STATES OF JERSEY

DRAFT JERSEY MUTUAL INSURANCE SOCIETY (TRANSFER) (JERSEY) LAW 202- (P.71/2025) : COMMENTS

Presented to the States on 30th October 2025
by the Corporate Services Scrutiny Panel

STATES GREFFE

COMMENTS

Introduction and context

1. The proposition *Draft Jersey Mutual Insurance Society (Transfer) (Jersey) Law 202-* [P.71/2025] (hereafter the "draft Law") proposes a restructure of the Jersey Mutual Insurance Society ("Society"), from a mutual society to a company limited by guarantee ("CLG"), to primarily enhance the corporate governance arrangements of the Society.

2. The Society is currently incorporated under the Jersey Mutual Fire Insurance Society: Incorporation Act 1908 ("Founding Statute") and governed by the Jersey Mutual Insurance Society Incorporated (Alteration of Rules) (No.7) (Jersey) Law 2014 ("Fundamental Rules"), as well as Bye-Laws adopted at Annual General Meetings or Special General Meetings of the Society.

3. The draft Law proposes that the Fundamental Rules are replaced by a memorandum and articles of association, which would act as the constitutional documents of the CLG. The Corporate Services Scrutiny Panel (hereafter "the Panel"), understands that this approach would give the CLG a greater degree of flexibility to adopt bespoke articles, that align with the CLG's requirements, and include:
    a. A requirement that the CLG's membership includes 'guarantee members', who guarantee that a nominal amount, not exceeding £5.00, is contributed to the CLG if it is to be wound up.
    b. That membership of the CLG is obtained through holding a policy of insurance with the CLG, therefore ensuring that every policyholder is also a 'guarantee member' of the CLG.
    c. That the status of 'guarantee member' of the CLG will confer voting rights on certain matters related to the governance of the CLG, including any future amendments to the CLG's articles of association, giving the CLG the power to amend its own constitution.

4. The key proposed changes set out under the articles of the draft Law include:
    a. Article 1: This includes updates to the interpretation of provisions within the draft Law, such as the Society as 'transferor' and the CLG as 'transferee'.
    b. Articles 2 to 17: Provide for various undertakings, holdings and obligations held by the Society, to be transferred to the CLG. The Panel understands that the transfer from a Society to a CLG will include the entire block of business currently managed by the Society.
    c. Article 18: Sets out that nothing within the draft Law exempts the Society or the CLG from an enactment regulating the carrying on of business in Jersey.
    d. Article 19: Exempts the draft Law from the application of Article 13 of the Legislation (Jersey) Law 2021, that the Principal Legislative Drafter must, as soon as practicable, prepare a consolidated version of the legislation.
    e. Article 20: Repeals the Jersey Mutual Fire Insurance Society Incorporation Act 1908 and makes various amendments to the Society's rules that date from 1952 to 2014.

f. Article 21: Provides for the title of the draft Law and that the commencement date for the draft Law to come into force is to be specified by the Chief Minister by Order. The Panel understands that commencement of the draft Law by way of Order, allows for accounting periods to be factored in, and will allow the Society to transition smoothly to a CLG.

5. The Panel understands that the draft Law will address current challenges faced by the Society, both competing in the modern-day insurance market, and enable the Society to react to regulatory demands and emerging market risks.

Background and rationale

6. The Panel received a briefing from the Assistant Chief Minister, Deputy Malcolm Ferey, an independent legal expert, an Officer from the Law Officers' Department and a Government Officer on the draft Law proposals on 14th October 2025.

7. During the briefing, the Panel learned that two forms of licensing exist within the insurance regulatory framework, known as a 'Category A' licence and a 'Category B' licence. The Panel was advised that most insurance companies registered in Jersey operate under a Category A licence, which means that Category A licence holders are regulated under a different jurisdiction, but are granted passporting rights to operate in Jersey.

8. The Society is currently authorised under a 'Category B' licence issued by the Jersey Financial Services Commission (hereafter "the JFSC"), to undertake insurance business in or from within Jersey. The Society is just one of three Category B licence holders in Jersey.

9. The Panel understands that independent reviews of the Society's governance arrangements took place in 2020 and 2021. In addition, that the Society was aware of the need for further consideration about its current governance arrangements, in order that the Society could fully comply with its regulatory obligations, that included the JFSC's Insurance Business Code of Practice. Additionally, change was required to better facilitate the governance of the Society in relation to the management of the business on a day-to-day basis.

