GENERAL INSURANCE AGENCY MANAGEMENT FRAMEWORK

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General Insurance Association of Singapore
www.gia.org.sg

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1 Best Practices Guidelines for Agency Management

1.1 The Best Practices Guidelines for Agency Management ("the Best Practices Guidelines") are made by the Agents' Registration Board ("the Board") of the General Insurance Association of Singapore ("GIA") pursuant to the provisions of the General Insurance Agents' Registration Regulations ("the Regulations"), as recommended by a sub-workgroup formed by GIA and after considering feedback obtained by GIA following the publication of a Consultation Paper on General Insurance Agents Management Framework in July 2004.

1.2 The Best Practices Guidelines are intended to serve as a guide to Members ("Members") of GIA in the management of their Agents, Nominee Agents and Trade Specific Agents (TSA) registered with the Board.

1.3 The Best Practices Guidelines should be observed by all Agents, Nominee Agents, TSAs, and their nominee agents wherever applicable.

1.4 The Best Practices Guidelines provide guidance in the following 5 functional areas:

a) Agency Development (recruitment, assessment, selection and registration)

b) Agency Contract Administration and Record Keeping

c) Agency Training and Support

d) Agency Supervision and Management

e) Discipline and Complaints Handling

1.5 <u>Agency Development</u>

1.5.1 <u>Recruitment</u>

a) Members should have clear agency recruitment policies.

b) The selection process should be fair and transparent.

c) The recruitment policies should be aligned with and reflect the Members' business objective and strategy.

d) The recruitment policies should be consistent with the Members' obligations to meet all legal and regulatory requirements.

e) In a recruitment exercise, Members should avoid misrepresentation and should provide clear and accurate information in their recruitment materials so that prospective applicants can make informed decisions.

f) Members should provide at the outset information relating to:

i. the required minimum qualifications and work experience required by the Members;
ii. the Fit and Proper Criteria set out in Appendix A of the Regulations;
iii. the specified requirements and business expectations of the Members; and
iv. the registration requirements approved by the Board.

g) Members should make known their selection process and the time frame within which an application will be processed.

h) Members should not recruit any prospective applicants for appointment as their agents or be represented by any agents if the prospective applicants or the agents are registered with the Accounting and Corporate Regulatory Authority of Singapore (ACRA) with a name that is not reasonably appropriate or suitable for the business of general insurance agencies as required under Section 5(1C) of the Insurance Act.

1.5.2 Assessment, selection and registration

a) Members should set up within their organisation a unit to process agency applications.

b) The unit will be responsible for making the fitness and propriety assessment of the applicants, their selection and their subsequent registration with the Board.

c) The procedures and authority for the handling of applications, making of fitness and propriety assessment, selection and registration should be clearly defined and documented.

d) Members should adopt a formal process based on fair and open assessment and selection.

e) Members should have clear statements relating to:

i. all mandatory minimum qualifications and criteria (in line with the Fit and Proper Criteria established by the Board);
ii. the scope and limitation of the appointment;
iii. the procedural requirements for submission of registration application with the Board; and
iv. the evaluation and selection process.

f) The evaluation process should ensure that all applicants are consistently and objectively evaluated.

g) The staff within the unit processing the applications should have clear responsibilities and reporting lines.

h) The evaluation of applications should be carried out by a designated officer or a committee of individuals who are fully informed of the mandatory minimum qualifications and criteria (including the Fit and Proper Criteria, the Member's business objectives, strategy and other requirements).

i) The designated officer or the committee evaluating the application should not have any family links with the applicant so that their evaluation will not be impaired.

j) If there are any family links between the designated officer/the committee and the applicant, it should be brought to the attention of the senior management and any decision made on the application should be endorsed by the senior management.

k) In determining an applicant's competence, Members should consider whether the applicant:

i. satisfies the minimum entry requirements; and
ii. is capable of performing his duties as a general insurance agent in view of his training and experience.

l) In evaluating the applicant's financial soundness, Members should consider the adequacy of the applicant's financial resources.

m) Members should ensure that the applicant:

i. is not an undischarged bankrupt or has not been adjudged or declared insolvent by any relevant authority;
ii. is not the subject of a pending bankruptcy, winding up, judicial management or receivership proceeding;
iii. has not entered into a compromise or scheme of arrangement with creditors which is still in force at the time of the application; and
iv. does not have any judgment debt which has not been satisfied within 7 days from the date of judgment.

n) Members should also assess whether the applicant is exposed to any cash flow problem and is able to service his debts. If an applicant's financial resources are questionable, members should consider taking steps to minimise the credit and transfer risks by allowing a lower "Transaction Limit" for transactions exempt from APPR.

