

Commercial Banks Undertaking Business as Non-Life and Life Insurance Brokers

The Bank of Thailand (“**BOT**”) has granted permission for commercial banks to undertake business as non-life and life insurance brokers, with bancassurance becoming an important channel for insurance companies to sell their products to banking customers. However, the BOT is not the only regulator of bancassurance activities. In addition to the BOT, regulators of the banking and insurance businesses are the Office of Insurance Commission (the “**OIC**”) and the Securities Exchange Commission of Thailand (the “**SEC**”). Both the OIC and the SEC have set out certain laws, regulations and guidelines, particularly relating to “consumer protection” to regulate commercial banks and also protect the bank’s customers. A brief overview of the relevant laws, regulations and guidelines are specified below.

Non-Life and Life Insurance Broker:



In order to undertake business as non-life and life insurance brokers, a commercial bank and its officers acting as brokers are required to obtain licenses from the OIC in compliance with Article 68 of the Life Insurance Act B.E. 2535, as amended (the “**Life Insurance Act**”) and Article 63 of the Non-Life Insurance Act B.E. 2535, as amended (the “**Non-Life Insurance Act**”).

In addition, each commercial bank willing to sell unit-linked life insurance policies must obtain a license from the SEC, and its officers acting as brokers must be registered in the approved list of the SEC. Officers acting as brokers are also required to attend a training seminar as specified by the OIC and be a registered broker in accordance with the terms and conditions prescribed by the OIC registrar.

The Bank of Thailand’s Notification

The Bank of Thailand’s Notification Ref. No. SorNorSor. 17/2551 Re. Permission for Commercial Banks to Undertake Insurance Business stipulates that a commercial bank willing to conduct bancassurance activities must comply with the regulations prescribed by the insurance registrar (which is the OIC). Moreover, the relevant bank cannot force any customer to purchase any insurance policy from any one particular insurance company nor make the purchase of any insurance policy as a pre-condition for the approval of any loan to such customer. The relevant commercial bank is also required to have appropriate internal controls, set policies regarding business operations, have correct accounting procedures and have systematic collecting and storage of relevant documents which shall be available for examination by the BOT at all times.

Regulating Commercial Banks:



As the insurance registrar, the OIC has issued the Notification Re. Rules, Procedures and Sale of Insurance Policies and Conditions Concerning Life Insurance Agents, Brokers and Banks Selling Life Insurance Policies B.E. 2551 to regulate commercial banks that conduct the bancassurance business. Conditions set out in that notification include, among others, the requirements that bank officers acting as brokers must clarify the differences between purchasing a life insurance policy and depositing money with the bank, appropriate documentation supplied by the insurance company must be provided in connection with the sale of life insurance policies, officers of the bank receiving insurance premium on behalf of the bank must always provide the customer with receipt as well as a power of attorney to receive insurance premium on behalf of the insurance company.

Sanctions and Penalties:

If the regulations as set out in the Life Insurance Act and the Non-Life Insurance Act are not complied with, the commercial banks or its officers who are in violation of such regulation will be subject to certain sanctions and penalties such as revocation of the insurance broker license, fines and imprisonments.

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THERE IS ALWAYS A SOLUTION.

Important Note and Disclaimer

The content of this Newsletter is prepared as of 1 August 2012.

This Newsletter is informational in nature and is not to be considered as legal advice. It does not exhaustively cover the subjects which it treats, and is only intended to address some of the key issues. When specific questions arise in practice, it is necessary to obtain appropriate legal advice.

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