



## **CAYMAN ISLANDS MONETARY AUTHORITY PRIVATE SECTOR CONSULTATION**

### **Rule – Professional Qualification Requirements for Insurance Companies, Brokers, Agents and Agencies**

#### **A. Introduction**

1. Section 34(1)(a) of the Monetary Authority Law (2020 Revision) (“MAL”) states that –  
*“After private sector consultation and consultation with the Minister charged with responsibility for Financial Services, the Authority may –*
  - (a) issue or amend rules or statements of principle or guidance concerning the conduct of licensees and their officers and employees, and any other persons to whom and to the extent that the regulatory laws may apply;”.*
2. Requirements specific to the private sector consultation are outlined in section 4(1) of the MAL as follows:  
*“When this Law requires private sector consultation in relation to a proposed measure –*
  - (a) the Authority shall give to each private sector association a draft of the proposed measure, together with –*
    - i. an explanation of the purpose of the proposed measure;*
    - ii. an explanation of the Authority’s reasons for believing that the proposed measure is compatible with the Authority’s functions and duties under section 6;*
    - iii. an explanation of the extent to which a corresponding measure has been adopted in a country or territory outside the Islands;*
    - iv. an estimate of any significant costs of the proposed measure, together with an analysis of the benefits that will arise if the proposed measure is adopted; and*
    - v. notice that representations about the proposed measure may be made to the Authority within a period specified in the notice (not being less than thirty days or such shorter period as may be permitted by subsection (3)); and*
  - (b) before proceeding with the proposed measure, the Authority shall have regard to any representations made by the private sector associations, and shall give a written response, which shall be copied to all the private sector associations.”*
3. The Cayman Islands Monetary Authority (“CIMA” or “the Authority”) seeks consultation and comment from the private sector associations concerning the proposed *Rule – Professional Qualification Requirements for Insurance Companies, Brokers, Agents and Agencies* (attached as Appendix A).

## B. Background

4. In January 2019, the Authority issued the *Regulatory Policy – Licensing Insurance Broker or Agent/Agency* (“2019 Policy”) which recognised that a minimum qualification standard would need to be established for insurance intermediation functions in order to prevent or minimise the risk of the mis-selling of insurance product. In part, the 2019 Policy anticipated the development and administration of a local qualifying industry examination to meet the Authority’s minimum requirements, then referred to as the Insurance Intermediaries Competence Exam (“IICE”). The intention was for the IICE to be recognised as the minimum qualification for insurance intermediaries in the absence of other relevant/appropriate qualifications.
5. Over the last year, the Authority has monitored the developments in this area and re-evaluated the effectiveness of the 2019 Policy in the absence of a minimum qualification standard being developed. Consequently, the Authority is therefore proposing to implement, by way of issuing the *Rule – Professional Qualification Requirements for Insurance Companies, Brokers, Agent and Agencies*, a minimum standard of qualification for all relevant persons. The term ‘relevant persons’ refers to sales employees and customer handling employees of insurance companies carrying on domestic business; individual insurance agent licensees; and sales employees (including representatives) and customer handling employees of insurance broker and insurance agency licensees.

## C. International Standards

6. The International Association of Insurance Supervisors (“IAIS”) advocates high standards of professionalism and competence for insurance intermediaries. The Insurance Core Principles (“ICPs”) developed by the IAIS provide a globally accepted framework of principles, standards, and guidance for the regulation and supervision of the insurance sector. ICP 18 - “Intermediaries” prescribes that “*The supervisor sets and enforces requirements for the conduct of insurance intermediaries, in order that they conduct business in a professional and transparent manner.*”<sup>1</sup> The guidance in ICP 18 specific to the issuance of the proposed Rule is presented in Table I.

**Table I: International Standards on Insurance Intermediaries**

ICP No.	Principle
<b>18.0.19</b>	In some jurisdictions, intermediaries’ duty to act in a professional and transparent manner is supported by professional bodies and other interested organisations. Such organisations encourage, amongst other things, the obtaining of professional qualifications, continuous professional development, ethical behaviour, the fair treatment of customers and better communication with the public. Such measures are aimed at enhancing public confidence in insurance intermediaries through raising professional standards.
<b>18.1.3</b>	Where licensing is at the legal entity level the supervisor may consider whether the legal entity has in place procedures to ensure that the individuals who conduct insurance intermediation under its responsibility meet appropriate standards of professionalism and competence. The supervisor may also wish to set its own requirements for approval of individuals, within an insurance intermediary, who conduct intermediary business.

