



REGULATORY POLICY

Licensing Insurance Brokers, Agents and Agencies

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List of Acronyms

AML/CFT	Anti-money laundering/Countering the financing of terrorism
CIMA	Cayman Islands Monetary Authority
MAL	Monetary Authority Law



Regulatory Policy

Licensing Insurance Brokers, Agents and Agencies

1. Introduction

- 1.1. This document establishes the Cayman Islands Monetary Authority's (the "Authority" or "CIMA") *Regulatory Policy on Licensing Insurance Brokers, Agents and Agencies*. This Policy should be read in conjunction with the following:
- a) The Insurance Law (the "Law");
 - b) The Insurance (Applications and Fees) Regulations (the "Regulations");
 - c) Anti-Money Laundering Regulations;
 - d) The Rule on Professional Qualification Requirements for Insurance Brokers, Agents and Agencies¹;
 - e) The Regulatory Policy and Procedures on Fitness and Propriety;
 - f) Statement of Guidance and Rule on Market Conduct;
 - g) Statement of Guidance and Rule on Corporate Governance;
 - h) Statement of Guidance on Outsourcing;
 - i) Statement of Guidance on Professional Indemnity;
 - j) Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands; and
 - k) Any other relevant regulatory instruments issued by the Authority from time to time.

2. Statutory Authority

- 2.1 Section 48 of the Monetary Authority Law (MAL) states:

"(1) The board shall issue, and may amend, a regulatory handbook setting out, as far as is practicable, the policies and procedures to be followed by the Authority, its committees and its officers in performing the Authority's regulatory functions and co-operative functions."

- 2.2 This Policy is being issued in line with Section 4(1) of the Insurance Law which provides that:

"A person desiring to carry on –
(a) insurance business;
(b) reinsurance business; or
(c) business as an insurance agent, insurance broker or insurance manager,

in or from within the Islands shall make an application in writing to the Authority for the grant of a licence under one or more of the categories set out in subsection (3)."

3. Statement of Objectives

- 3.1 This Policy sets out the Cayman Islands Monetary Authority's (the "Authority" or "CIMA") criteria on licensing Insurance Brokers, Agents and Agencies

¹ The Rule will be implemented subsequent to the publication of this measure.

pursuant to Section 4 of the Law.

- 3.2 This Policy is consistent with the Authority's statutory objectives as prescribed in the MAL, including:
- a) promoting and maintaining a sound financial system in the Islands;
 - b) having regard to generally accepted principles of good corporate governance;
 - c) endeavouring to promote and enhance market confidence, consumer protection and the reputation of the Islands as a financial centre;
 - d) facilitating innovation in financial services business;
 - e) recognising the need for transparency and fairness on the part of the Authority; and
 - f) recognising the international character of financial services and markets and the necessity of maintaining the competitive position of the Islands, from the point of view of both consumers and suppliers of financial services, while conforming to internationally applied standards insofar as they are relevant and appropriate to the circumstances of the Islands.

4. Scope of Application

- 4.1 The Authority will apply this Policy, and the requirements of the Law in assessing all applicants seeking to carry on the business of an Insurance Broker, Agent or Agency in or from within the Cayman Islands.
- 4.2 Individuals or firms which simply refer or "introduce" potential customers to an insurer or insurance intermediary, without carrying out intermediation, are not recognised within the Insurance Law and therefore are excluded from the scope of this Policy. Also excluded from the scope of this Policy are persons, who in conducting another professional activity provide:
- a) advice on insurance cover on an incidental basis in the course of that other activity, or
 - b) information of a general nature on insurance products, without advising on the choice of insurance product provider,

provided that the purpose of that activity is not to intermediate an insurance or reinsurance contract.

5. Definitions

- 5.1. For the purpose of this Rule The following definitions are provided:
- 5.1.1. "**Applicant**" is the intermediary (agent, agency, broker) intending to sell insurance products on behalf of a sponsoring insurance company.
- 5.1.2. "**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.

