

ROYAL MONETARY AUTHORITY OF BHUTAN

༄༅ །། རྒྱལ་གཞུང་དངུལ་ལས་དབང་འཛིན།།



INSURANCE BROKERS REGULATIONS, 2011

SEPTEMBER 2011

1. Short title and commencement

- i. These regulations are issued in pursuant to Section 202 of the Financial Services Act of Bhutan, 2011 and must be read in conjunction with the additional requirements under the Act.
- ii. These regulations may be cited as the Insurance Brokers Regulations, 2011.
- iii. These regulations shall come into operation on such date as may be specified by the Royal Monetary Authority by notice in the Official Newspaper and RMA website.
- iv. The requirements which are preconditions for granting a license should be met at all times during the on-going business operations.

2. Definitions

In this regulation, the following terms shall have the meanings indicated unless the content clearly indicates otherwise.

- i. **“Applicant”** shall mean the Promoter(s) of the proposed Company.
- ii. **“Auditor”** shall mean an auditor empanelled with the Royal Audit Authority.
- iii. **“Authority”** shall mean Royal Monetary Authority of Bhutan established under the Royal Monetary Authority Act of Bhutan, 2010.
- iv. **“Companies Act”** shall mean the Companies Act of the Kingdom of Bhutan, 2000 and amendments thereto.
- v. **“Composite Broker”** shall mean an insurance broker who is licensed by the Authority to act as such, for remuneration (commission, fees etc), arranges insurance for his clients with insurance companies and/or reinsurance for his client(s).
- vi. **“Direct Broker”** shall mean an insurance broker who is licensed by the Authority to act as such, for remuneration (commission, fees etc) carries out the functions as specified under section 3 of this regulation either in the field of life insurance or general insurance or both, on behalf of his clients.
- vii. **“Insurance Broker”** shall mean a person who is licensed by the Authority who, on the basis of the interests of the insured, negotiates an insurance contract or provides related services and collects a commission or remuneration and shall include a reinsurance broker and such person shall not be considered as Financial Institution.

- viii. **“Insurance Broking Business”** shall mean the business of soliciting, negotiating or procuring a policy with an insurer, or the renewal, or continuance of the policy, for a policy owner other than himself and include reinsurance broking for an insurer.
- ix. **“Person”** shall mean a natural person or a legal entity.
- x. **“Principal Officer”** shall mean the chief executive officer appointed exclusively to carry out the functions of an insurance broker.
- xi. **“Professional Indemnity Insurance Policy”** shall mean a contract of insurance with an insurer under which an insurance broker is indemnified in respect of the liabilities arising out of or in the course of its business as an insurance broker.
- xii. **“Reinsurance”** shall mean an insurance contract between reinsurer and insurer (the cedant) to indemnify against losses on one or more contracts issued by the cedant in exchange for a consideration (the premium).
- xiii. **“Reinsurance Broker”** shall mean an insurance broker who, for remuneration (commission, fees etc), arranges reinsurance for direct insurers with insurance and reinsurance companies.
- xiv. **“Related party”** shall be as defined under the Financial Services Act of Bhutan 2011.
- xv. **“Significant Owner”** shall be as defined under the Financial Services Act of Bhutan 2011

3. Functions of a Broker

i. Direct Broker

The functions of a direct broker shall include any one or more of the following:

- a. obtaining detailed information of the client's business and risk management policy;
- b. familiarizing himself with the client's business and underwriting information so that this can be explained to an insurer and other competent authorities;
- c. rendering advice on appropriate insurance cover and terms;

- d. maintaining detailed knowledge of available insurance markets, as may be applicable;
- e. submitting quotation received from insurer/s for consideration of a client;
- f. providing requisite underwriting information as required by an insurer in assessing the risk to decide pricing terms and conditions for cover;
- g. acting promptly on instructions from a client and providing him written acknowledgements and progress reports;
- h. assisting clients in paying premium and providing services related to insurance consultancy and risk management;
- i. assisting in the negotiation of the claims; and
- j. maintaining proper records of claims of his clients.

ii. **Re-insurance Broker**

The functions of a re-insurance broker shall include any one or more of the following:

- a. familiarizing himself with the client's business and risk retention policy;
- b. maintaining clear records of the insurer's business to assist the reinsurer(s) or others;
- c. rendering advice based on technical data on the reinsurance covers available in the international insurance and the reinsurance markets;
- d. maintaining a database of available reinsurance markets, including solvency ratings of individual reinsurers;
- e. rendering consultancy and risk management services for reinsurance;
- f. selecting and recommending a reinsurer or a group of reinsurers;
- g. negotiating with a reinsurer on the client's behalf;
- h. assisting in case of commutation of reinsurance contracts placed with them;
- i. acting promptly on instructions from a client and providing written acknowledgements and progress reports;

- j. collecting and remitting premiums and claims within such time as agreed upon;
- k. assisting in the negotiation and settlement of claims;
- l. maintaining proper records of claims; and
- m. Exercising due care and diligence at the time of selection of reinsurers and international insurance brokers having regard to their respective security rating and establishing respective responsibilities at the time of engaging their services.

iii. **Composite broker**

A composite broker shall carry out any one or more functions of a direct broker and reinsurance broker.

