



Reserve Bank of Fiji

Insurance Brokers Guideline No: 1

OFFSHORE PLACEMENT APPROVAL GUIDELINE:
Delegated Approval to Insurance Brokers

**NOTICE TO INSURANCE BROKERS
LICENSED UNDER THE INSURANCE ACT 1998**

1.0 Introduction

- 1.1 The Insurance Brokers Guideline No: 1 (guideline) is issued under Section 3(2)(a) and Section 17 of the Insurance Act 1998 (the Act) as part of the Reserve Bank of Fiji's (Reserve Bank) standards governing the conduct of insurance broking in Fiji.
- 1.2 This guideline outlines the scope of delegation, approval requirements, records management and reporting procedures of the offshore placement delegated to insurance brokers licence under the Act.
- 1.3 Insurance brokers are required to maintain internal control to assure compliance with the offshore placement requirements prescribed in the Insurance Supervision Policy Statement No. 2 (ISPS No. 2) and this guideline. Therefore, this guideline must be read in conjunction with the ISPS No. 2.

2.0 Scope of Delegation

- 2.1 Insurance brokers licensed under the Act are delegated the offshore placement approval per insurance policy with gross premium of FJD 250,000¹ or less, if the placement satisfies in respect of the following;
 - a) No insurer licensed under the Act carries on the insurance business to which the application relates (in whole or in part, such as coinsurance arrangements); or
 - b) The local premium (excluding stamp duty) is more than 15 percent of the offshore premium (excluding overseas insurance tax).
- 2.2 Further to paragraph 2.1, any other reason apart from point (a) and (b) above, insurance brokers are to refer such application to the Reserve Bank for approval. For such case, brokers are to fill the required form and comply with its requirements.

3.0 Documentary Requirements

- 3.1 Each insurance broker must maintain legible copies of original documents for all offshore placement approvals made. Photocopies or electronic copies are to be made in cases where original documents cannot be kept by the insurance broker.
- 3.2 The following rules will apply when processing documentary evidence:
 - a) Client acknowledgement form must be completed by the insured and an original copy kept with the insurance broker:

¹ Effective from 01 July 2021 delegation to licensed Insurance Brokers was increased from FJD 100,000 to FJD 250,000.

- For individuals, the exact name of the individual must be legibly completed on the client acknowledgment form.
 - For groups of individuals named in the policy, each individual must also complete the client acknowledgement form.
 - For body corporates, the name of the corporate as recorded in the offshore insurer confirmation must match the client acknowledgement form. Applicant is to affix the company official stamp on the client acknowledgement form that matches the name on the client acknowledgment form.
 - For all other organisations/applicants, the head of the organisation or authorised officer will need to sign on the client acknowledgment form. Documentary evidence of this authority to sign on behalf of the organization must be kept by the insurance broker.
- b) An insurance broker must maintain documentary evidence that the insurance broker requested for a quote from local insurers before approaching the offshore insurer:
- The request to be submitted with wordings, coverage, and underwriting and claims information:
 - The insurance broker approached the local insurers at least 30 working days prior to the commencement or renewal date of the policy.
 - The local insurers responded to the applicant within 5 working days of being approached, or that they failed to respond at all.
- c) Offshore insurer documentation must be appropriately maintained by an insurance broker, which must include the name of the insured, the class of insurance, gross premium details, sum insured and the period of cover. Offshore insurer documentation such as:
- A placing slip²; or
 - A certified quotation of insurance coverage from the offshore insurer or brokers or coverholders; or
 - A certified email quotation of insurance coverage from the offshore insurer or brokers or coverholders.

² Placing slip: document created by an offshore broker that contains a summary of the terms of a proposed insurance contract which is then presented to selected underwriters for their consideration.

4.0 Approved Offshore Placements of Insurance

- 4.1 Insurance brokers are required to establish a comprehensive and effective approval management framework (AMF) that is commensurate with the size, complexity, nature and scale of its operations.
- 4.2 The AMF will comprise of the systems, processes and people that will review the documentation pertaining to the delegated offshore placement of insurance.

5.0 Applications outside the Delegated Authority

- 5.1 Insurance brokers must ensure that all insurance policies/placement that fall outside their authority are referred to the Reserve Bank as required under the revised ISPS No.2 on offshore placements of insurance business.
- 5.2 Insurance brokers are not delegated to approve their own insurance placements. These must be referred to the Reserve Bank together with required documentation, and may be effected only when approval is granted.