- 5.1.3. **“Approved Training Programme”** is a comprehensive programme of study, completion of which the Authority deems as the minimum standard for qualification of individual insurance agents and relevant persons involved in the business of insurance intermediation. An approved training programme may take the form of in-house training offered by the relevant insurance broker/agency/company licensee, acceptable to and approved by Authority, on the basis that the curriculum meets the minimum requirements set, based on the type of intermediation business to be conducted.
- 5.1.4. **“Insurance Intermediary”** – fall into two categories in the Cayman Islands and are defined as follows in the Law:
- i. **“Insurance Agent”** means a holder of a valid insurance agent licence for the soliciting of domestic business on behalf of not more than one general insurer and one long term insurer.
 - ii. **“Insurance Broker”** means a holder of a valid insurance broker licence for arranging or procuring, directly or through representatives, insurance or reinsurance contracts or the continuance of such contracts on behalf of existing or prospective policyholders.
- 5.1.5. **“Insurance Agency”** refers to a corporate entity established under the Companies Law and licensed by the Authority to conduct the business of soliciting domestic business on behalf of not more than one general insurer and one long term insurer.
- 5.1.6. **“Insurance Agent”** specifically refers to an individual and not a corporate entity appointed by a licensed insurance company to conduct the business of soliciting of domestic business on its behalf.
- 5.1.7. **“Relevant Persons”** refers to employees (including representatives) involved in sales within insurance broker and insurance agency licensees.
- 5.1.8. **“Sponsor”** is the insurance company on behalf of which an insurance intermediary is authorised to sell insurance products.

6. Licence Application

- 6.1. Persons seeking to carry on the business of an insurance broker, agent of agency in or from within the Cayman Islands must make an application in writing to the Authority for the grant of a licence pursuant to Section 4 of the Insurance Law.
- 6.2. The application must be accompanied by such documents and information as set out in the Schedule of the Regulations and any other document required by the Authority to properly conduct its assessment, along with the prescribed fee.
- 6.3. The applicant for a licence must provide all required documents and information to allow for the commencement of processing of the application by the

Authority. The typical timeframe for processing an application is 4 to 5 weeks. The processing timeframe begins when **ALL** required documents and information have been received.

- 6.4. The Authority may reject an application if it believes that granting a licence would not be in the best interest of the public or the interests of the proposed customers or creditors.
- 6.5. All applicants must familiarise themselves with the relevant Rules, Statements of Guidance, Regulatory Policies and Procedures of the Authority and refer to the Authority's website for a current list.

7. Application Assessment Criteria

- 7.1. The Authority assesses applications with respect to many factors including fitness and propriety, ownership and control, financial resources, track record and business plan, internal systems, controls and risk management including anti-money laundering and countering the financing of terrorism ("AML/CFT"), know your customer and record keeping.
- 7.2. The Authority will consider each application on its own merits and will apply a risk-based approach to its assessment taking into account all relevant factors.

Professional Knowledge and Competence

Paragraphs 7.3 to 7.10 apply to all individual insurance agents and relevant persons.

- 7.3. The Authority must be satisfied with the fitness and propriety of persons involved with insurance intermediation. A major component of the Authority's fitness and propriety assessment is competence. As such, the Authority requires that individual insurance agents and relevant persons for an applicant for licence as an insurance intermediary (Insurance Broker or Agency) have adequate professional knowledge and competence to carry out its responsibilities.
- 7.4. Applicants must be guided by the Authority's Rule on Professional Qualification Requirements for Insurance Brokers, Agents and Agencies as it relates to the professional knowledge and competence of individual insurance agents and relevant persons. Applicants must provide documentation evidencing their compliance and plans/ procedures for ongoing compliance with the Rule.
- 7.5. Individual insurance agents and relevant persons must have appropriate qualifications and experience for the type of intermediation being carried out, whether general or long-term insurance, as agent/agency for a sponsoring insurer or acting as a broker primarily on behalf of customers.
- 7.6. Where the individual insurance agent and relevant person(s) possess an insurance related qualification, the Authority will assess the appropriateness of qualifications based on:
 - a) Reputation and/or Accreditation of the Awarding Body; and

- b) Relevance of Qualification.
- 7.7. An applicant for licence as an Insurance Agent or a relevant person of an applicant for a licence as an Insurance Agency or Broker must, in the absence of appropriate qualifications, demonstrate competence by, at minimum, successfully completing a comprehensive approved training programme relevant to the type of intermediation being carried on.
- 7.8. In all cases, the approved training programme must be assessed by the Authority and approval granted by the Authority to the applicant in advance of the reliance on the programme for demonstrating competence.
- 7.9. In particular, where an Insurance Agent or relevant person chooses to represent a long term and general insurer, the Authority will require the agent or the relevant person to demonstrate competence in both long term and general insurance by, at minimum, successfully completing approved training programmes in both areas.
- 7.10. Once professional qualifications have been achieved or an approved training programme has been successfully completed, individual insurance agents and relevant persons who continue to work as insurance intermediaries must keep their professional knowledge up to date by undertaking continuing professional development. The Authority expects that individuals will undertake professional training, regularly, and complete at least fifteen (15) hours of relevant training on an annual basis.