4. Application for grant of licence

- i. An application by a person for grant of a licence as an insurance broker shall be made to the Authority along with the required documents and a non-refundable application fee of Nu. 20,000 in cash/draft/cheque in favor of the Authority for any one of the following categories:
 - (a) direct broker;
 - (b) reinsurance broker;
 - (c) composite broker.
- ii. Notwithstanding any provisions contained herein, the Authority shall be entitled, in its absolute discretion, to refuse any application for licence.
- iii. The Authority while considering an application for grant of a licence shall take into account, all matters relevant to the carrying out of the functions by the insurance broker.
- iv. Application, not complete in all respects and not conforming to the instructions specified in the Annexure II, III, IV of these regulations shall be rejected. However, the applicant shall be given 30 days to complete the application in all respects and rectify the errors, if any.
- v. The Authority may require an applicant to furnish any further information or clarification during the assessment of the application, and, thereafter, with regard to any other matter as may be deemed necessary by the Authority. The

applicant or its principal officer shall, if so required, appear before the Authority for a personal representation in connection with an application.

5. Required Documents

The application for a licence to act as an insurance broker shall contain the following information/documents:

- i. Letter of Application (Annexure I);
- ii. Application Form (Annexure II);
- iii. Biographical Report (Annexure III).

6. Capital and deposit requirement

- i. The minimum paid-up capital for the insurance broker shall be as stated below:

<u>Category of Business</u>	<u>Amount</u>
(a) Direct broker	Nu. 0.3 million
(b) Reinsurance broker	Nu. 0.3 million
(c) Composite broker	Nu.0.6 million

- ii. The capital contribution shall be deposited with the Authority after the issuance of "In-Principle Approval" and must be verified by the Financial Regulation and Supervision Department. The contribution shall not be funded through borrowings and it must be from legitimate sources.
- iii. Every insurance broker shall before the commencement of its business, deposit with any commercial bank a sum equivalent to 20% of the initial paid-up capital in fixed deposit which shall not be released to him unless the prior permission of the Authority is obtained;
- iv. Every insurance broker shall furnish to the Authority as and when called upon to do so a statement certified by the Bank in which such fixed deposit is kept.

7. Ownership and Governance

- i. Companies fully owned and managed by Bhutanese nationals shall be licensed as an Insurance Broker.
- ii. The Insurance Broker shall be a private limited company registered under the

Companies Act with a minimum of 4 shareholders.

- iii. No company shall be licensed as an insurance broker where there is a connection with an insurer such that:
 - (a) the company is a shareholder of an insurer/reinsurer and vice versa or;
 - (b) a director or manager of the company or director or chief executive officer of an affiliate is a director, shareholder or employee of an insurer/reinsurer and vice versa.
- iv. An Insurance Broker shall conduct business only with the client which are neither directly or indirectly related to them.
- v. Every significant owner of an insurance broker must have at least one year experience in the field of insurance.
- vi. In terms of composition of board, at least one member of the board should have an experience of 3 years in insurance or insurance related business.
- vii. For the purpose of carrying out insurance broking business, all the key post holders should undergo training programme on insurance business conducted by the Financial Training Institute.
- viii. All significant owner, Director, principal officer shall meet the “fit and proper criteria” set out in Annexure III of these Regulations.
- ix. Any change in the ownership pattern of the company shall require prior approval of the Authority.

8. Principal Officer

- i. An insurance broker shall ensure that any person acting as its Principal officer:
 - (a) has minimum qualification of bachelor degree or equivalent professional certification in the field of business/finance/economics/law/engineering and insurance respectively.
 - (b) is a full time employee of the insurance broker;
 - (c) does not, to the insurance broker's knowledge, act at any point of time for more than one insurance broker or hold shares in an insurer/reinsurer;
 - (d) possesses not less than 3 years experience in insurance business or carrying on insurance sales related activity or consultancy work, for a period not less than

- 2 years prior to being appointed as principal officer;
- (e) shall comply with code of conduct specified in Annexure IV of these regulations.

