



CENTRAL BANK OF SOLOMON ISLANDS  
Financial System Regulation Department

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

### Introduction

1. This Directive is pursued under Section 4(b) and (f) and Section 6 of the Insurance Act (CAP 82) (Hereinafter referred to as the 'Act') as part of the Controller of Insurance's (COI) set of Directives issued to govern the conduct of insurance business in the Solomon Islands.
2. This directive shall be referred to as the 'Controller of Insurance Directive 1 (COI D1).
3. This directive is issued purposely to set down:
  - i. The minimum guidelines for placing insurance business outside of the Solomon Islands including circumstances under which the Solomon Islands' insurance customers may place insurance business outside the country.
  - ii. The process and procedure for placing insurance business outside of the Solomon Islands either directly or through an insurance intermediary.

### Background & Objectives

4. This directive was initially introduced on the 1st of October 2015. Due to the evolving nature and scope of business activities as well as complexity of insurance risks and policies, this directive is relevant to current business practices.
5. The objective of the COI D1 is to:
  - i. Provide clarity and simplification of the exemption process by the Minister of Finance in regard to the offshore placement of insurance policies.
  - ii. Support the legal framework to facilitate the placement of insurance policies offshore.
  - iii. Outline the minimum guidelines for offshore placement of insurance policies.
  - iv. Outline the duties of the insurers, insurance intermediaries and Policyholders with regard to the placement of insurance policies offshore.
6. For clarification, the following terms used in this directive shall be interpreted as:
  - i. *Inadequate class of insurance* refers to the situation where the local insurers do not have the capacity to provide the coverage sought for by the customer. This include both sum insured and insurance policy wording. Further, it also includes insufficient technical knowledge and capacity to manage the risk presented to them.

- ii. *Insurance Intermediaries* refers to an insurance broker or agent, licensed under section 56 of the Insurance Act to intermediate insurance contract between an insurer and a policyholder for purposes of compensation.
- iii. *Unlicensed intermediary* refers to anyone that is not licensed under section 56 of the Insurance Act.
- iv. *Public interest* refers to situations where the benefit to the broader community justifies the exemption of certain policies to enhance public welfare, safety, morality, or rights.

### **Regulatory Requirement**

- 7. Section 10 (1)(b) of the Insurance Act (Cap 82) provides that only a person who is a corporate body registered by the controller of Insurance shall carry out insurance business outside the Solomon Islands, in respect of the Solomon Islands business.
- 8. Section 54 (1) (a) of the Insurance Act states that no person shall commence, transact or carry-on business as an insurance agent or broker unless he is licensed in accordance with the provisions of Section 56 of the Act.
- 9. Section 11 of the Act gives the power to the Minister of Finance to exempt certain classes of insurance business where the Minister is satisfied that:
  - i. Existing facilities for certain classes of insurance are inadequate or not available in the Solomon Islands.
  - ii. That it is in the public interest that a particular class of insurance may be exempted, subject to such terms and conditions as may be prescribed.

### **Approval Limitation and Condition**

- 10. The approval granted for offshore placement of the insurance policy as per section 11 of the Act shall be valid for 12 months and for a single use only for general insurance business. Any further exemptions or approvals must be applied for separately.
- 11. The approval granted by the Minister for the offshore placement of insurance shall not constitute a guarantee or assurance of success for any subsequent applications. Each subsequent application shall be evaluated independently, based on its own merits and in accordance with the prevailing criteria at the time of assessment

### **Guidelines for Offshore Placements**

- 12. A person must not place an insurance business offshore without the prior written permission of the COI and the Minister of Finance.
- 13. A person shall not use an unlicensed intermediary to place a local insurance business offshore without the prior approval of the COI and the Minister.
- 14. Notwithstanding (12) and (13) above, favorable consideration shall be given where:

