



Adlin Abdul Majid
TMT
T: +603 6208 5816
E: aam@lh-ag.com

29 JULY 2019

Regulation of Online Insurance and Takaful Aggregation Business

Bank Negara Malaysia (“BNM”) recently issued an exposure draft to seek feedback on the proposed requirements and guidance for the registration of a person intending to carry on insurance and takaful aggregation business and the obligations to be observed by a registered insurance and takaful aggregator (“Aggregator”).

The exposure draft defines the insurance and takaful aggregation business as one of providing services through any electronic means that:

- (a) sources, aggregates and compares the insurance or takaful products of more than one licensed person; and
- (b) makes referrals to any such licensed person in respect of the procurement of such insurance or takaful product; or
- (c) arranges the procurement of such insurance or takaful products through such electronic means.

Once this exposure draft is finalised, insurance and takaful aggregation business will be regulated by BNM as a new category of registered business under the Financial Services Act (“FSA”). Accordingly, persons intending to become an Aggregator will need to be registered under the FSA.

Any person who wishes to carry on insurance and takaful aggregation business should take note of the various requirements and obligations that are prescribed in the exposure draft. Some of these include:

- (i) General disclosure requirements, which require an Aggregator to disclose adequate information to facilitate customers’ understanding of its status, role and nature of business;
- (ii) Product disclosure requirements, which require an Aggregator to provide adequate information on the insurance or takaful products and present them in a manner that will facilitate consumers in making a comparison and informed decisions;
- (iii) Ensuring transparent and impartial conduct, which requires an Aggregator to ensure transparent and impartial presentation of insurance or takaful products to avoid systemic bias that can lead to consumer making suboptimal choices;
- (iv) Prohibition in providing recommendation, which prohibits the Aggregator from providing recommendations to customers in respect of any products.

Other requirements include provision of customer assistance and support services, data protection, management of conflict of interest, and requirements relating to information technology and security, etc.

It is also worth mentioning that existing players in the insurance and takaful aggregation market include GoBear and Jinerxu (RinggitPlus), both of which have been approved by BNM under the Financial Technology Regulatory Sandbox and are expected to be registered as Aggregators once the exposure draft is finalised and comes into effect.

Lau Wai Kei (lwk@lh-ag.com)

If you have any queries, please contact the author or her team partner, [Adlin Abdul Majid](mailto:aam@lh-ag.com) (aam@lh-ag.com).

Lee Hishammuddin Allen & Gledhill

Level 6, Menara 1 Dutamas
Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur
Malaysia

T +603 6208 5888
F +603 6201 0122/0136
E enquiry@lh-ag.com
W www.lh-ag.com

Published by the TMT Practice

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