9. Grant of Licence

- i. The Authority shall grant a license to an applicant if the Authority amongst others is satisfied that:
 - (a) The managerial capacity of the applicant is adequate to conduct the proposed operations;
 - (b) The applicant will conduct its business in an honest and transparent manner and with the professional skills appropriate to the nature and scale of its proposed activities;
 - (c) The applicant will conduct its business in a sound and prudent manner so as not to jeopardize performance of financial obligations;
 - (d) The applicant will maintain adequate accounting and other records of its business with adequate systems of control; and
 - (e) A proposed company will become economically sustainable within a period of three years.
- ii. After consideration of the documents and other information, the Authority if satisfied may issue an "In-Principle Approval". This approval shall be valid for a period of three months. During this period, the applicant shall take all necessary preliminary measures specified therein. The issue of "In-Principle Approval" does not bind the Authority to issue a license to conduct business.
- iii. A company in respect of which an "In-Principle Approval" has been issued shall not commence business before the issue of a license. Every advertisement, notice, etc. issued prior to the issue of the license should specify that it has not been issued a license to carry on insurance broking business.
- iv. An applicant upon complying with the conditions specified in the "In-Principle Approval" may request the Authority to issue a license. The Authority being satisfied may issue a license to an applicant to carry on insurance broking business.
- v. Insurance Broker shall commence business within three months of issuance of a license.

- vi. A license issued by the Authority to the applicant is non-transferrable and shall be valid for a period of one year only.
- vii. Insurance Broker shall renew its license annually with annual renewal non refundable license fee of Nu. 10,000 (Ngultrum Ten Thousand only) in cash/cheque/draft in favor of the Authority. The application for the renewal of the license shall be made in the prescribed form.
- viii. The license renewal fee shall be paid before the expiry of 15 days of the licence.

10. Cancellation and suspension of license

i. With Notice

The license of an Insurance broker may be cancelled or suspended, after due notice and after giving him a reasonable opportunity of being heard, if he:

- (a) violates the provisions of the Financial Services Act of Bhutan 2011 or rules or regulations, made thereunder;
- (b) fails to furnish any information relating to his activities as an Insurance broker as required by the Authority;
- (c) furnishes wrong or false information; or conceals or fails to disclose material facts in the application submitted for obtaining a licence;
- (d) does not co-operate with any inspection or enquiry conducted by the Authority;
- (e) fails to maintain the capital requirements in accordance with the provisions of these regulations;
- (f) fails to pay the fees under these regulations;
- (g) violates the conditions of license;
- (h) does not carry out his obligations as specified in these regulations;

ii. Without notice

The license of an Investment Advisor may be cancelled or suspended without notice, if he/she:

- (a) is found guilty of fraud, or is convicted of a criminal offence;
- (b) commits such defaults, which require immediate action in the opinion of the

Authority, provided that the Authority has communicated the reasons for the cancellation in writing;

(c) has not commenced the business within three months of being granted a license.

11. Publication of order of suspension or cancellation

The order of cancellation or suspension of the license, shall be published in the official newspapers as the Authority may consider fit.

12. Disclosures to the Authority

An insurance broker shall disclose to the Authority, as and when required by it, the following informations:

- i. his responsibilities with regard to the placement of an insurance contract;
- ii. any change in the information or particulars previously furnished, which have a bearing on the licence granted to it;
- iii. the names of the clients whose insurance portfolio he manages or has managed;
- iv. any other requirement specified by the Authority from time to time.

13. Insurance Broking Account

- i. An insurance broker shall pay into an account maintained by him with a commercial bank in Bhutan, solely for the purposes of this section all moneys received by the broker:
 - (a) from or on behalf of an insured or intending to be insured for or on account of an insurer in connection with a contract of insurance arranged or effected or to be arranged or effected by the insurance broker;
 - (b) from or on behalf of an insurer for or on account of an insured or intending to be insured.
- ii. An insurance broker shall not, except with the approval of the Authority, withdraw moneys from an account maintained by the broker under this section:
 - (a) for payment to a person entitled to receive payment of the moneys, including the insurance broker, in so far as he is entitled to receive payment;
 - (b) for payment to an insurer in respect of amounts due to the insurer in relation to a contract of insurance arranged or effected by the insurance broker (including a

contract of insurance that has been cancelled);

(c) charges, fees or commission earned and interest received from the funds deposited into the account; and

(d) for repayment of moneys that were paid into the account in error.

For the purpose of this section “money” means any sum received by an insurance broker for an insured or intending to be insured including premiums and claims payments.

iii. The moneys in an account maintained by a insurance broker under this section shall not be attached, sequestered or levied upon for or in respect of any debt of the insurance broker or any claim whatsoever against the insurance broker, and if the insurance broker is declared insolvent or is wound up by an order of court, the moneys in the bank account shall be deemed not to form part of the property of the insurance broker.

