



RESERVE BANK OF VANUATU

INSURANCE COMPANIES AND INTERMEDIARIES

PRUDENTIAL GUIDELINE NO. 2

GUIDANCE NOTES ON MARKET PRACTICE

AND CODE OF CONDUCT FOR INSURANCE COMPANIES AND INTERMEDIARIES

Statement of Objectives

The following principles sets to promote good insurance practice between insurers, intermediaries and customers. Their proper conduct is essential to protect consumers and promote confidence in the insurance market.

1. Integrity

An insurance company or intermediary should observe high standards of integrity and fair dealing in the conduct of its business.

2. Skill, Care and Diligence

An insurance company or intermediary should act with all skill, care and diligence towards its customers and other parties.

3. Conflict of Interest

Where a conflict of interest arises an insurance company or intermediary should ensure fair treatment to all its customers by disclosure, internal rules of confidentiality, declining to act or otherwise.

It should not unfairly place its interests above those of its customers. Where a properly informed customer would reasonably expect that the insurance company or intermediary would place his interests above its own, the insurance company or intermediary should live up to that expectation.

4. Customer Information

An insurance company, or intermediary, should obtain from the customers it advises, or for whom it exercises discretion, any information about their circumstances and insurance objectives, which may be relevant to enable it to be in compliance with the current financial regulations

5. Disclosure to Customers

An insurance company, or intermediary, should take all steps necessary to give a customer it is advising, in an understandable and timely way, all information to enable him to make a balanced and informed decision.

6. Customer Assets

Where an insurance company or intermediary has accepted control of or responsibility for policyholder funds, they should be suitably protected, by way of separation and identification, in accordance with the requirements under the relevant Insurance Law and Regulations.

7. Market Conduct

An insurance company or intermediary should observe the highest standards of market practice and conduct and must comply with any code or standard in force at any time and issued or approved by the RBV.

8. Financial Resources

An insurance company should ensure that it maintains sufficient resources to settle its outstanding claims and provision of reserves to withstand the risks that it accepts.

9. Corporate Governance

The board and management of an insurance company or intermediary should organise and control its internal operations, in a responsible manner, for the protection of policyholders, and ensure that adequate arrangements are in place for the training of staff and compliance procedures.

Insurance companies and intermediaries should conduct business with the RBV in an open and co-operative manner to ensure the smooth development of the insurance industry.