

**Decision No. E/ 19 /2017**

**Regulation for Insurance Brokers` Business**

Pursuant to the Insurance Companies Law promulgated by Royal Decree 12/79; and  
The Capital Market Law promulgated by Royal Decree No. 80/98; and  
Royal Decree No. 90/2004 transferring insurance jurisdiction from the Ministry of Commerce and Industry to the Capital Market Authority; and  
The Executive Regulation of the Insurance Companies Law issued by Ministerial decision No. 5/80; and  
The Executive Regulation of the Capital Market Law issued by decision No. 1/2009; and  
The Regulation of Insurance Brokers` Business issued by decision No. E/53/2013; and  
The approval of Capital Market Authority's Board of Directors; and  
The approval of the Ministry of Finance;  
And in the interest of the public,

**It has been decided**

**Article (1):** The attached Regulation shall be applied for regulating the Business of Insurance Brokers.

**Article (2):** Insurance brokers licensed at the date the attached Regulation comes into force, shall adapt their status pursuant to the provisions of this Regulation within a term not exceeding twelve (12) months from the Regulation`s application date. Such term may be extended by the Executive President for not more than further six months.

**Article (3):** Decision No. E/53/2013 referred above shall be repealed as well as anything that infringes this Regulation or contradicts its provisions.

**Article (4):** This decision shall be published in the Official Gazette and shall come into force on the day following the date of publication.

**Abdullah Salim Abdullah Al Salmi**

**Executive President-Capital Market Authority**

Issued on: 25 Rajab 1438 H

Corresponding to: 23 April 2017

# **Regulation for Insurance Brokers` Business**

## **Chapter I**

### **Definitions and General Provisions**

**Article (1):** In the application of this Regulation the following words and expressions shall have the meaning shown along with them unless the context otherwise requires:

1. **CMA:** The Capital Market Authority.
2. **Executive President:** Executive President of the Capital Market Authority.
3. **Insurance Company:** A company licensed by CMA
4. **Broker:** A juristic person licensed by CMA to practice the brokerage business in insurance.
5. **License:** The final approval decision issued by CMA for practicing legally the brokerage business in insurance.
6. **Register:** Brokers' register at CMA.
7. **Insurance Brokerage Business:** The business practiced by the insurance broker including brokerage in insurance, reinsurance or both activities.

**Article (2):** Practicing brokerage in insurance is not permitted unless the entity is licensed by CMA.

**Article (3):** The license shall be permitted for the following categories:

1. Insurance broker.
2. Reinsurance broker
3. Insurance and reinsurance broker.

**Article (4):** The insurance company shall be obligated to the following:

1. Pay the commission due, to the broker within seven (7) working days from the insurance premium receipt date.
2. Insurer not permitted to pay the indemnities of clients or beneficiary to the broker, otherwise the insurance company shall not be exonerated toward the client or beneficiary unless the client or beneficiary actually receives such indemnity, provided

that the matter must be agreed upon in the agreement between the broker and the insurer.

**Article (5):** The broker who is licensed to practice insurance brokerage business shall get the commission from the insurance company. The broker who is licensed to practice reinsurance business shall get the commission in consideration of the service.

## **Chapter II**

### **Licensing Requirements**

**Article (6):** An application for obtaining a license shall be in CMA's application form attached with the following documents and statements:

1. Applicant's name, legal form and address.
2. Bank certificate proving that the capital of the applicant for the license is not less than RO 100,000 paid up in full.
3. Names of founders and their nationalities.
4. Names of board members (if any) and their nationalities.
5. Fee payment receipt for licensing application consideration.
6. Statement that founders, board members and executive management have not been declared, over the five years prior to the licensing application, as bankrupt or convicted in a felony or dishonorable crime or punished for an offence stated in the Commercial Companies Law, Commercial Law, Capital Market Law and Insurance Companies Law unless rehabilitated.
7. True copy of the constitutive contract, articles of association and registration certificate in the Commercial Register indicating the business is limited to carrying out insurance brokerage business and copy of the membership in the Oman Chamber of Commerce and Industry.
8. True copy of authorized Signatories form.
9. Indication of employing full time manager to supervise insurance brokerage business.
10. Employment plan of the company, training and qualification of employees.
11. Economic feasibility study approved by a consultant firm in the Sultanate
12. Undertaking to provide independent office for operating a brokerage business.
13. Enclosing related documents or statements –*if necessary*-determined by CMA.

