

Instructions No. (11) of 2005
Instructions of Licensing and Regulating the Business and
Responsibilities of an Insurance Broker*

Issued by the Board of Directors of the Insurance Commission
pursuant to the provisions of paragraphs (H) and (J) of Article (23),
Article (55), and paragraph (B) of Article (108) of the Insurance
Regulatory Act No. (33) of 1999 and the Amendments Thereof

Article (1):

These Instructions shall be known as the (Instructions of Licensing and Regulating the Business and Responsibilities of an Insurance Broker of 2005) and shall come into force as of the date of its publication in the Official Gazette.

Article (2):

- A- The following words and phrases, mentioned in these Instructions shall have the meanings ascribed thereto in Article (2) of the Insurance Regulatory Act No. (33) of 1999 and the Amendments Thereof, unless otherwise indicated by context.
- B- For purposes of these Instructions, the words mentioned hereunder shall have the following meaning:-
- Act : The Insurance Regulatory Act in force.
- Client : The person whom the Broker practices the insurance brokerage business for his interest pursuant to the provisions of these Instructions and Decisions issued by virtue thereof.
- C- For purposes of these Instructions, the word (Broker) shall indicate, both the natural and the juridical Broker, unless otherwise stipulated.

Article (3):

- A- In implementation of the provisions of Article (55) of the Act, no person shall be permitted to practice the business of an Insurance Broker before obtaining the license from the Commission in accordance with the conditions determined pursuant to the provisions of these Instructions and the Decisions Issued by virtue thereof, subject to legal liability.
- B- The Broker shall be licensed according to the classes of insurance of the type of insurance requested, as mentioned in the Instructions issued by the Commission for this purpose.
- C- The natural person shall not obtain a license that combines between life assurance and general insurance business.
- D- The Broker may obtain a license that combines between the business of a Broker pursuant to the provisions of these Instructions and Decisions issued by virtue thereof, and the business of a Reinsurance Broker and a Consultant pursuant to the provisions of the Instructions and the related Decisions.
- E- Subject to the provisions of paragraph (D) of this Article, no person shall obtain a license that combines between the business of a Broker pursuant to the provisions of these Instructions and the Decisions issued by virtue thereof,

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and the business of an Agent, Actuary, Loss Adjustor, Surveyor or any of the insurance services providers, pursuant to the provisions of these Instructions and the related Decisions.

Article (4):

The following conditions must be met in the applicant:-

- A- Hold a university degree or a certificate in insurance from any specialized institution.
- B- Has any of the following work experiences:-
 - 1- Practiced insurance business or the business of an Insurance Agent for a period not less than seven years in the type of insurance requested.
 - 2- Occupied the position of a general manager of an Insurance Company, for a period not less than five years.
 - 3- Worked as a key employee in insurance business for a period not less than five years in the type of insurance requested.
 - 4- Worked for an Insurance Broker for a period not less than seven years in the type of insurance requested.
 - 5- Worked as an Insurance Broker outside the Kingdom for a period not less than three years in the type of insurance requested.
- C- Fulfill the requirements stated in Article (31) of the Act.
- D- To engage wholly in a private office.
- E- His license and/or registration to practice the insurance brokerage business or the insurance agency business, has not been previously revoked or suspended as a disciplinary sanction, or that he did not meet the conditions for renewing his license and/or registration, from the body that revoked or suspended his license or registration.
- F- Pass the evaluation designated or accredited by the Commission for this purpose.

Article (5):

The application shall be submitted according to the form designated for this purpose including the data and enclosed with the following documents:-

- A- Name, nationality and address of the applicant.
- B- Two personal photos.
- C- Type and classes of insurance applied for to practice the insurance brokerage business.
- D- A non-conviction certificate or an equivalent of same for foreign applicants issued by the country where he was residing three years prior to the submission of the application.
- E- A copy of the passport or the identification card.
- F- A certified copy of the academic qualifications.
- G- A copy of the work experiences certificates.
- H- An original copy of the training courses certificates.
- I- A written declaration that all the data and documents submitted pursuant to the provisions of this Article are true.
- J- Proof of payment of the fees and charges determined pursuant to the Regulations and Instructions issued for this purpose according to the provisions of the Act.
- K- Any other data or documents requested by the Director General.

