

CONDUCT OF BUSINESS REGULATION AND COVID-19: A REVIEW OF THE GULF INSURANCE INDUSTRY

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ABSTRACT

This paper reviews the insurance regulatory framework in the Gulf region, with a focus on conduct of business regulations. The paper also looks at the impact of the COVID-19 pandemic, which has impacted the insurance business and caused disruptions in its operations. In shifting their attention on business survival and pandemic management, insurance providers may have put less priority on their activities that ensure fair treatment of customers. The paper is built around two objectives: 1) to assess the conduct of business insurance regulation in the Gulf region against the best practices; and 2) to identify the supervisory measures taken by the Gulf regulatory and supervisory authorities (RSAs) to confront the outbreak of COVID-19 pandemic, with focus on conduct of business. The International Association of Insurance Supervisors (IAIS) and the Islamic Financial Services Board (IFSB) are adopted in the research to derive the core criteria of the best practice and then compared against the GCC insurance legislations. It was found that while five GCC countries have in place requirements pertaining to conduct of business, one country does not. Takaful conduct of business is also an area that could be improved, in particular with regard to ongoing disclosure of information during the contract period. In relation to COVID-19, RSAs have issued various insurance supervisory measures that promote fair treatment of customers, e.g., extension of the policy coverage and confirming the policy wording of a health policy. Four RSAs (UAE, Saudi Arabia, Oman and Qatar), is seen actively publishing materials to ensure both the industry's stability and consumer protection. Maintaining consumer protection is a key responsibility for any regulator, and intervention in uncertain times goes a long way in ensuring fair treatment of customers.

Keywords: Conduct of Business; Market Business; Insurance Regulation; Takaful Regulation; GCC, COVID-19

INTRODUCTION

Life, as we know it, became paralysed with the onset of the novel coronavirus known as COVID-19 in 2020. The pandemic hit all aspects of life—starting from the health sector and quickly spreading to the economic, education and other sectors. Insurance, as an important sector in the financial system, is impacted by both the health and economic situations. Kirti and Shin (2020) stated that COVID-19 affects insurers directly by underwriting shocks (e.g., increases in mortality and morbidity), and indirectly by financial market shocks (e.g., lower equity prices and low interest rates). During times of uncertainty, regulatory intervention becomes crucial to uphold public trust and guide insurance providers towards business continuity and fair treatment of policyholders (Sugimoto & Windsor, 2020).

The underwriting and market shocks may destabilise the operations of an insurance business and force providers to focus on prudential regulatory aspects such as solvency and

liquidity, resulting in lower priority on the fair treatment of customers. The Gulf Cooperation Council (GCC) is a niche region in the Middle East, and has a significant role in the global takaful market. It operates on a dual system that allows both conventional and Islamic insurance businesses. Saudi Arabia is an exception as it allows only Islamic insurance (Alshammari, Alhabshi, & Saiti, 2019). To get a clear picture on the regulatory landscape, simply exploring the regulatory responses of insurance regulators pertaining to consumer protection is not sufficient. It requires a basic and fundamental study on the conduct of insurance business regulations issued by the six-insurance regulatory and supervisory authorities (RSAs)—the Central Bank of UAE, Saudi Central Bank, Qatar Central Bank, Central Bank of Bahrain, Insurance Regulatory Unit of Kuwait and the Capital Market Authority of Oman. This paper is built around two objectives: 1) to assess the conduct of business insurance regulation in the Gulf region against global best practices; and 2) to identify the supervisory measures taken by the Gulf RSAs to confront the outbreak of the COVID-19 pandemic, with focus on conduct of business.

This paper will enrich the literature of insurance and takaful, and may assist RSAs as it provides a comparison of their issued policies against the best practices issued by international standard setting bodies. It may help them identify the gap in their current legislations and encourage initiatives to enhance their regulatory framework. The paper also aims to add another stone to the edifice of insurance studies. The availability of studies on insurance regulation is relatively low among the academia compared to those on the banking and capital market sectors.

The paper is structured into five sections, including the introduction and conclusion. The second section discusses three aspects: the importance of insurance regulations in a jurisdiction; conduct of insurance business regulation; and the initiatives of international standard setting bodies during the COVID-19 pandemic. The third section provides an assessment and a comparison of the GCC conduct of insurance business regulations. The fourth section explores the supervisory measures taken by the GCC insurance regulators during the COVID-19 to see whether the issued statements contribute towards consumer protection.