<sup>1</sup> *Insurance Core Principles and Common Framework for the Supervision of Internationally Active Insurance Groups*, IAIS, November 2019

<b>18.3 - The supervisor requires insurance intermediaries to maintain appropriate levels of professional knowledge and experience, integrity and competence.</b>	
<b>18.3.1</b>	It is important that individuals carrying out the activity of insurance intermediation have adequate professional knowledge. Professional knowledge can be gained from experience, education and/or training. The attainment of relevant professional qualifications may demonstrate that a certain level of professional knowledge has been achieved.
<b>18.3.2</b>	The supervisor should require that individuals carrying out the activity of insurance intermediation have professional knowledge and experience appropriate for the business which they intermediate. More complex products or customer needs may require higher or more specialised knowledge and experience. The knowledge and experience of individuals should also be appropriate for the type of business being intermediated. Once professional qualifications have been achieved, it is important that individuals who continue to carry out the activity of insurance intermediation keep their professional knowledge up to date. In some jurisdictions, there are supervisory or statutory requirements that individuals carrying out the activity of insurance intermediation should spend a specified minimum amount of time on continuous professional development. In some jurisdictions, professional bodies impose such a requirement on their members
<b>18.3.3</b>	The supervisor may consider recognising the qualifications of specified professional bodies. Where a jurisdiction has no such professional body, consideration could be given to encouraging or recognising qualifications obtained through professional bodies in other jurisdictions. The supervisor may also consider recognising such qualifications where these are considered to be equivalent to, or exceed, the qualifications available within the jurisdiction.

**D. Purpose of Proposed Measure and Consistency with the Authority’s Functions**

7. With the growing international focus on market conduct and consumer protection, the Authority recognises the importance of ensuring that relevant persons possess adequate professional knowledge to carry out their responsibilities. In assessing competence, the Authority must be comfortable that relevant persons have current and adequate knowledge, understanding and skills to enable them to meet the needs of clients. What this means in practical terms is that the Authority will have discretion to determine whether or not the current education and training of relevant persons are sufficient to be considered appropriate qualifications. Additionally, the Rule clarifies the Authority’s expectations surrounding continuing professional development (CPD).
8. The Authority has established that the preferred way for relevant persons to demonstrate a level of professional knowledge is through the attainment of appropriate qualifications. For the purpose of implementing the proposed Rule, the term appropriate qualifications refers to professional insurance qualifications; insurance related academic qualifications (including diplomas or degrees issued by tertiary education institutions); successful completion of a CIMA approved in-house training programme; and/or completion of any other programme of study approved by the Authority.
9. The interpretation considers that in the absence of insurance qualifications, the Authority will give due consideration to the successful completion of preapproved comprehensive training programmes by relevant persons. The expectation is that relevant persons will complete these programmes before they are eligible to apply for a licence as an insurance intermediary or work as a client facing employee of an insurer or insurance intermediary.

## E. Jurisdictional Comparison

10. A review of 15 jurisdictions was conducted and in all of the jurisdictions reviewed there was a minimum standard of qualification for insurance intermediaries. Table II presents a summary of the requirements in the jurisdictions reviewed.

**Table II: Summary of Jurisdictional Comparison – Minimum Qualification Requirements**

<b>Jurisdiction</b>	<b>Categories of Intermediaries</b>	<b>Competency Requirements</b>
USA	<i>Insurance Adjusters Insurance Advisors Insurance Agents</i>	In the United States, insurance professionals have to meet strict testing and licensing requirements. Adjusters, Advisors, or Insurance agents need to take an insurance exam covering the type of insurance the intermediary intends to sell.
Canada	<i>General Insurance Agent</i>	To become licensed as a general insurance agent, the applicant must successfully pass the qualifying examination for general insurance. General agents are exempt if they have a Chartered Insurance Professional designation or successfully passed the equivalent RIBO exam
United Kingdom	<i>Insurance Intermediary Reinsurance Intermediary</i>	Intermediaries that advise on investment (life) insurance contracts must pass an appropriate exam from a list maintained by the Financial Services Skills Council.
Singapore	<i>(Relevant Person) who sells and/or provides sales advice and/or handles claims and/or gives advice on claims (including general insurance intermediaries and employees of insurance agencies, insurance broking companies, insurance companies)</i>	The Monetary Authority of Singapore requires that relevant persons pass the Personal General Insurance Certification Exam, and/or the Commercial General Insurance Certification Exam, depending on the lines of general insurance products sold or advised.
Guernsey	<i>Insurance Agents</i>	Licensed insurance intermediaries are subject to minimum qualification requirements as prescribed by the Commission from time-to-time. Authorised insurance representatives advising on long-term insurance products or services must hold the Chartered Insurance Institute Certificate in Financial Planning (or its equivalent) and a Bailiwick of Guernsey specific qualification, the Guernsey Insurance Certificate.
Hong Kong		Intermediaries are required to pass the Insurance Intermediaries Qualifying Examination. The
The Bahamas	<i>Salespersons</i>	An applicant for registration as a salesperson must sit the salespersons' examination.
Jamaica	<i>Individual Insurance Agent</i>	Evidence of adequate experience and professional qualifications, preferably Associate of the Chartered Insurance Institute or from the College of Insurance and Professional Studies or an equivalent as deemed satisfactory by the Financial Services Commission.
Barbados	<i>Salespersons Individual agents Individual brokers</i>	Salespersons are to provide evidence of Certificate of Proficiency from the Insurance Institute of Barbados or completion of Introduction to Life Underwriting Course from the Barbados Association of Insurance and Financial Advisors.
Trinidad and Tobago	<i>Agent Broker Salesperson</i>	Agents need pass the relevant State examination or other relevant qualifications approved by the Trinidad and Tobago Insurance Institute.  Insurance Brokers need to pass the relevant State examination or other relevant qualifications approved by the Trinidad and Tobago Insurance Institute

