

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

Introduction

1. These guidelines provide the minimum requirements in relation to the establishment of a management office of a Labuan insurance and Labuan insurance-related company in Labuan International Business and Financial Centre (Labuan IBFC) on the island of Labuan.
2. For the purpose of these guidelines-
 - a) “Labuan insurance company” means all licensees licensed pursuant to section 103 of the Labuan Financial Services and Securities Act 2010 (LFSSA); and
 - b) “Labuan insurance-related company” means all licensees licensed pursuant to section 104 of the LFSSA.

Provisions of the law

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

3.1 Labuan insurance company

Section 103(1)(e) requires a Labuan insurance company to either-

- a) establish its management in Labuan with adequate knowledge and expertise of the Labuan insurance business to be carried on; or
- b) appoint a licensed Labuan underwriting manager or Labuan insurance manager in Labuan with adequate knowledge and experience of the Labuan insurance business to be carried on, save that with respect to Labuan captive insurance business, only a licensed Labuan underwriting manager may be appointed.

3.2 Labuan insurance manager and underwriting manager

Section 104(1)(c) requires a Labuan insurance manager and underwriting manager to either-

- a) establish its management in Labuan with adequate knowledge and expertise of the Labuan insurance business to be carried on; or
- b) appoint a licensed Labuan insurance manager or Labuan underwriting manager in Labuan with adequate knowledge and experience of the Labuan insurance business to be carried on.

3.3 Labuan insurance broker

Section 104(1)(d) requires a Labuan insurance broker to either-

- a) establish its management in Labuan with adequate knowledge and expertise of the Labuan insurance business to be carried on; or
- b) appoint a licensed Labuan insurance manager in Labuan with adequate knowledge and experience of the Labuan insurance business to be carried on.

Roles and Functions of Management Office

4. The management office of a Labuan insurer, insurance broker or the appointed Labuan underwriting manager or Labuan 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 a Labuan insurance broker and Labuan 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 Labuan FSA.

- 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 Labuan FSA; and to report to Labuan FSA 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 a Labuan insurance manager or Labuan 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. A Labuan insurer or Labuan 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 a Labuan insurer or Labuan insurance-related company in fulfilling its roles and functions effectively, it is required to adhere to the following requirements:
 - 7.1 **Office set-up**
 - a) The management office must be segregated and independent from the office of other entities.

- b) The management office must have an entrance, phone line, fax machine and computer terminal separate from the other entities.
- c) Name, type of licence and licence number of the Labuan insurer or Labuan insurance-related company, must be clearly and legibly displayed at the entrance of the management office.
- d) For a Labuan insurance manager and Labuan underwriting manager, name of the Labuan insurance and insurance-related companies that engage their services must be clearly and legibly displayed at its management office.

7.2 Office space

- a) The Labuan insurance and Labuan 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 Labuan insurance manager or Labuan underwriting manager in Labuan. In this regard, the management office must have sufficient space to properly store these records and books of account.
- b) 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 Labuan FSA.
- c) In any case, irrespective where they are kept, the records and books of account must be readily available and easily retrievable for inspection by Labuan FSA or any other person as permitted under any relevant law, upon request.

7.3 Staffing

- a) The management office must deploy a minimum of four qualified staff with adequate knowledge and expertise of the relevant Labuan 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.

- b) The management office is not allowed to out-source any works to a third party unless prior written approval of Labuan FSA is obtained.
- c) The compliance officer appointed for anti-money laundering measures of a Labuan insurer and Labuan insurance-related company is encouraged to be stationed at the management office in Labuan.

7.4 **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 Labuan insurance business in Labuan IBFC.

7.5 **Accounting works**

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

Implementation and compliance

- 8. These guidelines shall come into force immediately. All Labuan insurance or Labuan 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 Labuan FSA in relation the establishment of a management office or physical presence of Labuan insurance or Labuan insurance-related company.