

MAS 306

1 Oct 2002

NOTICE TO LIFE INSURERS
INSURANCE ACT, CAP 142

This Notice replaces MAS 304 dated 15 Dec 1992 and 28 Nov 1997, MAS 306 dated 15 Dec 1992 and 10 Jan 1996 and Circulars No. L3/94 dated 14 Oct 1994, No. FSG12/2001 dated 19 Mar 2001, No. FSG1/2002 dated 2 Jan 2002.

**MARKET CONDUCT STANDARDS FOR LIFE INSURERS PROVIDING
FINANCIAL ADVISORY SERVICES AS DEFINED UNDER THE FINANCIAL
ADVISERS ACT (CAP. 110)**

1 This Notice is issued under section 64 of the Insurance Act and shall apply to all direct life insurers which provide financial advisory services as defined under the FAA.

2 This Notice covers the following:

- Appointment of Representatives
- Maximum Tier Structure
- Training and Competency of Representatives
- Loans and Advances to Representatives
- Compliance Unit
- Disciplinary Action
- Income and Expenses
- Reports to MAS

Financial Advisers Act 2001

3 A direct life insurer is a financial adviser exempt under section 23(1) of the FAA from holding a license to carry on any financial advisory service (referred to as "exempt financial adviser"). Any individual appointed by the life insurer to perform financial advisory services is a representative of the life insurer.

4 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 advisory service" is defined in the Second Schedule to the FAA to mean all or any of the following services:

- (a) Advising others, either directly or through publications or writings, whether in electronic, print or other form, concerning any investment product, other than advising on corporate finance within the meaning of Securities and Futures Act 2001;
- (b) Issuing or promulgating analyses or reports, whether in electronic, print or other form, concerning any investment product;
- (c) Marketing of any collective investment scheme;
- (d) Arranging any contract of insurance in respect of life policies.

"financial adviser" has the same meaning as in section 2 of the FAA that 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 FAA.

"exempt financial adviser" has the same meaning as in section 2 of the FAA that is a financial adviser exempt under section 23(1) or (2) from holding a financial adviser's licence.

"representative" has the same meaning as in section 2 of the FAA that is an individual, in the direct employment of or acting for or by arrangement with a financial adviser, who performs for the financial adviser any of the functions of a financial adviser (other than work ordinarily performed by accountants, clerks or cashiers), whether his remuneration (if any) is by way of salary, wages, commission or otherwise, and includes an officer of the financial adviser who performs for the financial adviser any of those functions, whether or not his remuneration is as aforesaid.

Appointment of Representatives

5 In addition to section 35M of the Insurance Act, a direct life insurer shall enter into a written agreement with every individual that carries on financial advisory services as a representative of the life insurer.

6 A direct life insurer shall only appoint a person who is fit and proper as its representative.

Maximum Tier Structure

7 A direct life insurer that operates a tier structure for the provision of any financial advisory service shall ensure that such a structure is capped to a maximum of 3 tiers:

Manager (Third Tier)
I
Supervisor (Second Tier)
I

Representative (First Tier)

8 A tier exists when overriding benefits are payable by the insurer to a representative for the provision of financial advisory service by another representative.

9 A direct life insurer shall ensure that its representative that is under probation for the position as a supervisor shall have a probation period of not more than 2 years.

Training and Competency of Representatives

10 A direct life insurer shall ensure that its representatives are trained and assessed as competent to carry on financial advisory services. A direct life insurer is expected to prepare and implement a Training and Competency Plan for its representatives and refer to the Guidelines on Training and Competency issued by the Life Insurance Association of Singapore in the process.

Loans and Advances to Representatives

11 A direct life insurer shall not provide subsidised loans to its representatives out of life insurance funds. With effect from 1 Oct 2002, insurers shall not charge the cost of financing schemes for representatives to their life insurance funds except where the financing schemes were disbursed prior to 1 Oct 2002 and in which case, the cost of these financing schemes shall cease to be charged to the life insurance funds by 30 Sep 2003 or one-year from the date of disbursement, whichever is earlier.

Compliance Unit

12 A direct life insurer shall ensure that the provision of financial advisory services by its representatives is in compliance with the FAA and the Insurance Act. It should also observe relevant industry guidelines issued by the Life Insurance Association of Singapore.

13 A direct life insurer shall set up a Compliance Unit headed by a senior officer i.e. Compliance Officer. The Compliance Unit should conduct regular audits on the provision of financial advisory service by the life insurer and its representatives and maintain documentation relating to such audits. The Compliance Officer should report directly to the Principal Officer on any compliance or non-compliance.

Disciplinary Action

14 Direct life insurers are responsible for the conduct of their representatives. It should take disciplinary action against representatives for misconduct. Direct

life insurers should also have an internal process for representatives who wish to appeal against the disciplinary action.

15 Direct life insurers should ensure consistency in their application of disciplinary action for the same type of misconduct.

Income and Expenses

16 Section 17 of the Insurance Act requires insurers to establish and maintain insurance funds for insurance business. It also requires receipts properly attributable to the business to which the insurance fund relates to be paid into the insurance fund. Furthermore, assets comprised in the insurance fund are applicable only to meet such part of the insurer's liabilities and expenses as are so properly attributable.

17 Direct life insurers should ensure that their provision of financial advisory services is not detrimental to interests of policyholders. Income and expenses arising out of the direct life insurer's provision of financial advisory services that is not related to the life insurer as a product provider shall not be paid into or charged to the life insurance funds.

18 For an agency force that was previously financed by the life insurance funds, mainly the participating fund, proceeds from the sale of an agency force by a direct life insurer should be paid appropriately into the life insurance funds.

Reports to the MAS

19 A direct life insurer shall lodge, in printed form, by 21 April of each calendar year, information on its provision of financial advisory services relating to the preceding calendar year in the form set out in [Appendix A](#) (PDF, 42.4KB) to this Notice. Where a direct life insurer does not have any representative that performs such services, it shall submit a nil return.

[MAS 306 (Amendment) 2010, wef 30 Jun 2010]

Last modified on 30/6/2010