		<p>together with at least 10 years of practical insurance experience of which 5 of those years must have been in an insurance brokerage business at a senior level OR Fellow or Associate of Chartered Insurance Institute.</p> <p>Salesperson need to achieve a passing grade in the relevant State examination or an exemption letter from the Trinidad and Tobago Insurance Institute</p>
Malta	<p><i>Insurance Brokers</i> <i>Insurance Agents</i> <i>Insurance Manager</i> <i>Tied Insurance Intermediary</i></p>	Insurance agents, managers and brokers require a combination of both educational attainment and practical experience.
Luxembourg	<p><i>Insurance Agent</i> <i>Insurance Broker</i> <i>Insurance Sub-broker</i></p>	<p>Agents will have to pass an exam on life and non-life insurance matters.</p> <p>Sub-brokers have to pass the same exam as agents.</p>
Denmark	<p><i>Insurance brokers</i> <i>Insurance agents</i> <i>Sub-agents</i></p>	<p>Insurance brokers have to pass a specific theoretical exam provided by private institution. They also have to provide documentation proving at least 2 years of experience with an insurance mediation undertaking.</p> <p>Insurance agents and sub-agents have to possess certain knowledge of the insurance products that they are under a contractual obligation to sell for a certain insurance company.</p>
Germany	<p><i>Broker</i> <i>Agents</i></p>	Brokers and agents have to pass a certain test or give evidence of equivalent or higher qualification.
Netherlands	<p><i>Insurance Intermediary</i> <i>Reinsurance Intermediary</i> <i>Sub-insurance intermediary</i> <i>(All above mentioned categories can apply for life-licence, non-life licence or both)</i></p>	<p>(Re)Insurance (sub) intermediary will have to pass an exam. There are two exams for life and non-life insurance:</p> <p>IIM Life: Course (120 hours) and exam IIM Non-Life: Course (120) and exam</p>

## F. Cost and Benefit Analysis

11. The Authority has assessed the implications of issuing a Rule on Professional Qualification Requirements for relevant persons. The extent of any costs are dependent upon the existing qualifications and practices of relevant entities. An assessment of the relevant costs and benefits of this proposal are presented in Table III.

**Table III: Costs and Benefits of Issuing the Rule on Professional Qualification Requirements**

	Costs	Benefits
<b>CIMA</b>	<ol style="list-style-type: none"> <li>The Authority will incur the usual administrative costs associated with conducting industry consultation, gazetting, publication and amending supervisory procedures and manuals. These costs are not deemed to be overly burdensome and represent usual costs of the Authority carrying out its mandate.</li> <li>The major costs to CIMA are the costs of ongoing monitoring and</li> </ol>	<ol style="list-style-type: none"> <li>Issuing the measure establishes clear expectations for licensees regarding qualifications. This reduces the labour and administrative costs of meetings, prudential letters to licensees and potential licensees and detailed screening of applicants' qualifications.</li> <li>The Authority can expect to see improved compliance by licensees with competency standards,</li> </ol>

	<b>Costs</b>	<b>Benefits</b>
	<p>reviewing of compliance of supervised entities; and pursuing supervisory responses including enforcement action where breaches are identified.</p>	<p>particularly given the role enforceable rules can be expected to play in dissuading non-compliance.</p> <p>3. Supports the Authority’s execution of market conduct supervision and emphasises its focus on market practices. This will undoubtedly aid in CIMA’s preparation for an anticipated Financial Sector Assessment Program by the International Monetary Fund and bode well for the results in the Financial System Stability Assessment.</p> <p>4. The Authority also stands to improve the quality of insurance supervision through better compliance with the ICPs.</p>
<p><b>Cayman Islands</b></p>	<p>1. It is not anticipated that there will be any costs to the jurisdiction as a whole with the implementation of the requirements.</p>	<p>1. The Cayman Islands will stand to benefit from improved reputation as ensuring that there are enforceable measures which are aligned with international standards and global best practice to guide financial sector conduct, will prove the jurisdiction’s commitment to a strong regulatory framework for its market participants. Collectively, this will inevitably have a significant and positive impact on confidence in the Cayman Islands as a strong well-regulated financial centre.</p> <p>2. The jurisdiction can expect to receive improved results in international assessments with the greater clarity surrounding the qualification and competency requirements for the sector and the enforceability of the requirements established in the measure.</p> <p>3. Improved protection for prospective and current customers of licensees as more competent staff allow for improvements in advice, better explanation and guidance on products and ultimately more informed choices by consumers.</p>