o) Members should consider whether the applicant is appropriately organised and has the resources to comply with the terms of the agency agreement. Members should consider whether the applicant has the resources and ability to manage the credit terms extended to it as a credit agent. If there is any doubt in this regard, Members should consider approving the application only for a cash agency i.e. for appointment as a cash agent for transactions exempt from APPR.

p) In considering an applicant's reputation and integrity, Members should ensure that the applicant has not been convicted of any criminal offences relating to financial activities, particularly offences involving fraud, misrepresentation or dishonesty or offences under the various insurance and financial services legislations and regulations.

q) Members should:

i. require the applicant to verify any information given by the applicant in a manner that is satisfactory to the Members;
ii. verify the information given by the applicant with the central database maintained by GIA;
iii. carry out enquiries and searches with the relevant authorities, trade associations and/or other Members as may be considered appropriate; and
iv. view the place of business of the applicant, if necessary;

r) As access to information relating to conviction of criminal offences is not readily accessible for verification purposes, Members may wish to require the applicant to make a declaration of non-conviction and to share factual information that Members may have that reflects on an applicant's fitness and propriety with other Members via the central database maintained by GIA.

s) If information is circulated or made available by the authorities, e.g. information relating to winding up, bankruptcy, receivership, judicial management, Members having such information should input and update the information at the central database maintained by GIA to assist other Members in their verification of applications.

t) If there is any doubt as to an applicant's reputation, Members should resolve the doubt before appointing the applicant as a general insurance agent. For example, if an applicant's previous representation had been terminated, the Member should take reasonable steps to find out the reasons for the termination and consider the suitability of the applicant for appointment in view of the reasons for the previous termination.

u) If an applicant is selected for appointment when the applicant does not meet a Member's selection criteria, the selection and the reasons for the selection should be brought to the attention of the Member's senior management.

v) All selection decisions and appointment of agents should be properly documented. All appointments should be reported to the Members' senior management on a regular basis, preferably on a quarterly basis.

w) All appointments of agents must be conditional upon and subject to the applicant's application for registration being approved by the Board or the agent having a valid registration with the Board.

1.6 Agency Contract Administration and Record Keeping

a) Before an applicant is appointed as an agent, the Member should clearly and fully brief the applicant of all the terms and conditions of the intended appointment so that an applicant is fully aware of the scope of the applicant's authorities, rights, liabilities and obligations.

b) An applicant should be appointed in writing.

c) The agency agreement should follow closely the terms and conditions set out in the draft agency agreement (Appendix E1) annexed to the Regulations, as far as possible, with such additions and amendments as may be considered necessary by the Member's senior management.

d) The original copy of the signed agency agreement should be kept by the Member and a duplicate copy of the signed agency agreement should be given to the agent, with acknowledgment of receipt.

e) The Member should clearly and fully brief the applicant of the requirements and the agent's obligations as set out in the agency agreement and Regulation 9 of the Regulations.

f) Members may wish to consider imposing a "Transaction Limit" on each of their agents for transactions exempt from APPR.

g) The "Transaction Limit" refers to the maximum unpaid premium commitments of the agent at any one time in respect of business placed by the agent with the Member.

h) In determining the "Transaction Limit", Members should take into account the estimated business volume and business profile of the agent and the duration of the credit period granted to the agent.

i) The "Transaction Limit" may be stated in the agency agreement but with a proviso that it may be revised by the Members in writing from time to time. The Members may review the limit periodically (e.g. annually) or on an ad hoc basis as and when required by the Members.

j) The "Transaction Limit" requirement may be waived by any Member on a case-to-case basis as may be approved by the Member's senior management.

k) Members may wish to make provision in the agency agreement to provide for the running-off of an agent's business portfolio if the agency agreement is terminated.

l) When an agency is terminated, the Member terminating the agency should inform the policyholders of the cessation of representation as soon as practicable, and preferably no later than 1 month from the termination date.

m) When an agency is terminated, the Member terminating the agency may invite the policyholders concerned to continue or renew their policies with the Member on a direct basis or through the representation of another agent of the Member.

n) The Member terminating the agency should clearly and fully explain the options available to the policyholders concerned and the decisions of the policyholders should be properly documented.

