



THE INSURANCE COMMISSION
OF THE BAHAMAS

GUIDELINES FOR INTERMEDIARY REGISTRATION For Agents, Brokers, and Sub-Agents (Sole Proprietor and Corporate)

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INTRODUCTION

Part V, Section 119 of The Insurance Act, 2005 requires that anyone wishing to conduct insurance business in or through The Bahamas in an intermediary capacity must be registered with the Insurance Commission of The Bahamas (“the Commission”).

The Commission is the prudential and market conduct regulator of the Bahamian insurance industry. It works to maintain a sound and stable insurance marketplace, as well as to improve consumer confidence within the jurisdiction.

Pursuant to Section 24 of the Insurance Act, 2005, all insurance products must be distributed through a registered insurance intermediary. These include agents, brokers, sub-agents, and salespersons.

The Commission’s registration process and its framework for ongoing supervision is centered on policyholder protection. The registration criteria are similar for all applicants, (with certain differences based on the category of registration), and are designed to ensure a level playing field for all entrants.

The Commission ensures that all potential entrants to the market are financially viable and have adequate systems, people, and processes in place to conduct insurance business in a manner that is sound and prudent.

SCOPE

This guide provides a description of the various steps and requirements for the registration of agents, brokers, and sub-agents. The process for salespersons are included in a separate guide.

A definition of each category is outlined below.

Agent – An agent, which must be a corporate entity, is appointed by a registered insurer, but is otherwise independent of the insurer. The Agent acts on behalf of the insurer and solicits applications for insurance, collects money (by way of premiums), and depending on their Agency Agreement, the agent may bind insurance coverage.

Broker – A broker, which must be a corporate entity, is not bound to any one insurer. The broker usually acts on behalf of the client. Whether it is for commission or fees, brokers are an important link between those seeking to purchase insurance and those who sell. Where appropriate, a broker may carry out any work preparatory to the conclusion of contracts of insurance and may assist in the administration and performance of such contracts.

Sub-Agent – A sub-agent is appointed by an agent with approval from the insurance company that the agent represents. The sub-agent is not an employee of the agent.

There are two categories of sub-agents; **sole proprietor** and **corporate**. A sole proprietor sub-agents is an individual sub-agent who produces annual commissions of \$250,000 or less. A corporate sub-agent, on the other hand, refers to an incorporated company where annual commissions exceed \$250,000.

POWER AND AUTHORITY OF COMMISSION

The Insurance Act 2005, which came into effect in July 2009 replaced the act of 1969. The new legislation sought to:

- Strengthen the protection given to Bahamian policyholders;
- Increase the capital solvency requirement of insurance companies;
- Expand the existing regulatory framework; and
- Provide for the establishment of a supervisory authority that could regulate and supervise all insurance intermediaries.

The Insurance Act, 2005, established the Insurance Commission and provides it with broad powers over all companies and intermediaries that carry on business in The Bahamas, regardless of class of business, or any other classification of insurance. The Commission has the authority to:

- Impose any condition, limitation, or restriction on any insurance company and/or intermediary, their operations, or their investments, given cause;
- Amend or revoke any registration, authorization, permission, condition, restriction, or limitation; or
- Require that any company and/or intermediary, their directors, officers, employees, shareholders, or policyholders of such a company or intermediary provide any information, documentation, or explanation.

The Commission can request any additional or supplementary information (as may be related to the evaluation of an already-submitted registration application) of all applicants seeking to conduct business in the jurisdiction.

If there are any changes to a registration application that has already been submitted, the Commission should be notified immediately.

SPONSORSHIP

All agents, brokers, or sub-agencies must be sponsored (confirmed by a formal letter) by a registered insurer or intermediary. The letter of sponsorship is a proposed authorization that would allow an intermediary to sell a company's products.

Bahamian legislation does not limit the number of sponsorships a broker may hold. An agent, on the other hand, is restricted to holding no more than five (5) sponsorships from general insurers, and no more than three (3) from long term insurers.

