence. There are ten actuaries and a small number of actuarial trainees. The trainees take the examinations of the Institute of Actuaries or the Faculty of Actuaries and there is a Local Examination Centre in the Island.

The task of providing consultancy advice on the Island is divided between a resident consultant, the United Kingdom-based consultancies and the (UK) Government Actuary's Department.

The employed actuaries are with the offshore assurance companies.