1.7 Agency Training and Support

a) All training and competence requirements are intended to ensure that minimum competency standards are achieved and maintained in the interest of consumers.

b) Members should ensure that their agents are properly and adequately trained and that adequate competency standards are achieved before allowing an agent to carry on insurance business as an agent on the Member's behalf.

c) Members should keep proper and adequate records of the names and particulars (including qualifications) of their agents and nominee agents.

d) Members should verify an applicant's qualifications at the time of recruitment.

e) Members should seek information on an applicant's training and competency records and status from other Members previously or currently represented by the applicant, or from GIA or the Board.

f) Members should provide their agents, particularly all newly appointed agents who are joining the general insurance industry as agents for the first time, with appropriate induction training.

g) The induction training should be organised to familiarise the agent on the Member's:

i. business objectives and strategy;
ii. services and products;
iii. underwriting philosophies, standards and requirements;
iv. administrative structure and reporting lines and the names of the Member's servicing staff;
v. internal systems, procedures and documentation practice; and
vi. rules and expectations.

h) Upon completion of the induction training, the supervising officer should conduct a proper signing-off and the servicing staff should be informed accordingly.

i) Members should identify continuing competence needs of their agents and arrange for training programmes to assist their agents to maintain continuing competence and to satisfy the Continuing Professional Development (CPD) requirements as may be determined by the Board from time to time.

j) Members should provide a list of available accredited training programmes to their agents on a regular basis.

k) Members will have to maintain proper and adequate records to keep track of the CPD hours completed by their agents and update regularly the central CPD records repository maintained by GIA or the Board.

l) The records should show:

i. details of the agent's qualifications (including valid exemption) and work experience;
ii. details of accredited training programmes attended and the hours credited;
iii. the total CPD hours achieved by the agent and the shortfall that the agent must make up in order to comply with the CPD requirements for the year.

m) Members may advise all their agents in writing of the CPD requirements for the current year and the CPD hours achieved by the agents periodically.

n) Members will have to issue reminders to their agents who have not achieved the total required CPD hours by the end of the third quarter of the current year.

o) Members may total up the CPD hours achieved by each of their agents as at 1st December of the current year and advise and remind their agents of the sanctions for non-compliance as provided in the Regulations.

p) If an agent fails to comply with the CPD requirements and the agent's registration with the Board is cancelled, the Members represented by the agent should terminate the respective agency agreements immediately and notify the Board accordingly.

q) The termination of an agent's agency agreement and the reasons for the termination should be brought to the attention of the Member's senior management forthwith.

r) Members should render monthly statements to their agents, listing the insurance business transacted for the month.

s) The monthly statement should be sent to the agent no later than 1 week after the close of the month's accounts.

t) The monthly statement for transactions exempt from APPR should show:

i. the gross premium position of each policy;
ii. the premium outstanding in respect of each policy aged from the commencement date of the policy; and
iii. the amount of commission due to the agent based on premium that has been settled.

u) Members should render annual statements to their agents within 3 months after the close of the accounts for the year.

v) All benefits accruing to the agents for the year, subject to the provisions of the agency agreement, should be finalised and the agents advised accordingly.

1.8 Agency Supervision and Management

a) Members should take reasonable steps:

i. to establish and maintain an effective system with appropriate controls to ensure that their agents comply with the terms of their agency agreements and do not engage in prohibited activities; and
ii. to ensure that their managing and supervising unit is fully familiar with:

1. the scope of appointment of their agents;
2. the permitted and prohibited activities of their agents; and
3. all other company-specific requirements expected of their agents.

b) Members should issue a handbook to their agents.

c) The handbook should set out the Member's internal procedures on matters such as:

i. risks placement;
ii. premium collection;
iii. claims process;
iv. commission;
v. benefit payment

and the code of conduct and ethics expected to be complied by their agents.

d) The handbook should require the agents to seek prior approval from the Member before using the agents' own marketing or promotional materials (including materials to be published via an electronic medium) relating to the Member's products or services. A copy of the approved material should be retained by the Member for record and reference.

e) Members should ensure that their agents comply strictly and fully with the Members' credit control policy for transactions exempt from APPR.

f) The Members' system will have to be capable of monitoring the outstanding premium position of each agent relative to the inception date of the policy for transactions exempt from APPR.

g) Members should:

i. have clear policy statements and recovery procedures in respect of debts owing by policyholders;
ii. make known to their agents how recovery actions are to be co-ordinated between the Members and the agents;
iii. state the circumstances under which debts may be written off;
iv. state the appropriate authority for writing off debts;
v. state the indemnities which will be recovered from the agents for bad debts incurred;
vi. assist their agents in recovering the losses from the policyholders; and
vii. make known to their agents the scope of the Members' assistance including the apportionment, if any, of legal costs that may be incurred in recovery action.

h) Members will have to verify annually critical information relating to matters such as:

i. compliance with CPD hours;
ii. ownership structure of the agent's business or setup;
iii. nominee agents' identities; and
iv. Fit and Proper Criteria.

i) For purpose of verification of the Fit and Proper Criteria, Members should obtain annual declarations from their agents. For agents that are not individuals, Members should obtain annual declarations from their controllers, sole-proprietors, managers of limited partnerships and limited liability partnerships, partners, directors, and office bearers for the Financial Soundness and Honesty, Integrity, and Reputation requirements of the Fit and Proper Criteria.

