



# TURKS AND CAICOS ISLANDS FINANCIAL SERVICES COMMISSION

*Regulating with Honesty, Integrity and Transparency*

18<sup>th</sup> May 2022

## REGULATORY ADVISORY NO. 4 OF 2022

### DIRECT WRITERS

Section 9(1)(c) of the Insurance Ordinance states that a “producer affiliated reinsurance company is a company whose affairs are under the control of a direct writer.” This Advisory seeks to provide guidance what constitutes ‘under the control of a direct writer’ in compliance with section 9(1)(c) of the Insurance Ordinance.

A PARC is deemed to be under the control of the direct writer when it can be established that the approved direct writer, at a minimum, collects premium and pays claims, controls the flow of funds in and out of the custodial or trust account, calculates the premium and claims reserve and determines the surplus to be released to the PARC. Reliance is placed on the wording of the reinsurance agreements, custodial and trust agreements (hereafter referred to as agreements) in determining whether a PARC is controlled by the approved direct writer.

Review of agreements involving pass-through entities, that is, a (re)insurance company accepting business from the direct writer and then reinsuring with the PARC, has revealed that in many instances the PARC is not under the control of the direct writer. Given that this structure was previously approved under the producer owned reinsurance company regime, the Commission has decided that this should not be discontinued without adequate notice being provided to the industry. Accordingly, please be advised that **effective 1<sup>st</sup> January 2023**, the Commission will no longer approve applications which involve a pass-through entity between the direct writer and a PARC, unless the applicant provides a reasonable explanation for such a structure being utilised and the agreements in place clearly demonstrate that the PARC is under the control of the approved direct writer.

Please be guided accordingly.

**Niguel Streete**  
**Managing Director**