Guideline No: IA/II – G04

29 September 2006 (Last revised on 28 June 2021)

GUIDELINES ON CRITERIA FOR THE REGISTRATION OF AN INSURANCE BROKER

1 Purpose of the Guidelines on Criteria for the Registration of an Insurance Broker ["these Guidelines "]

1.1 These Guidelines are issued pursuant to the Insurance Act (Cap 142) ["the Act"]. They are intended to provide information on the registration criteria and procedures for registration as an insurance broker under the Act.

1.2 These Guidelines should be read in conjunction with the provisions of the Act, subsidiary legislation made under the Act, as well as directions, notices, circulars and other guidelines that the Monetary Authority of Singapore ["the Authority"] may issue from time to time.

1.3 The Authority may revise these Guidelines from time to time and notify the revisions by posting the latest revised Guidelines on the MAS website at www.mas.gov.sg.

2 Definitions

For the purposes of these Guidelines:

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

"broking staff" in relation to an insurance broker, means any employee of the insurance broker or any other person who is authorised by the insurance broker to act on its behalf to provide technical advice to any client of the insurance broker in respect of –

(a) insurance policies relating to general business and long-term accident and health policies, other than insurance policies relating to reinsurance business; or

(b) reinsurance of liabilities under insurance policies relating to life or general business;

"company" has the same meaning as in section 4(1) of the Companies Act (Cap 50) ["CA"];

"direct insurance broker" has the same meaning as in section 1A of the Act;

"director" has the same meaning as in section 4(1) of the CA;

"foreign company" has the same meaning as in section 4(1) of the CA;

"general reinsurance broker" has the same meaning as in section 1A of the Act;

"insurance broker" has the same meaning as in section 1A of the Act;

"life reinsurance broker" has the same meaning as in section 1A of the Act;

"net asset value" has the same meaning as in regulation 2 of the Insurance (Intermediaries) Regulations ["IIR"];

"officer" has the same meaning as in section 4(1) of the CA; and

"substantial shareholder" has the same meaning as in section 81 of the CA.

3 Who needs to apply for registration as an insurance broker?

3.1 A person who carries on business as any type of insurance broker in Singapore is required to be registered with the Authority as that type of insurance broker, unless he is exempted from registration under section 35ZN of the Act[1].

[1] Section 35ZN of the Act stipulates that the following persons shall be exempt from registration as insurance brokers:

(a) a bank licensed under the Banking Act;
(b) a merchant bank licensed under the Banking Act;
(c) a licensed financial adviser under the Financial Advisers Act;
(d) a holder of a capital markets services licence under the Securities and Futures Act;
(e) a finance company which has been granted an exemption from section 25(2) of the Finance Companies Act to carry on business as an insurance broker;
(ea) a direct insurer registered to carry on life business; and
(f) such other persons or class of persons as may be prescribed, subject to such conditions as the Authority may impose.

3.2 An applicant may be registered as:

(a) a direct insurance broker, to carry on general business and long-term accident and health policies;

(b) a general reinsurance broker, to carry on general reinsurance business;

(c) a life reinsurance broker, to carry on life reinsurance business; or

(d) an insurance broker, to carry on any combination of the above.

4 What are the registration criteria for an insurance broker?

Legal entity

4.1 An applicant must be a company.

Minimum financial requirements

4.2 An applicant must satisfy the following minimum financial requirements:

(a) relevant minimum paid-up share capital[2] shown below:

Number of types of insurance broking business for which registration is sought	Minimum paid-up share capital
1	$300,000
2	$600,000
3	$900,000

(b) a standalone non-Hybrid professional indemnity insurance policy ["PII"] with the applicable minimum limit of indemnity[3] and limit of deductible shown below:

Number of types of insurance broking business for which registration is sought	Minimum limit of indemnity
1	$1 million
2	$2 million
3	$3 million

[2] The financial requirements are spelt out in regulation 3 of the IIR.

[3] The requirements on professional indemnity insurance are stipulated in regulation 4 of the IIR.

Financial year	Limit of deductible
First financial year of operation	Not more than 20% of the insurance broker's paid-up share capital
Subsequent financial years	Not more than 20% of the insurance broker's net asset value as at the end of its preceding financial year.

