



BULLETIN FOR:

**Requirements for Registration as an Insurance Broker
(Corporate)**

**The Financial Services Commission
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Telephone: (876) 906-3010**

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Requirements for Registration as an Insurance Broker (Corporate)

LEGISLATIVE REFERENCE: Insurance Act, 2001 (the "Act")
Insurance Regulations, 2001(the "Regulations")

1.0 INTRODUCTION

1.1 The Financial Services Commission ("FSC") has a mandate to protect members of the public who purchase insurance products by promoting stability and public confidence in the operations of the insurance industry. A part of meeting this mandate necessitates ensuring that Insurance Brokers are properly registered in accordance with the Insurance Act and operate within the scope of the Act and Regulations.

2.0 BACKGROUND

2.1 Although insurance products are offered directly by insurance companies, members of the public may choose to access these products through an insurance intermediary ("broker"). In this case, the broker plays a vital role between the insurance company and the client not only by way of offering an insurance product but also through their services such as offering advice and managing the administration of claims.

2.2 It is therefore imperative that policies and procedures to monitor and control the registration and operation of insurance brokers be clearly outlined and understood.

3.0 OBJECTIVE

3.1 The objective of this bulletin is to provide general guidance to Insurance Brokers on some of the conditions which must be fulfilled before an application for registration as a broker under the Act can be considered.

4.0 REGISTRATION REQUIREMENTS

4.1.1 The applicant must apply to the FSC under the Act in two stages:

- a) Firstly, submit evidence of educational qualifications and experience of the directors, senior managers and sales representatives for assessment; and
- b) Secondly, apply for registration within sixty (60) days after receipt of notification that the requirements of (a) above have been satisfied.

In respect of a) above, the submission should include:

- (i) Information as at item 4.5.1 below
- (ii) Copies of certificates certified by one (1) of the following:
 - ✓ Justice of the Peace
 - ✓ Minister of Religion
 - ✓ Notary Public
 - ✓ Attorney-at-law
 - ✓ Superintendent of Police or any rank above.
- (iii) Two references, their names, addresses and work and home phone numbers.

NB. The certifier should (in addition to affixing his/her signature) stamp or state legibly his/her name, official capacity and business address or parish of commission.

4.2 Registration and Name Requirement

4.2.1 The Applicant must first be **incorporated** or **registered** under the Companies Act, 2004, to be registered by the FSC, under the Insurance Act to transact insurance business as an insurance broker.

4.2.2 The corporate name must include the words "...**Insurance Broker**..." or "...**Assurance Broker**..." unless the FSC permits otherwise.

4.2.3 The following must be submitted in the form prescribed in the **Fifteenth Schedule** of the Insurance Regulations, 2001 (available on the FSC website at www.fscjamaica.org) :

- a) An application for the Insurance Broker; and
- b) Applications for the individual sales representatives who will be employed to the brokerage to solicit or negotiate insurance. Therefore, applicants should obtain copies of the requirement sheet for sales representatives also.

4.2.4 The Applicant should submit copies of its Articles of Incorporation certified by the Registrar of Companies.

4.3 Fit and Proper Requirement

Each of the persons managing or controlling the Applicant must satisfy the **fit and proper criteria**. These persons comprise all the directors, all the senior managers and shareholders owning ten percent (10%) or more of the shareholding of the brokerage. Where the shareholder owning 10% or more is a corporate entity then the same categories of persons listed above in respect of the corporate shareholder are to complete the questionnaire.

4.3.1 Fitness and propriety is initially assessed during the application process wherein the applicant is required to submit to the FSC the questionnaire available at www.fscjamaica.org.

4.3.2 Note also that, for these persons, an **original** Police Report must also be submitted.

4.4 Insurance Requirement

4.4.1 The broker, upon registration will be required to effect **Errors and Omission (Professional Indemnity)** and **Fidelity Guarantee Insurance** coverage at **minimum** levels of thirty (30) million Jamaican dollars (**J\$30,000,000**) in each case within forty-five (45) days after being registered. However, evidence of an undertaking by an insurer to provide this coverage (inclusive of evidence of the relevant deductible) upon registration must be submitted with the application.

4.4.2 Note that the policies referred to shall contain an endorsement that stipulates that the insurer must notify the FSC of any cancellation or non-renewal of any of the above policies. Such information is to be received by the FSC at least thirty (30) days before it takes effect. Evidence that the insurer has agreed to provide this must be submitted with the application.

