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Proposed Insurance Authority Decision Concerning Marketing of Insurance Policies by Banks

By Amjad Ali Khan and Kanan Kasuya | August 2016

Recently, the Emirates Insurance Authority (the “**Insurance Authority**”) proposed a regulation in draft form concerning marketing of insurance policies by banks (the “**Draft Regulation**”). It is intended to regulate local insurance companies that market insurance policies through banks in the UAE. Once this Draft Regulation comes into force, banks will, in addition to the approval of the UAE Central Bank, require the approval of the Insurance Authority to market insurance policies.

Scope of the Draft Regulation

The Draft Regulation applies to insurance companies and banks that operate in the United Arab Emirates. It does not apply to insurance companies and banks in free zones.

Approval of the Insurance Authority

To obtain approval from the Insurance Authority to market insurance policies through a bank (the “**Approval**”), an insurance company must submit an application to the Insurance Authority. Within twenty (20) working days, the Insurance Authority will either approve or reject the application. An Approval shall be valid through December 31 of each year and must be renewed annually.

To cancel an Approval, an insurance company must terminate the agreement between the bank and the insurance company and notify the Insurance Authority of such termination. The Insurance Authority will then cancel the Approval. The Draft Regulation also permits an insurance company to temporarily suspend the Approval, thereby temporarily stopping the bank from marketing insurance products.

Restrictions under the Draft Regulation

The Draft Regulation imposes certain restrictions on banks and insurance companies:

- A bank cannot act as an insurance agent, broker, consultant or other insurance-related professional of an insurance company.
- A bank can only market certain types of insurance products.

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- A bank must have a designated officer to market insurance policies who (i) must receive ongoing training in marketing insurance policies; and (ii) must have successfully attended three training courses on insurance.
- An insurance company must have a branch in the emirate in which the bank is marketing insurance products.
- A bank can only market insurance products to its customers (defined as those that have accounts with or credit cards issued by the bank).
- The agreement between the bank and the insurance company must state the rights and obligations of both parties, the bank's commission, the types and classes of insurance products that will be marketed, rules to protect consumers' rights in the event the agreement is terminated, a mechanism for training designated officer(s), and a requirement to comply with laws on anti-money laundering.
- An insurance company must notify the Insurance Authority of any changes or amendments to the agreement and of any violations of the law by the bank.
- Banks must maintain all documents and information related to marketing insurance products for a period of five (5) years.

Bank's Obligation Towards its Customers

The Draft Regulation sets out rules on how the bank should market insurance products to its customers. The bank must ensure that customers are aware of the terms of, and the risks under, an insurance policy.

A bank must not condition the provision of banking services to the purchase of insurance and must disclose the fact that it will earn a commission on the sale of insurance.

Non-Compliance and Penalties

To enforce the draft Regulation, the Insurance Authority can:

- issue a warning to an insurance company to stop violations;
- suspend the Approval; or
- cancel the Approval.

Banks that Currently Market Insurance Policies

Banks that currently market insurance policies must ensure that the relevant insurance companies obtain Approval from the Insurance Authority within a period of six (6) months from the effective date of the Regulation. ■

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