MAS may also consider the following alternative forms of PII, as long as the applicant has assessed that such a PII does not undermine the interest of investors, subject to the fulfillment of conditions specified for each type of PII:

Type of PII	Conditions to be Satisfied
Group PII	• Minimum coverage has to be at least 5 times the required quantum under a standalone non-hybrid PII. • If the deductible of the Group PII is greater than 20% of the applicant's paid-up share capital / 20% of insurance broker's net asset value as at end of its preceding financial year, an undertaking from the applicant's parent company to cover the excess in the event of a claim would be required.
Hybrid PII[4]	• Sub-limits have to be set for the non-PII sections of the hybrid PII. • Total coverage under the hybrid PII less the sub-limits for the non-PII sections has to be **at least equivalent** to the required quantum under a standalone non-hybrid PII.
Group Hybrid PII	• Sub-limits have to be set for the non-PII sections of the Group hybrid PII. • Total coverage of the Group hybrid PII less the sub-limits for the non-PII sections has to be **at least 5 times the** required quantum under a standalone non-hybrid PII. • If the deductible of the Group hybrid PII is greater than 20% of the applicant's paid-up share capital / 20% of insurance broker's net asset value as at end of its preceding financial year, an undertaking from the applicant's parent company to cover the excess in the event of a claim would be required.

[Amended on 24 August 2010]

[4] A hybrid PII is a PII policy which offers coverage on PII as well as other risks, such as crime and directors and officers' liability.

Management Expertise

4.3 The Chief Executive Officer ["CEO"] and Executive Directors ["EDs"] should have at least 5 years of relevant working experience. They should also have satisfactory academic and/or professional qualifications. In addition, the CEO should have at least 3 years of managerial experience in the relevant field.

Track Record

4.4 An applicant should have at least 3 years of proven track record in respect of each type of insurance broking business that it intends to carry on in Singapore. Where the applicant does not satisfy the 3-year track record requirement, the Authority may take into account the (i) track record of the applicant's substantial shareholders; and (ii) experience and qualifications of the applicant's key management staff, such as its CEO and EDs, when assessing the application.

Supervision by Home Regulatory Authority

4.5 Where an applicant or its substantial shareholder is a foreign company that carries on business in any jurisdiction which requires licensing, registration or approval in relation to such business, it should be subject to proper supervision by the home regulatory authority.

Systems and Processes

4.6 An applicant should have adequate internal compliance systems and processes commensurate with the size and complexity of its business to ensure compliance with the law, good practices and professional standards.

4.7 In addition, an applicant should have adequate internal control systems and processes to address and manage conflict of interests situations, including but not limited to systems and processes to ensure that:

(a) the management and broking staff are not actively involved in managing the business of a general insurance agent; and

(b) where an applicant applies to be registered as both a direct insurance broker and a general reinsurance broker, there is proper segregation of operations, such as through (i) setting up separate servicing/broking divisions with separate management and broking staff to handle the two types of business, or (ii) disallowing broking staff to handle both the direct insurance and reinsurance placements of the same risks.

Fit and Proper Criteria

4.8 An applicant should satisfy the Authority that it meets the fit and proper criteria set out in FSG-G01 on "Guidelines on Fit and Proper Criteria" issued by the Authority.

4.9 An applicant should also satisfy the Authority that all of its directors, officers, broking staff, employees and substantial shareholders meet the fit and proper criteria set out in FSG-G01 on "Guidelines on Fit and Proper Criteria" issued by the Authority.

Letter of Responsibility

4.9a Where appropriate, the Authority may require an applicant to procure a Letter of Responsibility from its parent company or a related entity within the group.

[Amended on 28 January 2020]

Technology Risk Management

4.9b Where appropriate, the Authority may require an applicant to perform a penetration test of its internet-accessible web or mobile applications prior to deployment.

[Amended on 1 March 2021]

Others

4.10 The above criteria apply to applications under normal circumstances. There could be situations involving new business models or exceptional circumstances where the Authority may stipulate other criteria to be satisfied by an applicant.

4.11 The Authority may, under section 35Z of the Act, stipulate such other conditions as it deems necessary as conditions of registration.

5 What are the procedures for registration as an insurance broker?

Application Procedures

5.1 The application form for registration as an insurance broker can be found on MAS website at www.mas.gov.sg under the "Licensing Guide" section. The application must be submitted by the entity applying for registration as an insurance broker.

Payment of Fees

5.2 Upon approval of an application for registration as an insurance broker, the Authority will issue an annual fee letter advising the applicant on the amount of annual fee payable. The annual fees in respect of a full calendar year are as follows:

Direct Insurance Broker	-	$7,000
General Reinsurance Broker	-	$5,000
Life Reinsurance Broker	-	$2,500
Combination of any of the above	-	Aggregate of the relevant amounts above

5.3 Where the registration of an insurance broker is effective from any date other than 1st January, the annual fee for that year will be pro-rated.

5.4 A registered insurance broker is required to pay the first annual fee within 2 weeks from the date of the annual fee letter, failing which the insurance broker shall be guilty of an offence and shall be subject to the penalty set out in section 55(2) of the Act.

[Amended on 17 May 2013]