**Article (7):** The manager appointed to manage insurance brokerage business shall meet the following terms and conditions:

1. Has one of following qualification certified by the competent entities:
  - a. Fellow or associate of chartered insurance institute such CII or CPCU or any professional institute approved by CMA in addition to technical experience in the field of insurance for at least five (5) years in insurance underwriting or managing insurance companies or insurance brokerage`s management.
  - b. Master`s Degree in insurance or finance or economics in addition to technical experience in the field of insurance for a period of at least five (5) years in insurance underwriting or managing insurance companies or insurance brokerage`s management.
  - c. Bachelor`s Degree in insurance or finance or economics in addition to technical experience in insurance for a period of at least seven (7) years in insurance underwriting or managing insurance companies or insurance brokerage`s management.
  - d. Diploma`s Degree in insurance or finance or economics in addition to technical experience in insurance for a period of at least (10) years in insurance underwriting or managing insurance companies or insurance brokerage`s management.

*(CMA may conduct a test and interview for the manager).*

2. Shall be good conduct and not dismissed from the previous workplace for disciplinary reasons.
3. Any other related terms and conditions specified by CMA.

**Article (8):** The following documents shall be attached with the licensing application:

1. True copy of third party professional indemnity policy issued by an insurer licensed in the Sultanate on the terms and conditions approved by CMA. The amount of the cover shall be at least three folds the projected annual income in the feasibility study provided on licensing for the first time or RO 100,000 whichever is higher. The amount of the policy in the following years shall be at least three folds of the annual income of the past year or RO 100,000, whichever is higher, and shall be renewed annually throughout the validity term of the license.

2. Bank guarantee issued by a bank operating in the Sultanate valid throughout the term of the license at RO 75,000 (Seventy Five Thousand Rials) for insurance broker and RO 150,000 (Hundred and fifty Thousand Rials ) for reinsurance broker, and RO 200,000 (Two Hundred Thousand Rials) for insurance and reinsurance broker, to guarantee the rights of third parties with the broker arising out of the insurance brokerage business.
3. Indication of payment of prescribed licensing fees.

### **Chapter III**

#### **Licensing, Registration and Renewal Procedures**

**Article (9):** CMA shall consider the applications and take one of the following actions:

1. Where the application meets the terms and conditions, statements and documents the applicant shall be notified and shall provide the documents relating to financial guarantees such as (professional indemnity policy, bank guarantee and licensing fees), in addition to providing evidence of furnishing a place to practice the business maximum within ninety (90) days from the date of notice.
2. Where the application doesn't meet the terms and conditions or the initially required documents notice shall be served on the applicant to complete the missing items within thirty (30) days from the date of the notice. Where the requirements are not met within the said term the application shall be deemed cancelled. Applicant, whose application is cancelled shall not submit new application except after three (3) months from the date of cancellation of the previous application

**Article (10):** The Executive President shall issue the licensing decision within sixty (60) days from the date of completing all the required statements and terms and conditions, and if no decision is made after this period, it will be considered as rejection of the application.

**Article (11):** An insurance broker shall be registered in the register, and shall be given an approved certificate proving registration in the register and its number. The brokers shall be obligated to refer, in all its documents, to the registration number and shall notify the CMA of any change in the details registered in the register.

**Article (12):** The license shall be valid for three (3) years and may be renewed for the same period on the request by the broker at least thirty (30) days prior to the date of expiry as per the terms and conditions set out in the form prepared by CMA for this purpose.

**Article (13):** The broker shall commence business within six (6) months from the date of issuance of the license.

**Article (14):** The broker may apply for opening a branch as per the form prepared by CMA after the lapse of one (1) year from the date of the license, provided all the employees of the branch shall be Omanis. The appointment of branch manager shall be subject to the terms and conditions of CMA. No branch shall be opened unless the broker complies with all the laws, regulations, terms and conditions, financial requirements, Omanization and empowerment ratios issued by CMA.

**Article (15):** The Executive President may, in the context of regulating the insurance brokerage sector, suspend issuing new licenses for specific terms provided the decision in this respect shall be for cause. New licenses shall not be issued unless the national economy and the insurance sector are able to accommodate the same.