1.9 Discipline and Complaints Handling

a) Members should have in place an appropriate and effective set of internal complaint handling procedures.

b) The procedures should:

i. be documented in writing;
ii. incorporate the steps that should be taken on the investigation and information gathering process; and
iii. provide for the appointment of one or more competent officers within the Member's organisation for the carrying out of investigation.

c) A case report should be prepared in respect of every investigation that is carried out.

d) The result of the investigation should be considered by a committee comprising members of the Member's management.

e) If the case report shows that an agent has committed any breach or contravention of any of the provisions and requirements set out in the Regulations, the agent's agency agreement and/or the code of conduct or ethics established by the Member, the Member should send a copy of the complaint or complaints and a summary of the findings to the agent under investigation.

f) The Member will have to require the agent to submit an explanatory or exculpatory reply within 14 days. If the Member is not reasonably satisfied with the explanation given by the agent, the Member should consider taking such action as may be necessary such as the suspension of the agent or the termination of the agency agreement.

g) All disciplinary actions taken by a Member against the Member's agents should be documented and reported to the Member's senior management.

h) In addition to the internal complaint handling process, Members should have in place an internal dispute resolution process for resolving disputes that may arise between the Member and the Member's agents so that the parties can try to resolve their disputes without resorting to arbitration or legal proceedings, wherever possible.

i) The dispute resolution process should be documented in writing.

j) If the dispute is not resolved through the Member's internal dispute resolution process, the Member may have to consider resolving the dispute through an external dispute resolution process.

2 Additional Agency Management Framework applicable to TSA where there is an appointed Principal Agent

2.1 Definition of Principal Agent

In this additional framework, "Principal Agent" means any Board registered General Insurance Agent engaged by a Member to provide an insurer with a service that may already or may conceivably be performed by the insurer itself in relation to the administration of TSAs.

2.2 Tripartite Agreement among Insurer, Principal Agent and TSA

Members who choose to appoint a Principal Agent shall enter into a Tripartite Agreement with its Principal Agent and each TSA in the form set out in Appendix E2 of GIARR.

2.3 Roles and Responsibilities of Principal Agent

A Board registered General Insurance Agent who is appointed as the Principal Agent will have the following primary roles and responsibilities:

a) provide the TSA with timely and accurate technical advice including insurance coverage, billing inquiries and such other insurance services relating to the insurance to be provided by the TSA;

b) process and submit all insurance applications including renewals, policy changes and cancellation requests to the Principal of the TSA;

c) ensure that premiums for transactions exempt from APPR received by the TSA are collected and remitted to the Principal within the agreed credit period;

d) ensure that refund premiums for transactions exempt from APPR received from the Insurer by TSA are returned to the policyholder in the event of a cancellation of policy or policy changes;

e) coordinate with TSA the submission of all claims documents relating to the insurance policy issued with the Insurer.

2.4 Roles and responsibilities of the TSA

The TSA will, subject to the agreement with its Primary Principal, have the following roles and responsibilities:

a) authorised to solicit, provide insurance advice and receive proposals and applications on behalf of its Principal in respect of the trade specific class of insurance business;

b) authorised to receive and deal with the premiums collected in the manner provided for in the Tripartite Agreement;

c) possess Certificate in Proficiency offered or assessed by Singapore College of Insurance on the specific trade for which registration was approved or renewed by the Board;

d) shall not accept or make any proposal or offer, or renew, extend, vary or reinstate any insurance policy on behalf of the Principal;

e) shall not cancel or avoid any proposal or offer accepted by the Principal or any insurance policy issued by the Principal;

f) shall not deal with, negotiate, admit or settle any claims on behalf of the Principal;

g) shall not complete or sign any claim form or document of behalf of the Principal;

h) shall not incur any liability or debt on behalf of the Principal;

i) shall not delegate any of the TSA's functions and duties to any person except the TSA's Nominee Agents registered with the Board;

j) shall not assign or otherwise transfer any of the TSA's rights or obligations under the Tripartite Agreement;

k) shall not do anything that may diminish or damage the Principal's business reputation or brand name;

l) shall not appoint any sub-agent or engage the services of any sub-agent to arrange insurance business for the Principal;

m) shall not institute or defend or take part in any dispute resolution, mediation, arbitration or legal proceedings in connection with any matter relating to the business of the Principal.