LOFSA

LABUAN OFFSHORE FINANCIAL SERVICES AUTHORITY, MALAYSIA

GUIDELINES ON MINIMUM REQUIREMENTS FOR MANAGEMENT OFFICE OF OFFSHORE INSURANCE AND INSURANCE-RELATED COMPANIES

Introduction

1. These guidelines provide the minimum requirements in relation to the establishment of a management office of an offshore insurance and offshore insurance-related company in Malaysian Integrated Offshore Financial Centre (IOFC) on the island of Labuan.

2. For the purpose of these guidelines-

   a. "offshore insurance company" means all licensees licensed pursuant to section 6 of the Offshore Insurance Act 1990 (OIA); and

   b. "offshore insurance-related company" means all licensees licensed pursuant to section 7 of the OIA.

Provisions of the law

3. The followings are the provisions of the OIA in relation to the requirement for the establishment of a management office in Labuan IOFC:

   a. Section 6(1)(e) requires an offshore insurance company to either establish its management in Labuan with adequate knowledge and expertise of the offshore insurance business to be carried on and has at least one director resident in Labuan, or appoint a licensed offshore underwriting manager or offshore insurance manager in Labuan with adequate knowledge and experience of the offshore insurance business to be carried on.

b. Section 7(1)(c) requires an offshore insurance manager and underwriting manager to establish its management in Labuan with adequate knowledge and expertise of the offshore insurance business to be carried on.

c. Section 7(1)(d) requires an offshore insurance broker to either establish its management in Labuan with adequate knowledge and expertise of the offshore insurance business to be carried on, or appoint a licensed offshore insurance manager in Labuan with adequate knowledge and experience of the offshore insurance business to be carried on.

Roles and Functions of Management Office

4. The management office of an offshore insurer, insurance broker or the appointed offshore underwriting manager or offshore insurance manager shall entail the deployment of resources with sufficient knowledge and expertise to deliver, but not limited to, the following roles and functions:

a. **Underwriting**
This includes evaluating risk proposal, accepting, rating and issuing policies. However, the management office of an offshore insurance broker and offshore insurance manager is not allowed to provide underwriting services.

b. **Reinsurance arrangement**
This includes determining underwriting capacity and arranging appropriate reinsurance protection.

c. **Claims handling**
This includes receiving notification of claims, registering, assessing and settling claims, establishing adequate loss reserves and seeking recovery.

d. Accounting

This includes preparation and maintenance of proper accounting records in Labuan, preparation and submission of audited account and periodical statistical returns to LOFSA.

e. Treasury

This includes managing cash flow and investment, segregating, handling and recording the receipt and disbursement of various insurance funds.

f. Statutory and regulatory requirement

This includes compliance with the relevant laws, regulations and other administrative guidelines and circulars; serves as a point of contact for all communications with LOFSA; and to report to LOFSA any misconduct or non-compliance.

g. Administration and human resource

This includes formulation of employment policy, preparation of payroll, maintenance of proper records and staff development program.

h. Records Keeping

This includes preparation and maintenance of all records, books and accounts relating to Labuan operations.

5. The management office of an offshore insurance manager or offshore underwriting manager in Labuan should be able to provide all necessary support and services required by its clients as stipulated in the service agreement duly executed between both parties.

6. An offshore insurer or offshore insurance-related company is encouraged to hold its Board of Directors' meeting in its management office in Labuan, at least once a year.

Minimum Operational Requirements of Management Office

7. In order to facilitate a management office of an offshore insurer or offshore insurance-related company in fulfilling its roles and functions effectively, it is required to adhere to the following requirements:

a. **Office set-up**

i. The management office must be segregated and independent from the office of other entitles.

ii. The management office must have an entrance, phone line, fax machine and computer terminal separate from the other entities.

iii. Name, type of licence and licence number of the offshore insurer or offshore Insurance-related company, must be clearly and legibly displayed at the entrance of the management office.

iv. For an offshore insurance manager and offshore underwriting manager, name of the offshore insurance and insurance-related companios that engage their services must be clearly and legibly displayed at its management office.

b. **Office space**

i. The offshore insurance and offshore insurance-related company shall ensure that adequate and proper records and books of accounts are kept at the management office or at the office of the appointed offshore insurance manager or offshore underwriting manager in Labuan. In this regard, the management office must have sufficient space to properly store these records and books of account.

ii. However, records that are more than two years old may be kept outside the management office but must be at any premises in Labuan subject to approval from LOFSA.

iii. In any case, irrespective where they are kept, the records and books of account must be readily available and easily retrievable for inspection by LOFSA or any other person as permitted under any relevant law, upon request.

c. **Staffing**

i. The management office must deploy a minimum of four qualified staff with adequate knowledge and expertise of the relevant offshore insurance business. For this purpose, a qualified staff is defined to be a person who has degree or diploma in the relevant professional areas including insurance, accounting, finance, business management, law or secretarial qualification and/or who can demonstrate that they have the relevant knowledge and experience of the insurance business.

ii. The management office is not allowed to out-source any works to a third party unless prior written approval of LOFSA is obtained.

iii. The compliance officer appointed for anti-money laundering measures of an offshore insurer and offshore insurance-related company is encouraged to be stationed at the management office in Labuan.

d. **Manuals**

All relevant compliance and procedural manuals as well as internal controls must be properly in place to ensure effective management and operation of the management office as well as compliance with the relevant legislations and guidelines governing offshore insurance business in Labuan IOFC.

e. **Accounting works**

In addition to the requirement of section 110 of the Offshore Companies Act 1990, all accounting works must be done in Labuan.

Implementation and compliance

8. These guidelines shall come into force immediately. All offshore insurance or offshore insurance-related company is required to comply with the requirements of these guidelines by 1 January 2006.

9. These guidelines supersede any other guidelines issued earlier by LOFSA in relation the establishment of a management office or physical presence of offshore insurance or offshore insurance-related company.

Labuan Offshore Financial Services Authority
17 June 2005