LITERATURE REVIEW

Insurance Regulation: Why and What

Regulations for the insurance business has been discussed over centuries and has been evolving since the fifteenth century when rules were established in Genoa, Barcelona and Bruges to prevent the misuse and wrong practices in insurance (United Nations Conference on Trade and Development (UNCTAD, 1994). The insurance business as a component of the financial system is exposed to various risks that may contribute to the failure of the financial system. The US insurance industry has witnessed over 640 insolvencies over the period of 1969 to 1998. On a similar note, the monoline insurers and A.I.G. notably contributed to the financial crisis 2008 (Acharya et al., 2009). Roger, et al., (2003) identifies the eight main causes for the failure of insurance company: under reserving, underpricing, rapid expansion, delegated authority, entry into new areas, unforeseen claims, catastrophes, and reinsurance. He stated that any failure will lead regulators to increase or enhance their regulations to strengthen the industry's monitoring and supervision. Acharya, et al., (2011) said that the severity of the 2008 financial crisis has forced regulators and policymakers to rethink and rebuild the current financial system and reinforce the current regulatory architecture.

Basically, insurance regulations refer to the requirements, restrictions and guidelines set by an authority to regulate and maintain the stability and soundness of the financial system. The core objectives of insurance regulation and supervision, as stated in Insurance Core Principle (ICP) 1.2, should at minimum, cover the objectives of (1) protecting policyholders, (2) promoting/maintaining a fair, safe and stable insurance market, and (3) contributing to financial stability.

Petsch (2019) reviews literature that discusses why the regulation of insurance companies is important. She found that the nature of the insurance business consists of information asymmetries and agency problems, wrong incentives and the inversion of the production cycle. Billio, et al., (2012) stated that the interconnection among financial sectors, including insurance becomes high, and Berdin & Sottocornola (2017) added that insurers can be a source of financial instability in an economy. As such, an appropriate regulatory framework would assist in stabilising the industry and consequently protecting the customer's interest.

In the insurance industry, two main types of regulations can be identified – prudential regulation and conduct of business regulation (Quaglia, 2014). The Australian Prudential Regulation Authority (APRA) defined prudential regulation as a legal framework that is focused on the financial safety and stability of institutions and the broader financial system. It covers generally, among other things, capital requirements, risk management, corporate governance and stress testing. Jaeger & Prigozhina (2013) stated that the conduct of business regulation (also known as market conduct regulation or consumer protection regulation) is focused on how financial firms conduct business with their customers. It covers, among other things, information disclosure, integrity of the firm and its employees, fair business practices, and marketing of financial products. Prudential regulation and conduct of business regulation may be governed within one authority, as is the practice in Malaysia, or by twin separate authorities, as practiced in the UK and South Africa. Neither approach is preferred nor regardless of the approach adopted, the carrying out of the responsibility in an effective manner must be fulfilled (OECD, 2020).

Consumer Protection and Fair Treatment of Customers: The Core of Conduct of Insurance Business Regulation

Van Vuuren (2017) stated that insurance conduct of business can be traced back to almost 500 years, while the contemporary market conduct regulation started in the mid-1900s in the US and between 1986 to 2000 in the UK. Conduct of business regulation concerns the behaviour of insurance providers in providing services to the customer (Jaeger & Prigozhina, 2013). Zweimüller (2017) stated, "EIOPA's strategic objective #1 was, is and continues to be the protection of consumers. Consumer protection is at the centre of our work." EIOPA is just an example, and consumer protection is a core objective for all insurance RSAs as well as international standard setting bodies such as the International Association of Insurance Supervisors (IAIS) and the Islamic Financial Services Board (IFSB). This section will focus on the issuances of IAIS as, with over 180 members, it is the most recognised authority in the insurance industry. The IAIS issues various supervisory materials, and its Insurance Core Principle (ICP) 19 focuses on conduct of business. On a similar note, there are also some IFSB standards related to the takaful business that builds around Islamic rules and principles.

ICP 19 states that an RSA should require that insurers and intermediaries treat customers fairly in their conduct of insurance business. The conduct of business requirements are an important component in insurance regulation, and as stated in ICP 19.0.1, it works to assist the

insurance system in protecting policyholders and promote fair consumer outcomes, and strengthen public trust and consumer confidence in the insurance sector. Fair treatment of customers should be maintained at all stages of interaction between insurance providers and potential or existing customers. At the pre-sale and point of sale stage, the interests and needs of customers should always be taken into consideration in the development, marketing and selling of products. Sufficient information and high-quality advice should also be provided to customers before and during the point of sale to allow them to make informed decisions. At the post-sale stage, continuous provision of information is a significant requirement for life and savings products, which includes information on management of customer claims, complaints and fair and timely dispute management. At the same time, ensuring the privacy of customer's personal data and maintaining customer confidentiality are also important aspects in the framework of conduct of business.

For the takaful business, the IFSB does not issue a dedicated standard for conduct of takaful business. However, IFSB-9 which is applicable to all Islamic financial institutions and IFSB-25 generally covers the relevant aspects pertaining to conduct of business. IFSB-25 addresses the takaful specificities that need to be disclosed to customers before and during the signing of a contract as the nature of takaful is different from conventional insurance (IFSB, 2020). These differences can include the operating model, breakdown of the contractual payments, surplus distributions and expenses allocation.