Article (6):

- A- The juridical person shall submit the licensing application to practice the insurance brokerage business in the Kingdom, according to the form designated for this purpose, including the following:-
 - 1- Proof that all conditions stipulated in Article (4) of these Instructions, are fulfilled by submitting all the data and documents stipulated in Article (5) of these Instructions, for its general manager or any of the directors, as the case may be, and all persons in charge of the insurance brokerage business for purposes of accreditation, or submitting an undertaking to fulfill all the requirements before being granted the license, as the case may be.
 - 2- A detailed description that includes the qualifications and expertise of the persons holding the administrative and the financial responsibilities.
 - 3- A signed copy of the Company's agreement or the memorandum of association and articles of association, as the case may be.
- B- Where the juridical Broker to be licensed, is a branch of a foreign juridical person, a certified copy of the license of the foreign juridical person issued from the country of origin, shall be submitted in addition to the documents mentioned in paragraph (A) of this Article.
- C- The objectives of the juridical person to be licensed shall be limited to insurance brokerage business, subject to the provisions of paragraph (D) of Article (3) of these Instructions.
- D- For purposes of implementing the provisions of item (1) of paragraph (A) of this Article, the juridical Broker shall determine the classes of insurance conducted by the persons in charge of the insurance brokerage business in the Kingdom. The juridical Broker may, after being granted the license, submit an application to add more classes of insurance to be conducted by those persons, provided that the said juridical person shall be licensed to transact the requested classes.
- E- The juridical person may be granted a license to transact the business of a Broker in both life assurance and general insurance business, provided that the two types of insurance shall not be transacted by the same employee of the juridical person. The conditions required to transact insurance brokerage business shall be fulfilled in the type of insurance requested pursuant to the provisions of these Instructions.

Article (7):

- A- The Director General shall notify the applicant, within two weeks as of the date of submitting the application, either with the completion or incompleteness of the application to all data and documents submitted according to the provisions of Articles (5) and (6) of these Instructions.
- B- In case of completion pursuant to the provisions of Articles (5) and (6) of these Instructions, the Director General shall notify the applicant with the details of the evaluation, provided that the evaluation shall be held within a period not exceeding sixty days as of the date the applicant was notified as stipulated in paragraph (A) of this Article.
- C- In case of incompleteness, the applicant shall fulfill the incompleteness within a period not exceeding sixty days as of the date of notification of such; otherwise the application shall be considered void. The applicant shall not be

permitted to submit another application before the elapse of three months as of the date of the voidance of the application.

Article (8):

- A- The Director General shall issue a Decision regarding the licensing application submitted pursuant to the provisions of Articles (5) and (6) of these Instructions, within a period not exceeding thirty working days as of the date the applicant took the evaluation pursuant to the provisions of paragraph (B) of Article (7) of these Instructions.
- B- Where the applicant passes the evaluation, the Director General shall notify the applicant of such pursuant to the provisions of the Act, and the Broker shall be registered in the register designated for this purpose by the Commission, within a period not exceeding thirty working days as of the date the Broker was notified of such, after submitting the following:-
 - 1- Proof of completing the establishment and the registration before the competent authorities in the Kingdom, as the case may be.
 - 2- Proof of having a valid professional indemnity insurance policy to cover the liability of the Insurance Broker during his licensing period. The amount and conditions of such policy shall be determined by a Decision issued by the Director General for this purpose.
 - 3- Proof of payment of the fees and charges determined according to the Regulations and Instructions issued pursuant to the provisions of the Act.
- C- Where the applicant does not pass the evaluation stipulated in paragraph (A) of this Article, the Director General shall notify the applicant with that pursuant to the provisions of the Act, and the applicant shall, within a period of one year as of the date of submitting the application, pass the evaluation according to any of the courses held for this purpose after paying the charges determined pursuant to the Instructions issued pursuant to the provisions of the Act; otherwise the licensing application shall be considered void. The applicant shall not be permitted to submit another licensing application to practice the business of an Insurance Broker unless he submits proof of having attended specialized courses in insurance business of a period not less than fifteen hours.

