



GUIDANCE NOTE ON PROFESSIONAL SERVICES OF LABUAN INSURANCE AND UNDERWRITING MANAGERS

1.0 Introduction

- 1.1 Over the last decade, Labuan International Business and Financial Centre (Labuan IBFC) has increasingly become the preferred market for international insurance business activities. This is catalysed by the availability of professional intermediaries in the market, namely the Labuan insurance and underwriting managers (referred to as “Labuan Managers”). Their presence provides strong support to the Labuan (re)insurers and captives by servicing the latter’s backroom and processing needs in their day-to-day operations.
- 1.2 The value-added services offered by the Labuan Managers play vital role in creating a more vibrant insurance ecosystem in Labuan IBFC. This Guidance Note is intended to outline the suite of professional services that they can offer for their clients and prospects that wish to operate in the Labuan insurance market.

2.0 What Labuan Managers can offer?

- 2.1 Labuan Managers offer a wide range of backroom services including in-house expertise which are required by the Labuan (re)insurers and captives. The offering of such services include:
- (i) Labuan insurance manager: Provision of managerial and administrative services to Labuan (re)insurers and brokers.
 - (ii) Labuan underwriting manager: Aside from providing services akin to a Labuan insurance manager, it also offers underwriting expertise to augment the technical capabilities of the Labuan (re)insurers and captives. This is particularly useful for underwriting of specialised risks where there is less familiarity on such areas. For the Labuan Managers engaged by the Labuan captives, they are normally referred to as “captive managers”.

- 2.2 For captive managers, they are providing essential services including underwriting given that the owners of the captives that they serve may not have the needed technical know-how to run the captive insurance business. This is especially critical to ensure that the captives undertake its business in a sound professional manner on par with the counterpart (re)insurers.

3.0 Merits for engaging Labuan Managers

- 3.1 As a key intermediary in the Labuan insurance market, the Labuan Managers offer greater efficiency and efficacy for insurance business operations. In this regard, (re)insurers/captives are able to focus more on core strategic activities as they have the opportunity to outsource their operational functions and processes to competent professionals such as the Labuan Managers.

- 3.2 Specifically, by engaging Labuan Managers, Labuan (re)insurers/captives would be able to avail to a variety of business advantages and facilitation:

(i) Provision of manpower capacity

Labuan Managers provide manpower capacity to meet the needs of their clients in managing the day-to-day menial business operations or manual processes. As such, clients can better rationalise their staffing for other key, strategic business functions as well as enhance their cost management. The Labuan Managers equipped with qualified employees may provide services from basic administrative to accounting and actuarial services.

(ii) Provision of technical capabilities

Acquiring technical capabilities can be a business challenge especially finding suitable talents who are well-versed with Labuan IBFC's regulatory environments. Labuan Managers can be an alternative source as their qualified personnel can be engaged to provide suitable skill-sets such as accounting, insurance, taxation and basic actuarial know-how. The personnel are also required to be well-versed in Labuan legislative and regulatory requirements and to have sufficient experience so that they are better able to serve their clients regardless of the different business nature, circumstances and complexities.

(iii) Due-diligence Assessment

Labuan underwriting managers are also expected to undertake due diligence prior to underwriting new businesses on behalf of their principals. Such due diligence include:

- (a) Feasibility analysis on the potential's business needs and objectives in meeting its financial, strategic goals and operational efficiency.
- (b) Know-your-customer policy to ensure that the captives is used and operate in a legal manner.

(iv) Professional conduct and quality services

In serving clients, Labuan Managers are required to carry out their roles and businesses in a professional, sound and transparent manner in their dealings with clients. They are bound by the requirements of the *Guidelines on Market Conduct for Labuan Insurance and Insurance-related Companies*. As entities which are licensed by Labuan FSA, the performance and business conduct of Labuan Managers are continuously monitored and supervised by Labuan FSA. In addition, they are required to have in place appropriate policies and procedures including those relating to disclosure and segregation of duties between involving parties. This ensures that the Labuan Managers operate in a sound and prudent manner, whilst servicing their clients professionally and impartially.

(v) Regulatory facilitation

The Labuan Managers can also be leveraged on to facilitate the compliance of (re)insurers and captives to the various prevailing regulatory requirements in Labuan IBFC. As key service providers in the insurance market, they are expected to keep abreast of the prevailing regulations as well as new rules that are issued by Labuan FSA. In addition, Labuan Managers can also serve as a point of contact for their clients when dealing with the Authority.

4.0 Enquiries

Any enquiries or clarification needed may be directed to the following contact details:

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Labuan Financial Services Authority

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