

# RESERVE BANK OF FIJI



## LICENSING CHECKLIST OF REQUIREMENTS FOR APPLICATION FOR A LICENCE TO CONDUCT INSURANCE BUSINESS IN FIJI

These sections provide requirements that applicants must submit to the Reserve Bank of Fiji for consideration of an application for a licence to conduct insurance business in Fiji.

### PRIMARY REQUIREMENTS:

1. **Subject to section 24(1) of the Insurance Act 1998 (Act) a body corporate that –**
  - (a) is either incorporated in the Fiji Islands under the Companies Act or registered under Part X of the Companies Act; and
  - (b) is not a private company as defined in section 32 of the Companies Act,

may apply to the Reserve Bank to be licensed to carry on insurance business under this Act.

2. **Application Letter**

A letter from the applicant requesting for a licence to conduct insurance business in Fiji. This letter must be accompanied by:

- (a) *Board Resolution:*

The Board of Directors for the applicant company must attest in writing with their endorsement full support for the establishment of the company and their confirmation of the nominated person who will be liaising with the RBF during the licensing process.

- (b) *Shareholders Resolution:*

A certified copy of all the shareholders endorsements signifying their approval to apply for a licence to operate an insurance business in Fiji.

An application that is received without an application letter **WILL NOT** be processed.

3. **Parent Company Consent**

In the case that the applicant is a subsidiary of a parent company either locally or foreign owned, they must provide an official written consent from the parent company to operate under their banner.

Furthermore, the parent company must submit their:

- (a) Memorandum and Articles of Association;
- (b) Certificate of Registration;
- (c) Audited Financial Reports of the last three years
- (d) Sworn undertaking by the Parent Company to provide additional capital; and

(e) If it is an existing insurer abroad, one must provide the home supervisor's confirmation that the parent company is licensed and regulated within its jurisdiction.

**4. Application Fee (non-refundable)**

F\$15,000 (Plus VAT)

Payment that is made by cheque must be done with a Bank Cheque.

**OTHER PRIMARY REQUIREMENTS**

**A. PRESCRIBED FORMS:**

As per the Insurance Regulations 1998, the following prescribed forms must be completed by the applicant:

**Form 2 – Application Form**

**Form 5 – Appointed Auditor**

**Form 6C – Balance Sheet for General Insurers**

**Form 8C – Balance Sheet for Life Insurers**

The completion of these forms would also entail the submission of the following supporting documents:

**(1) Memorandum of Association**

A copy of the Memorandum of Association or any other instrument or document by which the applicant is constituted.

**(2) Articles of Association**

A copy of the prospective company's Articles of Association describing in detail the business of insurance that they intend to undertake and the shareholding composition.

**(3) Company Registration**

- An original or certified copy of the certificate of Registration from the Registrar of Companies for a local company
- The original or certified copies of the certificate of Foreign Investment Certificate issued by the Fiji Islands Trade and Investment Bureau (FTIB) and the certificate of registration from the Registrar of Companies for a foreign company.

**(4) Affiliation Contracts**

The applicant must provide details of any contracts of affiliation with another company. The contract arrangement and the details of the company which the applicant is affiliated to must be provided to the Reserve Bank.

**(5) Outsourcing Contracts**

If the applicant company is involved or intends to be involved in any arrangement pertaining to outsourcing, this must be submitted to the Reserve Bank.

## **B. FINANCIALS**

### **(1) Audited Accounts of the Applicant**

The applicant must provide at least a signed declaration by an RBF approved auditor stating that their client is financially sound.

### **(2) Financial Accounts of Related Persons**

Where the applicant is related to another person pursuant to section 2(3)<sup>1</sup> of the Act, the related persons audited accounts for the past two years must be provided.

## **C. BUSINESS PLAN**

The various strategies that the company has developed to address how, when and who would be executing functions of the company to achieve work outputs. A 3 to 5 year business plan illustrating the goals, strategies and objectives that will lead the company must also be submitted. The Business Plan must at a minimum contain:

### **(1) Financial Projections**

- **Balance Sheet – Form 6C and 8C**

Balance Sheet projections of three years must be provided. These must be completed 3 months prior to the submission of the application.

- **Profit and Loss Accounts**

Profit and Loss projections of three years detailing potential revenues and estimated expense amounts.

- **Underwriting Account**

The underwriting account that the company intends to establish and maintain must be submitted along with projected figures for the first three years.

- **Cash Flow Projections**

Projections for the first three years must also be provided.

### ***ASSUMPTIONS MADE MUST BE CLEARLY ITEMISED ON THE FINANCIAL REPORTS AND PROJECTIONS***

### **(2) Premium Rates**

The intended basis that the applicant will use to calculate premium amounts must be provided. This must be approved and endorsed by the Board of Directors and an approved actuary.

### **(3) Proposed Policy Wording**

The applicant is required to submit sample policy wordings for assessment.

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<sup>1</sup> Section 2(3) of the Act states that a person is related to an insurer if-

- (a) that person directly or indirectly controls, by any means whatsoever, the management of the insurer;
- (b) that person owns directly or indirectly 20% or more in the nominal value of the equity share capital, as defined in section 156 of the Companies Act of the insurer;
- (c) the insurer directly or indirectly controls, by any means whatsoever, that person; or
- (d) the insurer owns directly or indirectly 20% or more of the equity share capital, as defined in section 156 of the Companies Act, of that person.

**(4) Internal Controls**

A submission of the applicant company's internal controls that has been approved and endorsed by the Board of Directors must be provided.