Fit and Proper Criteria and Management

- 7.11. The Authority will apply the Regulatory Policy and Regulatory Procedure on Fitness and Propriety when determining whether persons are fit and proper. Applicants must be guided by these measures in seeking and maintaining licences to carry on relevant business.
- 7.12. In determining whether a person is fit and proper all relevant circumstances will be considered and will include that persons possess:
- a) Honesty, integrity and reputation;
 - b) Competence and Capability
 - c) Financial Soundness
- 7.13. Applicants must be guided by the Authority's Rule and Statement of Guidance on Market Conduct with respect to the conduct of their affairs. Applicants must provide documentation evidencing their procedures to comply with these measures.
- 7.14. An applicant must demonstrate how it will comply with the Authority's requirements for handling conflicts of interest.
- 7.15. An applicant must confirm that there is no record of criminal activities, adverse regulatory judgments or any past actions or conduct that make a director or senior manager unfit to hold such positions in the business. An applicant must also declare any ongoing criminal charges or investigations.



The requirements set out in paragraphs 7.16 to 7.21 pertain to corporate entities, that is, insurance brokers and agencies only.

An applicant must demonstrate that:

- 7.16. It is controlled and managed by a sufficient number of directors and senior managers who are fit and proper and pose no undue risk to the entity, its shareholders, creditors and the reputation of the Cayman Islands.
- 7.17. Its directors and senior management have the necessary skills and experience in relevant insurance operations commensurate with the intended activities of the insurance intermediary.
- 7.18. The directors will be able to apply independent judgement to the governance of the insurance intermediary in an informed way, free from any conflicts of interest.
- 7.19. There is a sufficient segregation of duties appropriate to the nature, scale and complexity of the business.
- 7.20. Its directors have collective sound knowledge of the material activities that the insurance intermediary intends to pursue, and the associated risks.
- 7.21. Its employees will provide a sufficient range of skills and experience to carry out the applicant's affairs in a sound and prudent manner evidenced by the attainment of appropriate qualifications by relevant persons and by having sufficient relevant experience for the functions they are charged with performing.

Anti-Money Laundering/Know Your Customer Policy

- 7.22. The applicant must demonstrate how it will comply with the requirements of the Proceeds of Crime Law, the Anti-Money Laundering Regulations, and demonstrate the adequacy of its policies, procedures, and systems consistent with the Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands.

Compliance with Industry Standards

- 7.23. All licensees are expected to be in compliance with their respective industry standards, where such standards exist. This will assist in ensuring that business is carried out in conformance with the professional standards normally expected of a licensee within the sector. Applicants are expected to demonstrate their willingness and ability to meet this requirement.

Insurance Brokers and Agencies

This section applies to insurance brokerage firms and agencies.



Ownership and Control

- 7.24. The business of all insurance brokers and agencies must be conducted by at least two individuals.
- 7.25. A minimum of two directors is required for applicants who are companies.
- 7.26. Any change in directors, officers and managers must be notified and/or approved by the Authority.
- 7.27. Applicants must provide information on shareholders holding ten (10) per cent or more of the shares or voting power of the proposed licensee or licensee's holding company, if applicable. The Authority will conduct a fitness and propriety assessment on beneficial owners with (10) per cent or more of the applicant's shares, whether owned directly or indirectly.
- 7.28. Where an applicant is to be held by a trust, the trustee must be regulated in a country satisfactory to the Authority. Applicants must provide the trust deed to the Authority and must disclose:
- a) The trustee(s);
 - b) The settlor, protector and beneficiaries of the trust; and
 - c) Any person (in relation to the applicant, its administration or ownership) that may influence or have the power to make decisions with respect to the trust.
- 7.29. Applicants must demonstrate that proper controls will be in place to prevent the shareholder/s or persons in senior positions from overriding policies and procedures in a manner that would be prejudicial to policyholders, creditors or the public interest.
- 7.30. Applicants should consider and be guided by the Authority's Statement of Guidance on Succession Planning. Applicants with two or less shareholders must provide details of their succession plan which should aim to minimise disruption to the business operations. This plan should include, at a minimum, specifics with respect to the:
- a) Death of the shareholder(s); and
 - b) Critical illness or incapacity of the shareholder(s).

