

Cambodia's Bancassurance Business Regulation Aims at Strengthening Consumer Protection.

On 30 March 2021, the National Bank of Cambodia (“NBC”) issued the Prakas No. B7-021-105 Prokor on Conditions for Bancassurance Business of Banks and Financial Institutions (“Prakas”) which applies to all Banks and Financial Institutions (“BFI”) under the supervisory authority of the NBC.

I. Key Definitions

This Prakas defined Bancassurance as a mechanism by which the BFI and insurers collaborate to distribute and market insurance products through the BFI's network.

Bancassurance Business refers to the provision of insurance products by the BFI on behalf of an insurer without involving any products development.

II. Scope and Purpose

The Prakas mainly aimed at regulating the selling of the insurance products via the BFI in Cambodia by enhancing consumer protection, increasing customers' trust in insurance products as well as responding to reports of poor sales practices.

III. Bancassurance Business Models

The BFI may operate Bancassurance business under Referral Model or Corporate Agent Model.

Under Referral Model, the BFI may introduce the insurance product(s) to the consumers and generates the insurance by passing or referring the customers to the insurer partner. The BFI does not involve with the sales matter and will not bear any risks associated with insurance products.

Under Corporate Agency Model, the BFI may market and sell the insurance product(s) directly to the consumers. Each model has slightly distinctive requirement and regulatory compliances.

IV. Eligibility Criteria

With the prerequisite approval from the NBC, the BFI can cooperate with no more than 03 (three) insurance firms. The minimum clause in the Bancassurance agreement shall address: (1) Obligation of the BFI and insurer; (2) Provision of consumer detail, management on the collections and payment of premiums; (3) Performance base and rate of commission or remuneration of the BFI; (4) Complaining procedures and consumer protection mechanism; and (5) Covenant of no linkage between the BFI's services and insurance products.

V. Consumer Protection Measures

The BFI shall follow the regulatory consumer protection measures. Among those measures, the key measures are staff training, confidentiality requirement, misrepresentation prevention, the consent of the consumers in relation to premium deduction from the consumer's bank account, liability disclaimer notice, and establishing Chinese Wall if operating as a corporate agent.

VI. Reporting Requirements

As per regulatory compliance, the BFI is required to give written notice to the NBC immediately concerning any amendment, renewal, termination of Bancassurance agreement, or any pertinent issues having impact(s) on the BFI's Bancassurance business. Further, the BFI is also required to submit their report on Bancassurance business to the NBC quarterly, no later than the 15th day of the first month of the next quarter.

VII. Disciplinary Sanctions

Any BFI that does not comply with this Prakas shall be subject to disciplinary sanctions under Article 52 and Article 55 of the Law on Banking and Financial Institutions. Subsequently, the Prakas also has set forth additional transactional penalties as follows:

- Any BFI failing to comply with an obligation to submit the report (Article 11 of this Prakas) shall be subject to transactional penalty of KHR 1.000.000 (one millions Riels) per day.
- Any BFI failing to comply with this Prakas shall be subject to transactional penalty of KHR 3.000.000 (three million riels) per day counting from the date the NBC required BFI to take corrective action.

VIII. Conclusion

It is firmly believed that by delivering the insurance products and services through the BFI, it will raise and increase the customers' awareness about and trust in the insurance and its policy. Bancassurance regime is also believed to make financial services more accessible to the public in a new way that it not only protects the operators, the BFI, but also the consumers of the insurance products and services. This practice appears to be supportive of and in line with the government's strategies to modernize the financial sector of the nation.

Should any additional information be required regarding this legal alert or if you have any further inquiry, please contact our team at info@anlor.legal or reach out to our professionals below:



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