

## **New Requirements for Motor Dealers selling Motor Insurance**

With effect from **1<sup>st</sup> January 2013**, all agencies selling Motor Insurance are required to be registered as Trade Specific Agent (TSA) of Motor Insurance. Insurers should not accept business from persons, including motor dealers, who are not registered with the Agents' Registration Board (ARB).

Appended below are the key highlights:-

### **A. Requirements on Motor Dealers**

From 1<sup>st</sup> January 2013:-

1. all agencies selling motor insurance are required to be registered as TSA of Motor Insurance;
2. they must have at least 1 nominee agent for each place of their operation;
3. such nominee must obtain a Certificate of Motor Insurance for Motor Dealers;
4. the Motor Dealers have to meet 4 hours of Continuous Professional Development hours yearly before renewal of their licence;
5. the TSA and its nominee agents will have to meet the Fit and Proper criteria in order to be registered with the ARB.

Any motor dealer who is not registered as a TSA and who arranges or holds itself out to arrange contracts of insurance for a registered insurer is in breach of Section 35 of the Insurance Act which requires all agents to have a written agreement with the insurer. Insurance intermediaries who transact business with a non-registered motor dealer will be a party to the contravention of Section 35.

**B. Requirements on Insurers**

1. Insurers are to be familiar with the business model of their agents and ensure that businesses are not channelled through agents by unregistered dealers.
2. Insurers should carry out periodic checks on their agents and how they conduct their business.
3. Insurers should also conduct an audit every 2 to 3 years on Motor Dealers and carry out mystery shopping on them.

**C. Agreements with Motor Dealers**

1. Insurers can have a direct agency agreement with Motor Dealers where they place business directly with them; or
2. Insurers can enter into a tripartite agreement with the motor dealer and a principal agent where the motor dealer conducts business with them through the appointed principal agent.