Physical Presence

- 7.31. An applicant for licence as an Insurance Broker or Agency must provide the evidence of physical presence in the Cayman Islands.
- 7.32. The proposed licensee must have a physical presence in the Cayman Islands at the commencement of business operations.
- 7.33. Physical presence to be maintained in the Cayman Islands must include:
- a) Appropriate, dedicated and secure office space consistent with the needs of the proposed licensee;

- b) Appropriate and secure facilities (e.g. filing cabinets, electronic storage facilities, etc.) for the custody and storage of records;
 - c) Appropriate communications facilities;
 - d) Dedicated mechanical and/or electronic facilities necessary to record and process the licensee's business activities; and
 - e) Sufficient employee resources to carry out the day to day activities of the licensee's operations.
- 7.34. An applicant's Board of Directors must delegate the necessary level of authority to the proposed licensee's officers and employees in the Cayman Islands to permit them to satisfactorily perform their ongoing management and operating functions.
- 7.35. An applicant's premises must bear appropriate exterior identification of the proposed licensee's presence.
- 7.36. An applicant's telephone and other numbers, and postcodes and mailing and street addresses must be publicly available.

Financial Resources

- 7.37. The Authority must be satisfied that the applicant has or will have, and will continue to have, financial resources (whether actual or contingent) that are adequate for the nature and scale of the business and for its risk profile at the date it commences operations.
- 7.38. Intermediaries that hold client money must demonstrate that they have sufficient financial resources commensurate with the risks of their business.
- 7.39. The Authority may place conditions/restrictions on an insurance intermediary's licence forbidding it to hold client money where the Authority is of the view that it does not have sufficient financial resources or no satisfactory systems to segregate client money from the licensee's money.
- 7.40. The Authority will assess the financial strength of the applicant's owner(s) to ensure that they have sufficient financial strength to support the applicant.

Professional Indemnity

- 7.41. The Authority requires that licensed brokers carry a level of protection to protect against potential legal actions so that the licensee can continue to carry out its obligations to remaining clients.
- 7.42. Applicants must refer to and be guided by the Authority's Statement of Guidance on Professional Indemnity and any other regulatory measures issued by the Authority in this area.

Segregation of Accounts

- 7.43. In respect of safeguarding clients' money, an applicant must demonstrate the use of separate client accounts clearly distinguishable from the insurance intermediary's own bank accounts.

- 7.44. In the interests of safeguarding clients' money, the applicant must confirm that client accounts will not be used to reimburse creditors of the insurance intermediary in the event of its bankruptcy.

Internal Systems, Controls and Risk Management

- 7.45. The applicant must demonstrate that it will have in place adequate risk management processes and internal controls.
- 7.46. The Authority must be satisfied that the applicant's proposed policies, procedures, manuals, systems, and internal controls, relating to all areas of the applicant's business are appropriate for the size, nature, and complexity of its operations and comply with good business practices and all applicable laws and requirements, including the Insurance Law, all relevant regulations, rules, policies, procedures and statements of guidance.
- 7.47. An applicant's internal controls should demonstrate that proper oversight of any proposed outsourced functions will be in place.
- 7.48. An applicant should have appropriate agreements in place with outsourced functions as well as each insurance company it sells insurance products on behalf of.

Record Keeping

- 7.49. The Authority must be satisfied as to how and where records, including management information, are stored and accessed. Such records should be maintained in a manner that promotes retention and appropriate security and should be adequate to satisfy the requirements of the Authority and relevant laws, regulations and regulatory measures. Applicants must also demonstrate that the Authority will have access to records at all reasonable times.
- 7.50. Generally, the Authority will expect licensees to maintain books, records, and other appropriate resources in the Cayman Islands. The Authority may consider requests to maintain books, records, and other appropriate resources outside of the Cayman Islands on a case by case basis, depending on the nature, scope, risk and complexity of the proposed activities of the applicant as well as the justification provided by the applicant for making a request to maintain such books, records and other appropriate resources outside the Cayman Islands.
- 7.51. Applicants should refer to the Authority's *Statement of Guidance on the Nature, Accessibility and Retention of Records* and any additional measures issued by the Authority in this area.

Track Record and Viability

- 7.52. The Authority will require a detailed business plan covering the first three years of projected business activity and which should be reflective of a sound feasibility plan. The information should identify assumptions and qualifications accordingly. The business plan should contain details of the reasons for the

business to establish an operation in the Cayman Islands, the short and long-term objectives and how these will be achieved.

