

Business Transactions

With sound governance, a robust operating framework and an optimistic outlook for the economy, it is no wonder that extensive volumes of transaction are expected to be performed by Labuan Insurance Brokers.

For those licensed in Labuan, there are some dos and don'ts that require adhering too. In a nutshell, a Labuan insurance broker can transact:

- ➔ Direct Insurance Business with any insurance companies irrespective of LFSSA licensed or not. However, it cannot act as a direct broker to the Malaysian domestic insurance business
- ➔ Life Insurance of high net worth Malaysians with life insurance companies licensed under the LFSSA (in this instance, high net worth individuals are defined as those that spend an equivalent of not less than RM 20,000 in any foreign currency on a single premium policy or an equivalent of not less than RM 15,000 per person in any foreign currency on an annual premium policy)
- ➔ A reinsurance Business of Malaysian risks transacted in Malaysian Ringgit.

Insurance brokers are allowed to choose the principal currency with which they will operate and maintain in their accounting records. Where accounting standards are concerned, companies have the freedom to follow any recognised standard or those agreed with the Labuan Financial Services Authority (Labuan FSA). All accounts must be audited by an auditor authorised by Labuan FSA.

One of many advantages enjoyed by insurance broking companies in Labuan IBFC is that they have the freedom to invest funds in ways

considered appropriate by the management of the Labuan broking company. With foreign currency dominating business in Labuan IBFC, BNM has exercised complete exemption from foreign currency exchange control restriction to enhance the ease of doing business.

In case you are wondering if a Labuan insurance broking company is subjected to Malaysian income tax, the answer is No. However, the company is required to a Business Activity Tax which amounts to either a flat rate of RM 20,000 or 3% of the profits as disclosed in its audited accounts for the year. Where basis of payment of tax is concerned, the option can be exercised every year.

Business Integrity

With business transactions comes transparency and ethics. According to Labuan FSA's document titled Guidelines on The Conduct and Roles Of Labuan Insurance And Takaful Brokers, dated 31 October 2016, it is imperative that an insurance broker conducts business with a high degree of honesty, fairness and, in a transparent manner. This helps maintain good faith and trust in the insurance and takaful industry.

Lest we forget that engaging in any acts of misconduct such as fraud and deceit or commit any other offence will adversely affect the honesty and trustworthiness of the insurance broker while compromising the integrity and reputation of not just the company, but the industry as a whole. Hence, it's important to ensure total compliance with all relevant laws, policies, and regulations associated with functioning as a Labuan Insurance Broker.

Client Management

Clients are the heartbeat of all businesses, and it's no different for a Labuan Insurance Broker. Therefore, it's crucial to develop and maintain a healthy relationship with clients for sustained business performance and success. In the aforementioned Labuan FSA document, it is stressed that the establishment and implementation of policies and procedures on fair treatment of clients must form an integral part of the insurance broking business culture.

Insurance brokers must provide clients with adequate information about their business and the types of insurance business they are authorised to carry out. They must also explain all essential provisions stipulated in contracts of insurance – which includes drawing client's attention to any restrictions or exclusions – which they are recommending, to ensure clients understand exactly what they are buying.

Fee disputes and misunderstandings too can arise if information is not appropriately conveyed. So, it's important for Labuan insurance brokers to advise clients on any additional fees they intend to charge, in addition to the premium payable to the insurer. They must also refrain from inappropriately advising clients to convert, allow to lapse, cancel or surrender any long-term contract, unless it can be clearly demonstrated that such action is in the best interest of clients.

In the remaining two parts of the Labuan Insurance Broker series, we will feature quick facts on the layout for establishing an insurance broking company in Labuan.