Article (9):

- A- The Broker shall undertake to notify the Director General, immediately of any changes occurring on any of the data and information he was licensed by virtue thereof, provided that such changes are in accordance with the provisions of these Instructions.
- B- The juridical Broker shall notify the Director General of the vacancy of the position of its general manager or any of the directors, as the case may be, or any of the persons in charge of its insurance brokerage business, and shall occupy the vacant post within thirty days as of the date of vacancy, if necessary, and notify the Director General accordingly for purposes of accreditation by the Commission pursuant to the provisions of these Instructions and the Decisions issued by virtue thereof.

Article (10):

- A- The Broker shall submit an application to renew his license annually, forty five days before the end of the licensing period, which occurs on the thirty first of December of each year, according to the form designated for this purpose enclosed with the following:-
- 1- A report of the insurance brokerage business conducted in the Kingdom during the year according to the form designated for this purpose.
 - 2- A declaration that he has not been convicted with a felony or a misdemeanor infringing integrity and trustworthiness as of the date he was licensed, and an undertaking to notify the Commission in case of such during the year.
 - 3- A valid insurance policy pursuant to the provisions of item (2) of paragraph (B) of Article (8) of these Instructions.
 - 4- Evidence of enrolling in courses specialized in insurance business or insurance brokerage business, or participating in conferences or seminars in insurance business or insurance brokerage business of a period not less than fifteen hours.
 - 5- A written declaration that all the submitted data and documents pursuant to this Article are true.
 - 6- Proof of payment of the fees and charges determined pursuant to the Regulations and Instructions issued for this purpose according to the provisions of the Act.
- B- In addition to the aforementioned in paragraph (A) of this Article, the juridical Broker shall submit a report including the name of its general manager or directors, as the case may be, as well as all the persons in charge of the insurance brokerage business.
- C- The renewal application stipulated in paragraph (A) of this Article shall be looked into, within a period not exceeding fifteen working days as of the date the completed renewal application to all data and documents was submitted.

Article (11):

The Broker who wishes to suspend his license shall submit an application to the Commission, and may also submit an application to re-list his name in the register designated for this purpose, provided that he shall submit a written application according to the form designated for this purpose, and subject to the following provisions:-

- A- If the suspension period of the license does not exceed one year as of the date of submitting the application, the provisions of Article (10) of these Instructions shall be taken into consideration.
- B- If the suspension period of the license exceeds one year as of the date of submitting the application, in addition to what is stipulated in paragraph (A) of this Article, the Broker shall submit proof of enrolling in courses specialized in insurance business or insurance brokerage business or participating in conferences or seminars in insurance business or insurance brokerage business of a period not less than fifteen hours during the two years prior to submitting the application.
- C- In case the suspension period of the license exceeds three years as of the date of submitting the application, the Broker shall submit an application for a new license pursuant to the provisions of these Instructions.

- D- The Broker shall not practice insurance brokerage business during the suspension period, subject to legal liability.

Article (12):

The Broker shall undertake the following duties:-

- A- Document the registration number at the Commission on all his papers, correspondences and documents.
- B- Provide the Client with advice, technical consultation and the most suitable conditions and prices for him through contacting a number of insurance companies.
- C- Negotiate with the insurance company for the Client's interest and representing him before the Company provided that the Broker shall obtain a written authorization from the Client for such.
- D- Provide the insurance company with information that enables it to assess the risk to be insured or renew its insurance at the knowledge and approval of the Client
- E- Have knowledge of the insurance markets and legislation implemented, and follow up on the developments occurring therein, and its impact on the insurance business.
- F- Provide assistance in negotiations between the Company and the Client concerning claims arising from the risk insured.
- G- Not allow other Insurance Brokers to do insurance brokerage business on his behalf concerning the Client, without obtaining the Client's written approval.
- H- Transfer any amount of money he is authorized to receive from the Client such as the premiums to the Company and transfer the amount of claims paid by the Company to the Client or the beneficiary in the agreed form. The Broker shall also open a bank account in the Kingdom to deposit those amounts, and shall not receive any commission or interest on the amounts deposited in that bank account, unless otherwise agreed with the Client.

