



## FINANCIAL SERVICES COMMISSION

### Updated Procedure for the Approval of New Insurance Policies and Insurance Policy Amendments under Section 90 of the Insurance Act 2001

**July 2019**

#### **A. Introduction**

Section 90 of the Insurance Act ("the Act") provides that an insurance company shall not issue a long term insurance policy unless the policy is first approved by the Financial Services Commission (FSC)<sup>1</sup>. However, neither the Act nor the Regulations under the Act provides any guidance to the FSC on the procedures or criteria that should be used in reaching a decision to approve a policy. As a result, in 2003, the FSC issued Bulletin IR-GUID-03/11-004 which outlined an expedited procedure that would apply to all new and amended insurance policy approvals with the exception of insurance policies denominated in foreign currency, for an initial trial period. The procedure emphasized strong corporate governance and placed the responsibility to oversee product development, pricing (i.e. ensuring premiums are adequate and do not threaten insurer solvency<sup>2</sup>) and compliance with the laws of Jamaica (i.e. customers are protected and the policy provides fair value to policyholders<sup>2</sup>) on the company's board of directors rather than the FSC's detailed line by line review. Under the expedited process, the FSC would be required to respond to applications for policy approval within five working days. The period for policies that did not meet the expedited processing criteria was set at two months<sup>3</sup>.

After a review of the policy approval procedure in 2007, the FSC decided to extend the trial period for the expedited process provided that board governance and responsibility were strengthened to include overseeing a framework for monitoring and reviewing the performance of insurance policies as well as ensuring the equitable treatment of policyholders. Boards of directors were required to consider re-

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<sup>1</sup> Section 90(1) of the Insurance Act, 2001 states "A company shall not issue any policy unless it has been approved by the Commission"

<sup>2</sup> Regulation 122 of the Insurance Regulations 2001 states "Every registered insurer shall take such steps as are reasonably necessary to ensure that (a) policies issued by the insurer provide fair value to policy holders and do not contain provisions which are likely to imperil the insurer's financial position; and (b) new policies are developed in accordance with standards of sound business and financial practices."

<sup>3</sup> FSC Customer Service Charter and Manual

pricing their insurance policies if the assumptions and/or parameters deviated significantly from those originally incorporated into the initial design. The requirements are set out in Bulletin AR-GUID-07/06-0005. Bulletin AR-ADVI-10/04-0001 clarified the requirements in relation to the approval of group insurance policies. Appendix A contains the Bulletins.

In 2018, the FSC conducted another review of the policy approval procedures and concluded that:

- 1) the expedited procedure should be updated to -
  - a. exclude policies (new or amended) that contain innovative features that would be offered in the Jamaican insurance market for the first time;
  - b. standardize the wording of the certificates of the chief executive officer, product development actuary and legal counsel;
  - c. require the submission of the product development actuary's pricing report on the derivation and adequacy of the premium rates; and
  - d. update the FSC's approval procedure and timelines.
- 2) the FSC should be notified before charges or fees attendant to a policy are modified by an insurer. A certificate from the chief executive officer must accompany the notice; and
- 3) the insurance industry should be provided with guidance relating to the content of policy brochures. Changes to the wording of brochures and/or marketing material must be reviewed by the FSC.

The purpose of this Bulletin is to outline the updated expedited procedure, the requirement for notice when fees or charges attendant to a policy are changed and set out the FSC's expectations regarding the information that must be contained in policy brochures. The period for the review of policies that do not meet the expedited processing criteria remains unchanged at two months.

## **B. Updated Expedited Procedure**

The updated expedited procedure is as follows-

- 1) Each insurance company is required to develop and adhere to a Board Approval Policy ("BAP"). Please refer to Bulletin AR-GUID-07/06-0005 for the minimum requirements of a BAP.
- 2) For each application for approval, an insurance company must submit—
  - a. All relevant information regarding the insurance policy including:
    - i. Policy contract
    - ii. Application forms
    - iii. Policy illustrations and brochures (if applicable)

- iv. Policy specifications
  - v. Rate sheets
  - vi. Endorsements
- b. A certificate signed and dated by the company's legal counsel as follows:
- I, [Name of Attorney], confirm that I have reviewed the [Name of Policy] and associated documents prepared on behalf of [Name of Insurance Company] and hereby certify that all the terms and conditions are in compliance with the provisions of the Insurance Act and Regulations and all other applicable laws of Jamaica.