COVID-19 and the Initiatives of International Standard Setting Bodies

The COVID-19 pandemic has impacted almost all aspects of our lives, and the insurance sector is not spared. The pandemic may have caused an increase in insurance claims from death, hospitalisation, event cancellations and business interruptions cover (Yong, 2020). Being mandated as an international standard setting body to support their members, IAIS adopted various initiatives to enable supervisors to take suitable and appropriate responses to confront the unexpected situations during the pandemic. For, example, their COVID-19 Insurance Supervisory Response Tracker gathers country responses and other information related to COVID-19 that allowing supervisors to learn from each other's experiences.

The IAIS also issued various documents to support their members in navigating the pandemic. A report titled "Redefining Insurance Supervision for the New Normal" explores the experiences and challenges of supervisors in adapting working remotely during the COVID-19 pandemic. Based on the interviews, the report concluded several observations, such as that supervisors need to redefine the difference between on-site and off-site supervision in the monitoring and oversight of supervisory activities in the future, that the pandemic accelerated the digitalisation of both the insurance supervisory processes and the insurance business value chain which may subsequently lead to cybersecurity and policyholder protection risks (Badat, Ocampo & Yong, 2021). The IAIS also issued its annual Global Insurance Market Report (GIMAR), which focused on the impact of COVID-19 on the global (re)insurance sector in 2020. GIMAR 2020 assesses the developments in the industry and identifies key risks and vulnerabilities. In prioritising the fair treatment of customers, the report states that the supervisory initiatives to be taken to confront conduct of business risks include: i) insurers are required or encouraged to provide financial and other relief to policyholders in respect of their policy obligations; ii) insurers need to communicate clearly and accurately with their customers and provide information related to their policies e.g., exclusions for pandemic-related losses; and iii) make

specific interventions related to product design, underwriting and coverage limits for COVID-19 exposures. An example of such intervention is analysing exclusion clauses on pandemic-related losses to mitigate potential customer disputes and the interpretation of potentially ambiguous policy wording.

Another important entity in the insurance industry is the European Insurance and Occupational Pensions Authority (EIOPA). During the pandemic, it established a dedicated webpage to provide measures to assist insurers in ensuring business continuity and continuing to serve their customers. It issued public statements on supervisory measures for many aspects e.g., supervisory reporting and public disclosure, product oversight and governance requirements. It also issued a customer guide to provide information to consumers on issues related to their insurance coverage during the COVID-19 pandemic. However, the IFSB has not issued any statements pertaining to takaful during COVID-19 pandemic. There is thus no recommendations or guidance on supervisory measures suited to the nature of the takaful business.

ASSESSMENT OF THE CONDUCT OF BUSINESS REGULATIONS IN THE GCC INSURANCE MARKETS

This section is developed to address the first objective-to assess the conduct of business insurance regulation in the Gulf region against the best practices-which is to assess the current insurance regulations of GCC related to conduct of business issued by the six insurance RSAs. ICP 19 is taken as the central and fundamental guidance for supervisors on conduct of insurance business, and it reflects the best practices that need to be present in any insurance market. The relationship between insurance providers and potential or existing customers is present throughout a product life cycle, and seven criteria derived from ICP 19 as a basis for fair treatment of customers is stated in sub-sections 3.2 and 3.3. The sub-section 3.1 shows the presence of conduct of business legislation for insurance and takaful.

Overarching Legislations

Table 1 shows that the Gulf insurance authorities, except the Insurance Regulatory Unit in Kuwait, have issued specific legislations – the form of the legislation may vary across the jurisdictions e.g., issuance as regulation, circular – pertaining to conduct of insurance business. The aim of these legislations is to provide principles and standards that govern the relationship between insurance providers and customers in both the pre-sale and post-sale stages.

The scope of conduct of business is generally accepted as applicable to retail customers or individuals only. Confirming this, the Central Bank of Bahrain (CBB) stated in BC-A.1.1 that the reinsurance business is exempted from the scope of its Business Conduct Module. In terms of the time of issuance, Bahrain and Oman were the first RSAs to issue guidance (in 2005), for their insurance providers on the matter.

The takaful firms have distinct specificities distinguishing them from conventional insurance firms. However, conduct of business is considered as a common business area and it does not involve many differences between the two businesses. Table 3.1 shows that the regulators in Oman, Qatar, and Bahrain recognize the nature of takaful business and provide specific requirements for takaful. It is to be noted that the practice in Saudi is different as it does not operate in a dual system (all insurance providers should operate in a cooperative structure). In Qatar, Sections 11.4.4 and 11.5.1 emphasises the role of Shari'ah Board members in reviewing

and endorsing any new takaful product and its marketing, which includes approving any related materials prior to disclosing and publishing to the public. In Bahrain, the Conduct Business Module restricts the use of takaful and Islamic insurance terms to only licensed firms. At the marketing and promotion phase, BC-3.3 highlights the role of intermediaries who offer both takaful and conventional insurance products to clarify and explain to potential customers the differences between the products.