If an application for registration is approved, the letter of sponsorship must be upgraded to an Agreement. This Agreement will outline any terms, remuneration, and/or any guarantees from the insurer to the entity seeking sponsorship.

Sub-agents may only be sponsored by:

- One agent that is licensed to sell long-term insurance business and one agent that is licensed to sell general insurance business; or
- One agent that is licensed to sell both long-term and general insurance business.

APPLICATION PROCESS AND RESTRICTIONS

Any application for registration that is submitted to the Commission must be done using the form prescribed in the Act. At the time of submission, the application must be accompanied by a receipt that indicates associated fees have been paid in full. All supplementary documentation, as required by these guidelines, must be submitted within the prescribed time period.

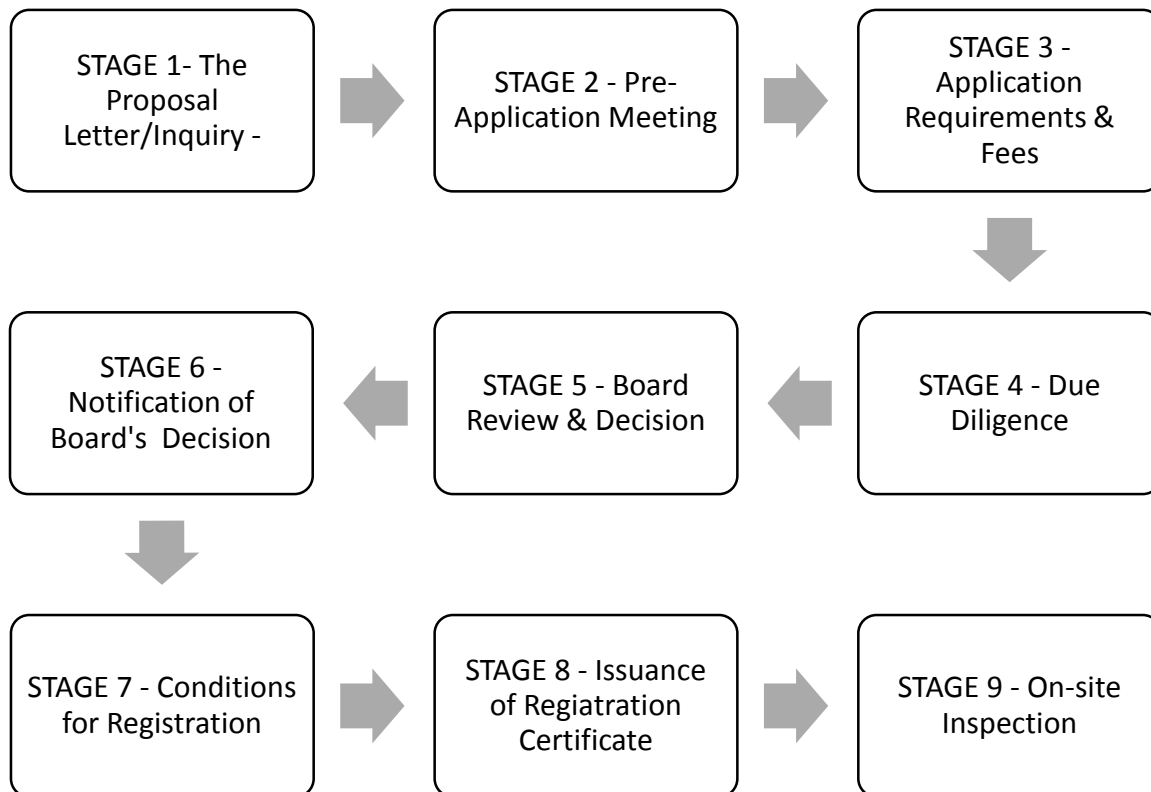
The Commission reserves the right to request any additional information that may facilitate a more thorough review of the application in question.

