

## **BROKER DUE DILIGENCE CHECKLIST (USING THIRD PARTY INFORMATION SOURCES)**

The following is a list of checks which MGAs can undertake on brokers and other types of intermediary from information which is available from public registers or third party information sources. This process can be used to supplement, as well as verify, answers given to questions in any application form the MGA may ask the broker to complete (which may themselves give rise to further enquiries) and any other due diligence enquiries (for example, in connection with third party payments).

Whilst this checklist is primarily aimed at UK brokers, equivalent checks can be undertaken by MGAs wishing to appoint overseas brokers, to the extent that equivalent information is available.

**This checklist is not intended to be prescriptive or exhaustive; MGAs should consider the extent to which checks are made and repeated, taking a risk-based and intelligence-led approach in all cases. Professional guidance should be taken in the event of any queries or uncertainty.**

Name of broker assessed:	
Date of assessment:	

Question	Answers/Comments
<b>Financial Services Register checks</b>	
1. What is the broker's FCA regulatory status? (e.g. directly authorised, EPF or AR)  <i>NOTE: Any intermediary that is classified as an Exempt Professional Firm (solicitors, accountants and actuaries) is listed on the EPF section of the Financial Services Register.</i>	
2. Are there any disciplinary notices on the Register?	
3. Are all trading names which are relevant to the business relationship shown on the Register?	
4. What is the Firm Reference Number?	

Question	Answers/Comments
<p>5. Are the regulated activities included within the broker's permission appropriate or, for an AR firm, are the activities included in its Principal's permission appropriate?</p> <p><i>NOTES:</i></p> <p>a) <i>The broker should be authorised to transact business with commercial and/or retail customers, as appropriate to the type of business the MGA will be underwriting for the broker;</i></p> <p>b) <i>The broker's permitted regulatory activities should include:</i></p> <ul style="list-style-type: none"> <li>• <i>'arranging (bringing about) deals';</i></li> <li>• <i>'making arrangements with a view to transactions';</i></li> <li>• <i>'assisting in the administration and performance', if the broker handles and negotiates claims on behalf of its clients;</i></li> <li>• <i>'advising', if the broker recommends the MGA's products to its clients;</i></li> <li>• <i>'dealing as agent', if a delegated authority is being granted to the broker.</i></li> </ul> <p>c) <i>The investment instrument specified should be 'non-investment insurance contracts';</i></p> <p>d) <i>If the broker is to handle insurance premiums, it must have permission to hold client money, unless 'risk transfer' is cascaded by the insurer or the intermediary is otherwise exempt.</i></p> <p>e) <i>If the broker is passported into the UK under the Insurance Mediation Directive, it should have a 'Service' passport plus, if deemed to have an establishment in the UK, a 'Branch' passport.</i></p>	
<p>6. If we are providing any of the broker's 'consumer' clients ('consumers' as defined by the Consumer Credit Act) with a premium finance or instalment facility, do the broker's permitted regulatory activities include, as a minimum, 'credit broking'?</p> <p><i>NOTES:</i></p> <p>a) <i>Until the interim Consumer Credit permissions regime finishes in 2016, it may be necessary to check both the Financial Services Register and the Interim Permission Consumer Credit Register. Note that the latter Register refers to 'Credit Broking' as 'Credit Brokerage'.</i></p> <p>b) <i>If the broker is an Appointed Representative of another firm, it may hold an interim permission in its own right until such time as its Principal obtains full authorisation for consumer credit activities. For Appointed Representatives it may, therefore, be necessary to search the Interim Permission Consumer Credit Register for the broker's permitted activities and the Financial Services Register for its Principal's regulated activities.</i></p>	

<b>Credit Status</b>	
<p>1. What is the credit rating of the broker and any parent/holding companies?</p> <p><i>NOTE:</i></p> <p><i>A credit report can be obtained from an appropriate credit reference agency.</i></p>	
<b>Checks on the broker's directors/individual controllers</b>	
<p>1. Is there a match to any of the broker's directors or individual controllers on HM Treasury's Consolidated Financial Sanctions List?</p>	
<p>2. Are any directors or individual controllers of the firm listed on HM Government's bankruptcy and insolvency register?</p>	
<p>3. What are the credit ratings of the directors and individual controllers of the firm?</p> <p><i>NOTES:</i></p> <p><i>a) A credit report can be obtained from an appropriate credit reference agency.</i></p> <p><i>b) The individuals concerned must provide their consent before any such reports are sought.</i></p>	
<b>Companies House checks</b>	
<p>1. If the broker is an incorporated entity, are there any concerns about its entry on the Companies House Register?</p> <p><i>NOTES:</i></p> <p><i>a) Does the Register show that the broker is currently trading?</i></p> <p><i>b) Does the Register show that the broker has submitted its annual return and accounts on time?</i></p> <p><i>c) Are there any other issues?</i></p>	
<p>2. If the broker is subject to Companies Act audit requirements, are there any concerns about the information contained in its annual financial statements?</p>	

<b>Overseas brokers</b>	
<p>1. Has any relevant information on the International Association of Insurance Supervisors (IAIS) web site been considered?</p> <p><i>NOTES:</i></p> <p>a) <i>The IAIS represents insurance regulators and supervisors of more than 200 jurisdictions in nearly 140 countries, constituting 97% of the world's insurance premiums.</i></p> <p>b) <i>The web address is <a href="http://iaisweb.org/index.cfm?event=showHomePage">http://iaisweb.org/index.cfm?event=showHomePage</a></i></p> <p>c) <i>The site includes a list of members (the Regulators) and in many cases a hyperlink to their web sites, which can be a useful way of independently checking an overseas broker's regulatory status.</i></p>	
<p>2. Has any relevant information on the Group of International Insurance Centre Supervisors (GIICS) web site been considered?</p> <p><i>NOTES:</i></p> <p>a) <i>The GIICS (previously known as 'OGIS', the Offshore Group of Insurance Supervisors) covers some of the smaller niche areas which are not necessarily IAIS members</i></p> <p>b) <i>The web address is <a href="http://www.giics.org/">http://www.giics.org/</a></i></p>	
<b>Other Checks</b>	
<p>1. Is any adverse information shown (at company and individual level) on any third party risk intelligence systems (e.g. World-Check)?</p>	
<p>2. Is there any adverse market intelligence or trade press coverage about the broker or any of its directors/controllers?</p>	
<p>3. Is the broker's name shown on the Data Protection Register?</p>	

If a decision is made to enter into a Terms of Business Agreement with the broker that has been assessed, this must be signed-off by a Director or Partner of the firm.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_