	<b>Costs</b>	<b>Benefits</b>
		4. Compliance with IAIS principles represents a key indicator of prudent and sound insurance operations. This perceived strength and safety is at the core of the stability of any financial system, including that of the Cayman Islands.
<b>Insurance Licensees</b>	<ol style="list-style-type: none"> <li>1. Insurance licensees will most likely incur the costs of employee training and pursuit of professional qualifications, including the cost of classes and study materials, examinations, annual costs of memberships and the monetary value attached to paid study/examination leave.</li> <li>2. Additionally, the licensee is expected to incur expenses of annual CPD in the form of course and training programme costs.</li> <li>3. Another cost to licensees may be in the form of increased compensation expenses in cases where the pay/remuneration is tied to qualifications.</li> <li>4. Licensees may need to change or modify their policies and procedures with respect to relevant persons which may results in some administrative and labour costs.</li> </ol>	<ol style="list-style-type: none"> <li>1. Licensees will benefit from greater clarity and lessened ambiguity surrounding their obligations as it relates to the qualification and competency requirements of relevant persons.</li> <li>2. Insurance licensees may benefit from improvements to their own reputation and credibility. Minimum standards for qualification are expected to go a long way in fostering confidence in the sector.</li> <li>3. With improvements in confidence and the provision of better advice as a result of more qualified personnel, policyholders can be expected to be more satisfied with their products and maintain them longer. This is expected to result in increased income for licensees.</li> </ol>

**G. Consultation Feedback and Comments**

12. Before proceeding with the proposed measure, the Authority shall have regard to any representations made by the private sector associations only. Feedback submitted by individuals, entities, or other bodies, unless acting on behalf of private sector associations, will not be accepted by the Authority. Representations from private sector associations must be submitted as a consolidated document, and a listing of the entities which provided feedback should be included. Private sector associations should ensure that conflicting positions are resolved prior to submission to the Authority. Where positions conflict within or across associations, the Authority will consider all available information in taking a decision, which will be at its sole discretion.
13. To ensure that all responses are given due consideration, it is important that private sector associations make clear reference to the sections of the measure being commented on, and that responses are unambiguous, clearly articulated and based on fact. The consultation process is not designed to address complaints or grievances. Feedback of this nature should be submitted through the established complaints process.

14. In cases where the feedback proposes to change a policy position of the Authority or substantially amend any requirement of the draft measure, information to support the position of the association must be provided.

Reference	Example of a Helpful Comment	Examples of Comments needing more Support
Rule 4.2	<p>In Rule 4.2 the current text omits the fair value measurement of liabilities. Also, as defined it is not asymmetrical with the Market Price definition and thus scenarios exists that fall into neither category.</p> <p><b>Suggested wording:</b>  <u>Hard-to-Value Securities means an asset or liability for which there is no Market Price which is required to be measured at fair value pursuant to 5.2</u></p>	<ul style="list-style-type: none"> <li>× This is not what is done in other jurisdictions.</li> <li>× I don't think we should do this.</li> <li>× CIMA is not considering the position of the experts.</li> </ul>

15. All feedback submitted by private sector associations will be given due consideration, nevertheless, the decision to adopt any feedback provided into a proposed measure will be at the sole discretion of the Authority.

#### H. **Notice of Representations**

16. The Authority seeks consultation through written comments and representations from the private sector associations concerning the:

*Rule – Professional Qualification Requirements for Insurance Companies, Brokers, Agents and Agencies*

17. The Authority must receive representations by 1700hrs on Friday, 18 September 2020. Representations received after this deadline may not be considered and will not form part of the collated written response provided to private sector associations.
18. Comments and representations must be addressed to:

The Managing Director  
 Cayman Islands Monetary Authority  
 P.O. Box 10052  
 SIX, Cricket Square  
 Grand Cayman KY1-1001  
 Cayman Islands  
 Tel: 345-949-7089  
 Fax: 345-946-5611  
 Email: [consultation@cima.ky](mailto:consultation@cima.ky)  
 and copied to [AlisaGlace@cima.ky](mailto:AlisaGlace@cima.ky)

19. The Authority shall have due regard to any representation made by the private sector associations and industry stakeholders. The Authority shall provide a written response collating the feedback received and the Authority's position on this feedback. This response shall be copied to all relevant private sector associations only.