**(5) Capital Management Plan**

This plan must illustrate the assumptions and projections in terms of how and what the company intends to do to grow and manage their capital.

**(6) Investment**

A report detailing how the applicant intends to invest its funds.

**(7) Accounting System**

The proposed accounting methods/software that would be used to prepare financial statements. The internal auditing procedures as well as the external auditor who will assess the applicant insurers' statements must be submitted.

**(8) Management Information System**

Details of the design and operation systems and procedures to facilitate the recording, analysis and reporting of information within the company and to the Reserve Bank.

**(9) Potential Clients**

Support letters and contact details of ten potential clients stating that they would place their business with the insurer. These letters must be endorsed by each client. The clients must be body corporates or private companies.

**(10) Reinsurance Arrangements**

A summary of the reinsurance arrangements of the applicant company

**(11) Risk Management**

Indication that the Insurer has drawn up appropriate policies to counter and address risks that the institution is likely to face.

***ASSUMPTIONS MADE MUST BE CLEARLY ITEMISED ON THE REPORTS AND PROJECTIONS***

**(12) Contingency Plan**

The applicant must submit the company's contingency plan. This would be the company's proactive approach to most likely a crisis or unforeseen events that may occur.

**(13) Further Capital**

***Capital Management Plan***

A submission of how the applicant intends to manage and grow its capital portfolio over the short to medium term.

**(14) Expansion of Business**

The applicant must identify future company expansionary policies that it may have in place. These would include diversification of products, acquisitions and so forth.

**D. FEASIBILITY STUDY**

**(1) Market Survey**

A market survey report detailing a study of the current and 3 year projected

- (a) *market trends*;
- (b) *the products* the applicant would offer;
- (c) *its competitors*; and
- (d) *the clients* the applicant hopes to capture.

**E. FINANCING**

**(1) Deposit Requirement**

Section 20 of the Insurance Act 1998 stipulates that:

- (1) *An insurer under the Act must make and maintain a deposit which –*
  - (a) *is of the prescribed nature and in its prescribed form;*
  - (b) *is acceptable to the Reserve Bank; and*
  - (c) *has a market value of not less than surplus of assets over liabilities required to be maintained by the insurer under section 31.*

In addition, Section 25(2) (a.) further emphasizes that the Reserve Bank must not license an applicant if the deposit required under section 20 has not been made.

The deposit certificate(s) will be retained with the Reserve Bank.

**(2) Capital Requirement**

Subject to section 31 (1) of the Insurance Act 1998, a life insurer must maintain at all times –

- (a.) *if the insurer has share capital, paid up capital of not less than \$1,000,000;*
- (b.) *a surplus of assets in the Fiji Islands over liabilities in the Fiji Islands of not less than –*
  - (i.) *\$1,000,000; or*
  - (ii.) *The sum of 5% of the amount of net liabilities under life policies in the Fiji Islands up to net liabilities of \$100,000,000 plus 2.5% of the amount of net liabilities under life policies in the Fiji Islands that exceed \$1,000,000,000,*  
*Whichever is greater.*
- (c.) *if the insurer is incorporated in the Fiji Islands, a surplus of assets over liabilities of –*
  - (i.) *\$1,000,000; or*
  - (ii.) *The sum of 5% of the amount of net liabilities under life policies up to net liabilities of \$1,000,000 plus 2.5% of the amount of net liabilities under life policies that exceed \$1,000,000,000*  
*Whichever is the greater.*

Subject to section 31(2) an insurer licensed to carry on any class of general insurance business must maintain at all times –

- (a.) *if the insurer has a share capital, paid up capital of not less than \$1,000,000;*
  
- (b.) *a surplus of assets in the Fiji Islands over liabilities in the Fiji Islands of not less than–*
  - (i.) *\$1,000,000;*
  - (ii.) *20% of net premium income derived in the Fiji Islands during the last twelve months; or*
  - (iii.) *15% of net claims outstanding provision in respect of policies in the Fiji Islands,*  
*Whichever is the greatest;*
  
- (c.) *if the insurer is incorporated in the Fiji Islands, a surplus of assets over liabilities of–*
  - (i.) *\$1,000,000;*
  - (ii.) *20% of net premium income derived during the last 12 months; or*
  - (iii.) *15% of net claims outstanding provision,*

*Whichever is the greatest.*

Proof of these in the form of bank statements that illustrate the availability of these funds must be provided to the RBF.

## **F. PROPOSED ORGANISATION AND CORPORATE STRUCTURE**

### **(1) Organisation Structure**

This would constitute an illustration of the applicants' shareholders, the different functions, departments and positions held within the organisation. There must also be a clear indication of reporting lines within the organization.

The applicant must fully identify which positions it views to localize along with a submission of its 5 year localization plans.

### **(2) Corporate Structure**

If the applicant is a subsidiary of an existing parent company, details of the parent company along with other subsidiary companies within the ambit of the parent company companies must be provided.

### **(3) Parent Company and other Subsidiaries**

An illustration and details of the parent company and any other subsidiaries associated with the parent company is required.

## **G. OTHER DOCUMENTS**

The applicant must submit any other documents that the Reserve Bank may require for assessment.

**Financial Institutions Group**  
**Reserve Bank of Fiji**  
**Revised February 2014**

**ANNEXURES:**

**PRESCRIBED FORMS:**

- Form 2 - Prescribed Application Form
- Form 5 - Appointed Auditor
- Form 6C - Balance Sheet for General Insurers
- Form 8C - Balance Sheet for Life Insurers