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MARKET CONDUCT STANDARDS FOR DIRECT LIFE INSURER AS A PRODUCT PROVIDER

1 This Notice is issued under Section 64 of the Insurance Act (Cap 142). 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:

- Disclosure
- Sales process
- Replacement of life policies
- Loans and advances
- Cessation of business with financial advisers
- Reports to MAS

2 For the purposes of this Notice,

"direct life insurer" means an insurer registered under the Insurance Act to carry on direct life insurance business;

"financial adviser" has the same meaning as in section 2 of the Financial Advisers Act 2001 which is a person who carries on a business of providing any financial advisory service, but does not include any person specified in the First Schedule to the same Act.

"representative" has the same meaning as in section 2(1) of the Financial Advisers Act 2001, that is an individual, by whatever name called, in the direct employment of, or acting for, or by arrangement with, a financial adviser, who performs on behalf of the financial adviser any financial advisory service, whether or not he is remunerated, and whether his remuneration, if any, is by way of salary, wages, commission or otherwise, and includes any officer of the financial adviser who performs for the financial adviser any financial advisory service whether or not he is remunerated, and whether his remuneration, if any, is by way of salary, wages, commission or otherwise.

[MAS 318 (Amendment) 2010]

Disclosure

3 A direct life insurer shall ensure that documents prepared for clients comply with the applicable standards stated in the Insurance Act and its Notices and the Notice on Product Disclosure & Information to Clients issued under the Financial Advisers Act of 2001. A direct

life insurer is expected to prepare a Product Summary and Benefit Illustration for each of its life insurance policies, as required by the industry standards issued by the Life Insurance Association of Singapore (LIA).

4 A direct life insurer should ensure that any information given to a client is clear, adequate and not misleading. It is expected to meet the industry standards issued by the LIA.

5 With effect from 1 Apr 2004, a life insurer should not market any product whose policy contract is not in plain language.

Sales Process

6 A direct life insurer should not proceed to issue any policy contract until it receives a copy of the documentation signed by the client indicating that the client has chosen either to:

- accept the offer for needs-based sales process;
- receive product advice only; or
- not receive any advice from the representative who has arranged the life policy.

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 should include the following questions in the proposal form:

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

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.

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 should inform the affected policyholders whose financial adviser ceases to operate or ceases to continue to arrange its life policies of the following:

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

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

Reports to MAS

12 A direct life insurer shall lodge, in printed form, by 21 April of each calendar year, -

(a) information on distribution costs relating to the preceding calendar year in the form set out in [Appendix A](#) (PDF, 5.88KB) to this Notice;

(b) information on source of business relating to the preceding calendar year in the form set out in [Appendix B](#) (PDF, 5.36KB) to this Notice;

(c) information on fact-find options relating to the preceding calendar year in the form set out in [Appendix C](#) (PDF, 11.0KB) to this Notice; and

(d) information on complaints relating to the preceding calendar year in the form set out in [Appendix D](#) (PDF, 4.93KB) to this Notice.

[MAS 318 (Amendment) 2004]

[MAS 318 (Amendment) 2012]