Table 1
OVERARCHING CONDUCT OF BUSINESS LEGISLATIONS IN GCC COUNTRIES

Country	Conduct of Business Legislation	Conduct of Takaful Business Legislation
Bahrain	Business Conduct Module, first issued in 2005 TA-3.2 Business Conduct in the Takaful / Retakaful Module, first issued in 2005	BC-3 Takaful Firms in the Business Conduct Module
Kuwait	NA	NA
Oman	Article 48-50 of the Royal Decree No. 12/79 (Promulgating the Insurance Companies Law). Circular No. 2/2005 (Code of Conduct for Insurance Business)	Chapter V: Conducting Takaful Business of the Royal Decree No. 11/2016 (Promulgating Takaful Law)
Qatar	Chapter 11: Conduct of Business stated in The Decision No. 1/2016 Pertaining Insurance Executive Instructions and Insurance Corporate Governance Principles.	11.4.4 (Takaful Business - Product's Approval) in Decision No. 1/2016 Pertaining Insurance Executive Instructions and Insurance Corporate Governance Principles
Saudi Arabia	Insurance Market Code of Conduct Regulations, issued in 2008.	Article 1: Cooperative Insurance Companies Control Law states that insurance companies shall operate in accordance with the practice of cooperative insurance
UAE	Decision No. 3 of 2010 Instructions Concerning the Code of Conduct and Ethics to be Observed by Insurance Companies Operating in the UAE.	NA

The Pre-sale and Point of Sale Stages

Table 2 displays regulations related to three criteria under the pre-sale stage and during the point of sale—which are advertisement and marketing, information disclosure to customers, and distribution channels. The first component, advertisement and marketing, is stated in the legislations of five Gulf jurisdictions. The Saudi legislation focuses on two main aspects, honest representation and defamatory statements, that need to be considered in advertisements. Omani legislation is concerned on fairness and misleading promotional materials, and as such requires life insurance providers to state whether a product is participatory (with profits) or non-participatory (without profits) in nature. Among the five issuances pertaining advertisement and marketing, Qatar Central Bank (QCB) provides the most detailed guidance (Section 11.4) for the insurer/takaful operator. It sets certain considerations that should be taken by the insurance providers in advertisements, i.e. i) it should be clear, fair and not misleading; ii) it does not influence the decision of the potential customer by ambiguity and exaggeration in the published materials; iii) the history performance or the future performance of the offered products and services; iv) the (expected) investment return; v) reviewing the advertisement by the head of compliance department; vi) withdrawing the advertisement that does not comply with the QCB's requirements; vii) seeking the approval of the Shari'ah Board before advertising the product and many other useful guidance to ensure consumer protection.

Table 2			
GCC REGULATIONS PERTINENT TO PRE-SALE AND POINT OF SALE STAGES			
Country	Advertisement &Marketing	DistributionChannels	Providing information to customer prior a contract
Bahrain	BC-2.2 and BC-3.3 Marketing and Promotion in the Business Conduct Module.	Insurance Intermediaries and Managers Module (No Bankassurance). Insurance Aggregators Module.	BC-2.3 - BC-2.6 in the Business Conduct Module.
Kuwait	NA	Chapter 9: Section 1 (Insurance Intermediaries and Insurance Professions) in Law No. 125 of 2019 Regarding Insurance Regulation. Chapter 8: Insurance Intermediaries and Insurance Professions in the Executive Regulations of Law No.125 of 2019.	NA
Oman	Article 3 of Circular No. 2/2005 Code of Conduct for Insurance Business. Decision No.E/69/2017 (Rules for Marketing Insurance Products).	Regulation for Insurance Brokers' Business. Insurance Agents' Regulation. Directives for Marketing of Insurance Products by Banks "Bankassurance".	Articles 4-6 and 8-9 in Circular No. 2/2005 (Code of Conduct for Insurance Business).
Qatar	Section 11.4: Advertisement in the Insurance Executive Instructions and Insurance Corporate Governance Principles.	Instructions for Licensing Support Insurance Service Providers, Organizing Their Work, and Monitoring Them. Sections 11.7 and 11.11 (Online Mode) in the Insurance Executive Instructions and Insurance Corporate Governance Principles	Articles 11.9 B, 11.9.2 and 11.9.3: Section 9 (Disclosure) in the Insurance Executive Instructions and Insurance Corporate Governance Principles
Saudi Arabia	Section B: Part 3 of the Insurance Market Code of Conduct Regulations.	Insurance Intermediaries Regulation. Online Insurance Activities Regulation. Rules Governing Insurance Aggregation Activities. Regulations for Branches and Points of Sale Annual Expansion for Insurance and/or Reinsurance, Brokerage, and Agency Companies. Rules Governing Bancassurance Activities.	Section C: Pre-sale Customer Contact and Section D: Sale of Insurance Products and Services in the Insurance Market Code of Conduct Regulations.
UAE	Article 11-12 of the Instructions Concerning the Code of Conduct and Ethics to be Observed by Insurance Companies Operating in the UAE.	Insurance Brokerage Regulations. Electronic Insurance Regulations. Instructions for the Licensing and Registration of the Points of Sale Affiliated to Insurance Companies and the Organization of their Operations. Instructions Concerning Marketing Insurance Policies through Banks.	Articles 3-9 and 14-16 in the Instructions for Life Insurance and Family Takaful Insurance.