## **Chapter IV**

### **Broker`s Obligations**

**Article (16):** An insurance broker shall comply with the professional and ethical code of conduct with special regard to the following:

- 1.** Integrity in all his acts.
- 2.** Maintain confidentiality in dealing with all statements and information he obtains during his work, and he shall take the proper procedures to maintain confidentiality of information and documents he possesses.
- 3.** Ensuring the policy issued by the company meets the client`s needs.
- 4.** Ensuring having an adequate mechanism for receiving complaints and remarks from a client and follow up.
- 5.** Explaining to the client all the terms and conditions of the insurance contract concluded with the client.

6. Explaining to the client the duty of disclosing all material facts when applying for insurance and the consequences of inaccurate statements or concealing information, and explaining to the client his responsibility for all statements and information in the insurance application.
7. Explaining to the client the reasons for selecting the offered policy, terms and conditions, benefits and exceptions, and shall provide comparison between the price and coverage of the proposed policy and other policies offered by other insurance companies.
8. Disclosing to the client the commission he charges the insurance company as and when required.
9. Explaining to the client the required procedures where the insured risk occurs.
10. Explaining to the client the duty of disclosing any changed to the nature of the insured risk on renewal of the policy.
11. Promptly informing the client of the company's decision in respect of the claim submitted to the company after occurrence of the insured risk and providing assistance to the client in continuing the claim procedures.
12. Explaining to the client the duty of full and fair disclosure in respect of the claim submitted to the company after occurrence of the insured risk.
13. Shall not provide the client with any incorrect or unfair information about any other company for the purpose of enticing the client to cancel a valid policy to buy new policy through him or influencing the offer made to the client by another entity.

**Article (17):** The Insurance broker shall comply with the following:

1. Shall have internal rules and regulations within three (3) months from the date of the license and shall submit copy to CMA.
2. Shall place the license in a conspicuous place at the place of business.
3. Shall ensure his employees have proper qualifications for the business.
4. Shall provide proper professional training for the employees.
5. Shall not engage the business to another broker without the written consent of the client.
6. Shall comply with Anti-Money Laundering and Combating Terrorist Financing regulations and instructions issued by CMA and other official entities.
7. Shall comply with all the directives, regulations and decisions issued by CMA.

**Article (18):** The insurance broker shall perform the following functions:

1. Prepare insurance application form and documents as and when required.
2. Endeavor to provide best insurance offer according to the client's request and best benefits.
3. Provide advice and technical consultation to the client on most suitable terms and conditions and prices.
4. Provide assistance to the insured or beneficiary on settlement of claims with the company.
5. Conclude agreement with each insurance company he deals with on the agreed terms and conditions and any other terms and conditions the CMA determines, and such agreement shall be valid throughout the term he deals with the company. Copy of such agreement shall be filed with CMA.
6. Provide information to the insurance company to assess the risks to be covered or renew the insurance with the knowledge and consent of the client.
7. Obligate the client to pay the insurance premium or any amount due from the client directly to the insurer as per the agreement between the insurer and the broker. As an exception the individual insurance premium may be collected and remitted to the insurance company within not more than seven (7) working days from the date of issuance of the policy.

**Article (19):** In addition to the functions in Article (18), the reinsurance broker who carries out brokerage business in reinsurance shall undertake the following functions:

1. Assisting the insurer in selecting reinsurers and follow up the positions of those who are awarded business and notify the insurance company of any risks that threatens their financial positions.
2. Explaining to the insurer the names of all reinsurers who are awarded business.
3. Conclude agreement with each reinsurance company he deals with on the agreed terms and conditions and any other terms and conditions the CMA determines, and such agreement shall be valid throughout the term he deals with the company. Copy of such agreement shall be filed with CMA.
4. Inform reinsurers of the expected risks and huge losses that may affect their obligations to indemnify the covered risks.
5. Collecting and remitting premiums to reinsurers.



6. Collecting indemnities from reinsurers and remitting to the insurers where the covered risk occurs.

**Article (20):** An insurance broker shall appoint an auditor from among the auditors accredited by CMA to carry out the following functions:

1. Ensure the adequacy and efficiency of internal controls.
2. Ensure the adequacy of internal manuals and systems by laws for insurance broker`s situation and his compliance with application.
3. Ensure the compliance of insurance broker with Insurance Companies Law, the regulations and decisions issued for enforcement.
4. Report to CMA any detected or suspected violations.
5. Any other functions prescribed by law.