Article (13):

The Broker shall comply with the following rules of professional conduct:-

- A- Conduct his dealings with honesty, integrity and proper behavior in all his actions at all times.
- B- Ensure that the Client understands the services provided by the Broker and the nature of the relationship between them.
- C- Treat all data and information acquired about the Company or the Client, with utmost confidentiality, and take appropriate measures to maintain the secrecy of confidential documents in his possession.
- D- Make sure that the insurance policy meets the requirements of the Client.
- E- Explain to the Client the importance of disclosing the material information, and the consequences of non- disclosure or inaccuracy when applying for the application, and to explain to the Client that only he (the Client) is responsible for any data and information stated in the application.
- F- Explain to the Client the reason for choosing the insurance policy he recommends and the conditions, benefits and exceptions it includes; and submit to the Client a comparison between the price and the coverage offered by the recommended insurance policy, and other insurance policies offered by other insurance companies.

- G- Explain to the Client the mechanism by which the Client shall pay the premiums concerning the insurance policy and any other additional fees in this respect.
- H- Explain to the Client the procedures to be conducted by him in case the risk insured occurs.
- I- Ensure that the Client is aware of the expiration date of the insurance policy period even if it is not agreed between the Client and the Broker that the latter shall provide services related to renewing the insurance policy.
- J- Provide the Client with advice of the necessity of disclosing any changes which may occur on the nature of the risk insured after issuing the insurance policy, during its duration and upon renewal, where the Broker provides services to the Client related to renewing the insurance policy.
- K- Ensure that the Client has received a notification from the Company to renew the insurance policy at the appropriate time before the expiration date of the licensing period, provided that the Broker provides special services regarding renewing the insurance policy.
- L- Notify the Client, without delay, with the Company's decision that is notified to the Broker, regarding the claim submitted by the Client to the Company after the occurrence of the risk insured, and provide the adequate assistance to the Client for continuity of the claim procedures.
- M- Advise the Client, if the Broker finds that the Client is not complying, to submit a comprehensive and fair declaration regarding the claim submitted to the Company after the risk insured has occurred.
- N- Ensure that the insurance policy and the requirements related to its renewal, include special information of the procedures followed by the Company for the Client to submit his complaint or the remarks regarding insurance.
- O- Have an appropriate mechanism for receiving complaints and remarks from the Client and following up on them.
- P- The commission that the Broker is granted by the Company shall not be the main element that influences his decision when choosing or recommending an insurance company over another.
- Q- Not to provide the Client with any information or criticisms that are false or unfair regarding any Company or Broker for purposes of motivating the Client to revoke the valid insurance policy and buy a new policy through him, or influencing his decision regarding the proposal submitted to him by other entity.

Article (14):

- A- The Broker shall be obliged to submit to the Commission his annual balance sheet and the accounts attached thereto, as the case may be, within a period not exceeding thirty days as of the end of the financial year.
- B- For purposes of these Instructions, the financial year of the Broker shall start on the first of January and shall end on the thirty first of December of the same year, except the first year of his license which shall start from the date that the Broker is granted the license until the thirty first of December of the same year.

Article (15):

- A- The Broker shall document the data and information related to the insurance brokerage business he is practicing in books and registers, as the case may be, including the following:-
 - 1- Name and address of the Client he is practicing the insurance brokerage business in his interest.
 - 2- Memorandums and correspondences concerning his business.
 - 3- A copy of the insurance policies that the Client concludes with the insurance Company.
 - 4- Documents with serial numbers related to collecting, paying, recording and settling claims, and any other financial transactions regarding the insurance brokerage business practiced.
 - 5- Bank accounts regarding the insurance brokerage business practiced.
- B- The records and registers mentioned in paragraph (A) of this Article shall be in the form of originals, copies thereof or other electronic means.
- C- The Broker shall keep the records and registers stated in this Article for a period not less than five years as of the end of the financial year related thereto.

Article (16):

- A- The Broker may add another class of insurance business to his license, after submitting an application to the Director General according to the form designated for this purpose.
- B- Approval for additional class shall be granted to the Broker, according to the following conditions:-
 - 1- Satisfy the conditions stipulated in paragraph (B) of Article (4) of these Instructions.
 - 2- Pass the evaluation designated or accredited by the Commission for this purpose.
 - 3- Pay the charges determined according to the Instructions issued for this purpose pursuant to the provisions of the Act.
- C- The provisions of Article (8) of these Instructions shall be implemented to the application submitted for adding classes to the license of the Broker, as the case may be.