Making informed decisions require insurance firms to provide sufficient information to the potential customers. Table 3 shows that the regulators have at minimum issuances (a section) relating to the provision of information to customers before signing a contract. Only the Kuwaiti legislation is silent on this. Some commonalities can be observed among the issued legislations: i) focus on the customer's needs in order to provide suitable advice; ii) discloses information, prior to signing the contract, related to various aspects concern the customer e.g., the cover period, all related costs, cancelation rights and conditions; and iii) life/family insurance products require additional information to assist customers in deciding whether to buy or pass on the product as it

involves an investment element. In this case, a description of the asset classes the fund may invest in is required.

The interaction between insurance provider and customer may be performed via various channels. Initially insurance providers distribute their products directly to customers. However, the involvement of intermediaries became a necessary for the insurance industry to increase the sales, reduce costs and to allow the insurance providers to focus on other functions. All regulators in the Gulf have issued regulation pertaining the activities of an agency, brokerage or/and intermediary. While marketing insurance products through banks (bankassurance) it is not allowed in all jurisdictions, e.g., Kuwait and Bahrain do not allow this practice. Digitilisation has managed to enhance the engagement between the parties, and all regulators, except in Kuwait, have issued requirements to manage and govern the online and aggregation activities as they are becoming more popular as distribution channels.

The Post-Sale Stage

Policyholders/participants, particularly those with long-term agreements, need ongoing information to understand the performance of their funds, as the investment element forms a core component of life/family products. Post-sale information can assist customers make proper decisions on whether to continue or surrender their contract. Table 3 shows that all regulators (except the Kuwaiti regulator) have issued requirements for providing information to customers in a timely and appropriate manner.

In the post-sale stage, the issue of claims can be deemed the most important for customers as it is directly related to their purpose of buying an insurance product – for peace of mind and to minimise consequences of unforeseen risks. Customers thus expect that there are clear procedures to handle claims. All the regulators (the Kuwaiti case is limited to motor products) have set guidance defining the claims process, starting from claims notification to claims settlement. Best practice shows that the regulation shall state a specific period for each step, for example: i) an insurer acknowledges a claims notification and shall inform the insured of any missing documents, e.g. within seven days as stated in Saudi's Article 52 (c); ii) an insurer should respond to the customer on approval status, e.g., within 15 days as stated in the UAE's Article 9 (4); iii) an insurer must settle the claims without any delay, e.g., within 15 days as stated in Saudi's Article 53.

Country	Ongoing Disclosing Information	Claims	Complaints	Protection the privacy of personal information
Bahrain	BC-2.8: Service after the Point of Sale, in the Business Conduct Module.	BC-2.9: Claims in the Business Conduct Module.	BC-4: Customer Complaints Procedures in the Business Conduct Module	BC-2.14: Confidentiality and Security of Customer Assets in the Business Conduct Module
Kuwait		Article 11 (Claims settlement), in Decision No. (9) of 2020 regarding rules for issuing insurance policy from civil liability arising from	Section 2 (Complaints Committee: Article 19) in Law No. 125 of 2019 Regarding Insurance Regulation. Section 2: Chapter 2 in	