The Commission will not accept applications for registration as an agent, broker, or sub-agent from the following:

- Anyone under the age of twenty-one;
- Any undischarged bankrupt, unless said person has been granted leave by the courts that initially granted such protection;
- Any person that is legally declared to be of unsound mind, or who is certified to be suffering from a mental disorder within the meaning of the *Mental Health Act*; or
- Any person who has been convicted of an offense that involves fraud or dishonesty.

THE REGISTRATION PROCESS

The following is a schematic representation of the registration process.



1. The Proposal Letter/Inquiry

Persons or entities wishing to register with the Commission as an agent, broker, or a sub-agent are strongly encouraged to contact the Commission prior to submitting the application. This may be done by calling or writing to the Commission's office. The Intermediaries' Unit will then arrange a pre-application meeting.

2. Pre-Application Meeting

There are three essential reasons for the pre-application meeting:

- a. The Commission discusses and advises on the type of registration the person wishes to submit;
- b. The Commission determines on a preliminary basis whether the applicant's proposal appears to be feasible and realistic;
- c. The proposed applicant is given an official application package, which includes the prescribed forms, and a schedule of all associated fees, and any other information necessary for the process.

3. Application Requirement and Fees

There are few differences that distinguish the application requirements for agents, brokers, and sub-agents. The first-stage requirements for each category are outlined in **Table 1**. Applicants are strongly encouraged to consult this table before submitting an application package. Additional documents required to be filed with the application are listed on **Table 2**, and include the following:

- a) Biographical Affidavit
- b) Resumé/Curriculum Vitae
- c) Character References
- d) Credit Reference
- e) Statement of Net Worth
- f) Copy of first 3 pages of Passport
- g) Police Record (valid within six months)

The above are required for all shareholders (with 10% or greater ownership), directors and managers.

As a matter of policy, corporate intermediaries are expected to employ a minimum of two registered salespersons.

All applicable fees, as well as the capital requirements for all intermediaries are outlined in **Table 3**.

4. Due Diligence

The Business Plan

This is an important document which should as a minimum include;

- a) business purpose,
- b) marketing and product plan (insurer),
- c) human resource plan,
- d) capital plan and,
- e) financial projections including projected income statement and balance sheet for a minimum of 3 years.

The Commission will review the business plan to understand the business proposal and assess the feasibility of the plan.

Fitness and Propriety

The Act outlines the minimum requirements that may satisfy the Commission that a person is “fit and proper.” The person in question should not have been convicted of any offense that involved dishonesty, whether the conviction is in The Bahamas or elsewhere. The person should not be an undischarged bankrupt.

The Act mandates that the Commission examines the employment history of any applicant in order to ensure that there is no reasonable cause to suggest any act involving impropriety in the handling of insurance business. The Act also allows for discretion when determining whether an applicant is a person of integrity, competent, diligent, and possessing the sound judgement that is necessary to fulfil his or her responsibilities as they relate to the insurance business.

The Commission is required to ensure that no applicant has:

- Engaged in any business practice that appears to be deceitful or oppressive or otherwise improper, or which may have negatively reflected the applicant’s method of conducting business; or
- Contravened any law, regulation, or provision that is designed for the protection of the public against financial loss due to dishonesty, incompetence, or malpractice by persons employed in the insurance, investment, or financial services industry, or in the management of any company or due to bankruptcy.

The specific criteria the Commission considers to determine whether a person is fit and proper includes, but is not limited to:

- a) Honesty, integrity, and of good reputation;
- b) Competence and capability; and
- c) Financial soundness.

Failure to meet any one of the above criteria may not necessarily lead to an automatic refusal of an application. The Commission will also consider:

- a) The seriousness of and surrounding circumstances resulting in the relevant person not meeting the specific criteria;
- b) The relevance of the failure by the person to meet the specific criteria, in regards to the duties that are to be performed and the responsibilities that are to be assumed; and
- c) The passage of time since the failure by the relevant person to meet the specific criteria.

