

Notice No : FAA-N19

Issue Date : 30 March 2015

Notice on the Distribution of Direct Purchase Insurance Products [“DPI”]

1 This Notice is issued pursuant to section 58 of the Financial Advisers Act (Cap. 110) [the “Act”].

2 Subject to paragraph 3, this Notice applies to –

- (a) a licensed financial adviser;
- (b) an exempt financial adviser; or
- (c) a representative,

when providing either or both of the following types of financial advisory service which are solely incidental to the distribution of DPI:

- (i) advising others, either directly or through any publication or writing (other than by issuing or promulgating any research analysis or research report), concerning any DPI;
- (ii) arranging any contract of insurance in respect of any DPI.

3 This Notice does not apply to a financial adviser or representative of the financial adviser, which or who is exempt from section 27 of the Act under regulations 32B(1) and (3), regulation 34(1) (read with regulation 34(2)) or regulations 36(1) and (2) (read with regulation 36(3)), of the Financial Advisers Regulations [“FAR”] in respect of the activity or activities for which the financial adviser or the representative of the financial adviser is exempt under those respective provisions.

4 This Notice sets out the requirements for the distribution of DPI.

Definitions

5 For the purposes of this Notice –

“exempt financial adviser” means a person who is exempt from holding a financial adviser’s licence under section 23(1)(a), (b), (c), (d) or (e) of the Act;

“financial adviser” means a licensed financial adviser or an exempt financial adviser;

“online direct channel”, in relation to a DPI, means any web portal in the internet created, developed, maintained or operated by a direct life insurer, on which a client may purchase the DPI;

“representative” means an appointed or provisional representative; and

“Tier 1 life insurer” means a financial adviser which is a registered insurer that meets the conditions under regulation 4 of the Insurance (Corporate Governance) Regulations 2013.

6 The expressions used in this Notice, except where expressly defined in this Notice or where the context otherwise requires, have the same respective meanings as in the Act and the FAR.

Representatives of Financial Advisers

7 Unless otherwise specified, a representative must comply with every requirement imposed on a financial adviser in this Notice when acting on the financial adviser’s behalf in relation to the distribution of DPI.

Requirements on Distribution of DPI

8 Subject to paragraph 9 –

- (a) in respect of a financial adviser other than a financial adviser which is exempt from holding a financial adviser’s licence under section 23(1)(c) of the Act and is a direct life insurer, the financial adviser must only distribute DPI through its representative or customer service officer; and

- (b) in respect of a financial adviser which is exempt from holding a financial adviser's licence under section 23(1)(c) of the Act and is a direct life insurer, the financial adviser must only distribute DPI through its representative or customer service officer, or by way of an online direct channel.

9 A Tier 1 life insurer must, at the minimum, distribute DPI either through its representative or customer service officer at the Tier 1 life insurer's principal place of business or branch office (not being a mobile branch).

10 A financial adviser complies with the following requirements in respect of the financial adviser's distribution of DPI:

- (a) Implementation of safeguards: Where a client intends to purchase a DPI, the financial adviser must implement the safeguards as set out in paragraphs 11 to 13 so as to ensure that the client has carried out steps to check that –
 - (i) he is able to afford the premiums payable in respect of the DPI;
 - (ii) the DPI adequately covers his protection needs; and
 - (iii) he has not misunderstood any features or terms and conditions of the DPI;
- (b) Provision of product information: The financial adviser must put in place procedures to ensure that every representative or customer service officer provides, or the online direct channel has, as the case may be, information relating to the DPI which a client intends to purchase as set out in paragraph 14;
- (c) Provision of avenues to address general queries: The financial adviser must set up appropriate avenues to address general queries from its clients relating to DPI, including but not limited to phone or email helplines;
- (d) Implementation of internal policies and processes: The financial adviser must implement the internal policies and processes as set out in paragraph 15 in relation to the financial adviser's distribution of DPI, including adequate control systems and procedures to ensure that the financial adviser's customer service officer does not provide any

financial advisory service which is not solely incidental to the distribution of DPI; and

- (e) Roles and responsibilities of a representative or customer service officer: The financial adviser must set out in its policies and procedures the respective roles and scope of responsibilities of a representative and a customer service officer, who distributes DPI on behalf of the financial adviser, as set out in paragraphs 16 and 17.

Implementation of safeguards

11 A financial adviser must, in respect of every DPI it distributes, make available to a client such tools and calculators which enable the client to calculate –

- (a) the coverage of the DPI, so that the client may determine if the DPI adequately covers his protection needs; and
- (b) the total amount of premiums payable for the DPI, so that the client may determine if he is able to afford the DPI based on his income and financial commitments.