		trafficaccidents (compulsory motor insurance).	the Executive Regulations of Law No. 125 of 2019 Regarding Insurance Regulation.	
Oman	Article 10: Service after Point of Sale, in Circular No. 2/2005 Pertaining Code of Conduct for Insurance Business.	Article 12: Claims, in Circular No. 2/2005 Pertaining Code of Conduct for Insurance Business	Article 13: Customers' Complaints inCircular No. 2/2005 Pertaining Code of Conduct for Insurance Business.	Article 15: Confidentialityand Security of Customers' Assets in Circular No. 2/2005 Pertaining Code of Conduct forInsurance Business.
Qatar	Section 11.13 (Post-Sales Service) in the Insurance Executive Instructionsand Insurance Corporate Governance Principles.	Section11.14 (Claims Processing)in the Insurance Executive Instructionsand Insurance Corporate GovernancePrinciples.	Section11.16 (Complaints) in the Insurance Executive Instructions and Insurance Corporate Governance Principles.	Section 11.6 (Data Protection) in the Insurance Executive Instructions and Insurance Corporate Governance Principles.
Saudi Arabia	Section E of Part 3: Post-sale Customer Servicing, in the Insurance Market Code of Conduct Regulations. Surplus Distribution Policy.	Section E Part 3: Claims Handling & Claim Settlement, in the Insurance Market Code of Conduct Regulations. Article 44: Implementing Regulations in the Cooperative Insurance Companies Control Law.	Section E Part 3: Complaints Handling in the InsuranceMarket Codeof Conduct Regulations.	Part 2: General Requirements Data Protection in the Insurance Market Code of Conduct Regulations
UAE	Instructions forLife Insurance and Family Takaful Insurance.	Article 9 (Claim Procedures) in the Instructions Concerning the Code of Conductand Ethics to be Observed by Insurance Companies Operating in the UAE.	Article 10 (Complaint Register) in the Instructions Concerning the Code of Conductand Ethics to be Observed by Insurance Companies Operating in the UAE.	Article 9: Electronic Insurance Regulations

While customer satisfaction is the key outcome for all service providers, frustration and disappointment may occur in the process of delivering the services. Companies should have an avenue for customers to express their dissatisfaction and have procedures that allow customers to submit their complaints in a fair and transparent manner. Table 3 shows that five regulators have two-tiers in the management of customer complaints—at the firm level and the RSA level. However Kuwaiti legislations are silent on requiring a firm to have a complaints procedure. Article 11.16.1 issued by QCB requires the insurance firm to establish a dedicated department for customers' complaints that operates based on proper procedures for complaints management. BC-4.1.1 issued by the CBB states that all insurance providers must have appropriate customer complaints handling procedures. These requirements support the RSA's objective in customer protection. Complaints handling is seen to have similar procedures among the jurisdictions, with the following common key steps; i) acknowledge the receipt of a complaint; ii) provide an estimation of time to address the complaint; iii) inform the customer about the contact person for follow up; iv) settle the complaint within a specific period; v) inform the customer whether the

complaint is accepted or rejected, stating the reason for the decision, and informing the customer of the process for appeal (if deemed necessary). The table also shows that all the regulators, except in Kuwait, have set requirements for the last criterion - to ensure the protection and privacy of the customers' personal data.

INSURANCE SUPERVISORY MEASURES IN GULF COUNTRIES DURING THE COVID-19 PANDEMIC: CONSUMER PROTECTION

The insurance RSAs in the Gulf have issued various supervisory measures (presented in Table 4 below) to provide guidance to the insurance industry in navigating the COVID-19 pandemic. However, the details of the guidance and continuous monitoring efforts vary among the jurisdictions. All RSAs started issuing decisions or public statements to the industry in March 2020 except the Insurance Regulatory Unit of Kuwait which issued a guidance in May 2020. This delay in providing precautionary measures to confront the outbreak of COVID-19 could be considered a slack in the supervisor's monitoring and oversight duties. Various observations can be derived from Table 4.1, such as: 1) four RSAs – UAE, Saudi, Oman and Qatar – issued much of its guidance in the form of press releases, news, decisions, etc., to help boost the confidence of the public and to show that the interests of consumers is among their topmost priorities; 2) Some RSAs, e.g., UAE, Qatar and Bahrain, dedicated webpages or sections which compiled all decisions, circulars or any relevant information pertaining to COVID-19; 3) All RSAs, except the Kuwaiti RSA, provided precautionary measures or emergency procedures to insurance players in order to ensure the stability of the industry and maintain public confidence on the ability of insurance companies in carrying out their operations; 4) insurance companies operating in Saudi and Oman supported their governments' initiatives to contribute and donate to a fund to support the health sector, while some insurance companies showed support by adopting different approaches such as providing 50% discount for frontliners.

Table 4	
SUPERVISORY MEASURES AND INITIATIVES IN THE GULF INSURANCE INDUSTRY IN NAVIGATING THE COVID-19 PANDEMIC IN 2020	
	Bahrain
Mar 2020	The CBB issued a number of directives to preserve the health and safety of citizens, workers, and other stakeholders in the financial sector. In addition, a number of measures were issued to mitigate the effects of financial implications on financial services customers affected by the Coronavirus.
	Kuwait
May 2020	The Insurance Regulatory Unit (IRU) allowed insurance companies to extend the period of their policies coverage and granted the companies the right to provide waivers, or postponements, to the insured from paying their premiums during the curfew period.
	Oman
Mar 2020	CMA issued a circular to all insurance companies and intermediaries urging them to take a number of precautionary measures to confront the outbreak of the COVID-19 such as <ol style="list-style-type: none"> 1) adopting e-services in rendering insurance services. 2) advertise to policyholders in the electronic media that service would be provided only through the electronic media and applications. 3) accept documents related to claims only electronically. 4) provide communication centres that work 24/7 to render the various services to policyholders. 5) provide CMA with a work plan to ensure the continuity of provision of insurance services easily and continuously.

