

Insurance mediation in the Qatar Financial Centre



By David Salt and Michael Earley

On June 27th, 2011, the Qatar Financial Centre Regulatory Authority (QFCRA) circulated its Insurance Mediation Business Rulebook (IMEB). The IMEB, which came into effect on July 1st, 2011, introduced new bespoke regulatory requirements for insurance intermediaries and captive insurance managers. This article sets out in general terms some of the more significant amendments made to the existing regulatory regime.

Insurance as an investment?

Historically the QFCRA has defined 'insurance mediation' as advising on, dealing in, and arranging deals in investments with respect to contracts of insurance. However, the definition did not differentiate between general insurance intermediaries and financial advisers. The IMEB attempts to address this issue by introducing a revised definition for 'insurance mediation', describing it as:

- giving advice to other persons about the merits of entering into contracts of insurance, whether as principal or agent;
- acting as an agent for other persons in relation to the buying or selling of contracts of insurance for them;
- making arrangements with a view to other persons buying contracts of insurance, whether as principal or agent;
- assisting in the administration or performance of contracts of insurance for or on behalf of policyholders.

Insurance mediation business also includes statements or opinions made to another person if such conduct is intended to influence a person in making a decision to select a particular contract of insurance, or could reasonably be regarded as having that purpose.

The IMEB will also apply to the activities of third party administrators (TPAs) acting on behalf of policyholders, rather than TPAs acting on behalf of insurance companies.

Client money rules: The IMEB provides new rules in respect of client money as they relate to insurance mediation business, effectively

removing such provisions from the Asset Rulebook. In order for an insurance intermediary to accept client money, it must first establish at least one client bank account with an eligible bank. Prior to paying client money into the client account, the insurance intermediary must first perform due diligence in respect of the suitability of the eligible bank.

Capital requirements: The minimum required capital for insurance intermediaries varies depending on whether such firms intend to hold client money: not holding client money requires a minimum capital of US\$250,000, while holding client money will require a minimum capital of US\$500,000.

The IMEB also requires firms to ensure that their net asset value is at least 50 percent of the minimum capital requirement, meaning that an insurance intermediary not holding client money will be required to have a minimum net asset value of US\$125,000. The IMEB defines 'net asset value' as that amount by which the value of the firm's total assets exceeds the total amount of its liabilities.

Professional indemnity insurance coverage: The minimum PII cover for an insurance intermediary will be US\$1 million for a single claim, and with respect to total claims the greater of US\$1.5 million or 10 percent of the firm's annual income. Alternatively, some firms may be able to obtain a guarantee from another firm (usually another group entity) where the relevant guarantor firm has assets of more than US\$10 million.

The IMEB requires insurance intermediaries to have a deductible of US\$5,000 or 1.5 percent of the firm's annual income for firms that do not hold client money, and a deductible of US\$10,000 or 3 percent of the firm's annual income for firms that hold client money.

By implementing specific bespoke rules relating to insurance intermediaries, it appears that the QFCRA has sought to address some of the past issues associated with insurance mediation business in the QFC, in addition to introducing new rules for captive insurance managers.

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