14. Professional Indemnity Insurance

i. No person shall be issued a license to act as insurance broker unless that person has demonstrated to have adequate professional indemnity insurance in place from reputed insurance company outside Bhutan until such time available in Bhutan;

ii. The insurance broker, within 6 months from the issuance of license shall take out and maintain at all times a professional indemnity insurance policy;

iii. The professional indemnity insurance policy shall cover against:-

(a) any error or omission or negligence on its part or on the part of its employees and directors;

(b) Any loss of money or other property for which the insurance broker is legally liable in consequence of any financial or fraudulent act or omission.

(c) any loss of documents and costs and expenses incurred in replacing or restoring such documents and

(d) dishonest or fraudulent acts or omissions by insurance brokers' employees or former employees

iv. The professional indemnity insurance policy, unless otherwise permitted by the Authority in writing:

- (a) shall be on a yearly basis;
- (b) shall not contain any terms to the effect that payments of claims depend upon the insurance broker having first met the liability;
- (c) shall indemnify in respect of all claims made during the period of the insurance regardless of the time at which the event giving rise to the claim may have occurred.

Provided that indemnity insurance cover not fully conforming to the above requirements may be permitted by the Authority in special cases for reasons to be recorded by it in writing.

- v. The Insurance Broker shall have in force at all times a professional indemnity insurance policy covering an amount not less than the following:

<u>Category</u>	<u>Amount</u>
(a) Director Broker	Nu. 0.6 million
(b) Reinsurance Broker	Nu. 0.6 million
(c) Composite Broker	Nu. 1.2 million

15. Ceiling on business from single client

- i. The business of the insurance broker shall be carried in such a manner that, not more than 50 percent of the premium (quantum, receipts, etc. as the case may be) in the first year of business, 40 percent of the premium in the second year of business, and 30 percent of the premium from the third year of business onwards shall emanate from any one client.

Note: For the purposes of this section of these regulations, the term “client” shall include, in the case of a firm or a company, an associate or a subsidiary or a group concern under the same management or direct or indirect ownership.

- ii. The decision of the Authority as to whether a company, a business or an organisation is under the same management or group or holding shall be final.

16. Maintenance of books of account, records, etc

- i. Every insurance broker shall prepare the following accounts for every accounting Year:
 - (a) a balance sheet or a statement of affairs as at the end of each accounting period;

- (b) a profit and loss account for that period;
 - (c) a statement of cash/fund flow;
 - (d) Every insurance broker shall submit to the Authority, a copy of the audited financial statements along with the auditor's report thereon within ninety days from the close of the accounting year along with the remarks or observations of the auditors, if any, on the conduct of the business, state of accounts, etc., and a suitable explanation on such observations shall be appended to such accounts filed with the Authority;
- ii. Additional statements on insurance broking business as may be required by the Authority;
 - iii. All the books and documents, statements, contract notes etc., referred to in these regulations and maintained by the insurance broker shall be retained for a period of at least ten years from the end of the year to which they relate.

17. General Provisions

- i. From the date of commencement of these regulations, no person shall carry on or advertise that it carries on business as an insurance broker or use in business activity the words "insurance broker" or words of similar connotation unless a licence has been granted to him by the Authority under these regulations.
- ii. Any disputes arising between an insurance broker and an insurer or any other person either in the course of his engagement as an insurance broker or otherwise may be referred to the Authority by the person so affected; and on receipt of the complaint or representation. The Authority may examine the complaint and if found necessary proceed to conduct an enquiry or an inspection or an investigation in terms of these regulations.
- iii. An insurance broker shall not engage in criminal activities including fraud, money laundering and the financing of terrorism.
- iv. The Authority may impose reasonable additional conditions on the operations of an insurance broker subsequent to the initial licensing and to modify or waive any conditions of licensing in writing, with notice of the modification or waiver.
- v. The Authority shall maintain insurance brokers register and responsible officers register. Both registers will be made available for inspection by the public which will record, for each insurance broker and its responsible officers, the name, address and such other information, if any, regarding each of them as the Authority determine would be useful for the public.

- vi. The insurance broker shall display its license at all places at which it carries on its business.
- vii. An insurance broker shall operate only under the name that has been approved by the Authority.
- viii. Every insurance broker shall abide by the Code of Conduct as specified in Annexure IV.
- ix. An insurance broker shall comply with these regulations, and any other laws and regulation of the Authority.
- x. The insurance broker shall display at all times, its charges wherever appropriate.
- xi. Every insurance broker shall ensure that a proper system of internal audit is practiced in business and that the internal control systems are adequate for the size, nature and complexity of the business.

