

Draft OCI Guideline 1.2: Principles of Regulation of Insurance Agents

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1.0 Background

- 1.1 The Office of the Commissioner of Insurance is responsible under the Insurance Act 1998 (hereinafter referred to as the "Act") for the supervision of insurance sales in Guyana. This Act was brought into operation on 18 December 2002.
- 1.2 All agents must be registered with the OCI under the Act.
- 1.3 This guideline outlines the principles under which insurance agents for local insurance companies will be registered in accordance with the requirements of the Act.

2.0 Corporate Agents and Main Representatives

- 2.1 The Act covers both individual and corporate agents and the term agent applies to both individual and corporate agents.
- 2.2 A corporate agent is a firm or body corporate, incorporated in Guyana, that is appointed by an insurer to place insurance business with that insurer on behalf of that insurer but is not a broker.
- 2.3 If the insurer represented by a corporate agent is an external insurer and the corporate agent is an insurer incorporated in Guyana, the corporate agent is deemed to be a branch of the external insurer and must appoint a main representative of the external insurer for the purposes of this Act.
- 2.4 Main representatives effectively act as agents for external insurers or underwriters and are subject to a separate guideline (currently being drafted). Until the main representatives guideline is issued, main representatives should familiarise themselves with the contents of this guideline and follow its requirements as closely as possible.
- 2.5 A separate guideline (currently being drafted) will be issued for corporate agents. Until the corporate agents guideline is issued, corporate agents should familiarise themselves with the contents of this guideline and follow its requirements as closely as possible.

3.0 Insurance Association of Guyana (“the IAG”)

- 3.1 The IAG has been delegated responsibility for upholding the OCI principles and requirements that ensure agents are and remain suitably qualified and able to conduct themselves in an appropriate manner.
- 3.2 The IAG’s statutory role regarding supervision of insurance agents became effective on 31 December 2003 and is subject to regular review by the Commissioner of Insurance.
- 3.3 Details of the responsibilities accepted by the IAG are available from the IAG or the OCI. In particular the IAG is responsible for the registration and supervision of insurance agents, but not main representatives, branches of external insurers or brokers.
- 3.4 The IAG shall ensure all insurance companies are aware of their responsibilities under the Act regarding the conduct, training and qualification of their agents.

4.0 OCI Principles

- 4.1 All agents must be aware and comply with the statutory requirements of the Act and all relevant OCI guidelines and regulations.
- 4.2 Agents must be knowledgeable of insurance products they are selling and able to explain how they work clearly so that the prospective policyholder understands what he is committing himself to. This includes an ability to explain clearly:
 - a) The limitations of those products as well as their advantages
 - b) The underwriting requirements and the claims procedures
 - c) The financial obligations of the policyholder if the sale proceeds
 - d) Any restrictions or conditions of the policy that might affect the cover provided
 - e) After sales service
 - f) Their responsibility and role in representing the insurance company
- 4.3 Agents should understand that they have a professional and moral obligation to the public, other agents and brokers and the insurer(s) they work with. In particular:
 - a) Agents should avoid potential conflicts of interest. If they are concerned about this or believe conflict of interest is unavoidable they should first consult with the OCI and IAG
 - b) No agent should churn business or encourage any policyholder to lapse, surrender, withdraw or make paid-up any insurance policy they currently have in place. This does not prevent agents from giving information and/or answering direct questions from the prospective policyholder but this should be within the boundaries of the agent’s training and qualifications
 - c) An agent shall not solicit insurance business outside the terms of his appointment
 - d) Agents shall treat all information supplied by the prospective policyholder as confidential to himself and the insurer to which the business is being offered, unless the prospective policyholder’s consent is obtained
 - e) Agents shall forward without delay any money received on behalf of an insurer. If there is a delay, agents should inform the insurer within 5 working days of receiving the money and agree on when and how monies owed to an insurer will be repaid. Proper documentation of all such agreements should be kept
 - f) Agents shall keep proper account of all financial transactions with a prospective policyholder, including receipts

