



MARCH 2015

Rule

Market Conduct – Insurers, Agents and Brokers

1. Statement of Objectives

To set out the Cayman Islands Monetary Authority's (the "Authority") Rule on Market Conduct – Insurance (the "Rule"), issued pursuant to the Monetary Authority Law ("MAL"), as amended from time to time.

2. Statutory Authority

2.1. Section 34 of the MAL provides that the Authority may issue rules.

34. *(1) After private sector consultation and with the approval of the Governor, the Authority may –*

(a) issue or amend rules or statements of principle or guidance concerning the conduct of licensees and their officers and employees;

...

2.2. This Rule on Market Conduct- Insurers, Agents and Brokers should be read in conjunction with the following Statements of Guidance as relevant: (a) Market Conduct- Insurers, Agents and Brokers and (b) Internal Controls Insurance.

3. Scope Of Application

3.1. This Rule applies to all Class A Insurers, Agents and Brokers licensed under the Insurance Law by the Authority to carry on domestic insurance business.

3.2. This Rule does not apply to reinsurers conducting domestic reinsurance business.

3.3. In this Rule, "Agent" includes a natural and a corporate person.

3.4. This Rule applies to Class B insurers that write domestic business under the Insurance Law, 2010 as approved by the Authority.

4. Definition

4.1. "Insured" means the person (whether individual or corporate) who has the interest in the subject of the insurance contract. Since a number of the



MARCH 2015

provisions of this Rule relate to pre-contract obligations, for the purpose of this Rule, "Insured" includes any prospective policyholder/applicant/customer for insurance.

- 4.2. "Policy Servicing" includes all processes relating to the administration of an insurance policy including receiving premiums and claims, processing changes to information and ongoing communication with the policyholder including updating records and sending updates and notices regarding the policy.

5. Rules

5.1. Market Conduct and Internal Controls

- 5.1.1 Agents and Brokers must have internal controls and/or adequate protection in place to safeguard customer's assets, including money, when responsible for them.
- 5.1.2 Agents and Brokers must only act within the limits of personal competence and any limits of authorisation.
- 5.1.3 Insurers, Agents and Brokers must have in place a system of complaints handling. This system must include policies and processes to handle complaints in a timely and fair manner.
- 5.1.4 All persons that deal, or may deal with clients directly, including sales personnel, claims handlers and compliance or complaints officers must be trained and achieve a suitable level of competence in:
- a) the licensee's policies and procedures addressing this guidance; and
 - b) the technical and legal aspects and effects of the products sold.

5.2. Protection of Information

- 5.2.1 Insurers, Agents and Brokers must have policies and procedures for the protection of private information on customers.
- 5.2.2 Insurers, Agents and Brokers must inform customers about which information might be disclosed and to whom.

5.3. Policy wording, Disclosure and Assessing Customer Needs

- 5.3.1 Insurers, Agents and Brokers must not seek to exclude or restrict



MARCH 2015

any duty or liability to a customer that they have under Cayman legislation and/or this Rule, or other voluntary code of conduct to which the licensee has subscribed and declared.

5.3.2 An assessment of the customer's individual requirements must be made and recorded to determine what insurance product(s) are appropriate to be offered.

5.3.3 Before or at the time of concluding the contract the customer must be given written information about:

- a) In the case of agents and brokers, its status i.e. whether it acts as agent on behalf of an insurer or broker on behalf of the customer, and the basis for its remuneration;
- b) The insurer, at a minimum the address of its head office and contact details, its home jurisdiction and the body responsible for its regulation;
- c) The product including price (including any charges additional to the premium), cover, conditions, aims of product, risk factors, guarantees, special exclusions, etc.
- d) Prominent disclosure of any onerous/special terms including pro rata conditions of average and basis of contract clauses to be included in the policy;
- e) Estimated returns (if applicable);
- f) The claims procedure; and
- g) The procedure for making complaints as per the system required by 5.1.3 above. The name and contact details of the person responsible for complaints handling must be included.

5.3.4 Customers must also be informed about their duty of disclosure according to insurance contract law and the implications of a failure to disclose material information.

5.3.5 As part of the documentation when creating a quotation for the sale of life insurance products, any commission payable to an Agent resulting from the conclusion of the contract should be disclosed.

5.3.6 Insurers, Agents and Brokers must notify customers that they are licensed under the Insurance Law and regulated by the Authority.

5.4. Policy Servicing

5.4.1 Insurers, Agents and Brokers must service policies through to the point at which all obligations under the policy have been satisfied.



MARCH 2015

- 5.4.2 Insurers, Agents and Brokers must have sufficient safeguards in place to ensure that obligations under a policy are satisfied in an appropriate manner.
- 5.4.3 Insurers, Agents and Brokers must inform customers promptly about changes to a policy.

5.5. Claims Handling

- 5.5.1 Insurers, Agents and Brokers must have policies and processes in place to handle claims in a timely and fair manner.
- 5.5.2 Insurers, Agents and Brokers must maintain written documentation on their claims handling procedures, which include all steps from the claim being raised to its settlement.
- 5.5.3 Insurers, Agents and Brokers must inform customers about procedures, formalities and common timeframes for claims settlement.
- 5.5.4 Insurers, Agents and Brokers must provide information to claimants about the status of their claim in a timely and fair manner.
- 5.5.5 Insurers, Agents and Brokers must provide reasons in writing for denying a claim.

6. Enforcement

Whenever there has been a breach of the Rules, the Authority's regulatory policies and procedures as contained in its Enforcement Manual will apply, in addition to any other powers provided in the Insurance Law and the MAL.