

The Business of Insurance

Consumers in Singapore will no doubt have noticed that many insurance products are being made available to them when they buy a product which has nothing to do with insurance *per se*. Be it purchasing an airline ticket on the internet, buying a car from a showroom or upgrading a handphone to the latest model at a telco store – there is a good chance that the consumer will be prompted to purchase a related insurance product such as travel insurance, motor insurance and handset replacement services.

It is not difficult to see why such offerings have come about. Companies that sell goods and services can enjoy a new stream of revenue from the sale of insurance products, and insurers enjoy enlarged distribution channels for their products through such retailers.

Insurers and retailers which collaborate in this way however, will need to navigate the regulatory landscape given that the solicitation of insurance business and the arranging of contracts of insurance are regulated activities in Singapore under the Insurance Act 1966 (**IA**).

Solicitation and Arranging of Insurance

The primary legislation governing the provision of insurance business is the IA. Under the IA, a person is only permitted to solicit insurance business for licensed insurers. “Soliciting”, in relation to insurance business includes offering to, inviting, or issuing any advertisement containing any offer or invitation to, the public to enter into a contract of insurance.

The corollary of the above is that if a person wishes to market or sell insurance products in Singapore on behalf of a licensed insurer, such a person would need to be an insurer or an insurance agent.

Insurance Agents

However, being an insurance agent is not as simple as just labelling oneself as such - insurance agents need to be registered (and in the case of life insurance, licensed).

Insurance agents engaged in the sale of general life policies (that is, insurance policies that are not life policies, long-term accident and health policies or both) need to be registered with the Agents’ Registration Board (**ARB**) of the General Insurance Association (**GIA**) through the principal insurers they intend to represent. The GIA is a trade association that plays an important role in the regulation of insurers and insurance intermediaries by issuing internal codes of conduct and guidelines to regulate the conduct of its members.

A company may register with the ARB as an agent. An insurer must agree to act as the primary principal of an agent and sponsor such agent for registration with the ARB, and ensure that the agent complies with applicable mandatory requirements. Such requirements include fit and proper criteria, guidelines on continuing professional development and a code of practice.

Insurance agents engaged in the sale of life policies are subject to an even stricter regime – the arranging of any contract of insurance in respect of life policies, other than a contract of reinsurance, is a regulated financial advisory service and such agents need to be licensed as a financial adviser under the Financial Advisers Act, and comply with all relevant requirements and obligations.

Alternatives

An alternative approach that has become increasingly attractive to retailers is to structure their collaboration with insurers through a group policy construct. A group policy is generally understood as having a single legal entity named in the policy contract as the policy owner on behalf of the group members, who are named as the insureds. For example, a service provider may enter into a group policy underwritten by an insurer on behalf of its customers who wish to obtain insurance coverage for the service they have purchased. However, for each individual case, there is a question as to whether the group policy holder has sufficient insurable interest in respect of the insured under the group policy. If there is insufficient insurable interest, the relevant insurance policy may be rendered void.

Conclusion

As can be seen from the foregoing, companies should note that there are many legal and regulatory implications when collaborating with insurers in the sale of insurance products and they should only proceed after a careful consideration of the issues at hand.

As collaborations with insurers expand across different industries, the landscape and the rules surrounding the distribution of insurance products will naturally evolve. What remains unchanged however is the need to protect consumers and to maintain principles of fair dealing.

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