

Notice No.: MAS 318
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Last revised on 29 June 2018

MARKET CONDUCT STANDARDS FOR DIRECT LIFE INSURER AS A PRODUCT PROVIDER

1 This Notice is issued under section 64(2) of the Insurance Act (Cap 142) (“the Act”). This Notice applies to all direct life insurers and covers the market conduct standards required of direct life insurers as product providers of life policies. This Notice covers the following areas:

- (a) Disclosure;
- (b) Sales process;
- (c) Replacement of life policies;
- (d) Loans and advances;
- (e) Cessation of business with financial advisers; and
- (f) Reports to MAS.

[MAS Notice 318 (Amendment) 2018]

2 For the purposes of this Notice,

“**bundled product**” means a life policy which also provides for the payment of policy moneys upon surrender of the life policy or at the maturity date of the life policy;

[MAS Notice 318 (Amendment) 2018]

“**bundled product disclosure document**”, in relation to a bundled product, means a document highlighting the principal features of the bundled product and contrasting that against the most comparable term life insurance product, which is prepared by a direct life insurer pursuant to this Notice;

[MAS Notice 318 (Amendment) 2018]

“**cover page**”, in relation to a life policy, means a document highlighting the key information from the policy illustration and the product summary, which is prepared by a direct life insurer pursuant to this Notice;

[MAS Notice 318 (Amendment) 2018]

“**direct life insurer**” means a direct insurer licensed under the Act to carry on life business;

[MAS Notice 318 (Amendment) 2018]

“**financial adviser**” has the same meaning as in section 2(1) of the Financial Advisers Act (Cap. 110);

[MAS Notice 318 (Amendment) 2018]

“**policy illustration**”, in relation to a life policy, means an illustration setting out the projected benefits payable under the life policy, which is prepared by a direct life insurer pursuant to this Notice;

[MAS Notice 318 (Amendment) 2018]

“**product highlights sheet**”, in relation to an investment-linked policy, means a product highlights sheet prepared by a direct life insurer in accordance with the Notice on Investment-Linked Policies [MAS Notice 307];

[MAS Notice 318 (Amendment) 2018]

“**product summary**”, in relation to a life policy, means a summary setting out the principal features of the life policy, which is prepared by a direct life insurer pursuant to this Notice; and

[MAS Notice 318 (Amendment) 2018]

"**representative**" has the same meaning as in section 2(1) of the Financial Advisers Act (Cap. 110).

[MAS Notice 318 (Amendment) 2010]

[MAS Notice 318 (Amendment) 2018]

Part I - Mandatory Requirements

Disclosure

3 A direct life insurer shall ensure that documents prepared for clients comply with the applicable standards stated in the Act and its Notices and the Notice on Information to Clients and Product Information Disclosure [Notice No. FAA-N03] issued under the Financial Advisers Act (Cap. 110).

[MAS Notice 318 (Amendment) 2018]

3A A direct life insurer shall prepare the following documents, in respect of each life policy which it offers for sale:

- (a) a cover page, where the policy is not listed in Part I of Appendix A;
- (b) a policy illustration, where the policy is not listed in Part II of Appendix A;
- (c) a product summary;
- (d) a bundled product disclosure document, where the policy is a bundled product and is not listed in Part III of Appendix A; and
- (e) a product highlights sheet, where the policy is an investment-linked policy.

[MAS Notice 318 (Amendment) 2018]

3B A direct life insurer shall notify the Authority in writing, at least one month before the official launch date of a product, of any deviation in the format of its cover page, policy illustration or bundled product disclosure document from the format issued by the Life Insurance Association of Singapore (“LIA”).

[MAS Notice 318 (Amendment) 2018]

4 A direct life insurer shall ensure that any information given to a client is clear, adequate and not misleading.

[MAS Notice 318 (Amendment) 2018]

5 [Deleted by MAS Notice 318 (Amendment) 2018]

Sales Process

6 A direct life insurer shall not issue any policy contract until it has received a copy of the completed Life Insurance Advisory Form (“LIA Form”) as set out in Appendix A to the Members’ Undertaking No. 20 of 2015 (as may be amended from time to time) (“MU20/2015”), in respect of the policy contract to be issued, duly signed by the representative, the client and the representative’s supervisor as specified in sections 11, 12 and 13 of the LIA Form, respectively. The direct life insurer may accept completed LIA Forms which are modified by the representative in accordance with the guidelines set out in MU20/2015.

[MAS Notice 318 (Amendment) 2015]

[MAS Notice 318 (Amendment) 2018]

Replacement of Life Policies

7 A direct life insurer shall warn prospective policyholders at proposal stage on the disadvantages of replacing an existing policy. In addition, a direct life insurer shall include the following questions in the proposal form:

- (a) Information on existing life insurance policies; and
- (b) Whether the new proposal for insurance is to replace an existing policy.