18. Submissions

The completed application form and any correspondence should be addressed to the following:

Hon'ble Governor
Royal Monetary Authority of Bhutan
P.O. Box 154
Chhophel Lam,
Kawajangsa
Thimphu, Bhutan
Telephone: +975-2-23111/217
Fax: +975-2-322847
Email- frsd.rma@rma.org.bt

ANNEXURE I

Date:

Hon'ble Governor
Royal Monetary Authority of Bhutan
Thimphu, Bhutan

Sub: Application for Insurance Brokers licence

Hon'ble Dasho,

I/We would like to request for a license to conduct Insurance Broking business under Section 18 of Financial Services Act of Bhutan, 2011. I/We confirm and declare that all applications made by us are in full compliance with the Regulations for Insurance Broker 2011 and other applicable laws, rules and regulation in Bhutan issued by the Authority. I/We further confirm and declare that I/we am/are satisfied to the best of our knowledge, information and belief that there is no information or statement nor is there any omission which would make our application false or misleading. I/We undertake to provide to Authority such information and documents as the Authority may reasonably require in relation to the applications.

This application is made by the undersigned authorized person of (_____) pursuant to the authority granted to by written resolution of promoters passed on (_____).

For and on behalf of proposed company

Yours faithfully,

Name
CID. No
Address
Tel No
Fax
E-Mail

Encl: Documents pertaining to the application including the resolution signed by all the promoters .

LICENSING APPLICATION FORM

(Please ensure that this form is filled properly. In case of any clarifications, please feel free to call 321205 or visit Financial Regulation and Supervision Department of the Authority).

Instructions for filling up the form

1. It is important that before this application form is filled in, the regulations made by the Authority are studied carefully and understood in full.
2. Applicants must submit a duly completed application form together with all appropriate, supporting documents to the Authority.
3. Application for licence will be considered only if it is complete in all respects.
4. Applicants should sign the application form. Information which needs to be supplied in more details may be given on separate sheets which should be attached to the application form.

1. Particulars of the Applicant:

Name	
Name of the proposed company (subject to approval from Registrar of companies)	
Principle place of business	
Registered Office	
Telephone number	
Fax Number	
Post Box Number	
Email Address	

2. **Contact details to whom the the queries on the application can be directed**

Name	
Designation	
Telephone number	
Fax Number	
Post Box Number	
Email Address	

3. **Particulars of the Principal Officer**

Name	
Citizen Identity card Number	
Current Address	

4. **Types of Business** (please indicate the type of approval which the applicant is applying for):

Direct Broker	
Reinsurance Broker	
Composite Broker	

5. **Capital Structure of the proposed Insurance Broker:**

Amount of Authorized Capital	
Amount of Issued Capital	
Amount of Paid Up Capital	

Reserves (if any)	
-------------------	--

6. **Shareholding pattern**

List of major shareholders (holding 10% and above of applicant directly or along with associates-applicable only to limited companies)

Share holding as on: _____

Name of shareholder	No. of Shares held	% of total paid up capital of the company

7. Three years audited accounts of the company, if applicable.

8. **Organization Structure**

8.1 Status of the Applicant (e.g. limited company-Private/Public):

8.2 Date and Place of Incorporation:

Day	Month	Year	Place
_____	_____	_____	_____

8.3 Copy of draft Articles of Incorporation (final Articles of Incorporation to be submitted upon incorporation of the company with the registrar of companies).

8.4 Name and Address of the Principal bankers of the applicant:_____

9. **Business Information**

9.1 A business plan/feasibility report for a period of 3 years to be submitted. The business plan should include projected volume of business & brokerage income for each class of business and income & expenditure statement in detail. Organization Chart separately showing functional responsibilities to be enclosed.

9.2 Particulars relating to the significant owner, Directors, principal officer of the company to be completed in the prescribed format Annexure III.

- 9.3 The Curriculum Vitae of all key post holders of the company.
10. Any other information considered relevant to the nature of services rendered by the applicant.
 11. Details of infrastructure like office space, equipment and manpower available with the applicant after the issuance of “In-Principle Approval”.
 12. Declaration should be provided by the person nominated as the applicant, principal officer and all directors of the proposed company declaring that they were not associated with a company as a director or principal officer, whose registration as an Insurance Broker was suspended or cancelled or refused by the Authority.

These declarations should be submitted separately by the Applicant, Principal Officer and each Director of the company.

