



BULLETIN FOR:

**PROFESSIONAL INDEMNITY AND FIDELITY
GUARANTEE INSURANCE**

**The Financial Services Commission
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PROFESSIONAL INDEMNITY AND FIDELITY GUARANTEE INSURANCE - CONSULTATION PAPER

Legislative Reference: The Pensions (Superannuation Funds and Retirement Schemes) (Registration, Licensing and Reporting) Regulations
Regulations 7 (1) (c), 7 (2), 15 (1) (c) and 16 (d)

1.0 Background

- 1.01 A company that is licensed as an investment manager or administrator under the Pensions (Superannuation Funds and Retirement Schemes) Act is required under Regulation 7(1) (c) of the Pensions (Superannuation Funds and Retirement Schemes) (Registration, Licensing and Reporting) Regulations ("RLR"), 2006 to have Professional Indemnity Insurance ("PII") and Fidelity Guarantee Insurance ("FGI"), as the case may require.
- 1:02 PII provides financial coverage for claims made against an administrator or investment manager for negligence, breach of duty or for civil liability. FGI indemnifies an investment manager from risks associated with any act(s) committed by its employees such as fraud, dishonesty, forgery and embezzlement.

2.0 Obtaining Coverage

- 2.01 While the pension legislation does not explicitly stipulate the type of organizations that can provide PII and FGI, coverage may be sourced from insurance companies in Jamaica which are licensed pursuant to the Insurance Act or from a reputable insurance company in another jurisdiction such as Canada, the United States or the United Kingdom.

3.0 Amount of Coverage

- 3.01 Section 7(1)(c) of the RLR specifies that an administrator or investment manager must have PII and FGI, as the case may require, **that exceeds** the following limits¹:

	Administrator	Investment Manager
PII	\$5 million	\$5 million
FGI	none	\$10 million

- 3.02 As highlighted above, PII should **exceed** \$5 million and FGI should **exceed** \$10 million. It is important to note however that each business is unique and as such there is no single coverage amount that is suitable for all businesses. An administrator or investment manager should review the operations of its respective businesses and secure the relevant coverage based on the overall risk exposure of the business. The Financial Services Commission may require the company to provide justification of the coverage secured. The company may consider factors such as the types of services offered, the financial value of these services and the potential financial losses or damages that the company may be exposed to as a result of the services it offers.

4.0 Coverage for Entities with Multiple Licences

- 4.01 Where a company is applying for or holds a licence as an administrator and investment manager, the amount of coverage as prescribed in Regulation 7 (1) (c) is applicable to each licence. Therefore, PII in excess of \$5 million should be secured for each capacity; that is over \$10 million in aggregate.

5.0 Blanket Policies

- 5.01 Where a Blanket Policy is used, it may include both PII and FGI. The required amount of coverage under a blanket policy should reflect the total coverage applicable to each licence. That is to say, where the company acts as an administrator and investment manager, the Blanket Policy should include PII in excess of \$5 million for each capacity and FGI in excess of \$10 million. Total coverage should consequently exceed \$20 million.

Questions regarding this bulletin may be directed to:

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¹ These limits should apply annually.