Please insert the relevant information in the square bracketed areas.

- c. Pricing report for the policy that was prepared by the product development actuary. In the preparation of the report, the FSC expects the actuary to comply with his/her governing body's code of conduct and the standards issued by the Caribbean Actuarial Association and other generally accepted actuarial practice. The actuary in his/her report must identify the major risks of the product, conduct sensitivity testing, quantify the new product's financial impact to the company using the product's business plan (3-year financial and solvency projection) and compare profit measures with the minimum profitability requirement set out in the company's BAP. The pricing report should also comment on the adequacy of any reinsurance arrangements associated with the product.
- d. A statement signed and dated by the product development actuary certifying that:

**INDIVIDUAL INSURANCE**

- i. he/she has reviewed the insurance policy and has found that the premium rates are adequate to cover the risks associated with the product and are, therefore, suitable for the purposes of section 90(2) of the Insurance Act;
- ii. he/she has reviewed the policy illustrations (if applicable) and found that they provide full, true and plain disclosure to the consumer.

**GROUP INSURANCE**

- i. he/she has reviewed the insurance policy and has found the rates produced by the pricing methodology are adequate to cover the risks associated with the

product and are, therefore, suitable for the purposes of section 90(2) of the Insurance Act;

e. A certificate signed and dated by the company's Chief Executive Officer as follows:

I, *[Name of Chief Executive Officer]*, confirm that I have reviewed the *[Name of Policy]* contract and associated documents prepared on behalf of *[Name of Company]* and hereby certify that the *[new / amended]* insurance policy

- i. provides fair value to policyholders;
- ii. does not contain provisions which are likely to imperil the insurer's financial position; and
- iii. was developed in accordance with standards of sound business and financial practices.

I also certify that:

- i. the process used to develop *[Name of Policy]* followed the Company's Board Approval Policy; and
- ii. the Company's Board gave approval for the *[new or amended]* insurance policy on *[Date of Approval]*

Please insert the relevant information in the square bracketed areas.

- f. A fee of \$10,000 for new policies and \$5,000.00 for amendments as required by Regulation 164 of the Insurance Regulations.

- 3) Applications and all supporting documents must be submitted to the FSC's offices **and** by email to [insurance@fscjamaica.org](mailto:insurance@fscjamaica.org); Subject: POLICY APPROVAL *[Name of Policy]*.

The date and time of submission will be deemed to be the later of the dates and times the electronic and physical applications are received by the FSC. Submissions received after 2:30p.m. on a business day or at any time on a day that is not a business day will be deemed to have been received at 8:30a.m. on the following business day.

Please insert the relevant information in the square bracketed areas.

Upon receipt of an application, the FSC will examine the documents. If any document is missing or does not comply with the form or other specifications in this Bulletin, the application will be returned to the insurer without being processed, along with a statement of the reason(s) for its return, within three (3) working days. In all other cases, the FSC will process the application and, within 15 working days, communicate one or more of the following.

- i. Decision ;
- ii. Request for clarification or additional information and/or amendments to the policy contract or supporting documentation;
- iii. Extension of the period for review and the reasons for the extension.

Failure to submit the physical and electronic copies of the documentation (see 3 above) will extend processing time.

The FSC reminds insurers that in its review of a new or amended policy, reliance is placed on the certifications of the insurer's officers and agents, required under this Bulletin. An approval under Section 90 of the Act is not to be construed as a pronouncement on the legality or merits of the product or the terms of the policy. Insurers must put in place the appropriate policies, procedures and controls to ensure their insurance policies comply with the laws of Jamaica, treat policyholders fairly and do not adversely impact the soundness of the insurer.

**C. Notice of Change in Fees or Charges**

Some policy contracts give the insurer the right to change the fees and/or charges that may be levied on the policy. The decisions for increases must be considered and approved by an insurer within the requirement of Regulation 122 of the Insurance Regulations, 2001 for policies to provide fair value to policyholders. Therefore, the FSC requires that it be notified at least 15 working days before any changes are made to fees or charges and that the Chief Executive Officer certifies that the policy, with the new fees or charges, continues to provide fair value to policyholders.

