

Insurance (Intermediaries) Regulations 2003

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THE SCHEDULE

No. S 683

**INSURANCE ACT
CHAPTER 142**

INSURANCE (INTERMEDIARIES) REGULATIONS 2003

In exercise of the powers conferred by sections 35Y, 35ZA, 35ZC, 35ZD, 35ZE, 35ZG, 35ZN, 35ZO, 36, 52(1), 56A(3) and 64 of the Insurance Act, the Monetary Authority of Singapore hereby makes the following Regulations:

PART I

PRELIMINARY

Citation and commencement

1. These Regulations may be cited as the Insurance (Intermediaries) Regulations

2003 and shall come into operation on 1st January 2004.

Definitions

2.—(1) In these Regulations, unless the context otherwise requires —

“applicant” means an applicant for registration as an insurance broker referred to in section 35X of the Act;

“exempt direct insurance broker” means an exempt insurance broker carrying on business as a direct insurance broker;

“exempt insurance broker” means any person who is exempt from registration as an insurance broker under section 35ZN(1)(a), (b), (c), (d), (e) or (ea) of the Act in respect of carrying on business as an insurance broker;

“exempt reinsurance broker” means an exempt insurance broker carrying on business as a general reinsurance broker or a life reinsurance broker;

“net asset value”, in relation to a company, means the excess of the value of the assets owned by the company over its liabilities.

(2) For the purposes of the definition of “net asset value” in paragraph (1) —

(a) in determining the value of the assets owned by a company, any amount on account of goodwill or of any other intangible assets shall be disregarded; and

(b) in determining the amount of the liabilities of a company —

(i) all contingent or prospective liabilities shall be taken into account; and

(ii) any amount on account of any liability related to the share capital of the company shall not be taken into account.

PART II

FINANCIAL AND OTHER REQUIREMENTS

Minimum paid-up share capital

3.—(1) For the purposes of section 35Y(1)(b) of the Act, an applicant who intends to be registered as a direct insurance broker, a general reinsurance broker or a life reinsurance broker shall have a paid-up share capital of an amount not less than \$300,000.

(2) An applicant who intends to be registered as an insurance broker in respect of more than one type of insurance broking business shall have a paid-up share capital of an amount not less than the aggregate of the amounts of paid-up share capital specified in paragraph (1) in respect of each of those businesses.

(3) A registered insurance broker shall at all times maintain a paid-up share capital of an amount that is not less than the minimum amount of paid-up share capital applicable to it by virtue of paragraph (1) or (2), as the case may be.

Professional indemnity insurance

4.—(1) For the purposes of section 35Y(1)(c) of the Act, the limit of indemnity to be covered under a professional indemnity insurance policy for an applicant who intends to be registered as a direct insurance broker, a general reinsurance broker or a life reinsurance broker shall be an amount of not less than \$1 million, under which the deductible allowed shall be —

- (a) where the applicant is in its first financial year of operation, not more than 20% of the paid-up capital; and
- (b) in any other case, not more than 20% of the applicant's net asset value as at the end of its preceding financial year.

(2) Where the applicant intends to be registered as an insurance broker in respect of more than one type of insurance broking business, the limit of indemnity to be covered under a professional indemnity policy shall be an amount that is not less than the aggregate of the amounts of the limit of indemnity specified in paragraph (1) for each of those businesses, under which the deductible allowed shall be —

- (a) where the applicant is in its first financial year of operation, not more than 20% of the paid-up capital; and
- (b) in any other case, not more than 20% of the applicant's net asset value as at the end of its preceding financial year.

(3) A registered insurance broker shall have in force at all times a professional indemnity insurance policy —

- (a) under which the limit of indemnity covered is an amount not less than the minimum limit of indemnity applicable to it by virtue of paragraph (1) or (2), as the case may be; and
- (b) under which the deductible allowed is —
 - (i) where the registered insurance broker is in its first financial year

- of operation, not more than 20% of the paid-up capital; and
- (ii) in any other case, not more than 20% of the registered insurance broker's net asset value as at the end of its preceding financial year.

Net asset value

5. For the purposes of section 35ZC of the Act, the net asset value to be maintained at all times by any registered insurance broker shall be an amount that is not less than 50% of the minimum paid-up share capital required to be maintained by the registered insurance broker under regulation 3(3).

Financial requirements for exempt insurance brokers

6.—(1) Regulations 3 and 5 shall apply to all exempt insurance brokers.

(2) Regulation 4 shall apply only to persons exempt from registration as insurance brokers under section 35ZN(1)(c) or (d) of the Act.

Insurance broking premium accounts

7.—(1) An exempt insurance broker or a registered insurance broker shall pay into a bank account all moneys received by it —

- (a) from or on behalf of an insured or intending insured for or on account of an insurer in connection with a contract of insurance or proposed contract of insurance; or
- (b) from or on behalf of an insurer for or on account of an insured or intending insured.

(2) No exempt insurance broker or registered insurance broker shall withdraw moneys from a bank account without the prior written consent of the Authority.

(3) Paragraph (2) shall not apply to any withdrawal of moneys from a bank account for —

- (a) any payment to or for a person entitled to receive payment of the moneys, including itself in so far as it is entitled to receive payment for itself;
- (b) any payment to or for an insurer in respect of amounts due to the insurer under or in relation to a contract of insurance;