DECLARATION

I, the undersigned, solemnly declare that the above information given in this application form and other documents submitted on behalf of the proposed Insurance Broker are true, complete and correct to the best of my knowledge and belief.

Should the Authority come across any inconsistencies on the information provided, I hereby agree to fully abide by the penalties as specified under Section 138 of the Financial Services Act of Bhutan 2011.

Further, I would like to pledge that if granted a license to conduct the business, the proposed company will not violate any laws and regulation of the Authority.

Name:

Position:

Citizenship ID No:
(Please attest copy)

Date:

Signature (Affix Legal Stamp):

Witness:

Name:

Citizenship ID No:
(Please attest copy)

Occupation:

Signature:

BIOGRAPHICAL REPORT

To be filled by all the significant owner (owning equal to or more than 10 percent), Director and Principal Officer of the company.

1. Personal Details.

a. Name	
b. Date of Birth	
c. Nationality	
d. Citizenship ID No.	

2. Contact Information

a. Telephone No	
b. Mobile No.	
c. Fax No.	
d. E-mail	

3. Present Position

a. Name and Address of the Firm	
b. Nature of Business	
c. Telephone No	

4. Family History/Dependents

Relationship	Name	CID No.	Date of Birth	Occupation	Email Address	Mobile No.
Father						
Mother						
Spouse						
Dependents						

5. Education

Name & Address of University	Years of Attendance	Major Area of Study	Degree/Certificate Granted	Date Awarded

6. Employment Record (Pertaining to previous 5 years). Use additional sheets, if necessary, and account for all gaps in employment.

Position/ Department	Main responsibilities	Organization	Country	Duration

7. Do you have a license to practice any profession? Yes No
If yes, please give details.

a. Nature of License	
b. Date of Issue	
c. License/Registration No.	
d. Licensing Agency and Address	

**8. (a) If self-employed, describe each enterprise, including the name, address, license number, your percentage of ownership and the type of business which you own or control. (Control means ownership of 10% or more of the stock or ability to effectively control the management of the corporation or other entity).
(b) List names, addresses and percentage of control and/or ownership of other incorporators, partners, directors, or officers of the entity or corporation referred to above.**

<p>9. Are you employed in any professional capacity, or do you perform any services for or have any business connections with any institution which is subject to the supervision of the Royal Monetary Authority of Bhutan, or any other authority of the Royal Government of Bhutan? If “Yes”, indicate the name of the institution, address and nature of your work.</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
--	--

<p>10. Have you had, or do you now have, any financial interest, direct or indirect, in any financial institution in Bhutan. If “Yes”, give the name of the institution, address and nature of the financial interest.</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
---	--

11. Please tick whichever is relevant for the following questions below.

<p>Do you have more than 3 years experience in Insurance/risk management/finance/ accounting, information technology</p>	<input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> N/A
<p>Were you or company you worked/owned declared insolvent and adjudicated bankrupt</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<p>Were you or company you worked/owned convicted by a court in any criminal offense or has been involved in any fraud/forgery, financial crime or other illegal activities</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<p>Are any of your loan accounts with financial institutions classified as non-performing at any point of time (loan default by 90 days)</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A

12. Answer “Yes” or “No” to any of the questions below if they apply to you as an individual, or a partner, director or officer of a corporation except for minor traffic violations.

<p>a. Are any arrests, indictments, criminal information or other criminal proceedings now pending against you?</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<p>b. Were you ever convicted for any violations of the law?</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<p>c. Have you or has any partnership of which you were a CEO or a major owner (more than or equal to 10% of the capital of the company) ever been liquidated or judged bankrupt?</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No

c. Has any business of which you were a director, officer, partner or major shareholder (10% or more of the voting shares) defaulted on his/her loan repayment?	<input type="checkbox"/> Yes <input type="checkbox"/> No
e. Has any enterprise in which you were a partner, director or officer been the subject of criminal indictment or other criminal proceedings?	<input type="checkbox"/> Yes <input type="checkbox"/> No

13. Income tax clearance: Fiscal Year (Attach tax clearance certificate)

DECLARATION

I hereby declare that I am aware that it is an offence under Section 138 of the Financial Services Act of Bhutan 2011 to provide the Authority any information which is false or misleading in a material particular.

I hereby declare that the information given in the form above and accompanying documents is complete and accurate to the best of my knowledge, information and belief and that there are no other facts relevant to this application of which the Authority should be aware.

I also undertake that as long as I continue to be a significant owner/principal officer/Director, I will notify the Director of the Financial Regulation and Supervision Department of the Authority of any material changes to, or affecting the completeness or accuracy of, the information given above as soon as possible, but in any event no later than 10 days from the day the changes come to my attention.