**D. Policy Brochures**

Insurance sales representatives frequently use brochures to highlight the benefits of a product and to differentiate it from similar competing policies. Prospective policyholders rely heavily on marketing brochures to assist them in making their decision to purchase insurance products. The FSC, therefore, expects insurance companies and intermediaries to comply with its Guideline on Market Conduct for Insurance Companies and Intermediaries and ensure that the information contained in brochures-

- Are clear and accurate.
- Are easily understandable and free from technical jargon, but where it is unavoidable be accompanied by an explanation in simple language.
- Provide adequate and balanced disclosure of the features, terms and conditions of the plan, for example, benefits and conditions for payment, premiums payments, termination conditions, exclusions and limitations. The brochure shall not misrepresent the true nature of the plan or any of the benefits, advantages, conditions or terms of the policy.
- Do not hide, diminish or obscure important statements, conditions, exclusions, limitations or warnings.
- Are consistent with the terms of the policy contract.

All changes to brochures or other marketing materials must be submitted to the FSC for review prior to being circulated to prospective policyholders, even when no other changes are being made to the policy contract or associated documents. The submission must highlight the changes made and include copies of the revised marketing material. The FSC will notify companies of its concerns about or its non-objection to the brochure or marketing material within 15 working days of its receipt (see B3 above). Notification must be delivered to FSC's offices and be submitted via email to [insurance@fscjamaica.org](mailto:insurance@fscjamaica.org). *Subject: POLICY BROCHURE [Name of Policy]*. Failure to send the notice in both formats will delay processing time.

**E. Effective Date**

The amended procedure is effective for applications submitted to the FSC on or after September 1, 2019.

**F. Contact Details**

Questions regarding this Bulletin may be directed to:

**Senior Director, Insurance**  
**Financial Services Commission**  
**39-43 Barbados Avenue**  
**Kingston 5**  
**Telephone (876) 906-3010**  
**Facsimile (876) 906-3018**  
**Email: [insurance@fscjamaica.org](mailto:insurance@fscjamaica.org)**



## **APPENDIX A**



### **FINANCIAL SERVICES COMMISSION**

#### **Procedure for the Approval of New Insurance Policies and Insurance Policy Amendments under Section 90 of the Insurance Act 2001 June 2007**

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#### **1. Introduction**

In 2003, the Financial Services Commission ("FSC") issued new guidelines in regard to the approval of new and amended insurance policies by companies. These guidelines emphasized a Board of Directors ("Board") responsibility to oversee this process, rather than FSC's detailed line by line review. This guideline also offered an expedited approval process where certain conditions were met.

A review of the approvals under this policy has indicated that the process has been working reasonably well, and so the initial period will be extended indefinitely.

The purpose of this current guideline is to outline the conditions under which the FSC is prepared to extend this process. This involves the further strengthening of a Board's responsibility to include requiring the development of a framework for monitoring and reviewing the performance of their insurance policies as well as ensuring the equitable treatment of policyholders. In addition to monitoring their insurance policies on a regular basis companies must consider re-pricing the insurance policies if the assumptions and/or parameters deviate significantly from those originally incorporated into the initial design.

This systematic review, under the control and guidance of a Board, would give the FSC greater confidence that new or amended insurance policies do not put the solvency of the company at undue risk, that policyholders are treated fairly and policyholders are provided with adequate information to be able to make reasoned judgments about the value of the insurance policy on offer.

It should be noted that the FSC's approval in no way signifies that the FSC gives the company a "license" to sell the insurance policy indefinitely. The approval signifies that at the current time, based on the current environment, the FSC is satisfied that the appropriate procedures have been followed to ensure the viability of the product. The FSC expects the company to monitor both the performance of the insurance policy and the economic and social environment and to make appropriate changes if the performance of the insurance policy is not in accordance with expectations, or if such changes in the environment have an impact on the viability of the insurance policy.

## **2. Application**

This guideline applies to all registered insurance companies that seek to have insurance policies approved by the FSC under section 90 of the Insurance Act, 2001.