10. The Panel asked about the structure of the Society in relation to other organisations, such as the Co-operative Society. The Panel was advised that a key difference between the Co-operative Society and the Society, relates to the Society's regulation as a financial services business. However, the Panel understands that a CLG is a popular and modern corporate form for mutual societies, with examples cited in P.71/2025, including the National Farmers Union Mutual Insurance Society Limited, and the Cornish Mutual Assurance Company Limited.

11. The Panel was informed during its briefing that the work to develop the proposals under the draft Law was a major project that commenced in 2022. The Panel also understands that the Society has operated in a challenging and constantly evolving regulatory environment since it was incorporated in 1908.

Consultation and engagement

12. The Society undertook a process of consultation on 30th June 2025, by issuing a communication to all its approximately 8,000 members and setting out information about the proposed restructuring of the Society, and members rights in relation to this. The consultation received five responses from the Society's members, and the consultation did not result in any material changes to the draft Law proposals.

13. The Panel was informed that a key concern raised by the Society's members, was to ensure that the mutual status and ethos of the Society is maintained, and the Panel was assured that the proposals have been drafted to ensure the mutual status of the Society is maintained.

14. During the briefing, the Panel learned that the Legislative Advisory Panel received two briefings from the Society and their advisers and agreed that the proposals under the draft Law should be presented to the Chief Minister for lodging.

15. The Panel was also informed that the JFSC has been engaged to ensure that the licensing arrangements of the Society are fit for purpose and that, should the States Assembly choose to adopt the proposals under the draft Law, that the Society's operating licence will transfer to the CLG, following commencement of the draft Law.

16. The Panel also understands that the JFSC reviewed the proposals as part of its engagement in relation to the draft Law, and following feedback provided by the JFSC, the draft Law was amended accordingly.

17. Whilst the current constitutional arrangements of the Society have not fully aligned with the regulatory environment, the Panel was assured during its briefing on the proposals about the strong engagement between the Society and the JFSC as part of the development of the draft Law.

Development of the proposals: options considered

18. During the briefing, the Panel was informed that the draft Law had been developed since 2022, with the use of independent legal expertise on financial services regulation matters, in close consultation with the Law Officers' Department.

19. The Panel was provided with additional information about several options that had been considered during the development of the draft Law:
    a. Option 1: Amend only the Society's Fundamental Rules and Bye-Laws with the approval of the States of Jersey.
    b. Option 2: Amend the Founding Statute so that the Society can amend its own Fundamental Rules and then amend the Fundamental Rules and Bye-Laws.
    c. Option 3: The chosen option that has informed the proposals under the draft Law - the restructure of the Society from a mutual society to a CLG.

d. Option 4: Restructure the Society as a public company limited by shares under the Companies Law.
e. Option 5: Restructure the Society as a company owned by a Jersey foundation under the Foundations (Jersey) Law 2009.
f. Option 6: Restructure the Society as a company owned by a Jersey purpose trust under the Trusts (Jersey) Law 1984.
g. Option 7: Restructure the Society as a Co-Operative Society under the UK Co-Operative and Community Benefit Societies Act 2014.

20. The Panel understands the rationale for the selection of Option 3 as being aligned the most with the objectives of the changes to the corporate form of the Society, with the most advantages and least disadvantages in comparison with the other six Options. In particular, the advantages of Option 3 include:
    a. The necessary governance reforms will be achievable by setting out new governance arrangements in the articles of association.
    b. The Society will be able to amend its articles of association in accordance with the procedures set out in the Companies (Jersey) Law 1991.
    c. The Society will be able to maintain its mutual status by providing that membership shall be obtained by having a policy of insurance, and by profits not being payable to shareholders.
    d. This Option can be completed within an acceptable timeframe.
    e. The costs of administration will be in line with those faced by most businesses.

Conclusion

21. The Panel is supportive of the proposals under the draft Law, and the restructure of the Society to a CLG. The Panel accepts that the current arrangements of the Society are not conducive to a modern regulated financial services business. Furthermore, that the proposals will afford the Society a sufficient degree of autonomy over its corporate governance arrangements, to both compete in the insurance market, and respond to the evolving insurance regulatory environment and emerging market risks.

22. The Panel is also assured that adequate steps have been taken by the Chief Minister, the independent legal experts and the Law Officers' Department involved in the development of the draft Law, to consult and engage with key stakeholders on the mutual ethos and status of the Society, which is recognised as an important characteristic of the Society and is desirable to maintain.