



CONSULTATION PAPER

GUIDELINE

ESTABLISHING AND MANAGING INSURANCE INTERMEDIARY RELATIONSHIPS

Executive Summary

Agents, brokers, salesmen and sub-agents as intermediaries, perform a number of functions in the insurance sector including solicitation of applications for insurance. Based on the nature of the services agreed to be provided, some intermediaries may also undertake premium collection on behalf of insurers.

Persons carrying out these functions are required to be licensed with the Financial Services Commission (Commission) pursuant to section 83(1)(c) of the Insurance Act, Cap. 310, be of good character, and be fit and proper persons.

The Guideline on Establishing and Managing Insurance Intermediary Relationships (Guideline) is intended to assist insurers in managing the insurer-intermediary relationship including monitoring the functions carried out by intermediaries on their behalf.

Responding to the consultation

Financial Institutions are invited to submit comments via form-based response regarding the Guideline. The deadline for submission of comments is **15 June 2021**. Please utilize the following URL and refer to the instructions therein :-

- <https://bit.ly/3hFuJll>

GUIDELINE
ON
ESTABLISHING AND MANAGING INSURANCE INTERMEDIARY
RELATIONSHIPS

The purpose of this guideline is to outline of the Commission's expectations as regulator regarding the manner in which an insurer manages its relationship with intermediaries and provide information on how they should monitor the functions carried out on its behalf by intermediaries.

It is issued by the Financial Services Commission ("the Commission") pursuant to section 53 of the Financial Services Commission Act 2010-21 ("the Act") and comes into effect [date].

Applicability

This Guideline is applicable to all insurance companies that conduct or propose to conduct business with agents, brokers, salesmen and sub-agents licensed with the Financial Services Commission.

On-boarding a new intermediary

1. An insurer is expected to assess the fitness and propriety of persons who propose to act, or who act as intermediaries on its behalf, or who will introduce customers to the insurer. This includes satisfying itself:
 - i. of the financial soundness of the proposed intermediary
 - ii. that the intermediary has the capability and expertise to properly carry-out the functions it will be expected to perform
 - iii. that the intermediary is of good character and has a sound reputation
 - iv. that the intermediary has met or is capable of meeting the criteria to be licensed with the Commission.
2. An insurer is expected to ensure that, particularly in the case of agents and sub-agents that are corporate bodies, it has (a) identified the individuals who will primarily carry out the agreed functions; and (b) established requirements to be notified of changes in respect of these key persons.
3. An insurer is expected to ensure that a comprehensive, written agreement which addresses critical aspects of the business relationship with an intermediary is executed.

Training – products and policies

4. As part of the on-boarding process an insurer is expected to ensure that intermediaries are adequately trained regarding:
 - i. its insurance business and products, particularly where the products are not suitable for all demographics
 - ii. the insurer's policies and procedures regarding the manner in which business should be conducted on the company's behalf, particularly in respect of salesmen, agents and sub-agents
 - iii. anti-money laundering/prevention of terrorism financing

Training conducted, especially in respect of salesmen, agents and sub-agents should be updated periodically, and records to evidence training should be maintained.

A plan for monitoring intermediaries

5. An insurer is expected to develop and maintain a plan for how it intends to monitor its intermediaries, and address issues that may arise related to, among other things:
 - i. customer complaints regarding an intermediary
 - ii. the accuracy and adequacy of disclosures and information provided to policyholders by an intermediary
 - iii. the appropriateness of products for certain policyholders or potential policyholders
 - iv. an intermediary's handling of premium collection and remittance
 - v. an intermediary's compliance with the insurer's policies and procedures
 - vi. an intermediary's training needs
 - vii. maintenance of records by an intermediary
 - viii. serious issues or concerns¹ that arise in respect of an intermediary.
6. The Commission's assessment of an insurer will include an evaluation of the insurer's plan and its implementation.

Termination of the relationship with an intermediary

7. An insurer is expected to have procedures in place to address the termination of the relationship with an intermediary whether initiated by the insurer or not. An insurer is required by the legislation to notify the Commission of the termination of a relationship with salesmen, agents, sub-agents. Notification should also be required in respect of termination of a relationship with brokers. Notification should be undertaken particularly where the termination was a result of matters related to fitness and propriety or poor business practices.

¹ Includes matters related to fitness and propriety