

OFFSHORE GROUP OF INSURANCE SUPERVISORS



**GUIDELILNE
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LICENSING OF INSURANCE MANAGERS

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Introduction

The purpose of this paper is to provide guidance to Members and Observers of the Offshore Group of Insurance Supervisors on the licensing of Insurance Managers.

For the purposes of this paper, an Insurance Manager is defined as a person or company that provides, or holds itself out as providing, insurance management services to one or more insurers licensed to write only overseas risks.

It is not meant to be prescriptive and insurance supervisors should take into consideration their own regulatory environment, bearing in mind that high standards of licensing are the necessary foundation for effective regulation and supervision.

Insurance Managers act as intermediaries between the Regulator and the Shareholders / Directors of Captives, providing staff and related resources and expertise to the captive industry. There is therefore, a need for rigorous criteria to be applied when processing applications for licenses.

A concise and clearly defined licensing policy should be in place for these entities.

1. Ownership and Management

- 1.1 Applicants should provide full details of ownership of the entity – beneficial ownership should be known. Any changes in control of the entity should receive prior approval of the regulatory body.
- 1.2 A detailed organisational chart showing any related entities should be provided.
- 1.3 The business of the insurance manager should be conducted by at least two individuals and there should be at least two executive directors appointed.

2. Staffing

- 2.1 Applicants should be required to demonstrate that the entity will be controlled and managed by persons who are fit and proper, taking into consideration honesty, integrity, reputation, competence, capability and financial soundness.
- 2.2 Staffing structure should include qualifications and experience relevant to respective positions of all members of staff.

3. Business Plan

- 3.1 Applicants should provide a detailed business plan covering the first three years of operation. It should include the reasons for wishing to establish a presence in the

- domicile as well as short and long-term goals and objectives and how these will be met.
- 3.2 In particular the business plan should include a description of the services to be offered, target markets, areas of specialization, staffing structure and financial projections. If any functions are to be outsourced, full details including copies of agreements should be provided.
 - 3.3 The business plan should include details of any potential clients, if known.
 - 3.4 The applicant should be able to satisfy the Regulator that it has, and will continue to have, financial resources that are adequate for the scale and nature of business proposed. If available / relevant, latest financial statements of the company / parent should be supplied to substantiate financial resources.
 - 3.5 The business plan should include any 'other' proposed / existing activities of the applicant.
 - 3.6 Prior to issue of a Licence the Regulator should be provided with a certified copy of the Memorandum and Articles of the entity, a Certificate of Incorporation, confirmation that an auditor has been appointed and proof of Professional Indemnity cover.

4. Compliance

- 4.1 If / where a level of capital is required by legislation, the applicant should provide details of how this requirement will be met.
- 4.2 Applicants should have in place compliance and procedural manuals and internal controls that will ensure effective management and compliance with relevant legislation.
- 4.3 Licensees should be required to have an annual independent audit performed.
- 4.4 Licensees should be required to have at least one independent Director.
- 4.5 Licensees should be required to comply with respective industry standards / codes of conduct if such standards / codes exist.
- 4.6 Regulators should be empowered under legislation to impose conditions, suspend or revoke a licence issued to an insurance manager if the company no longer meets the requirements or is in non-compliance with the relevant legislation. If a Licence is revoked the Regulator should ensure that all companies under management are either transferred to other management companies or have been liquidated.

Regulators are encouraged to issue guidelines on how to apply for an insurance manager's licence, taking into consideration the legal requirements of their respective jurisdictions.