## **3. Reporting to the FSC**

The FSC will base its approval of new and amended insurance policies on documents submitted by the company, as well as representations as to the process that has been followed.

The documents that must be submitted to the FSC with respect to an application for approval of a new or amended insurance policy are:

- a. a signed statement by the Chief Executive Officer certifying that the Company's Board Approval Policy has been followed and stating the date the Company's Board has given its approval for the new/amended insurance policy, and
- b. the documents listed in Guideline IR-GUID-03/11-0004, November 2003 (Appendix 1).

The FSC continues to be committed to a 5-day turn around target for the approval of Jamaican dollar denominated insurance policies. Foreign currency denominated insurance policies will be reviewed and

approved as expeditiously as possible. Kindly note that, for foreign currency denominated insurance policies, the FSC must receive documentary evidence of the Bank of Jamaica's approval before it will grant permission for the product to be sold.

#### **4. Board Approval Policy**

The FSC expects a Board to implement a policy on the process to be followed regarding the review and approval of new and amended insurance policies. Once the Board Approval Policy has been approved by a Board, it should be submitted to the FSC. The policy must cover the following items:

- a. Identification of the nature and scope of an appropriate committee responsible for the product development process. This Committee should include representatives from all the functional areas involved in implementing policies: e.g. actuarial, marketing, legal, information technology, client relationship manager, administration and investments;
- b. The conduct of appropriate market research and feasibility studies;
- c. Actuarial responsibility for the product design, pricing/profit testing and risk assessment consistent with sound business and financial practices and Board approved levels of profitability;
- d. In cooperation with actuarial; the investment department's responsibility to assess the expected rate of return on assets, if any, that the insurance policy is likely to generate, the investment risks involved and asset-liability matching issues;
- e. The actuarial and investment review which should realistically assess the development of reserves under the policies, the need for capital and eventual contributions to capital and surplus, under the assumptions adopted for the marketing of the insurance policy. The review should include sensitivity testing, the use of dynamic solvency testing techniques developed for valuation purposes and risk mitigation strategies;
- f. Development of computer systems specifications;

- g. Development of business rules in relation to marketing and servicing of the product;
- h. Systems testing of the product, rates and values, user acceptance testing, and systems development;
- i. The drafting of the contract, marketing material, sales illustration and training materials and their review by the parties involved;
- j. A detailed review of the insurance policy by the legal department to ensure compliance with appropriate Jamaican laws among other things;
- k. Preparation of a procedure manual for administering the insurance policy;
- l. Elaboration of the company's training plan to ensure the successful communication of the product to the public;
- m. Preparation of a comprehensive product development report on all aspects of the work of the committee including projected performance relative to targets, expected impact on the financial performance of the company, any problems related to financial, administrative or other aspects that might be foreseen and their mitigation, and recommendations. This report should include at a minimum the following items:
  - Pricing
  - Market research
  - Financial projections
  - Legal review
- n. Submission of the product development report to the Executive Management and to the Board. The Chief Executive Officer would be expected to certify that the product is in full compliance with these guidelines as well as any other statutory requirements;
- o. The process by which the Board gives its final approval of and accepts responsibility for all aspects of the insurance policy and its launch;

- p. The filing of appropriate documentation with the FSC;
- q. The Board's policy regarding reviews of the companies insurance products, including the frequency of such regular reviews, the features to be included in each review, and circumstances that might cause the company to review a product other than during the regular reviews;
- r. The review should encompass the profitability of the product, as well marketing plans, illustrations, staff training and disclosure of elements of the insurance policy and any other features that the company considers material. The review could result in recommended actions resulting from the outcome of such reviews (or could result in no changes in some cases). For major product lines the FSC expects the review to take place at least annually. There would be no charge to file amended product disclosure documentation with the FSC, any changes to the insurance policy itself (e.g. contract, application forms, rates, specifications) however would attract the regular fees for amendments.

