

LABUAN FINANCIAL SERVICES AUTHORITY
(LEMBAGA PERKHIDMATAN KEWANGAN LABUAN)

Reference No.: 245/2020/LIIA
Date: 7 October 2020

Mr. Gerard Roy Suresh Sharma
Chairman
Labuan International Insurance Association
Brumby Centre, Lot 42,
Jalan Muhibbah
87000 FT Labuan

Dear Mr. Sharma,

Clarification on Permissible Life Insurance Business with High Net Worth Malaysian Individuals

We wish to inform that Bank Negara Malaysia (BNM) has issued specifications under section 2(1), section 14(1) and section 123(1) of Financial Services Act 2013 (FSA) to replace the revoked Insurance (Exemption) Order 2009 under the repealed Insurance Act 1996.

2. For your information, the specifications aim to provide clarity to the industry that all approved financial advisers (FAs) and approved insurance brokers (IBs) under the purview of BNM are allowed to continue negotiating with Labuan insurers on the sale of foreign currency denominated ordinary life (OL) and investment-linked (IL) insurance policies to high net worth individuals (HNWIs) based in Malaysia. This is also in line with paragraph 7.1(iv) of the Guidelines on Permissible Life Insurance Business with High Net-Worth Malaysian Individuals issued by Labuan FSA in 2018.


3. The specifications aim to ensure demand of the Malaysian HNWIs are met without compromising the best interest of consumers. Notwithstanding the above, pursuant to section 123(1) of the FSA, the approved FAs and approved IBs are required to comply with the following requirements:

- (i) The commission received by the approved FAs / approved IBs from Labuan insurers for the sale of such policies shall not exceed the relevant commission limits payable by BNM's licensed life insurers to approved FAs / approved IBs for the sale of similar policies under the Operating Cost Controls for Life Insurance and Family Takaful Business policy document dated 24 December 2019¹;
- (ii) Approved FAs / approved IBs shall not be tied² to any particular Labuan insurer; and
- (iii) Approved FAs / approved IBs shall carry out the following:
 - (a) Remind the HNWI's on their obligation to comply with prevailing foreign exchange administration rules when sourcing insurance policies from Labuan insurers;
 - (b) Facilitate the HNWI's in making well-informed decisions by educating them on the risks of purchasing insurance policies from insurers not licensed under the FSA including Labuan insurers; and
 - (c) Obtain a written confirmation from HNWI's that they are aware of the risks involved prior to purchasing such insurance policies from Labuan insurers.

4. The above specifications are effective from 27 August 2020 and will be reviewed by BNM from time to time. In this regard, we would appreciate it if you could inform and distribute this circular to members of your association or any relevant parties, where necessary. Should there be any further queries needed, please contact any of the following officers:

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For and on behalf of
Labuan Financial Services Authority



Jaffree Ismail
Director
Business Development Department

¹ Including any changes to the policy document as specified by BNM from time to time.

² 'Tied' in this context refers to acting as agents or having any other form of legal relationship with the Labuan insurer.