- i. no local Insurer offers the insurance sought or offers it at competitive terms and conditions.
  - ii. there is compelling evidence that local insurers, brokers or agents have limited knowledge and capacity to manage such insurance risk.
  - iii. the customer provides reasonable grounds for wanting to place the insurance with an entity outside of the Solomon Islands.
15. Where the policyholder is utilizing an offshore intermediary to place its risk outside the Solomon Islands, the offshore intermediary must utilize a local broker to front the policy otherwise the international brokers must be licensed locally in order to do business locally.
16. Any person or body corporate wishing to place his or her insurance business offshore must apply through the office of the controller of insurance using the prescribed form (Refer to Annex A), requesting approval to place Solomon Islands' insurance business offshore. Such application form is to be duly completed by the applicant; and applicants must clearly state the reason for placing the risk offshore in the application form. If the risk is placed offshore due to better wording and coverage, the applicant must unambiguously state the areas of difference, and the benefits to the customer as a result of placing the cover offshore.
17. Notwithstanding any written laws in the Solomon Islands, the following policy outlined in Schedule 1 of this directive shall not be exempted even under global insurance coverage unless there is compelling evidence that the local market cannot cover such risk.
18. Where an intermediary is rendering services to a customer that is a subsidiary of an international group that is required to participate in the insurance program of the international group, it is not required to prove that no local insurer offers the insurance sought if proof of this obligation is provided. Nonetheless, the applicant must provide a copy of certification from the parent company and the insurer certifying that they are part of a group policy.

#### **Responsibility of local Insurers**

19. When approached by either an individual customer or intermediary for quotation, a local insurer must respond to the applicant in writing with the wording and coverage within 7 working days of being approached by the applicant.
20. Failing to respond within the prescribed time frame shall be considered as not being able to provide coverage or match the product being applied for.
21. 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 insurance covers, which the local insurers do not provide.

22. An update to the list required in paragraph 21 during the course of the year should be submitted by the local insurer 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.
23. 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.
24. 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.

#### **Responsibility of insurance intermediaries.**

25. When approaching the local market for quotation, the intermediary must disclose to the insurer all information necessary to assist the insurer in understanding the risk and see whether they have the capacity to underwrite the risk locally. Such information shall include but are not limited to:
  - i. Details of the proposed policyholder
  - ii. Full details of the proposed insured risk
  - iii. The applicant must produce a claims experience and other relevant information when requested by the local licensed insurer.
26. An application to place the whole, or, part of any insurance business offshore that is arranged or effected by an intermediary, the intermediary must notify the customer before arranging or effecting the contract, informing the customer that the proposed insurer under the contract is not licensed under the Act. Such notice is articulated in a client acknowledgement form (refer to Annex a), which the intermediary must obtain after the customer has agreed and has subsequently, signed the contract.
27. While intermediating the contract, the intermediary must explain to the client the insurance coverage, the wordings, exclusions, policy deductibles and any other relevant information that the client may need to make an informed decision regarding the purchase of the policy.
28. The broker must ensure to provide full disclosure of the product being solicited.

#### **Application Process**

29. An application to place an insurance business offshore must be lodged with the COI at least twenty-one days (21) days prior to the inception or renewal date of the policy.
30. The application shall include the following information –

- i. Written evidence that the local insurance market has been approached at least 30 days prior to the inception, or renewal of the policy and within 7 days have confirmed in writing whether or not they will participate.
- ii. For all businesses, the applicant must first approach the local market.
- iii. where a local insurer cannot underwrite the risk due to treaty or underwriting restrictions, it must advise the intermediary or the customer and the COI. As a result, the intermediary or customer will not be required to seek further quotes from that underwriter for this particular class of business.
- iv. The application stated above must include the following-
  - a. A complete application form, refer to (Annex A) for the request to place the Solomon Islands insurance business offshore.
  - b. such application form to be duly completed by the applicant. Such client acknowledgement form must be signed by the customer.
  - c. documentary evidence that the applicant submitted wordings, coverage, underwriting and claims information for a request for a quote from the local insurer(s) before approaching the offshore insurer(s);
  - d. documentary evidence that the applicant approached local insurers at least 30 working days prior to the inception or renewal date of the policy;
  - e. documentary evidence that the local insurers responded to the applicant within 7 working days of being approached by the applicant.
  - f. In the event any insurer fails to respond, the applicant must provide a copy of the last written reminder sent to the insurer.
  - g. 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 insurance coverage and deductibles for each item insured;
  - h. details of the percentage of the risk written by each participating local insurer (co-insurer) and the relevant premium.
  - i. Applicants must apply taxes based on the taxation law of the country (Non-Resident Withholding Tax), and relevant evidence of the applicable tax receipts will be sighted before processing the application
  - j. The applicant must indicate stamp duty or any other statutory fees where relevant.
  - k. Applications must indicate on the invoice to the customer all the deductions made from gross premiums.
  - l. For global insurance cover or programs to be placed offshore, applicants must submit the Solomon Islands component of risks to the local insurers for their quote.
  - m. Applicants must clearly state the reason for placing the risk offshore in the application form. The applicant must unambiguously state the areas and benefits of placing the cover offshore.