Further, I would like to pledge that as long as I continue to be an significant owner/Principal Officer/Director of the company, I will not violate any laws and regulations of the Authority.

Name:

Position :

Citizenship ID No:

Signature (Affix Legal Stamp):

Date:

Witness:

Name:

Citizen ID No:
(Please attest copy)

Occupation:

Signature:

CODE OF CONDUCT

Every insurance broker shall follow recognized standards of professional conduct and discharge his functions in the interest of the policyholders.

i. Conduct in matters relating to clients relationship

Every insurance broker shall:

- a. conduct its dealings with clients with utmost good faith and integrity at all times;
- b. act with care and diligence;
- c. ensure that the client understands his relationship with the broker and on whose behalf the broker is acting;
- d. treat all information supplied by the prospective clients as completely confidential to themselves and to the insurer(s) to which the business is being offered;
- e. take appropriate steps to maintain the security of confidential documents in their possession;
- f. hold specific authority of client to develop terms;
- g. understand the type of client it is dealing with and the extent of the client's awareness of risk and insurance;
- h. obtain written mandate from client to represent the client to the insurer and communicate the grant of a cover to the client after effecting insurance;
- i. obtain written mandate from client to represent the client to the insurer/ reinsurer; and confirm cover to the insurer after effecting re-insurance, and submit relevant reinsurance acceptance and placement slips;
- j. avoid conflict of interest.

ii. Conduct in matters relating to sales practices

Every insurance broker shall:

- a. confirm that he does not employ agents or canvassers to bring in business;
- b. identify itself and explain as soon as possible the degree of choice in the products that are on offer;
- c. ensure that the client understands the type of service it can offer;
- d. ensure that the policy proposed is suitable to the needs of the prospective client;
- e. give advice only on those matters in which it is knowledgeable and seek or recommend other specialist for advice when necessary;
- f. not make inaccurate or unfair criticisms of any insurer as licensed by the Authority.

- g. explain why a policy or policies are proposed and provide comparisons in terms of price, cover or service where there is a choice of products;
- h. state the period of cover for which the quotation remains valid if the proposed cover is not effected immediately;
- i. explain when and how the premium is payable and how such premium is to be collected, where another party is financing all or part of the premium, full details shall be given to the client including any obligations that the client may owe to that party; and
- j. explain the procedures to follow in the event of a loss.

iii. Conduct in relation to furnishing of information

Every insurance broker shall:

- a. ensure that the consequences of non-disclosure and inaccuracies are pointed out to the prospective client;
- b. avoid influencing the prospective client and make it clear that all the answers or statements given are the latter's -own responsibility. Ask the client to carefully check details of information given in the documents and request the client to make true, fair and complete disclosure where it believes that the client has not done so and in case further disclosure is not forthcoming it should consider declining to act further;
- c. explain to the client the importance of disclosing all subsequent changes that might affect the insurance throughout the duration of the policy; and
- d. disclose on behalf of its client all material facts within its knowledge and give a fair presentation of the risk.

iv. Conduct in relation to explanation of insurance contract

Every insurance broker shall:

- a. provide the list of insurer(s) participating under the insurance contract and advise any subsequent changes thereafter;
- b. explain all the essential provisions of the cover afforded by the policy recommended by it so that, as far as possible, the prospective client understands what is being purchased;
- c. quote terms exactly as provided by insurer;
- d. draw attention to any warranty imposed under the policy, major or unusual restrictions, exclusions under the policy and explain how the contract may be cancelled;
- e. provide the client with prompt written confirmation that insurance has been effected. If the final policy wording is not included with this confirmation, the same shall be forwarded as soon as possible;
- f. notify changes to the terms and conditions of any insurance contract and give reasonable notice before any changes take effect;

- g. advise its clients of any insurance proposed on their behalf which will be effected with an insurer outside Bhutan in case of reinsurance.

v. **Conduct in relation to renewal of policies**

Every insurance broker shall:

- a. ensure that its client is aware of the expiry date of the insurance even if it chooses not to offer further cover to the client;
- b. ensure that renewal notices contain a warning about the duty of disclosure including the necessity to advise changes affecting the policy, which have occurred since the policy inception or the last renewal date;
- c. ensure that renewal notices contain a requirement for keeping a record (including copies of letters) of all information supplied to the insurer for the purpose of renewal of the contract;
- d. ensure that the client receives the insurer's renewal invitation well in time before the expiry date.

vi. **Conduct in relation to claim by client**

Every insurance broker shall:

- a. explain to its clients their obligation to notify claims promptly and to disclose all material facts and advise subsequent developments as soon as possible;
- b. request the client to make true, fair and complete disclosure where it believes that the client has not done so. If further disclosure is not forthcoming it shall consider declining to act further for the client;
- c. give prompt advice to the client of any requirements concerning the claim;
- d. forward any information received from the client regarding a claim or an incident that may give rise to a claim without delay, and in any event within three working days;
- e. advise the client without delay of the insurer's decision or otherwise of a claim; and give all reasonable assistance to the client in pursuing his claim.