Article (17):

Where any of the persons in charge of the insurance brokerage business at the juridical Broker, was transferred to another juridical Broker, he shall be exempted from taking the evaluation, in the following conditions:-

- A- The transfer takes place within a period not exceeding six months as of the date of termination of his employment.
- B- The insurance brokerage business to be practiced by the employee is in the same classes of insurance he has been licensed for by the Commission.
- C- The juridical Broker is licensed in the same classes of insurance to be practiced by the employee.

Article (18):

- A- Where sufficient information is available to the Director General indicating any of the following:-

- 1- That the Broker has breached the provisions of the Act, Regulations, Instructions and Decisions issued by virtue of any of them.
 - 2- That the Broker has lost any of the conditions he was licensed upon or if it became evident that the data and documents provided by him were false.
 - 3- That the Broker has not renewed his license pursuant to the provisions of paragraph (A) of Article (10) of these Instructions and is still practicing his business.
 - 4- That the Broker has breached trust by seizing illegally the money in his possession that belongs to the Company or the Client.
- B- If it was evident for the Director General that any of the information mentioned in paragraph (A) of this Article is true, he may pursue any of the following procedures:-
- 1- Request the Broker to undertake certain procedures to correct the situation within the period determined by the Director General.
 - 2- Suspend the license of the Broker, and request the Broker to undertake certain procedures to correct the situation within the period determined by the Director General.
 - 3- Revoke the license in all or any of the classes of insurance he is licensed to practice.
- C- If the Broker has not corrected his situation pursuant to the provisions of item (1) of paragraph (B) of this Article, the Director General may suspend or revoke his license.
- D- If the suspension period was over and the Broker has not taken the necessary procedures to correct his situation pursuant to the provisions of item (2) of paragraph (B) of this Article, the Director General may revoke his license.
- E- If the Director General issued a Decision to revoke the license of the Broker. The Broker shall not submit an application for a new license to practice the insurance brokerage business in the Kingdom before the elapse of three years as of the date the revocation decision was issued, if the reason for the revocation was a result of a gross deficiency according to the discretion of the Director General.

Article (19):

The Director General may assign an employee or more from the Commission or appoint an external party to inspect, in appropriate times, the books and records of the Broker. The Broker shall have all his books and records available and cooperate with the employee or the external party so that they can fully perform their duties. The Broker shall bear all the expenses of the external party as decided by the Director General, unless the Director General deems otherwise.

Article (20):

- A- The Director General may exempt the applicant from the conditions stipulated in paragraph (A) of Article (4) of these Instructions, in any of the following cases:-
- 1- If the applicant, the general manager of the juridical insurance Broker or any of the directors, has a work experience that exceeds any of the aforementioned in items (2) and (3) of paragraph (B) of Article (4) of these Instructions of a period not less than three years, provided that the applicant shall have a high school diploma, as minimum.

- 2- If the persons in charge of the insurance brokerage business for a juridical insurance Broker pursuant to the provisions of these Instructions, have any of the work experiences stipulated in paragraph (B) of Article (4) of these Instructions, provided that the applicant shall have a high school diploma, as minimum.
- B- The Director General may exempt the persons in charge of the insurance brokerage business for a juridical insurance Broker from half the periods stipulated in paragraph (B) of Article (4), provided that the said person shall fulfill the conditions stipulated in paragraph (A) of Article (4) of these Instructions.

Article (21):

Instructions No. (5) of 2003 Instructions of Licensing and Regulating the Business and Responsibilities of an Insurance Broker and the Amendments Thereof shall be repealed, provided that all Decisions issued pursuant thereof shall stay in force to the extent that does not contradict with the provisions of these Instructions until repealed or replaced. The procedures followed in respect thereof, including those related to adjusting his status of the persons who are licensed to practice the insurance agency business, shall stay in force for purpose of these Instructions.

Article (22):

The Director General shall issue the Decisions necessary for implementing the provisions of these Instructions.

Board of Directors of the Insurance Commission