In the case of applications for registration as a corporate intermediary, in order to assess fit and proper, the institution must satisfy the Commission that:

- a) All of its substantial shareholders meet the requirements of fitness and propriety;
- b) Each of its directors and the chief executive officer, or equivalent persons, meet the requirements of fitness and propriety; and
- c) It has in place appropriate recruitment policies, adequate internal control systems and procedures that would reasonably ensure that the persons it employs, authorizes or appoints to act on its behalf, meet the requirements of fitness and propriety.

5. Board Review and Decision

Provided everything is in good order, the application is submitted to the Commission's Board for consideration. The Commission's Board meets once every month. The Board considers the application and reserves the right to:

- a) Approve an application provided that certain conditions (see 7 below) are met or,
- b) Refuse an application, and provide reasons for the refusal.

6. Notification of Board Decision

Once the Board reaches a decision regarding an application, the applicant will be sent a formal letter outlining the Board's approval or its reasons for refusal. Pursuant to Section 123(2) and 228 of the Insurance Act, the applicant has the right to appeal the decision.

7. Conditions for Registration

An approved applicant will have sixty (60) days to submit the following prerequisites to the Commission:

Agents and Brokers:

- ✓ Payment of the registration fee, which is different from the application fee, has been paid;
- ✓ A formal letter of engagement by an independent accountant who will assume responsibility for conducting annual audits;
- ✓ Copies of the relevant constitutive documents as registered with the Register General's Office, duly certified;
- ✓ The initial registration certificate with the Registrar of Companies;
- ✓ Proof of Bahamian ownership of Insurance Agency in compliance with Section 122(1) of the Insurance Act;
- ✓ A copy of the Registrar General's receipt, evidencing payment of \$350 for company fee;
- ✓ A copy of the Public Treasury Department's receipt, evidencing payment of stamp duty on the said authorized capital;
- ✓ Copy of signed Agreements with Sponsors
- ✓ Professional Indemnity insurance in the amount of \$500,000
- ✓ Fidelity Guarantee insurance in the amount of \$200,000.
- ✓ Favorable due diligence report
- ✓ Proof of separate bank accounts (Trust/premium & Operations)
- ✓ Copies of all agreements and
- ✓ Business license
- ✓ Proof of registration with National Insurance Board

Sub-Agents

- ✓ Proof that the registration fee has been paid;
- ✓ A formal letter of engagement by an independent accountant who will assume responsibility for conducting annual audits;
- ✓ Where appropriate, constitutive documents, along with all necessary documentation from the Registrar General's Office. These may or may not include:
 - Certificate of Incorporation
 - Copy of receipt that demonstrates that initial fees to the Registrar General's Office has been paid
 - Copy of receipt that demonstrates that Stamp Taxes have been paid.
- ✓ For companies, satisfactory proof that the paid-up capital in cash is not less than the prescribed amount;
- ✓ Proof of a Trust or Operational Account;
- ✓ Proof of current coverage on sponsoring agency's Professional Indemnity or Fidelity Guarantee insurance;
- ✓ Copies of agreements with sponsors
- ✓ Proof of registration with the National Insurance Board
- ✓ Business License; and
- ✓ All sub-agents are required to be in possession of a current salesperson's registration card.

Any application that is approved, but where the subsequent registration documents (as outlined above) are not submitted in a timely manner (sixty days), the Approval may be rescinded by the Commission. The application will then be considered closed. In such cases, a new application with additional fees will have to be made if the applicant wishes to pursue registration again.

8. Issuance of Registration Certificate

If registration is approved, and all documents submitted in a timely manner, the Commission will issue a *Certificate of Registration* showing the following information (which will vary by class of registration):

- Registration number
- Name of the applicant
- Address of applicant
- Date of registration
- Insurers for which the applicant may sell products
- Approved classes of insurance the applicant may sell
- Class of intermediary under which the applicant is registered.

9. On-site Inspection

An onsite visit by the Intermediary & Market Conduct Unit of the Commission is conducted three months after the Registration Certificate is issued. The onsite inspection is to ensure that the Intermediary's operation meets all of the requirements under the legislation. In particular, the areas of focus are as follows:

- Proper books & record-keeping systems
- Professional, qualified staff
- Maintenance of separate bank accounts; trust & operation
- Proper corporate governance
- Evidence of payment and reporting to sponsoring company
- Proper marketing and advertisement
- Confirmation of storefront and proper signage.