Provided that the insurance broker shall not take up recovery assignment on a policy contract which has not been serviced through him or should not work as a claims consultant for a policy which has not been serviced through him.

vii. **Conduct in relation to receipt of complaints**

Every insurance broker shall:

- a. ensure that letters of instruction, policies and renewal documents contain

- details of complaints handling procedures;
- b. accept complaints either by phone or in writing;
- c. acknowledge a complaint within fourteen days from the receipt of correspondence, advise the member of staff who will be dealing with the complaint and the timetable for dealing with it;
- d. ensure that response letters are sent and inform the complainant of what he may do if he is unhappy with the response;
- e. ensure that complaints are dealt with at a suitably senior level;
- f. have in place a system for recording and monitoring complaints.

viii. Conduct in relation to documentation

Every insurance broker shall:

- a. ensure that any documents issued comply with all statutory or regulatory requirements from time to time in force;
- b. send policy documentation without avoidable delay,
- c. make available, with policy documentation, advice that the documentation shall be read carefully and retained by the client;
- d. not withhold documentation from its clients without their consent, unless adequate and justifiable reasons are disclosed in writing and without delay to the client. Where documentation is withheld, the client must still receive full details of the insurance contract;
- e. acknowledge receipt of all monies received in connection with an insurance policy;
- f. ensure that the reply is sent promptly or use its best endeavours to obtain a prompt reply to all correspondence;
- g. ensure that all written terms and conditions are fair in substance and set out, clearly and in plain language, client's rights and responsibilities; and
- h. subject to the payment of any monies owed to it, make available to any new insurance broker instructed by the client all documentation to which the client is entitled and which is necessary for the new insurance broker to act on behalf of the client.

ix. Conduct in matters relating to advertising

Every insurance broker shall:

- a. ensure that statements made are not misleading or extravagant;
- b. where appropriate, distinguish between contractual benefits which the insurance policy is bound to provide and non-contractual benefits which may be provided;
- c. ensure that advertisements shall not be restricted to the policies of one insurer, except where the reasons for such restriction are fully explained with the prior approval of that insurer;

- d. ensure that advertisements contain nothing which is in breach of the law nor omit anything which the law requires;
- e. ensure that advertisement does not encourage defiance or breach of the law;
- f. ensure that advertisements contain nothing which is likely, in the light of generally prevailing standards of decency and propriety, to cause grave or widespread offence or to cause disharmony;
- g. ensure that advertisements are not so framed as to abuse the trust of clients or exploit their lack of experience or knowledge;
- h. ensure that all descriptions, claims and comparisons, which relate to matters of objectively ascertainable fact, shall be capable of substantiation

x. **Conduct in matters relating receipt of remuneration**

Every insurance broker shall:

- a. disclose the rates/remuneration and commission it would charge for different services provided.
- b. advise the client in writing of the insurance premium and any fees or charges separately and the purpose of any related services;
- c. If requested by a client, disclose the amount of remuneration or other remuneration it receives as a result of effecting insurance for that client. This will include any payment received as a result of securing on behalf of the client any service additional to the arrangement of the contract of insurance; and
- d. advise its clients, prior to effecting the insurance, of their intention to make any deductions from the amount of claim collected for a client, where this is a recognized practice for the type of insurance concerned.

xi. **Conduct in relation to matters relating to training**

Every insurance broker shall:

- a. ensure that its staff are aware of and adhere to the standards expected of them by this code;
- b. ensure that staff are competent, suitable and have been given adequate training;
- c. ensure that there is a system in place to monitor the quality of advice given by its staff;
- d. ensure that members of staff are aware of legal requirements including the law of agency affecting their activities; and only handle classes of business in which they are competent;

- xii. Every insurance broker shall display in every office where it is carrying on business and to which the public have access a notice to the effect that a copy

of the code of conduct is available upon request and that if a member of the public wishes to make a complaint or requires the assistance of the Authority in resolving a dispute, he may write to the Authority.

- xiii. An insurance broker as defined in these regulations shall not act as an insurance agent of any insurer.
- xiv. Every insurance broker shall abide by the provisions of the Financial Services Act of Bhutan 2011, rules and regulations made there under which may be applicable and relevant to the activities carried on by them as insurance broker.