	CMA instructed insurance companies to provide insurance coverage for owners of vehicles whose driving licenses expired after Royal Oman Police suspended renewal services to curb the coronavirus spread.
Jun 2020	CMA announced the initiatives to cover medical tests and treatment costs for coronavirus-infected insured members under their medical insurance coverage. CMA commended the role insurance companies played and their quick response to the pandemic, where a number of insurance companies had contributed to a (Waqf) fund to support the provision of health services during the pandemic.
Jul 2020	The insurance sector continued providing services and sold more than 113,000 insurance policies via electronic means.
	Qatar
Mar 2020	QCB issued emergency procedures to combat the spread of COVID-19, such as: 1) review and activate business continuity plans in anticipation of interruptions to the usual business activities in every financial institution. 2) urge customers, through text messages, to take advantage of electronic payment means. 3) proactively evaluate the adequacy of the IT infrastructure.
Apr 2020	QCB decided that a maximum 50% of the total staff number shall be allowed to resume working from their work places in all financial institutions in Qatar.
May 2020	QCB issued guidelines for financial institutions on managing the risks of COVID-19, e.g., increasing occurrences of fraud and its implications through electronic platforms, linked to the risk-based approach.
	Saudi Arabia
Mar 2020	SAMA urges all financial institutions to contribute to the awareness campaign to introduce preventive measures to deal with the new Coronavirus.
Apr 2020	SAMA valued the initiatives of the Saudi insurance sector companies in supporting the efforts of the Ministry of Health and the health cadre in the Kingdom, by making financial donations exceeding 67 million riyals indicating that it confirms the important and responsible national role of the private sector.
May 2020	SAMA commends Saudi insurance companies for taking the initiative not only to extend all existing vehicle insurance policies for a period of two months but also adding two months to vehicle insurance policies purchased during the period of 5/8/2020 - 6/6/2020 without incurring any additional costs. The General Secretariat of the Committees stated that the settlement of insurance disputes and violations continues by providing remote litigation services and remote hearing of cases at both primary and appeals levels before the insurance committees.
Aug 2020	SAMA requires insurance companies to take into consideration the following: i) Continuously updating the company's website, e.g., the geographical location of the company's headquarters and claim centres and working hours; and ii) Verify or cancel the company's accounts on social media platforms.
Sept 2020	SAMA announced its approval of a number of insurance products to cover the risks of cancelling live events in the Saudi insurance market.
Oct 2020	SAMA requires insurance companies to activate communication with customers via phone and appropriate electronic means to serve them, sell insurance documents and receive claims.
	UAE
Mar 2020	The Insurance Authority (IA) started activating the remote work system in providing its services to customers, public and other stakeholders. The IA pointed out that all its the services are available in electronic and smart formats after the success of the digital transformation applied in the IA. The IA launched an awareness webpage, on insurance and the impacts of COVID-19 to educate insurance policyholders and beneficiaries, the public, customers and partners.
Apr 2020	The Insurance Dispute Settlement and Resolution Committee in the IA commenced its operations and functions "remotely", and succeeded in holding 13 remote hearings, during which 276 insurance disputes were considered and 207 decisions were issued. The Board of Directors of the IA decided to amend the tariff rates of motor vehicle insurance so that companies have the power to deduct from the minimum insurance premium by up to (50%) for vehicles owned by individuals working in the first line of defence who have accident-free records.

May 2020	<p>The IA established a room for crisis and emergency management for the insurance sector to ensure cooperation between government bodies during emergency events, crises and disasters.</p> <p>The IA assured that all types of health insurance policies cover communicable and infectious diseases and viruses, unless otherwise excluded in the policy wording.</p> <p>The IA produced an awareness video for the prevention of the novel Coronavirus as part of its contribution to the national efforts to curb the spread of the virus.</p>
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The intervention of RSAs in maintaining consumer protection is an important aspect and it is a mandate of each supervisor. RSAs are mandated to ensure that customers trust the system and that they be treated fairly at all times. As such, they are expected to prioritise, communicate, guide and monitor insurance providers to promote business continuity and maintain consumer protection and rights. The RSAs that take this on board is evidenced in the table, which show that the majority of guidance issued are related to consumers. The outcomes related to conduct of business includes, for example, the extension of policy coverage and confirming the policy wording of health policy.