4.5 Capital Requirement and Financial Outlook

4.5.1 The company must be **adequately capitalized**. This should be with a paid-up share capital and unencumbered surplus of not less than an amount equal to the **maximum deductible** of the applicant's errors and omission and fidelity insurance policies or **\$10 million**, whichever is greater. This capital and surplus should consist of at least eighty percent (**80%**) in cash with the remaining twenty percent (**20%**) being other consideration which could be fixed assets of the company.

4.5.2 **The audited** opening balance sheet **or most recent** audited financial statement of the applicant's company and certificate of allocation of **shareholdings** in the company must be submitted. The former should reflect the capital required as stated above.

4.5.3 An applicant who wishes to make **multiple applications** (e.g. to be a broker, a facultative placement broker and a reinsurance broker) will be required to meet the same **minimum** bond and capital requirement. However, it is expected that the actual level of bond insurance chosen will reflect the greater level of responsibility assumed by the applicant and hence will be **higher** than that in a single application. Such an applicant should obtain a requirement sheet for the other category(ies) in which it has an interest.

4.5.4 The application for registration should be accompanied by a **business plan** which should include, among other things, a **three-year projection** of Premium Generation, Commission Income on a class-by-class basis, and other income, all on a month-by-month basis, together with an itemized statement of Projected Expenses on a month-by-month basis. These should be summarised on a three- year cash projection

statement. Copies of the format of these projections are available from the Registrar at the FSC or at www.fscjamaica.org

- 4.5.5** Where the applicant has operated as an insurance broker in Jamaica or another jurisdiction prior to submitting this application, its application should be accompanied by a **letter** from the insurance companies, brokers and agents to which it provided services, indicating that they are satisfied with the competence and method of conduct of business of the applicant and the ethical standards maintained by it in the performance of its work as an insurance broker.

4.6 Professional Qualification(s)

- 4.6.1** The broker must have at board level, persons with **professional qualifications**, preferably of the ACII standard (Associate of the Chartered Insurance Institute (London)) or equivalent and **sales representatives** qualified to transact the classes of business for which the broker is registered.
- 4.6.2** The broker will require suitable **clerical, administrative and accounting staff** on a fulltime basis.
- 4.6.3** An **Organizational Chart** indicating positions and the names of the persons designated for each senior post is to be submitted.
- 4.6.4** A **Corporate Organizational chart** showing all related entities (parent company, ultimate holding company, fellow subsidiaries, subsidiaries and associated companies) must be submitted.
- 4.6.5** List also of the shareholders and directors of the **parent company** and the **ultimate holding company** where the latter is different from the former.

4.7 Registration Fees

- 4.7.1** The **fees** for the application for **registration** as a broker and the application form are set out below for the various classes of business. Fees are to be made payable to the FSC and paid at its offices (see address below) and a copy of the receipt submitted with the application.

| CLASSES OF BUSINESS | FEES (J\$) |
|----------------------------------------|-------------------|
| Accident | 7,000 |
| Liability | 7,000 |
| Marine Aviation & Transport | 7,000 |
| Motor Vehicle | 7,000 |
| Pecuniary Loss | 7,000 |
| Property | 7,000 |
| Ordinary long-term | 7,000 |
| Sickness and Health | 7,000 |
| Industrial | 7,000 |

| | |
|-------------------------|--------------|
| Application Form | 2,000 |
|-------------------------|--------------|

- 4.7.2** The applicant will also be required to pay (for **renewal** purposes) a **quarterly fee** of **0.5%** of his earned commissions or fee indicated above, whichever is greater, not later than fourteen (14) days after the end of the quarter in respect of which the commissions were earned, subject to a minimum annual payment of **\$7,000**, in respect of each class of insurance business. Fees are to be made payable to the FSC and paid at its offices (see address below).

- 4.7.3** It is expected that applicants will apprise themselves of all the other requirements of operation (e.g. monthly, quarterly, half-yearly and annual submissions, solvency requirements etc.) by reading the relevant laws and ensuring that they will be able to meet the required standards before applying.
- 4.7.4** Copies of the Act and Regulations can be obtained at:
Jamaica Printing Services Limited
77 ½ Duke Street
Kingston
Telephone No. (876) 967-2250-3 Fax No. (876) 967-2225

Questions regarding this Bulletin may be directed to:

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