12 A financial adviser must require every representative or customer service officer who distributes a DPI on the financial adviser's behalf to a client to –

- (a) provide the information relating to the DPI as set out in paragraph 14 of this Notice, to the client;
- (b) highlight any disclaimer, exclusion or warning of the DPI to the client;
- (c) prompt the client to make the necessary declarations in the proposal form, including declarations on any pre-existing medical conditions and whether the client has any other existing life policies; and
- (d) highlight any portion of the proposal form for the purchase of the DPI which, to the knowledge of the representative or customer service officer, has been incorrectly completed, to the client, and ensure that all mandatory fields in the proposal form for the purchase of the DPI have been completed.

13 Where a financial adviser distributes DPI by way of an online direct channel –

- (a) paragraph 12 shall apply as though the reference to “every representative or customer service officer who distributes a DPI on the

- financial adviser's behalf to a client" were a reference to "the following to be provided on the financial adviser's online direct channel"; and
- (b) the reference to "highlight any portion of the proposal form for the purchase of the DPI which, to the knowledge of the representative or customer service officer, has been incorrectly completed, to the client, and" in paragraph 12(d) were deleted.

Provision of product information

14 A financial adviser must ensure that at the point of a client's application for the purchase of a DPI, the financial adviser's representative or customer service officer furnishes the following documents to the client or the following documents are provided to the client on the financial adviser's online direct channel:

- (a) the documents set out in paragraph 37(b) of the MAS Notice on Recommendations on Investment Products (FAA-N16);
- (b) the fact sheet and checklist that are prepared by a direct life insurer in accordance with the industry standards issued by the Life Insurance Association, Singapore.

Implementation of internal policies and processes

15 A financial adviser must implement internal policies and processes, including adequate control systems and procedures, relating to the distribution of DPI. These internal policies and processes must include the following:

- (a) policies and processes which set out the respective responsibilities of the representative and customer service officer, in relation to the representative's and customer service officer's respective distribution of DPI on behalf of the financial adviser, including clear guidelines relating to the manner of distribution of DPI and informing clients the manner in which and the locations at where a DPI may be purchased;
- (b) training for every representative or customer service officer, who distributes DPI on behalf of the financial adviser, and the training provided must, at the minimum, cover –
 - (i) the role and scope of responsibilities of a representative or customer service officer in relation to his distribution of DPI on behalf of the financial adviser; and

- (ii) the risks and features of DPI;
- (c) in relation to the online direct channel, policies and processes for distribution of DPI, including instituting controls and safeguards to adequately address information security risks, and putting in place an appropriate business continuity plan to minimise system downtime or component failures to the online direct channel, and to ensure the functionality and continued operation of the online direct channel at all times; and
- (d) controls and procedures to ensure the proper conduct of the representative or customer service officer who distributes DPI, including, where appropriate, instituting procedures to make call-backs to clients or conducting mystery shopping exercises.

Roles and responsibilities of a representative or customer service officer

16 To avoid doubt, where a financial adviser or representative of the financial adviser provides any recommendation in relation to a DPI which is not solely incidental to the distribution of the DPI, the financial adviser and the representative of the financial adviser must comply with the Act, as well as the Regulations and Notices which apply to the provision of financial advice.

17 A financial adviser, or a representative or customer service officer of the financial adviser, is expected to meet the following general standards in all product information disclosures and information provided to clients in relation to a DPI:

- (a) Clear
 - (i) Information disclosed to clients in any advertisement or publicity material in any media should be presented in plain language, and in a manner that is easy for clients to understand;
 - (ii) Jargon or technical terms used should be clearly explained to clients;
- (b) Adequate
 - (i) Information disclosed to clients should meet regulatory requirements and accord with industry best practices. In

addition, the information provided should be sufficient to help clients make an informed decision;

- (ii) Warnings and important information such as the nature and objective of DPI, risks of DPI, fees and charges, and contractual rights and obligations of clients, should be prominently presented and clearly explained;

(c) Not False or Misleading

- (i) Information disclosed to clients should not be ambiguous in language or presentation;
- (ii) Information relating to DPI should be disclosed in an objective and unbiased manner;
- (iii) Where an opinion is expressed, there should be a reasonable basis for expressing the opinion and it should be unambiguously stated that it is a statement of opinion; and
- (iv) Documents to be given to clients should be kept up-to-date and reviewed at least annually.

20 This Notice shall take effect on 31 March 2015.

Note:

Under section 58(5) of the Act, any person who contravenes any requirement specified in a written direction issued by the Authority (which would include this Notice), shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$25,000 and, in the case of a continuing offence, to a further fine not exceeding \$2,500 for every day or part thereof during which the offence continues after conviction.