- 7.53. As part of meeting the licensing requirements, the applicant must be able to demonstrate in its business plan, that it has adequate resources, in terms of manpower, systems and expertise, to meet its objectives and the plan should contain details, including, but not limited to:
- a) The reasons for wanting to establish an operation in the Cayman Islands;
 - b) Background Information: history, management team, number of expected employees, corporate structure, location of the insurance intermediary, names and percentage owned of the majority shareholder(s);
 - c) Financial plan: A discussion of the decision-making criteria used to approve the plan internally, summary description of the business to be conducted, including short and long term objectives and how these will be achieved;
 - d) Three-year pro forma financial statements for the business, including balance sheet, income statement, details regarding key assumptions and an identification of major asset, liability, income and expense categories;
 - e) Reports of any feasibility studies carried out to support its business plan;
 - f) Explanation of strategy for risk management and internal controls within the business;
 - g) Marketing strategy;
 - h) Details and statement of adequacy of domestic operational resources, in particular employee qualifications and experience and information systems including disaster recovery and business continuity arrangements;
 - i) Information about contracts with affiliates;
 - j) Information about outsourcing arrangements;
 - k) Corporate governance policy and internal controls to be implemented, including reporting arrangements, where applicable;
 - l) Details of AML/CFT compliance systems and procedures; and
 - m) Details of policies, procedures and controls in key areas such as:
 - i. compliance
 - ii. combating financial crime (including AML/CFT and fraud)
 - iii. new business
 - iv. client money
 - v. complaints
 - vi. conflicts of interest.
- 7.54. Applicants for a licence to operate as an insurance agency should include in their business plan a description of training courses that the relevant persons will undergo before the licence is issued.

Insurance Agents

This section applies to individual insurance agents.

Sponsorship

- 7.55. An applicant for licence to operate as an insurance agent in the Cayman Islands must secure a sponsor prior to the submission of an application to the Authority.
- 7.56. Sponsorship must be confirmed by the sponsoring insurer by way of formal letter to the Authority outlining the following:
- a) The applicant is authorised to sell insurance products on behalf of the sponsor;
 - b) That the sponsor has screened the applicant and is satisfied that the applicant is suitable for the position of agent;
 - c) A description of the training courses that the applicant has undergone and will undergo before the licence is issued; and
 - d) A description of on the job training and shadowing arrangements, as well as the required probationary period.

Transfers and Composite Agents

- 7.57. An insurance agent originally licensed to act for one insurance company, who transfers as agent for another similar insurance company is not required to re-apply for a licence. The agent is required to notify the Authority in writing, prior to conducting business on behalf of the new insurer. The new insurer should provide information listed in 7.56 above.
- 7.58. An insurance agent originally licensed to act for one insurance company, who transfers as agent for another insurance company whose insurance business is significantly different to the original sponsor, must apply for a new licence.
- 7.59. Where the insurance company for which the agent acts has transferred its business to another insurance company, a new application by the agent is required if there are significant variations to the terms of the licence.
- 7.60. Where the insurance company for which the agent acts has transferred its business to another insurance company and there are no significant variations to the terms of the licence, for example, from one general insurer to another writing relatively the same risks, the agent is only required to notify the Authority in writing prior to conducting business for the new insurer.
- 7.61. Where an agent, subsequent to the original application, chooses to simultaneously represent one general insurer and one long-term insurer, the applicant is not required to re-apply for a new licence. The agent is however required to make an application to the Authority for "a variation of the terms of a licence". This application carries an administrative fee of CI\$1,000.00 as prescribed in the Monetary Authority Law (2020 Revision).
- 7.62. A formal notification from an Insurance Agent adding a second insurer should be supported by the following:
- a) An agency agreement or draft agency agreement with the insurer or evidence of professional indemnity insurance;
 - b) Details of training received from the insurer;



- c) Confirmation from the existing insurer that it has no objection to the agent's request;
 - d) Existing licence certificate (original);
 - e) The applicable fee; and
 - f) Confirmation of appropriate qualification relevant to the business of the second insurer.
- 7.63. A formal notification from an Insurance Agent wishing to remove one of the two insurers should be supported by the following documentation:
- a) Reasons for the removal of an insurer;
 - b) Confirmation from the insurer being removed that it has no objections;
 - c) Existing licence certificate (original); and
 - d) The applicable fee.



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