TABLE 1 - REGISTRATION REQUIREMENTS

REGISTRATION REQUIREMENTS		AGENTS	BROKERS	SUB-AGENTS	
				SOLE PROPRIETOR	CORPORATE
1	Application Form	✓ Form 3 Part C	✓ Form 3 Part B	✓ Form 3 Part A	✓ Form 3 Part A
2	Non-refundable Application Fee	✓ \$300	✓ \$300	✓ \$75	✓ \$300
3	Valid Police Record	✓	✓	✓	✓
4	Professional Qualifications	<p>✓</p> <p>Certified documents proving educational qualifications or experience (directors, senior management).</p> <p>Min. of two persons on staff with a Salesperson's Registration, and a Responsible Officer/Manager with a min. of ten (10) years management experience in the industry, and min. qualification of Advanced Diploma in insurance or its equivalent.</p>	<p>✓</p> <p>Certified documents proving educational qualifications or experience (directors, senior management).</p> <p>Min. of two persons on staff with a Salesperson's Registration, and a Responsible Officer/Manager with a min. of ten (10) years management experience in the industry, and min. qualification of Advanced Diploma in insurance or its equivalent.</p>	<p>✓</p> <p>A Salesperson's Registration, along with relevant certifications for the class of products the sub-agent wishes to sell</p>	<p>✓</p> <p>Min. of one person on staff with a Salesperson's Registration, and a Responsible Officer/Manager with a min. of five (5) years management experience in the industry, and min. qualification of a Diploma in insurance or its equivalent.</p>
5	Business Plan – 3 yr Financial Projections	✓	✓	✓	✓

6	Letter From Sponsor	✓	✓	✓	✓
7	Proposed names for Agency or Broker (3 options)	✓	✓	✓	✓
8	Confirmation of Capital Requirement	✓ \$30,000	✓ \$50,000	N/A	✓ \$5000
9	Storefront Address	✓	✓	N/A	✓
10	Name of Registered Office	✓	✓	N/A	✓
11	Constitutive Documents	✓	✓	N/A	✓
12	Min of 2 Registered Salespersons	✓	✓	✓	✓
13	Business License Registration	✓	✓	N/A	✓
14	National Insurance Registration	✓	✓	✓	✓
15	Trust Accounts	✓	✓	✓	✓
16	Responsible Officer	✓	✓	N/A	✓
17	Professional Indemnity- \$500,000	✓	✓	✓	✓
18	Fidelity Guarantee - \$200,000	✓	N/A	N/A	✓

TABLE 2 – DUE DILIGENCE REQUIREMENTS

DUE DILIGENCE REQUIREMENTS		AGENTS	BROKERS	SUB-AGENTS	
				Sole Proprietor	Corporate
1	Bio-Affidavit	✓	✓	✓	✓
2	Resumé/Curriculum Vitae	✓	✓	✓	✓
3	3 Character References	✓	✓	✓	✓
4	1 Credit Reference	✓	✓	✓	✓
5	Statement of Net Worth	✓	✓	✓	✓
6	Copy of first 3 pages of passport	✓	✓	✓	✓
7	Police Record (within 6months)	✓	✓	✓	✓

TABLE 3 – FEES REQUIREMENTS

APPLICATION FEE		\$
1	Brokers	300
2	Agents	300
3	Sub-Agent (Corporate)	300
4	Sub-Agent (Sole Proprietor)	75

	REGISTRATION & ANNUAL FEE	\$
1	Brokers	1,000
2	Agents	1,000
3	Sub-Agent (Corporate)	300
4	Sub-Agent (Sole Proprietor)	100

TABLE 4 – CAPITAL REQUIREMENTS

	CAPITAL REQUIREMENT	\$
1	Broker	50,000
2	Agent	30,000
3	Sub-Agent (Corporate)	5,000
4	Sub-Agent (Sole Proprietor)	0