



INSURANCE BROKER SERIES # 1

ESTABLISHING A LABUAN INSURANCE BROKING COMPANY

Insurance Broking Company

Labuan International Business and Financial Centre's (Labuan IBFC) business-friendly environment, strategic location and value propositions continue to be a major attraction for insurance and insurance related companies to set up base on the island. So, if an insurance broking company is your cup of tea, you will be hard-pressed to find a better location that offers a wide range of financial products and services to customers worldwide.

Legal Provisions

As with all insurance and insurance-related companies in Labuan, an insurance broker too is governed by the Labuan Financial Services & Securities Act 2010 (LFSSA), which is tailored to provide a simple and helpful operating environment. Simply put, a Labuan insurance broker is defined as an individual who is licensed to offer the following:

- ➔ Arranging a Labuan insurance business on behalf of prospective or existing policy owners
- ➔ Arrange a Labuan reinsurance business on behalf of any insurer seeking reinsurance;
- ➔ Analysing the financial circumstances of another individual and device a plan to meet that person's financial needs and objectives, whether or not a fee is charged in relation thereto..

The first step to establishing a Labuan insurance broking company is fulfilling the minimum capital requirement of RM 300,000 or its equivalent in any foreign currency or a nett working fund of at least RM 300,000. The capital must be deposited in any licensed Labuan bank in Labuan IBFC while the working fund is to be placed in an account with a

bank in Labuan. The annual insurance broking licence fee is RM20,000 and payable by 15th January every year.


A marketing office in Kuala Lumpur and / or Johor Bahru or a co-located office in Malaysia can be established by the Insurance Broker, for which there will be annual fees of RM7,500 and RM10,000 respectively for these two types of offices, also payable annually by 15 January. It's a prerequisite for all licensed Labuan insurance brokers to be a member of the Labuan International Insurance Association for an annual membership fee of RM 2,500.

One of the biggest aspects of establishing a Labuan Insurance Broking Company is having a professional indemnity insurance policy. In this instance, a policy of not less than RM 2.5 million or its equivalent in any foreign currency is the minimum requirement. It must remain indemnified by this policy throughout its tenure of operations in Labuan IBFC. If a Labuan Insurance Broker chooses to establish a takaful broking window, no separate licence is required..

Management & Directors

On the aspect of management, instead of establishing its own office, a Labuan Insurance Broking Company can be managed by a management company licensed in Labuan such as Brighton Management Limited which has the expertise and facilities to help companies adopt a cost-effective approach to running an office which, in turn, eradicates common administrative issues such as high overhead costs and employee turnover.

Setting up of companies is followed the appointment of Directors, and this is where the



Labuan Financial Services Authority's (Labuan FSA) guidelines on fit and proper person comes into play. The guidelines serve as the framework to assess a Director's capacity to act as a fit and proper person to carry out his / her role. The burden of proof here is on the individual to establish, on reasonable grounds, that he / she satisfies all criteria.

Fundamentally, Directors are expected to be competent, honest and possess integrity, with sound financial standing. A Labuan Insurance Broking Company must have at least two directors that fulfil these criteria. However, if a Director fails to convince Labuan FSA that he / she is a fit and proper person, applications can be refused, authorisations could get revoked or any other appropriate regulatory action can be initiated by Labuan FSA.

The upcoming articles in the Labuan Insurance Broker series will focus on key areas such as business transactions, other requirements for establishment, and issuance of licence.