[MAS Notice 318 (Amendment) 2018]

8 Where it is a case of replacement, the direct life insurer of the new policy shall write to the policyholder informing him of the disadvantages of lapsing his existing policy, and offering to return premiums paid on the new policy if the policyholder decides not to replace his existing policy.

[MAS Notice 318 (Amendment) 2018]

Loans and Advances

9 A direct life insurer shall not extend any loans or advances to any financial advisers out of the life insurance funds unless these transactions are based on commercial terms and at arm's length.

Cessation of Business with Financial Advisers

10 A direct life insurer shall inform the affected policyholders whose financial adviser ceases to operate or ceases to continue to arrange its life policies of the following:

- (a) that the financial adviser has ceased to operate or has ceased to continue to arrange its life policies;
- (b) the new point of contact for policy servicing especially if the financial adviser has ceased to operate; and
- (c) how future premiums can be transmitted to the direct life insurer.

[MAS Notice 318 (Amendment) 2018]

11 In addition, the direct life insurer shall have in place an internal process to recover its properties on the cessation of business of a financial adviser.

[MAS Notice 318 (Amendment) 2018]

Reports to MAS

12 A direct life insurer shall lodge, in printed form, by 21 April of each calendar year, information on source of business relating to the preceding calendar year in the form set out in Appendix B to this Notice.

[MAS Notice 318 (Amendment) 2004]

[MAS Notice 318 (Amendment) 2012]

[MAS Notice 318 (Amendment) 2015]

[MAS Notice 318 (Amendment) 2018]

Part II - Non-Mandatory Standards

Disclosure

13 A direct life insurer should prepare the documents referred to in paragraph 3A in accordance with the relevant industry standards (including standards set out in the guidelines, circulars and members' undertakings) issued by the LIA.

[MAS Notice 318 (Amendment) 2018]

14 A direct life insurer should meet the industry standards issued by the LIA in respect of the requirement in paragraph 4.

[MAS Notice 318 (Amendment) 2018]

15 A direct life insurer should not market any product whose policy contract is not in plain language.

[MAS Notice 318 (Amendment) 2018]

Compliance with Non-Mandatory Standards

16 The standards set out in this Part II are not mandatory in that failure by a direct life insurer to comply with any of the standards shall not of itself render the insurer to be in breach of this Notice. However, the Authority expects direct life insurers to observe the standards set forth in this Part II.

[MAS Notice 318 (Amendment) 2018]

17 The Authority may take into account a failure to comply with these standards in considering whether to –

- (a) approve a new product;
- (b) revoke the approval for a product; or
- (c) issue directions for the withdrawal of a product.

[MAS Notice 318 (Amendment) 2018]

*Notes on History of Amendments:

1. MAS Notice 318 (Amendment) 2004 with effect from 26 January 2004.
2. MAS Notice 318 (Amendment) 2010 with effect from 26 November 2010.
3. MAS Notice 318 (Amendment) 2012 with effect from 30 October 2012.
4. MAS Notice 318 (Amendment) 2015 with effect from 1 April 2015.
5. MAS Notice 318 (Amendment) 2018 with effect from 2 July 2018.

Appendix A

Part I - List of policies for which a cover page is not required

1. Any investment-linked policy
2. Any life policy under the Dependants' Protection Insurance Scheme¹
3. Any optional rider

Part II - List of policies for which a policy illustration is not required

1. Any investment-linked policy where only a single premium is payable
2. Any life policy under the Dependants' Protection Insurance Scheme

Part III - List of policies for which a bundled product disclosure document is not required

1. Any investment-linked policy
2. Any life policy under the Dependants' Protection Insurance Scheme
3. Any life policy for an insured below the age of 18
4. Any term policy
5. Any life policy where the premiums or benefits are denominated in foreign currency
6. Any life policy where the total death benefit² is not more than (i) 110% of premiums or (ii) total surrender value³ in the first policy year
7. Any annuity
8. Any universal life policy
9. Any optional rider

[MAS Notice 318 (Amendment) 2018]

¹ "Dependants' Protection Insurance Scheme" has the same meaning as "Scheme" in section 40 of the Central Provident Fund Act (Cap. 36).

² "total death benefit" means the sum of the guaranteed and non-guaranteed death benefits.

³ "total surrender value" means the sum of the guaranteed and non-guaranteed surrender value.

**SOURCE OF BUSINESS
FOR THE YEAR ENDING _____**

Details of Reporting Officer

Name :
 Designation :
 Contact number :
 Name of Insurer :

	Regular Premium		Single Premium	
	\$'000	Policy Count	\$'000	Policy Count
Own Representatives				
Licensed Financial Advisers				
Banks				
Other Life Insurers				
Other Financial Institutions				
Others (please specify: _____)				
Total				