**Article (21):** The articles of association of the broker shall determine the commencement and end of the financial year. As to the first financial year, if the broker is incorporated during the first half of the year the financial year shall end at the end of the year. If incorporated during the second half of the year the financial year shall end at the end of the next year.

**Article (22):** Insurance broker shall submit to CMA the audited annual balance sheet and financial statements within not more than ninety (90) days from the end of the financial year.

**Article (23):** Insurance broker shall duly maintain books and registers to record and keep statements, information and papers pertaining to the business including:

1. Copies of the agreements concluded with insurance companies and reinsurance companies. CMA may request making any changes to the agreements concluded between the insurer and broker to ensure the rights of all related parties and to enhance sound practices in the industry.
2. Communications pertaining to the business.
3. Copies of insurance policies the client concludes with the insurance company.
4. Copies of payment, reimbursement vouchers, bookkeeping, settlements and other financial transactions pertaining to insurance brokerage business.
5. Bank accounts of insurance broking business.

**Article (24):** An insurance broker shall not:

1. Act as insurance agent or authorized agent for foreign insurance company carrying out business in the Sultanate.
2. Be a partner in another insurance broker operating in the Sultanate.
3. Hold shares in an insurance company at more than 5% of its capital.
4. Its founders or management or employees shall not be working for insurance companies or brokers or agents licensed in the Sultanate.
5. Combine the roles of insurance and reinsurance businesses for the same insured undertaking.
6. Issue insurance policies or make any settlement of indemnity unless authorized to do so by the insurer.
7. Make any change to an insurance application or to the policy issued by an insurance company or sign on behalf of the client.
8. Shall not rely on one insurance company in his business and shall submit to CMA, within ninety (90) days from the end of each financial year, the statement approved by the external auditor showing:
  - a. The number and names of insurance companies with which he deals during the financial year. If the number is less than three (3) companies he shall state the reasons.
  - b. The commissions accruing from each company for the past year. If the commissions from any company exceed 35% of the total commissions, he shall state the reasons to justify this.
9. Obtain any interests on the funds deposited in the accounts of insurance brokerage business and shall not keep such funds as fixed deposits or obtain credit facilities or loans secured by such funds.

## **Chapter V**

### **Audit and Broker's Accounts**

**Article (25):** Insurance broker shall segregate clients' funds from its funds according to the following terms and conditions:

1. Deposit all clients' funds in one or more separate bank accounts designated as "Insurance Brokerage Account".
2. The funds in the "Insurance Brokerage Account" shall be used solely for the following purposes:

- a) For payment to an insurer in respect of the amount due under an insurance contract.
- b) For payment to an insured in respect of the amount due under an insurance contract.
- c) Any money paid into the account in error.
- d) Any other cases pertaining to insurance brokerage business, which CMA determine.

The funds in the “Insurance Brokerage Account” shall not be included in the actual accounts of the broker, neither the revenues therefrom shall be part of his accounts and shall not be affected by liquidation in the event of bankruptcy and not incurred lien or obligations without the written approval of CMA.

**Article (26):** The insurance broker shall ensure that at all time the value of the assets of his broking business shall exceed the amount of its liabilities by at least RO 50,000 (Fifty Thousand Rials) if practicing insurance brokerage business or reinsurance brokerage business or RO 75,000 (Seventy Five Thousand Rials) if combining insurance and reinsurance businesses. Calculation of the total assets and total liabilities shall exclude the accounts payable and receivable of the Board members or founders of the insurance broker. Assets shall exclude the letter of guarantee provided in this Regulation and intangibles and the liabilities shall exclude capital, dividends and liabilities due to withdrawals by Board members or founders of the insurance broker.

**Article (27):** CMA may inspect the books, accounts and transactions of insurance brokers, and carry out the required investigations in violations and impose the appropriate penalties. CMA may also assign an external auditor to audit the broker’s books and records, and the broker shall cooperate, enable them to do their work, and provide them with all information and statements they request. All statements and information shall be considered confidential and shall not be disclosed or published. CMA may recover audit expenses from the brokers if sees fit.

## **Chapter VI**

### **Suspension and License Cancellation**

**Article (28):** The broker may be suspended from practicing the business in the event of doing any of the following acts:

1. Dealing with an insurance company unlicensed by CMA with the exception of carrying out reinsurance broker business.
2. Delaying in payment of all financial obligations as per the agreement with the insurance company for more than thirty (30) days from the date they fall due.
3. Assigning the registration in the register to another person or leasing the principal place of business or any of its licensed branches in the Sultanate.
4. Failure to renew the license on the specified time.
5. Failure to renew the letter of guarantee.
6. Defaulting in any of duties and obligations provided in laws, regulations and decisions regulating the business and the circulars issued by CMA.