6.0 Reporting Procedures

- 6.1 Insurance brokers are required to provide reports on offshore placement approvals. The reports must comply with the formats and accompanying notes provided by the Reserve Bank.
- 6.2 The report to be submitted by insurance brokers are highlighted as follows:

6.3 Offshore insurance placement report

- a) An offshore insurance placement report on the approvals by the insurance broker within the month must be provided to the Reserve Bank on a monthly basis. The form of the report is attached as Annex 1.
- b) The report must be accompanied by electronic copies of the documentary requirements as per section 3.0.
- c) The detailed report must include the date of approval, the name of the insured and offshore insurer, the class of insurance, the sum insured and its currency, the gross premium amount and its currency, brokerage/fees/commission, applicable taxes and levies (stamp duty, national fire service levy, non-resident withholding tax).
- d) The report must reach the Reserve Bank within 10 working days after month end.

7.0 Records Management

- 7.1 A complete record of all offshore placement approvals conducted by each insurance broker must be maintained in a register with accurate reference made to the supporting documents outlined in section 3.0.
- 7.2 The register must record the following details:
- a) An application reference number;
 - b) Approval date;
 - c) Policy holder/ client;
 - d) Class of insurance;
 - e) Period of cover;
 - f) Name of offshore insurer;
 - g) Gross premium (currency);
 - h) Non-resident withholding tax;
 - i) Brokerage/Fees or Commission;
 - j) Stamp duty;
 - k) National fire service levy (if applicable);
 - l) Remitted amount (including in FJD equivalent);
 - m) Sum insured (currency); and
 - n) New/ Renewal/ Endorsement.
- 7.3 The register should be kept at the approved place of business and must be made available for inspection by the Reserve Bank on request.
- 7.4 The insurance broker shall retain all such records and registers until the expiry of seven years.

8.0 Oversight by the Reserve Bank of Fiji

- 8.1 For the purpose of this guideline, all insurance brokers are required to provide to the Reserve Bank of Fiji, their approved procedures for handling and approving offshore placements, within 90 days from the date of the implementation of this Policy. Insurance brokers must also provide a copy of the same whenever material changes are made to the policy, and this must be submitted within 30 days of board approval.

9.0 Penalties

- 9.1 The Reserve Bank will impose as a condition of licence, terms and conditions that insurance brokers needs to comply with. As such, noncompliance by an insurance broker on such terms and conditions is deemed an offence and the penalty clause under section 48(2) of the Act will apply.
- 9.2 Under Section 48(2), an intermediary who fails to comply with any of the terms or conditions imposed on a licence commits an offence and is

liable on conviction to a fine of \$5,000 and to imprisonment for 12 months and, in the case of a continuing offence, to a further fine of \$500 for every day during which the offence continues.

- 9.3 Further to paragraph 9.1, the Reserve Bank may remove the offshore insurance placement delegation from an authorized licence insurance broker who fails to comply with the requirements of the guidelines.

10.0 Implementation Arrangements

- 10.1 This guideline will be effective from March 2019 and will be reviewed as deemed necessary to assess its appropriateness.

Reserve Bank of Fiji
January 2019

Annex 1: Offshore Insurance Placement Report and instructions

Instructions for RBF Form 13E on Offshore Insurance Placement Report

Definitions

1 Reference Number	refers to the number used by the broker to register an application
2 Approval Date	refers to the date an application has been approved by the broker
3 Policy Holder/Client	refers to the name of the insured
4 Class of Business	refers to the type of cover the insured is placing with the offshore insurer
5 Period of Cover	refers to the start and end date of each application
6 Name of Offshore Insurer	refers to the offshore insurer name
7 Currency	refers to the remittance currency
8 Gross Premium	refers to the gross premium amount
9 Non Resident With Holding Tax	refers to the non-resident withholding tax amount
10 Brokerage	refers to the amount earned as brokerage fees
11 Stamp Duty	refers to the stamp duty amount charged
12 National Fire Service Levy	refers to the national fire service levy amount based on the total sum insured, charged only for Material Damage and Business Interruption covers only
13 Approved Remittance	refers to the remittance amount paid to the offshore insurer.
14 Sum Insured Amount	refers to the sum insured amount for each application.
15 New/Renewal/ Endorsement	state if the application is a new, renewal or an endorsement
16 Remittance Amount FJD Equivalent	refers to remitted equivalent value in Fiji dollars