



NOTICE TO BANKS

NOTICE NO. BU/N-5/2018/55

BANCASSURANCE ARRANGEMENT

1. INTRODUCTION

- 1.1. This Notice is issued pursuant to section 66 of the Banking Order, 2006. This Notice applies to all bancassurance activities of banks.
- 1.2. This Notice is intended to provide the minimum requirement for the efficient delivery and distribution of insurance/takaful products to banking customers through a bank.
- 1.3. This Notice shall be read in conjunction with the relevant laws of Brunei Darussalam including, but not limited to, the provisions of the Insurance Order, 2006 (IO) and Takaful Order, 2008 (TO) along with their subsidiary legislation as well as other regulatory instruments that Autoriti Monetari Brunei Darussalam (“the Authority”) may issue from time to time.
- 1.4. This Notice shall take immediate effect.

2. DEFINITION

- 2.1. For the purpose of this Notice –
 - 2.1.1. “bancassurance” includes any distribution or marketing arrangement with a bank that involves: -
 - (a) the sale of insurance or takaful products by the staff of the bank;
 - (b) the sale of insurance or takaful products using the bank’s distribution channels, which includes its call centres, internet, branches and marketing booths, as well as third parties providing such sales support services to the bank;
 - (c) the sale of insurance or takaful products using the bank’s customer database;
 - (d) the joint marketing of insurance or takaful products with the bank; or
 - (e) referral of customers to any insurance company/takaful operators.
 - 2.1.2. “bank” means any bank licensed under the Banking Order, 2006;
 - 2.1.3. “insurer” means any insurance company registered under the Insurance Order, 2006;
 - 2.1.4. “takaful operator” means any takaful operator registered under the Takaful Order, 2008; and



2.1.5. “tied-selling” means selling a product or service to customers from a particular person, including the bank and any of its affiliates, as a condition for obtaining another product or service from the bank.

3. **BANCASSURANCE**

- 3.1. Insurance and/or takaful products that are marketed by banks must be a product that is issued by an insurer or takaful operator registered by the Authority.
- 3.2. In order to preserve the right of consumer choice, banks that intend to undertake bancassurance involving any credit-related products must appoint a panel of insurers and/or takaful operators according to the following: -
 - 3.2.1. A bank undertaking bancassurance involving any credit-related insurance **and** takaful products must appoint a minimum of three operators comprising of insurers and takaful operators registered by the Authority on their panel.
 - 3.2.2. Where the bank undertakes bancassurance involving only credit-related insurance product **or** only credit-related takaful product, the bank must also appoint a minimum of three operators of which at least two are insurers or takaful operators respectively; and

4. **PRODUCTS IN BANCASSURANCE**

- 4.1. Bancassurance should provide consumers with a cost-effective alternative vehicle for savings and investment, and convenient access to integrated financial services from banks.
- 4.2. Banks can distribute credit-related and non-credit-related insurance and takaful products, from both the life and general sector. For the avoidance of doubt, the following meanings shall apply: -
 - 4.2.1. Credit-related insurance/takaful products refer to consumer credit insurance/takaful products purchased by borrowers in connection with mortgages, vehicle loans, personal loans and overdraft facilities provided by banks; and
 - 4.2.2. Non-credit related insurance/takaful products refer to any products other than those referred to in paragraph 4.2.1 subject to agreement between banks and insurers/takaful operators.
- 4.3. Investment-linked insurance/takaful products cannot be distributed through a bank. This refers to any insurance/takaful products that are tied to the performance of the underlying assets.



5. CONDUCT OF BUSINESS

- 5.1. Banks are not allowed to perform tied-selling to their customers when offering any credit facility(ies). Customers must be given a fair option to select insurance/takaful product from their preferred insurer or takaful operator whereby insurance/takaful coverage is required before granting the credit facility(ies).
- 5.2. Banks may set up an exclusive bancassurance partnership arrangement when offering non-credit related insurance/takaful products to customers, subject to the approval from the Authority.

6. APPLICATION

- 6.1. Banks are required to obtain the Authority's prior approval before entering into any bancassurance arrangement. Details of the arrangement must include the following information:
 - 6.1.1. Panel of insurers and/or takaful operators proposed;
 - 6.1.2. Fees to be paid by the panel (including a description of the basis for, and components of, the fee structure);
 - 6.1.3. The period of the arrangement; and
 - 6.1.4. Details (including any certifications) of bank employees who provide any direct client-advisory services under the bancassurance arrangement.
- 6.2. In order for the Authority to consider the application to enter into any bancassurance arrangement, the bank employees must meet at minimum the following criteria: -
 - 6.2.1. A holder of a qualification approved by the Authority¹; and
 - 6.2.2. An individual who fulfills the fit and proper criteria set out in "Guidelines on Fit and Proper Criteria for Key Responsible Persons and Key Persons in Control Functions in Insurance and Takaful" or any related notices and guidelines issued by the Authority from time to time.
- 6.3. Notwithstanding 6.2 above, any bank that currently has its own internal code of conduct must ensure that its internal standards are equivalent to the requirement as determined by the Authority.

**MANAGING DIRECTOR
AUTORITI MONETARI BRUNEI DARUSSALAM**

Date: 15 Rabiulakhir 1439 / 2 January 2018

¹ The non-exhaustive list of qualifications approved by the Authority can be found in the General Insurance/Takaful Agent handbook which is also available on AMBD's website. Alternatively, bank employees may sit for the Qualifying Examination for Insurance and Takaful Agents (QEFITA) conducted by Centre for Islamic Banking, Finance and Management (CIBFM)