



**CENTRAL BANK OF SOLOMON ISLANDS**  
**Financial Market Supervision Department**

**CONTROLLER OF INSURANCE (COI) DIRECTIVE NO. 1**  
**On Minimum Requirements for Offshore Placement of Insurance Business**

**Introduction**

1. This Directive is issued under section 4(b) and (f) and section 6 of the Insurance Act (CAP 82) (the "Act") to regulate the affairs of the Insurance industry and issue directions to insurers, brokers, agents and policyholders.
2. The directive outlines the minimum requirements for offshore placements towards ensuring a safe and sound local insurance industry.

**Requirement of the Act**

3. Section 10 (2) and section 11 of the Act prohibits any person, without the permission of the COI from transacting any Solomon Islands Insurance business abroad or through an insurer, agent or broker who is not registered in Solomon Islands. However in section 11, gives the Minister of Finance powers to exempt certain class of insurance business where the Minister is satisfied that
  - (a) existing facilities for certain class of insurance are inadequate or not available in the Solomon Islands.
  - (b) That it is in the public interest that a particular class of insurance maybe exempted, subject to such terms and conditions as may be prescribed.

**Minimum Guidelines for Offshore Placement**

4. A person may not place insurance business offshore without the prior written permission of the COI and the Minister of Finance.
5. A person shall not use an unlicensed intermediary to place a local insurance business onshore or offshore without the prior approval of the COI and the Minister.
6. An application to place an insurance business offshore must be lodged with the COI at least twenty one days (21) days prior to the commencement or renewal date of the policy.

7. The application shall include the following information-

(a) written evidence that the local insurance market has been approached at least 30 days prior to the commencement, or renewal of the policy and within 7 days have confirmed in writing whether or not they will participate. The applicant must produce a claims experience and other relevant information when requested by the local licensed insurer.

(b) for all business, the applicant must first approach the local market.

(c) where a local insurer cannot underwrite the risk due to treaty or underwriting restrictions, it must so advise the intermediary or the insured and the COI. As a result, the intermediary or insured will not be required to seek further quote from that underwriter for this particular class of business.

(d) with global covers at least 30% of the Insurance must be placed on shore to avoid all insurers and clients not utilising the local market. This also protects and promotes the local industry, prevents outflow of foreign exchange and supports economic development.

(e) the application stated in item 7 above must include the following-

(i) an application form, refer to (Form COI/D) for the request to place Solomon Islands insurance business offshore.

(ii) such application form to be duly completed by the applicant. Such client acknowledgement form must be signed by the insured.

(iii) documentary evidence that the applicant submitted wordings, coverage, underwriting and claims information for a request for quote from the local insurer(s) before approaching the offshore insurer(s);

(iv) documentary evidence that the applicant approached local insurers at least 30 working days prior to the commencement or renewal date of the policy;

(v) documentary evidence that the local insurers responded to the applicant within 7 working days of being approached by the applicant, or that they failed to respond at all;

(vi) a copy of the placing slip and signed acceptance, or written confirmation of the terms of acceptance from the offshore insurer(s), including premium details and the sum insured, Limits of cover and Deductibles for each item insured;

(vii) details of the percentage of the risk written by each participating local insurer (co-insurer) and the relevant premium.

(vii) applicants must apply taxes based on the taxation Laws of the country (Non-Resident WHLT); and relevant evidences of the applicable tax receipts will be sighted before processing of the application.

(ix) applicant must indicate stamp duty or any other statutory fees for every fire insurance cover, for classes that have components of fire, or where relevant.

(x) applications must indicate on the invoice to insured all the deduction made from gross premium.

(xi) for global insurance cover or programs to be placed offshore, applicants must submit the Solomon Component of risks to the local insurers for their quote.

(xii) applicants must clearly state the reason for placing the risk offshore in the application form. The applicant must unambiguously state the areas and benefits for placing the cover offshore.

8. The permission to place the insurance business offshore may be granted on the following basis-

(a) no local licensed insurer carries on the class of Insurance business to which the application relates; or

(b) the insurance cover is not available from licensed domestic insurers; or

(c) local premium is more than 20% above offshore premiums (including tax)

### **Responsibilities of the Local Insurers**

9. As a result of paragraph 7(e) (iii), a local insurer must respond to the applicant in writing with the wordings and coverage within 7 working days of being approached by the applicant.

10. Each local insurer must disclose to the COI on its official letterhead a list of the products and the classes of business it covers locally on or before the 31st of December of each year. The insurer must also provide this list to the brokers at the same time. The COI will use this list in assessing the offshore applications made for either new, or renewal of insurance covers, which the local insurers do not provide.
11. An update to the list required in paragraph 10 during the course of the year should be submitted by the local insurer(s) to the COI and the brokers at the earliest and in any case within 15 days of including such covers in the list of insurance products that they offer in the Solomon Islands
12. Each local insurer is required to document internally the approved procedures to be followed for handling offshore placements. Each local insurer should also include the approved offshore placement procedures as part of their in-house employees training. The COI will examine the insurer's documented procedures and training material to ensure compliance with this Directive.
13. A local co-insurer must indicate the percentage it would cover and quote on the lead terms provided by the applicant in writing within 7 working days of being approached.

#### **Responsibilities of a Broker**

14. If a particular local insurer fails to respond as required in paragraph 9, a broker must then include in the application the last written reminder to that insurer.
15. As a result of paragraph 12, a broker will not be required to seek quote(s) from those local insurer(s) who do not offer the insurance cover applied for.
16. Upon the insurer(s) advice on an updated list as required in paragraph 11, a broker must seek quote(s) and terms from the particular insurer(s) concerned in cases of a new cover, or on the renewal of an existing cover.
17. A licensed broker must provide the local insurers the full underwriting details and claims experience record of the intending insured persons or parties.
18. A broker, being the intermediary for intending insured persons or parties outside Solomon Islands, must fulfil requirements as stated in paragraph 7(e) above.
19. A broker being facilitator between the intending insured persons or parties in the Solomon Islands and is not licensed in this jurisdiction, shall use a local licensed intermediary to facilitate remittances.
20. In addition to paragraph 17 such licensed brokers must submit to the COI evidence of premium deposited in its bank account in Solomon Islands.

**Enforcement and Corrective Measures**

21. A licensed ins<sup>\* Broker or Agent</sup>urer, which fails to comply with the requirements contained in this Directive will be considered as non-compliant and a penalty shall be imposed as provided in section 6(4) and section 73 of the Act.

**Effective Date**

22. The effective date of this Directive is 1<sup>st</sup> October, 2015.

Issued this 21<sup>st</sup> day of August, 2015.

  


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**CONTROLLER OF INSURANCE**  
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