## Oversight requirement

31. For the purpose of this Directive, all insurance brokers are required to provide to the COI, their approved procedures for handling and approving offshore placements, within 90 days from the date of the implementation of this Directive. Insurance brokers must also provide a copy of the same whenever material changes are made to the policy, and this must be submitted within 30 days of board approval.

## Penalties

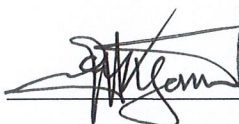
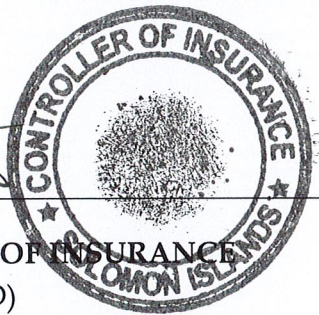
32. A licensed insurer or intermediary who fails to comply with the requirements contained in this Directive will be considered non-compliant and a penalty shall be imposed as provided in section 6(4) and section 73 of the Insurance Act (Cap 82).

33. Any individual who fails to comply will be dealt with under the relevant sections of the Insurance Act (Cap 82).

## Effective Date

34. The effective date of this Directive is 31<sup>st</sup> of July, 2025.

Issued this 25<sup>th</sup> day of JUNE 2025.

CONTROLLER OF INSURANCE  
Luke Forau (PhD)  
Central Bank of Solomon Islands

## Schedule 1

1. Motor Vehicle Insurance
2. Workmen's Compensation
3. Home building and contents insurance
4. All domestic or personal lines Insurance policies
5. Micro-Insurance Policies

Annex A

CONTROLLER OF INSURANCE EXEMPTION APPLICATION FORM

<b>1. Applicant's Details</b>					
Name of customer: _____					
Class of Insurance: _____					
Name of Insurance Broker: _____					
Policy period: _____ To _____					
<b>2. Response from licensed Insurers</b>					
<b>Licensed Insurer in Solomon Islands</b>	<b>Able to provide cover?</b>	<b>Remarks</b>			
	Yes/No				
	Yes/No				
	Yes/No				
<b>3. Premium Break up (if more than one cover, please provide totals only)</b>					
<b>Breakdown of premiums receipt</b>	<b>Offshore Insurer Quote</b>	<b>SBD Equivalent Amount</b>	<b>Notes:</b>	<b>Onshore Insurer Quote SBD</b>	<b>Premium % Difference</b>
Gross Premium Payable (Net of S/D)					
Annual Remuneration (fees, brokerage, rebates, profit shares, etc)					
Other Sundry Charges					

Stamp duty					
NRWT 15%					
TOTAL:					

**4. Other Requirements**

Particulars	Provided	Remarks
Name of offshore Insurer	Yes/No	
Debit/Cover Note	Yes/No	
Insurance quotation	Yes/No	

**Customer Declaration (to be signed by the customer):**

I, the undersigned, hereby acknowledge that I have read and fully understand the requirements for placing my insurance policy outside the Solomon Islands as outlined in the Controller of Insurance Directive 1. Specifically, I acknowledge:

- I. That I am fully aware of the risks to which I am exposed;
- II. That I understand the insurer I am proposing to insure with is not licensed in the Solomon Islands;
- III. That by being exempt under the Act, I will not be afforded any protection under the Insurance Act of the Solomon Islands, and I accept full responsibility for any risks arising from this insurance contract;
- IV. That the Controller of Insurance of the Solomon Islands is released from any liability related to this insurance contract

Client name: \_\_\_\_\_ Date: \_\_\_\_\_

Signature & stamp: \_\_\_\_\_

Assessed by: \_\_\_\_\_

Date: \_\_\_\_\_

Confirmed by: \_\_\_\_\_

Date: \_\_\_\_\_

Signed.....

**CONTROLLER OF INSURANCE**

Signed.....

**MINISTER OF FINANCE**

Solomon Islands Government

Date.....

Date.....

**\*Please ensure that this application form is COMPLETE.**