



NOTICE NO. TIU/N-1/2022/18

NOTICE ON APPLICATION PROCESS AND REQUIREMENTS OF INVESTMENT-LINKED INSURANCE BUSINESS FOR INSURANCE COMPANIES

1. INTRODUCTION

- 1.1. This Notice is issued pursuant to Section 88 of the Insurance Order, 2006 (“the Order”) to set the application process and requirements of investment-linked insurance business (“ILIB”) under Section 15 of the Order and to require insurance companies [hereinafter referred to as “insurers”] to provide fair treatment to policyholders in preserving the value of their investment-linked policies.
- 1.2. This Notice shall also be read in conjunction with the following:
 - 1.2.1. Section 15 of the Insurance Order, 2006;
 - 1.2.2. Securities Markets Order, 2013;
 - 1.2.3. Securities Markets Regulations, 2015;
 - 1.2.4. Notice on Corporate Governance for Insurance Companies and Takaful Operators [Notice No. TIU/N-3/2017/7];
 - 1.2.5. Notice on Establishment and Maintenance of Insurance Funds for Insurance Companies [Notice No. TIU/N-3/2020/14];
 - 1.2.6. Notice on Application for Approval of Outsourcing Arrangement for Insurance Companies and Takaful Operators [Notice No. TIU/N-1/2019/11];
 - 1.2.7. Notice on Public Offering Registration Requirement for Investment-linked Insurance Contracts [Notice No. CMU/N-2/2017/7];
 - 1.2.8. Notice on Registration of Investment-Linked Insurance Contracts [Notice No. CMS/3/2014];
 - 1.2.9. Guidelines on Outsourcing Arrangement for Insurance Companies and Takaful Operators [Guideline No. TIU/G-1/2019/10];
 - 1.2.10. Guidelines on Product Transparency and Disclosure [Guidelines No. FCI/G5/2019/1]; and
 - 1.2.11. any other notices, directives or guidelines, which the Authority may issue from time to time.



- 1.3. This Notice shall take immediate effect. This Notice has the following appendices:
 - 1.3.1. **Appendix 1:** Product Summary for New Product
 - 1.3.2. **Appendix 2:** Information to be Disclosed in Statement to Policyholders
 - 1.3.3. **Appendix 3:** Fund Performance Report to Policyholders
 - 1.3.4. **Appendix 4:** Information to be Disclosed in Advertisements and Publications

2. DEFINITIONS

- 2.1. For the purpose of this Notice:
 - 2.1.1. “board” means the Board of Directors of the company;
 - 2.1.2. “group” refers to the insurer’s Head Office or parent insurer, subsidiaries¹, affiliates², and any entity (including their subsidiaries, affiliates and special purpose entities³) that the insurer exerts control over or that exerts control over the insurer;
 - 2.1.3. “insurer” means a registered insurance company under the Order unless it is otherwise specified;
 - 2.1.4. “intermediaries” means insurance agents registered under the Order and Capital Market Representative License holders that are given authorisation to perform the regulated activities of dealing and arranging deals in investments as principal or agent (limited to dealing in investment linked insurance contract only); and giving or offering investment advice in his capacity as a financial planner under the Securities Markets Order, 2013;
 - 2.1.5. “investment-linked insurance business” (ILIB) has the same meaning attributed to it under section 15 of the Insurance Order, 2006. ILIB is also referred to as Investment-linked insurance contract (“ILIC”) under the Securities Markets Order, 2013;
 - 2.1.6. “material outsourcing” means an outsourcing arrangement which, if disrupted, has the potential to significantly impact an insurer’s business operations, reputation and profitability; and
 - 2.1.7. “senior management” means persons having authority and responsibility for planning, directing and controlling the activities of the company as appointed by the Board, including the Principal Officer as defined in the Order.