CONCLUSION

The COVID-19 pandemic has definitely impacted the stability of the insurance industry. RSAs play a critical role in supporting the industry's stability, where timely interventions can both boost the public confidence in the industry, and ensure the ability of insurance providers to continue their operations. Consumer protection is a fundamental aim of all RSAs, and generally conduct of business regulation is the core in articulating fair treatment of customers. This paper focuses on two main aspects with regard to the GCC's insurance regulatory framework. The aspects are assessing the conduct of business regulations issued by the Gulf insurance regulators to navigate the COVID-19 pandemic, and reviewing the supervisory measures taken to confront the pandemic's impacts. The paper explores the guidance issued in relation to conduct of business from the six insurance regulators in the Gulf – the Central Bank of the UAE, Saudi Central Bank, Qatar Central Bank, Central Bank of Bahrain, Insurance Regulatory Unit of Kuwait and the Capital Market Authority of Oman.

Conduct of Business Regulation

ICP 19 is the global core reference for the insurance industry. The ICP covers many standards related to the conduct of business of insurance providers which aim to ensure the fair treatment of customers (potential and existing). Fair treatment of customers is the responsibility of an insurance provider, where consumer protection should be ensured throughout the product life cycle. The paper observes that all the GCC insurance jurisdictions, except Kuwait, have in place requirements for insurance providers which govern their arrangements with retail customers. The regulation of conduct of business is relatively similar between conventional insurance and takaful. However, there are differences between the two businesses due to the nature of the takaful structure. Three RSAs–Oman, Qatar, and Bahrain–address the unique features of takaful in their requirements, e.g., the takaful and Islamic insurance terms are to be used only by licensed providers, differences between the takaful and conventional insurance should be clarified clearly to potential customers, marketing materials and new takaful products should be reviewed and endorsed by Shari'ah Board members before being disclosed to the public.

Conduct of business regulations should cover the pre-sale and point of sale stage, as well as the post-sale stage as the respective stages have different levels of engagement between the provider and customer. The paper observes that the level of detail in the guidance issued varies among the RSAs.

At the first pre-and point of sale-stage, (i.e., prior to the signing of a contract), fair treatment and consumer protection is to be present in all three key aspects: honest representation in advertisements is crucial and can influence the customer's decision; timely, accurate and comprehensive disclosure of information assists customers in making informed decisions; and accessible and effective distribution channels as the method of communication and selling between the parties.

At the post-sale stage, as insurance is a contract of promise, customers expect providers to ensure the fair treatment in four aspects: ongoing disclosure to allow customers to be aware and updated on the developments and performance of their funds, particularly for life/family policyholders; clear procedures for claims handling to guide the customer in cases of claim from notification to settlement; clear procedures for complaints handling as an avenue for customers to express their dissatisfaction and seek better service to resolve his/her complaints in an organised manner; and personal data protection which ensures the confidentiality and privacy of customer's data held by the provider.

It is recommended that RSAs that have a gap in their conduct of business regulations e.g., Kuwait jurisdiction, take urgent steps to develop and improve their regulations. There is also a need for all RSAs to enhance their requirements in ongoing disclosure, in particular for the takaful business. Ensuring proper and sound regulations is just one side of the coin, as the regulations need to be supported by stronger conduct of business supervision.

COVID-19 and Insurance Supervisory Measures in the GCC

The COVID-19 pandemic presented an unprecedented and unusual situation to regulators, who responded to the uncertainties by issuing supervisory measures to provide guidance for their respective market players and to ensure the industry continues to carry out its activities and fulfil its commitments. Uncertain times require proactive and quick interventions. It was found the regulators of the four jurisdictions, UAE, Saudi, Oman and Qatar, had issued multiple public guidance related to the pandemic. Five of the regulators issued decisions or circulars in March 2020, while the Kuwaiti regulator issued a decision in May 2020. Timely guidance is essential in turbulent situations, and a regulator should not leave the industry and the public without direction and guidance, as an absence or delay could affect consumer confidence in the capability of insurance providers to fulfil their obligations.

It is a fact that COVID-19 has impacted the operations of insurance providers and changed the behaviour of consumers. These changes have provided the incentive for insurance providers to transform and adopt digitalisation into the insurance business. It is thus recommended that RSAs follow suit and set requirements for their insurance providers to embrace digitalised processes and minimise manual operations to provide better customer experience.

This paper could assist policymakers in identifying gaps in their conduct of business regulations, to complement their prudential regulations, and ensure a sound and stable insurance regulatory framework. The paper gathers references that could enhance the current regulations of a jurisdiction with regard to increasing consumer confidence. Uncertain times such as the

COVID-19 pandemic could be seen as a suitable circumstance where a regulator can assess its performance in uncertain times, and see whether their guidance is sufficient in protecting the insurance consumers, as well as extract the valuable lessons learned.

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