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## **RESERVE BANK OF VANUATU**

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INSURANCE COMPANIES AND INTERMEDIARIES

PRUDENTIAL GUIDELINE NO. 5

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### **OFFSHORE PLACEMENT OF INSURANCE BUSINESS**

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#### **1. Introduction**

This guideline is issued under Section 61 and section 78 of the Insurance Act NO. 54 of 2005 to govern the conduct of insurance business in Vanuatu. The purpose of this policy guideline is to outline the requirements for offshore placement of local insurance business to insurers, intermediaries and commercial companies.

This guideline have taken into account the concerns of the industry and the Reserve Bank of Vanuatu to ensure a strong local insurance industry before allowing local domestic risks to be written by unlicensed offshore insurance companies.

#### **2. Requirements under the Insurance Act NO. 54 of 2005**

Section 78 of the Insurance Act NO. 54 of 2005 directs that as a general rule, no person or insurance broker may place Vanuatu insurance business with an unlicensed insurer. However, the clause gives the Commission power to approve the placement of business if an application is made and the following criteria are satisfied:

- (a) the insurance for the risk is not available from a licensed insurer in Vanuatu; or
- (b) the insurance is available but the terms and conditions are unreasonable.

### **3. Guideline for Offshore Placement**

No person may place insurance business offshore without the prior written permission of the Reserve Bank of Vanuatu

No person shall use an unlicensed intermediary to place a local insurance business onshore or offshore unless it has justified reasons to do so and that prior approval of the RBV is obtained.

An application to place insurance business offshore must be lodged with the Reserve Bank at least seven (7) days before the commencement or renewal date of the policy.

The application should include the following information:

- a) Written evidence that the local insurance market has been approached at least 15 days before the commencement or renewal of the policy and within 5 days have confirmed whether or not they will participate. The applicant must produce a claims experience and other relevant information when requested by the local insurer.
- b) For new business, the applicant must first approach the local market.
- c) Where a local insurer cannot underwrite the risk due to treaty restrictions, it must advise the intermediary and the RBV. As a result, the intermediary will not be required to seek further quote from that underwriter for this class of business.

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<sup>1</sup> Premium amount of offshore and onshore insurer(s) excluding overseas insurance tax and stamp duty respectively.

- d) If the request for offshore placement is due to better wordings, terms and cover by an offshore underwriter than a local insurer, the applicant must unambiguously state the areas of difference in the wording and coverage and the reasons why the difference is material.
- e) A signed Acknowledgement Form (attached to Application Form 8) is required.

**Permission to place the business offshore may be granted on the following basis:**

- a) No locally licensed insurer carries on the insurance business to which the application relates; or
- b) The cover is not available from licensed domestic insurers; or
- c) Not acceptable due to unreasonable terms and conditions demonstrated by the applicant and agreed by the Commission; or
- d) The local premium is more than 20% greater than the offshore premium (including VAT).

**4. Penalty under the Insurance Act NO. 54 of 2005**

**Section 96** - A licensee or a compliance officer who:

- (b) contravenes or fails to comply with sections 39,40,41,51,55,59,60(6),61,76,78,79 or 83; or
- (c) contravenes or fails to comply with a provision of the Regulations; is guilty of an offence punishable on conviction:
  - (i) for an individual, by fine of not exceeding VT 1,000,000 or imprisonment for a term not exceeding 3 years, or both; or
  - (ii) for a body corporate, by a fine not exceeding VT 50,000,000.

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<sup>1</sup> Premium amount of offshore and onshore insurer(s) excluding overseas insurance tax and stamp duty respectively.

## **5. Implementation Arrangements**

- a) This policy guideline applies to all insurers, intermediaries and policyholders seeking to purchase insurance offshore. This policy guideline will be effective from 30 September 2009.
- b) This policy guideline supersedes all previous policies, communications, arrangements and agreements on offshore placement of insurance business.
- c) This policy guideline will be reviewed as deemed necessary to assess its appropriateness.

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<sup>1</sup> Premium amount of offshore and onshore insurer(s) excluding overseas insurance tax and stamp duty respectively.

RESERVE BANK OF VANUATU

PORT VILA, VANUATU

APPLICATION TO PURCHASE INSURANCE COVER OFFSHORE

(PLEASE NOTE THAT FULLY COMPLETED APPLICATIONS MUST BE LODGED WITH THE RBV AT LEAST 7 DAYS PRIOR TO THE COMMENCEMENT OR RENEWAL DATE OF THE POLICY)

1. (a) Name of Applicant:

\_\_\_\_\_

(b) Address:

\_\_\_\_\_

(c) Phone Number:

\_\_\_\_\_

(d) Fax Number:

\_\_\_\_\_

2. (a) Name of Policyholder: (If different from applicant)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(b) Address:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(c) Phone Number:

\_\_\_\_\_

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<sup>1</sup> Premium amount of offshore and onshore insurer(s) excluding overseas insurance tax and stamp duty respectively.