**Article (29):** Work suspension decision shall be issued by Executive President and applicable for six (6) months and the decision shall be notified to the companies and competent entities.

**Article (30):** The broker is not permitted to practice brokerage business he is licensed for, during the suspension term. He shall be liable for all obligations or those arising out of the business prior to the issuance date of the suspension decision.

**Article (31):** Where the broker remedies the causes of the suspension within the agreed term with CMA, CMA may, after ensuring remedy of all causes that led to suspension, allow the broker to resume the licensed business or part thereof as it sees fit for the public interest. Suspension cancellation decision shall be issued by Executive President.

**Article (32):** CMA may cancel the license of insurance broker due to following cases:

1. Upon broker`s request.
2. If the broker suspended from work for the reasons stated in Articles 28 and 30 of this Regulation and failed to remedy the situation during the specified term by CMA in accordance with Article 31 of this Regulation.
3. If one of the licensing or renewal conditions is not met.
4. If fails to commence business within six (6) months from the date of issuance of the license as per the requirements of the Regulation.
5. If the failure to renew the license during the specified term, is repeated.

**Article (33):** Where any of causes for cancellation of license is materialized, the broker shall be obligated to take the following actions:

1. Stop practicing the licensed insurance brokerage business, and shall not carry out any marketing of new insurance policies.
2. Settle all transactions and obligations with all the parties transacting with the broker.
3. Submit to CMA the clearance and exoneration letter from all insurance companies with which the broker had transacted, indicating that there are no financial dues obligated by the broker.
4. Inform CMA of the procedures to be taken by the broker to deliver all the pending businesses to the insurance companies with which the broker has contracted with.
5. Publish a declaration in two (2) local newspapers for two (2) consecutive days in Arabic and English informing all transacted parties with broker, that the broker's license will be cancelled, and they may submit their claims and objections to CMA within thirty (30) days from the date of declaration. The broker shall file copy of the declaration with CMA. In the event of settlement of all objections (if any), CMA will take the required actions to cancel the license.

**Article (34):** Executive President shall issue the license cancellation decision after broker's meeting all cancellation requirements. The broker whose license is cancelled, shall not apply to CMA for new license for three (3) years from the date of cancellation decision of the previous license

**Article (35):** The bank guarantee letter shall only be released after one (1) year from the date of cancellation decision, after ensuring that there are no financial dues obligated by the broker.

## **Chapter VII**

### **Conciliation and Fees**

**Article (36):** The acts committed in violation of the provisions of this Regulation may be conciliated after payment of the amounts as per the resolution of CMA's Board of Directors.

**Article (37):** Where the violation relates to failure to meet an obligation under this Regulation during specific term, the conciliation amount shall be increased by 15% of the conciliation amount prescribed for the violation for each day of delay at a maximum of fifteen (15) days.

**Article (38):** The violator shall pay the conciliation amount to CMA within ten (10) days from the date of the notice otherwise CMA may take all the required legal actions provided in Capital Market Law and the Executive Regulation of the Capital Market Law against the violator.

**Article (39):** CMA charges the following fees:

| <b>S</b> | <b>Fee</b>  | <b>Amount (RO)</b>   |
|----------|---|--|
| 1        | Application consideration fee                       | 1,000 (One thousand)   |
| 2        | Granting license for insurance broker               | 2,500 (Two thousand & five hundred)  |
| 3        | Granting license for reinsurance broker             | 2,500 (Two thousand & five hundred)  |
| 4        | Granting license for insurance & reinsurance broker | 5,000 (Five thousand)  |
| 5        | Renewal of license for each category                | 2,500 (Two thousand & five hundred) for insurance broker<br>2,500 (Two thousand & five hundred) for reinsurance broker<br>5,000 (Five thousand) for insurance and reinsurance broker |
| 6        | Opening a branch                                    | 250 (Two hundred & fifty)  |
| 7        | Modification of details                             | 20 (Twenty)  |
| 8        | Application to access papers and records            | 20 (Twenty)  |
| 9        | Application for copies or extracts                  | 20 (Twenty)  |