¹ As defined in the Notice on Product Approval for Insurance Companies (TIU/N-6/2020/17)

² As above

³ As above



3. APPROVAL TO CONDUCT ILIB

- 3.1. An insurer shall not issue an ILIB unless the Authority's prior approval is obtained under section 15 of the Order and the conditions set in this Notice are met.
- 3.2. The insurer shall notify the Authority of any material changes to any information that the insurer has submitted in respect of its application to carry out ILIB. The Authority may, based on the insurer's notification or such other information :
 - 3.2.1. revoke approval to carry out ILIB;
 - 3.2.2. vary any conditions in this Notice or such other conditions the Authority may impose; or
 - 3.2.3. issue directions to the insurer to withdraw any ILIB sub-fund which does not meet the regulatory standards required under this Notice.
- 3.3. The insurer shall submit a copy of each of the following to the Authority together with the application for approval under section 15 of the Order:
 - 3.3.1. a product summary containing the information specified in **Appendix 1**;
 - 3.3.2. a policy illustration of the ILIB; and
 - 3.3.3. a form as may be determined under Notice on Public Offering Registration Requirement for Investment-linked Insurance Contracts [Notice No. CMU/N-2/2017/7].
- 3.4. Any reference to appendices in paragraphs 3.3, 6.2 and 6.3 shall be construed as reference to the current version of the appendices which are displayed on the Authority's website at www.bdcg.gov.bn.

4. ROLES OF BOARD AND SENIOR MANAGEMENT

- 4.1. The board and senior management shall ensure effective oversight of an insurer's ILIB as part of the insurer's overall strategy management and risk control framework in accordance with the requirements set out in Notice No. TIU/N-3/2017/7.

5. MANAGEMENT AND SEPARATION OF FUNDS

- 5.1. For investment management activities that are outsourced to another entity within the group, an insurer shall ensure compliance with Notice No. TIU/N-1/2019/11 and to observe Guideline No. TIU/G-1/2019/10 with its best efforts.



- 5.2. The insurer shall establish and maintain separate investment-linked insurance funds and keep assets of an investment-linked insurance fund separate from all its other assets, in line with Notice No. TIU/N-3/2020/14.

6. DISCLOSURE

6.1. Disclosure requirements

- 6.1.1. The information provided by the insurer to customers relating to any investment-linked products are in observance with but not limited to those set out in Guidelines No. FCI/G5/2019/1, adequate to facilitate comparisons and enable informed decisions to be made.
- 6.1.2. The insurer shall provide accurate and updated information about the investment-linked policies that are consistent with the contents of documents filed with the Authority.
- 6.1.3. The insurer shall:
- a) immediately withdraw any information that becomes misleading following any change in circumstances;
 - b) notify existing policyholders of any change should the impact of such change on benefits to the existing policyholders; and
 - c) inform existing policyholders of any significant change to be made to the ILIB or ILIB sub-fund, not later than 1 month before the change is to take effect.
- 6.1.4. The insurer shall not market any ILIB or ILIB sub-fund with any sales material, including a product summary and brochure, that contains information which has not been updated 12 months prior to such marketing.
- 6.1.5. The insurer shall ensure that references to any past investment performance of an investment-linked insurance fund is supplemented by a clear warning statement/note that such past performance is not indicative of future performance and that the performance of the fund is not guaranteed. The insurer shall also ensure that past performance figures are not based on simulations or bias.

6.2. Statement and Reports to Policyholders

- 6.2.1. The insurer shall physically or electronically send to all policyholders the Statement to Policyholders containing the information required in **Appendix 2** within 30 days after each policy anniversary or a specified date set by the insurer in each policy year.



6.2.2. The insurer shall physically or electronically provide, to all policyholders, the fund performance report stipulated in **Appendix 3** within four months from the end of each financial year.

6.3. **Advertisements and Publications**

6.3.1. An insurer issuing an ILIB or an ILIB sub-fund shall ensure that the advertisements and publications relating to the ILIB or ILIB sub-fund comply with the requirements specified in **Appendix 4**.

7. PAYMENTS FROM THE ILIB SUB-FUND

7.1. An insurer shall not pay or cause to be paid out of the asset of the ILIB sub-fund:

7.1.1. any marketing or promotion expenses (for example, expenses for advertisements);

7.1.2. any fees from the ILIB sub-fund that have not been provided for in the product template and policy contract; and

7.1.3. any payment which is unfair to or materially prejudices the interests of any policyholder.

8. MARKETING

8.1. An insurer shall ensure that only intermediaries are allowed to market investment-linked products.

9. REPORTING REQUIREMENTS

9.1. An insurer shall submit information on policies and procedures for managing ILIB risks and ensuring fair treatment to policyholders upon request by the Authority.

9.2. The insurer shall maintain proper documentation of all relevant internal analyses conducted and information used in the ILIB development and approval processes. These shall be made available to the Authority for inspection upon its request.

**MANAGING DIRECTOR
BRUNEI DARUSSALAM CENTRAL BANK**

Issue date: 3 Rejab 1443 / 4 February 2022