## **5. Procedure to be followed**

The FSC expects all companies to review their current product development policy in regard to new and amended insurance policies to ensure that it complies with the requirements specified above and to file the policy with the FSC. If the company is of the opinion that the current policy filed with the FSC complies with all the requirements above, the company should confirm this in writing with the FSC. The FSC would then examine the policy and request changes, if need be. Once the policy has been approved by the FSC, the company would be expected to follow it when submitting new or amended insurance policies for approval. If the Board authorizes variations of the general policy for specific products and/or amendments, the FSC should be informed, together with reasons for the variation.

Once a new product or amendment to an existing product is decided upon by a company, the new or amended insurance policy cannot be implemented until the appropriate documents have been filed with and approved by the FSC. The FSC would examine the documentation, and either give its approval or request further information where it deems it necessary. In cases where additional information is

requested, the FSC would approve the new or amended product once it is satisfied that all the procedures have been followed and it has no further concerns.

Periodic reviews do not have to be filed with the FSC, but the Board is expected to keep to the timetable established for such reviews and during on-site examinations the FSC would look at the reviews in order to satisfy itself that:

- a. regular reviews are being are being done; and
- b. the reviews are being carried out in accordance with the Board Approved Policy.

The FSC could also request the results of a review from time to time, not necessarily in conjunction with an on-site inspection.

#### **6. Effective date of procedure**

The proposed effective date for this new procedure is **Monday, November 5, 2007**. Companies should submit their revised Board approved policies or letters confirming that their existing policies, which were previously submitted to the FSC, comply with this guideline no later than **Friday, August 31, 2007**.

For further information regarding this guideline please contact:

Mrs. Angela Beckford, Chief Actuary, Financial Services Commission at telephone number 906-3010-12 or by e-mail: [beckforda@fscjamaica.org](mailto:beckforda@fscjamaica.org)

**Appendix 1**

**Documents required under Guideline IR-GUID-03/11-0004**

1. All relevant information regarding the insurance policy including:
  - a. Policy contract
  - b. Application forms
  - c. Policy illustrations and brochures (if applicable)
  - d. Policy specifications
  - e. Rate sheets
  - f. Endorsements
2. A signed statement by the company's legal counsel that he/she has reviewed the insurance policy and determined that it conforms to the appropriate laws of Jamaica.
3. A signed statement by a product development actuary that:
  - a. he/she has reviewed the insurance policy and has found the premium rates to be adequate;
  - b. he/she has reviewed the policy illustrations (if applicable) and found that they provide full, true and plain disclosure to the consumer.
4. A signed statement from the Chief Executive Officer of the company that the insurance policy is in full compliance with the provisions of regulation 122;
5. A fee of \$10,000 for new policies and \$5,000 for amendments as required by regulation 164 of the Insurance Regulations.



**FINANCIAL SERVICES COMMISSION**

***Bulletin: Clarification of Requirements for Approval of Group Insurance Policies under Section 90 of the Insurance Act, 2001***

***April 2010***

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**1.0 BACKGROUND**

- 1.1 In accordance with the requirement under Section 90<sup>4</sup> of The Insurance Act, 2001, the Financial Services Commission ("FSC") issued the Procedure for the Approval of New Insurance Policies and Insurance Policy Amendments in November 2003. This guideline allowed life insurance companies to submit both individual and group insurance policies for approval under an expedited procedure. The procedure was updated in June 2007 (Guideline AR-GUID-07/06-0005) to strengthen the Board of Directors' responsibility with respect to the development and performance of the products sold by an insurance company.
- 1.2 The purpose of this bulletin is to clarify the requirements of Guideline AR-GUID-07/06-0005 in relation to the approval of group insurance policies.

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<sup>4</sup> Section 90(1) of The Insurance Act, 2001 states "A company shall not issue any policy unless it has been approved by the Commission".



## **2.0 APPROVAL REQUIREMENTS**

- 2.1 New and amended group insurance policies should be submitted to the FSC for approval after the contractual terms have been settled, but prior to the execution of the contract.
- 2.2 All amendments to group insurance policies must be submitted to the FSC for approval except for changes to the schedule of benefits of approved policy contracts issued to new clients or to existing policyholders on policy renewal.
- 2.3 For group insurance policies, the signed statement submitted by a product development actuary should certify that he or she has reviewed the insurance policy and has found that the methodology used to determine the premium rates is adequate.