

Circular No.: ID 08/17

18 July 2017

To Chief Executives
All Direct Life and Composite Insurers

Dear Sir/Madam

ADVANCE PREMIUM FACILITY

MAS notes that some insurers have been soliciting for advance premiums (“AP”) from policy owners by offering attractive interest rates during marketing campaigns. Such AP collected are held separately from policy liabilities. Insurers accrue interest on these AP, and apply both AP and accrued interest towards premium payments as they fall due. MAS is concerned that such solicitation of AP may give policy owners the false impression that insurers are engaging in deposit-taking business.

2 Insurers should accept AP only where it is solely incidental to the carrying on of their insurance business as permitted in the Banking Act (Cap. 19) and Regulation 3 of Banking Regulations. In this regard, any AP facility offered by insurers should only serve to facilitate insurance transactions, for example, where policy owners are unable to pay premiums for a certain period of time due to travel and/or other personal reasons.

3 MAS expects insurers to adhere to the following guidelines when offering AP facilities to their policy owners:

- (a) Insurers should not solicit AP from policy owners through marketing campaigns, and/or market the AP facility as a savings account by offering guaranteed or attractive interest rates;
- (b) Insurers should not accept more than one year of premiums paid in advance (i.e. the AP held for each insurance policy should not exceed the premium due for the next annual premium) unless the extenuating circumstances faced by the policy owner warrants a longer period; and
- (c) Insurers should disclose in writing the terms and conditions of their AP facility, including but not limited to the following:
 - (i) the AP facility is not a bank savings account nor a bank deposit;
 - (ii) whether any withdrawal at any time by policyholders is permitted; and
 - (iii) whether policy owners will incur any penalties for early withdrawal of the AP.

4 For avoidance of doubt, insurers that offer policy owners an option to pay premiums in advance on insurance policies designed with regular premium payments are not deemed to be offering an AP facility if the premiums are applied immediately on receipt to the payment of future premiums of the policies. Nonetheless, insurers should alert such policy owners to the implications of opting to pay in advance, including the possibility of a non-refund of premiums on early termination of the policies or upon a claim.

5 If you have any queries on this matter, please contact your company's liaison officer in MAS. Thank you.

Yours faithfully

[sent via MASNET]

MS HO HERN SHIN
EXECUTIVE DIRECTOR
INSURANCE DEPARTMENT