(d) Fax Number: \_\_\_\_\_

3. Client Acknowledgement Form (attached) Yes / No
4. Class of Business: \_\_\_\_\_
5. Period of Cover: From: \_\_\_\_\_ To: \_\_\_\_\_
6. Current Cover (delete one): Onshore / Offshore
7. Is this application for renewal or new cover: \_\_\_\_\_
8. Sum Insured Proposed VT \_\_\_\_\_ Current (VT) \_\_\_\_\_
9. Premium Proposed VT \_\_\_\_\_ Current (VT) \_\_\_\_\_
10. Brokerage /Commission Rate (if an intermediary is involved): \_\_\_\_\_  
\_\_\_\_\_
11. (a) <sup>1</sup>Premium Quoted to be remitted offshore: (VT) \_\_\_\_\_  
\_\_\_\_\_

(b) Intended Insurer(s) and percentage participation:

(Include the financial rating of the intending insurer(s) and the name of the rating agency)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

12. (a) **Offshore Insurer(s)** **Date approached**  
**for quotes**

...../...../.....

\_\_\_\_\_

<sup>1</sup> Premium amount of offshore and onshore insurer(s) excluding overseas insurance tax and stamp duty respectively.

(b) Have all respective local underwriters been approached: Yes / No

<u>General Insurers</u>	<u>Date approached for quotes</u>	<u>Quote Attached</u>
AFA Ltd	...../...../.....	Yes / No
Dominion Insurance Ltd	...../...../.....	Yes / No
QBE Insurance (Vanuatu) Ltd	...../...../.....	Yes / No

13. Variance (%) between offshore and local premium amounts \_\_\_\_\_  
\_\_\_\_\_

14. Please attach copy of letters to and quotes from local and offshore underwriters.

**All signed letter and quotes must be on company letterheads.**

15. Offer made but at unreasonable terms. Provide details why unreasonable.  
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<sup>1</sup> Premium amount of offshore and onshore insurer(s) excluding overseas insurance tax and stamp duty respectively.

16. Offer made but at unacceptable premium. Provide details of comparative premiums.

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17. Risk not available in Vanuatu need not require a quote from local insurers. Application should be forwarded directly to RBV.

Signature:..... Date:.....

Name:.....

Company

Stamp:

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<sup>1</sup> Premium amount of offshore and onshore insurer(s) excluding overseas insurance tax and stamp duty respectively.



RESERVE BANK OF VANUATU

PORT VILA, VANUATU

INSURANCE ACT NO. 54 OF 2005

## **PLACEMENT OF INSURANCE BUSINESS WITH AN UNLICENSED OFFSHORE INSURER**

### **CLIENT ACKNOWLEDGEMENT**

ACKNOWLEDGEMENT BY AN INTENDING INSURED THAT AN INSURANCE CONTRACT IS TO BE ARRANGED OR EFFECTED WITH AN UNLICENSED OFFSHORE INSURER

#### NOTICE TO THE INSURED

Your insurance contract is to be arranged or effected wholly or partly with an unlicensed offshore insurer that is not license under the Insurance Act NO. 54 of 2005 to conduct insurance business in Vanuatu. Such insurers are not subject to the provisions of the Insurance Act and are not supervised by the Reserve Bank of Vanuatu.

It is a matter for your consideration whether you should obtain further information from the insurance intermediary involved, on such matters as:

- a) the name and postal address of the insurer
- b) country of incorporation of the insurer and whether that country has a scheme of financial supervision on insurers;
- c) paid up capital of the insurer and its financial position; and

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<sup>1</sup> Premium amount of offshore and onshore insurer(s) excluding overseas insurance tax and stamp duty respectively.

d) which country's laws will determine disputes under the contract.

ACKNOWLEDGEMENT

I, \_\_\_\_\_ (full name) of \_\_\_\_\_ (address) have read the above notice and I acknowledge and understand that the insurance contract is to be arranged or effected wholly or partly with an unlicensed offshore insurer that is not licensed under the Insurance Act NO, 54 of 2005 to conduct insurance business in Vanuatu and is not subject to the supervision of the Reserve Bank of Vanuatu.

\_\_\_\_\_ Dated this \_\_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_  
(Signature of insured)

\_\_\_\_\_  
(Company stamp)

\_\_\_\_\_  
<sup>1</sup> Premium amount of offshore and onshore insurer(s) excluding overseas insurance tax and stamp duty respectively.