

FINANCIAL SERVICES COMMISSION

POST CONSULTATION PAPER

Date: February 5, 2015

To: All Entities Registered Under the Insurance Act Cap 310

Subject: Post Consultation Paper on Guideline on Insurance Broker Agreements

The Financial Services Commission of Barbados (the “Commission”) as the regulator of non-banking financial services in Barbados will introduce a guideline that applies to entities registered pursuant to the Financial Services Commission Act 2010-21, the Insurance Act CAP 310. The rationale for this guideline was outlined in a consultation document which was circulated to the industry for comments in October 2014.

The period for submission of comments has ended and the Commission has summarized and reviewed the comments received. Accordingly, the Commission has amended the guideline and has provided feedback with respect to comments received.

A summary of the substantive comments received with regards to recommended amendments to the guidelines and the Commission’s response to those comments are included in the attached document. The guidelines will be finalized and issued to the sector thereafter. Both the guidelines and the post-consultation document will be posted on the Commission’s website.

Questions related to the guidelines should be addressed to the following:

**Chief Executive Officer
Financial Services Commission
#34 Warrens Industrial Park
St. Michael**

**Email: info@fsc.gov.bb
Attention: Insurance Division**

Regards,



Randy Graham MSc BSc BCI
Chief Executive Officer

FINANCIAL SERVICES COMMISSION
MEASURES TO ENHANCE THE PRUDENTIAL REGULATION OF THE
INSURANCE INDUSTRY IN BARBADOS:
POST CONSULTATION PAPER

The following guideline was circulated to the industry during the October 2014 consultation period:

8.0 Insurers Broker Agreements Guideline

The structure of the post consultation paper, gives an introduction to the guideline, and provides a summary of the comments received and the Commission's response to those comments.

1.1 Introduction

Requirements for the conduct of insurance business help to strengthen consumer confidence in the insurance market. The Financial Services Commission (Commission) expects insurers and brokers, who write, advise or are otherwise involved in the placement of domestic insurance business in Barbados, to uphold themselves to a certain level of conduct. This guideline seeks to ensure that best practices with respect to the establishment of formal written agreements between Insurers and Intermediaries brokers registered under the *Insurance Act Cap. 310*.

1.2 Post-Consultation Guideline Document

Following a review of the comments from the industry, some changes were made to the circulated document. The more substantive comments received are outlined in the following section with the FSC responses included.

1.3 Comments Received and the Commission's Responses

i. Definitions

Comments received from the industry recommended that in section 2.1.3 the Commission make a distinction between broker, agent, salesman and sub-agent as their responsibilities are different. The Commission has agreed to this recommendation and has amended the guideline accordingly.

ii. Specific Provisions to be Covered in the Agreement

1 Comments were received which recommended that section 5.1(d) be removed. The Commission has agreed to this recommendation and has amended the guideline accordingly.

2 Comments received from the industry recommended that section 5.1(f) be amended to refer to the insurer's reference number of the policy. The Commission has agreed to this recommendation and has amended the guideline accordingly.

3 Section 5.2 was deleted as the subject was more specifically addressed in Guideline No. 3 Guideline on Market Conduct.

4 Comments were received which indicated that section 5.4 is already facilitated through the publication of the list of registered insurers and intermediaries. The Commission has agreed to this recommendation and has amended the guideline accordingly.

5 Comments were received which recommended that section 5.6(ii) be removed. The Commission has agreed to this recommendation and has amended the guideline accordingly.

6 Comments received from the industry recommended that section 5.6(iii) be amended to allow for insurers and intermediaries to negotiate commission rates in respect of individual policies. The Commission has agreed to this recommendation and has amended the guideline accordingly.

7 Comments received from the industry recommended that section 5.6(vi) be amended and clarification provided on "lapse period". The Commission has considered this recommendation and has agreed to provide separate guidance on this subject.

8 Further amendments were made to section 5.6 where the subject was more specifically addressed in Guideline No. 3 Guideline on Market Conduct.

iii. General Feedback

Feedback received from the industry suggested the need for brokers to establish separate bank accounts to hold:

- (1) premiums received from clients while acting as agent for the insurance companies where those funds are to be remitted to insurance companies, and
- (2) those funds earned by brokers to be used for the broker's operational purposes.

The Commission has considered this recommendation and is in agreement. Separate guidance on this matter will be provided to the industry in short order.

Conclusion

The Commission recognises that all regulatory change has an impact on the commercial decision making and the internal procedures of those entities affected by it. The Commission is therefore seeking to create an environment in which business decisions can be made in a rational and orderly manner and in a way which avoids causing unnecessary disturbance to markets and to the interests of industry stakeholders, while also enhancing transparency in the process.

The Commission appreciates the benefit of having the industry involved in the consultative process and welcomed the comments from the sector. The guideline has been issued concurrently with this document.