- 4.4 Agents must accurately represent themselves and the products they are selling by performing the following for each type of policy sold:
- a) At the beginning of the sale, the agent must:
 - i. State their identification, show their registration card and point out the type of insurance business he is qualified to sell
 - ii. State the insurer that they represent
 - iii. Explain that the insurance company remunerates them for the sale of the policy. For corporate agents, the policyholder must also be informed that the insurers remunerate the corporate agent for the insurance business. In all cases, if commission is paid, the agent must explain how commission works and that commission is only paid if the business is accepted
 - iv. Explain that the policyholder is under no obligation to buy any of the products they are selling and that they may change their mind at any point during the sales process without any financial implications
 - v. Explain that the policyholder is free to purchase insurance cover from other insurance companies
 - vi. Explain whether any non-insurance transaction the agent may be advising or may have agreed on with the prospective policyholder or any other insurance policy held by the prospective policyholder may be affected by the prospective sale. The prospective policyholder should not be pressured or impressed upon that they must accept insurance sold by a particular agent to proceed with other transactions associated with that agent
 - vii. Explain if discounts are available for the purchase of insurance and what the value of this discount is in monetary terms and as a proportion of the total premiums they would pay to the insurance company over the full term of the contract(s)
 - viii. Enquire whether the prospective policyholder has any existing insurance cover and ensure there is no overlap or that the prospective policyholder is purchasing unnecessary cover
 - ix. Not offer advice or make implications or suggestions about any insurance business other than that for which he is qualified
 - b) During the proposal stage, the agent must ensure that the prospective policyholder is in full understanding of what is being discussed and about the limitations of the product(s) being discussed, including what happens if a premium is not paid, if a claim is made and what happens if the policy lapses or is surrendered or cancelled as applicable
 - c) At the end of the sale, if the prospective policyholder wishes to proceed, the agent must:
 - i. Once again, stress the parts a) (iv) and a) (v)
 - ii. Ensure the prospective policyholder reads, understands and signs the necessary documentation. This may include a point of sale document issued by OCI.
 - iii. Ensure the prospective policyholder receives copies of all the documentation he has signed
 - iv. Inform the prospective policyholder of the cooling-off or cancellation notice period and what action the prospective policyholder can take in this period and afterwards
 - v. Provide a written and signed (by the agent) document outlining what other documentation the prospective policyholder can expect to receive and when
 - vi. Explain to the prospective policyholder the role of the body supervising the sales of insurance by agents (the IAG) and the overall regulator (the OCI)

- vii. Provide the prospective policyholder with contact details for the agent, a contact point of senior sales management and the contact details of the IAG and the OCI
 - viii. Provide a receipt to the policyholder for all money received in connection with an insurance policy. The agent shall also ensure he has received similar acknowledgement from the insurer when the money is paid
- 4.5 Agents must have and maintain an adequate level of knowledge and understanding of insurance, products, legislation, selling techniques and etiquette. In addition to the following requirements, agents should be personally aware of their responsibility to meet this principle and endeavour to exceed the minimum requirements herein:
- a) Initial qualifications for new applicants of registration under the 1998 Act (TBC)
For example passes at CXC English and Maths or equivalent, references (if previously employed or older than 26), police clearance, minimum age 17
 - b) Initial examination for new agents to test knowledge and understanding. The syllabus should include all applicable legislation and OCI Guidelines and Regulations
For example the exam should test knowledge and understanding on products, selling techniques, legislation, the contents of the appropriate OCI guidelines (including OCI Guideline 1.1) and OCI regulations and IAG rules and regulations.
 - c) On-going training for all registered agents. This should be on an annual basis
In-house courses (signed attendance certificate or letter from insurer required or the controller of the corporate agent as applicable), OCI seminars, IIG courses and other local and international courses are examples that could satisfy this requirement.
 - d) On-going evaluation for registered agents. This includes a coding system maintained by the IAG regarding conduct and debt status of agents
For example a letter from insurer citing the standard of performance and any reservations it has (format to be confirmed), any complaints that have been made against the agent over the year. It is possible that assessments within each 3-year period after the last exam taken are required for agents. Also at application for renewal of registration the agent must complete the necessary documentation and satisfy the requirements of the IAG rules.
- 4.6 Agents are responsible for ensuring their registration is valid and applying for initial or renewal registration as applicable.
- 4.7 Agents must disclose as soon as possible any changes in their circumstances from what was declared at the most recent registration.
- 4.8 Agents should inform the IAG or the OCI of any wrongdoing by insurance companies, brokers or other agents.
- 4.9 Violation of these principles or the requirements of the Act will result in immediate suspension of registered status until a full investigation is complete. Some violations or series of violations (to be confirmed) will result in the registration of insurance agents under the legislation being permanently cancelled or in fines.