



THE UAE'S DRAFT ELECTRONIC INSURANCE REGULATIONS AND THE OUTSOURCING OF ELECTRONIC INSURANCE OPERATIONS

Earlier this year, the Insurance Authority released draft regulations relating to Electronic Insurance (the Draft Regulations). While the Draft Regulations have not yet been implemented, there are certain proposed provisions which insurers and insurance professionals should be aware of.

Overview

The scope of the Draft Regulations is wide and covers all online insurance business carried out by insurers, brokers, agents and health insurance TPAs. The definition of Electronic Insurance Operations specifically includes not only the sale of insurance policies, the collection of premium and the handling of claims, but also the marketing of insurance policies.

A central feature of the Draft Regulations is the requirement to obtain pre-approval from the Insurance Authority in order to practice insurance online. As part of the application for pre-approval, the applicant must submit a specific action plan, setting out the following:

- 1 An analysis of the projected volume of Electronic Insurance Operations for the next three years;
- 2 An analysis of the risks associated with the proposed Electronic Insurance Operations, along with the measures proposed to mitigate against these risks; and
- 3 A contingency plan to be followed in case of disruption to Electronic Insurance Operations.

The IA must also pre-approve the classes of insurance products intended to be sold online.

In terms of oversight, entities carrying out online insurance business must establish an IT department within their organisation for managing online activity. While the management may be assigned to a third party (see below), any such assignment must be pre-approved by the Insurance Authority. Furthermore, a Communications Officer must be appointed who, among other things, is responsible for ensuring that the third party complies with the terms of the outsourcing contract and the provisions of the Draft Regulations/related legislation.

Outsourcing of Electronic Insurance Operations

Article 14 of the Draft Regulations deals with the Outsourcing of Electronic Insurance Operations. Based on the current wording, outsourcing can be split into two forms:

- 1 The outsourcing of the development, management, maintenance or other operations relating to the Website to a third party; and
- 2 The outsourcing of the sale of insurance products through a website owned by a third party.

With regards to 1, there is no requirement for the third party to be licensed. Instead, the parties must simply include a special provision in the outsourcing contract confirming that the third party will apply the provisions of the Draft Regulations/related legislation.

With regards to 2, there is a requirement for the third party to be licensed which suggests that only licensed entities (such as insurance brokers or agents) may sell insurance products electronically on insurers' behalf.

Insurers should also be aware of the apparent prohibition on dealing with price comparison websites (it is unclear whether this prohibition also applies to insurers dealing with other licensed entities who carry out comparisons of insurance policies i.e. brokers).

The Need for Proactivity

While the Draft Regulations have yet to be implemented, it is clear that the Insurance Authority intends to take on an active role in the regulation of online insurance. As such, proactive steps should be taken in anticipating the impact of the incoming legislation.

In particular, this might involve:

- 1 An analysis of existing Electronic Insurance Operations so as to assess compliance with the Draft Regulations;
- 2 The preparation of a specific action plan in line with the requirements set out above;
- 3 The designation of a internal IT department to manage online insurance business; and
- 4 An analysis of existing outsourcing arrangements and dealings with price comparison websites.

In addition to those described above, certain other provisions of the Draft Regulations should also be considered and reviewed, in particular the regulations relating to Websites as set out at Article 11.

If you would like to discuss further, please contact the authors of this briefing or your usual HFW contact.



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