

Guideline No.: ID 01/17

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GUIDELINES ON THE ONLINE DISTRIBUTION OF LIFE POLICIES WITH NO ADVICE

Purpose of these Guidelines

1 A direct life insurer may offer all types of life policies on the online direct channel with no advice provided. These Guidelines apply to all direct insurers licensed under section 8 of the Insurance Act (Cap. 142) (“the Act”) to carry on life business.

2 These Guidelines set out the Authority’s expectations on the safeguards that direct life insurers should put in place for the online distribution of life policies without the provision of advice.

3 These Guidelines should be read in conjunction with the provisions of the Act, as well as written directions, notices, codes and other guidelines that the Authority may issue from time to time.

4 The Guidelines shall take effect on 31 March 2017.

Definitions

5 For the purposes of these Guidelines, unless the context otherwise requires:

“advice” means a recommendation made with respect to any investment product, after taking into account a client’s investment objectives, financial situation and particular needs;

“conditional acceptance”, in relation to a life policy, refers to any additional conditions or exclusions imposed by a direct life insurer in respect of the application for a life policy;

"direct life insurer" means a direct insurer licensed under section 8 of the Act to carry on life business;

“direct purchase insurance products” has the same meaning as in paragraph 4 of MAS Notice 321 on Direct Purchase Insurance Products;

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“life policy” has the same meaning as in the First Schedule to the Act;

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

6 The terms used in these Guidelines, except where expressly defined in these Guidelines or the context otherwise requires, have the same respective meanings in the Act and the subsidiary legislations made thereunder.

Offer of equivalent Direct Purchase Insurance products (“DPIs”)

7 Before a direct life insurer offers a specific life policy online, it should first determine if it offers an equivalent DPI. If an equivalent DPI is currently available, the direct life insurer should also make available that DPI on its online direct channel. To illustrate, a direct life insurer which intends to offer a whole life product on its online direct channel is expected to also make available its Whole Life DPI on its online direct channel.

8 The Authority has not required all direct life insurers to offer DPIs online, recognising that not all direct life insurers have an online platform for the distribution of life policies. However, where a direct life insurer has an online platform to distribute life policies, it should also offer the equivalent DPI online to its clients.

Provision of key information

9 A direct life insurer should put in place the following safeguards at the point of a client’s application for the purchase of a life policy via the online direct channel:

- (a) Provision of product information: To assist a client in making an informed decision, the direct life insurer should provide the client with an online copy of, or access to, the following before the client completes the purchase of a life policy via the online direct channel:
 - i. the documents set out in paragraph 3A of the MAS Notice 318 on Market Conduct Standards for Direct Life Insurers as a Product Provider (as may be amended from time to time), including the cover page, policy illustration product summary, bundled product disclosure document, and product highlights sheet in respect of that life policy (where a cover page, policy illustration, product summary,

bundled product disclosure document, and product highlights sheet are available for that policy); and

- ii. full policy wordings of the relevant life policy;

The direct life insurer should also obtain the client's acknowledgement that he has completed the items set out in Annex A.

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- (b) Acknowledgement of conditional acceptance: The direct life insurer should highlight to a client any conditions, including special exclusions or additional premium loadings imposed by the direct life insurer as a result of underwriting the policy application. Where the client intends to purchase a life policy with a conditional acceptance, the direct life insurer should require the client to acknowledge that he has read and understood these conditions before purchasing the life policy. Examples of conditional acceptance include instances where the direct life insurer's acceptance of a client's policy is contingent upon exclusion of the client's pre-existing medical condition or there is additional premium loading imposed by the direct life insurer due to the client's pre-existing medical condition.
- (c) Incorporation of prominent statement(s): Before a client completes the purchase of a life policy via the online direct channel, the financial adviser should alert the client (such as via a pop-up prompt) that:
 - i. a life policy is not a savings account or deposit;
 - ii. the client may not get back the premiums paid (partially or in full) if the client terminates or surrenders the policy early;
 - iii. some benefits of a life policy are not guaranteed (only if applicable);
 - iv. there is a 14-day free-look period;
 - v. the client can request the financial adviser to explain the product features;
 - vi. the client may wish to separately seek advice on the suitability of the life policy; and
 - vii. in the event that the client chooses not to seek advice on the suitability of the life policy, the client should consider if the life policy is suitable for his financial circumstances and needs.

These statements should be worded in a simple and concise manner.

Provision of tools and calculators and considerations of other types of life policies

10 A direct life insurer should encourage its clients to go through the items set out in Annex B before buying a life policy via the online direct channel. This will enable the client to -

- (a) calculate the amount of life insurance coverage the client would need, so that the client may determine if the life policy meets his protection needs;
- (b) check if the premium payable for the life policy is affordable based on his income and expenditure; and
- (c) consider the different types of DPI and other types of life policies available, and whether the life policy is suitable for his financial circumstances and needs.

11 The safeguard in paragraph 10 may not be applicable for all types of life policies sold via the online direct channel. For example, a direct life insurer which offers monthly renewable group term life policies via the online direct channel is not expected to make available such tools and calculators to its clients as there is no long term financial commitment.

Handling of queries, complaints and claims

12 A direct life insurer should set up appropriate avenues to address general queries from its clients relating to the life policies offered on its online direct channel, including but not limited to telephone or email helplines.

13 A direct life insurer should also provide information, such as contact details, information on the claims process and the process for filing complaints, on its online direct channel.

Implementation of internal controls, policies and procedures

14 It is an existing obligation for a direct life insurer to ensure that it has adequate policies, procedures and controls to mitigate money laundering and terrorism financing risks, as set out in the relevant Regulations, Notices and Guidelines issued by the Authority under the Monetary Authority of Singapore Act. A direct life insurer shall take steps to address any specific risks associated with non-face-to-face business relations with a client.

15 It is also an existing obligation for a direct life insurer to implement internal policies and processes to address technological risks. A direct life insurer should

- (a) establish a sound and robust technology risk management framework;
- (b) strengthen system security, reliability, resiliency and recoverability; and

- (c) deploy strong authentication to protect customer data, transactions and systems.

A direct life insurer should also put 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.

16 A direct life insurer should, where relevant, consider and implement other safeguards to manage any other risks arising from the distribution of life policies on the online direct channel so as to protect the interest of its clients.

Application of the Guidelines

17 Direct life insurers should be able to demonstrate to the Authority that they are able to observe the Guidelines.

18 Where the Authority is not satisfied with a direct life insurer's observance of the Guidelines, the Authority may require the direct life insurer to take additional measures to address the deficiencies noted.

I acknowledge that I have
Part A
(a) Read and understood the cover page, policy illustration and product summary, including any coverage exclusion
(b) Completed and disclosed fully and truthfully all the information requested in the Proposal Form and any supplementary questionnaire(s)
Part B – Only applicable if medical and moratorium or financial underwriting are conducted
(c) Declared all pre-existing medical conditions in the Proposal Form
(d) Reviewed all existing life policies that I own, or am in the process of applying for in the Proposal Form
(e) Declared my current financial situation such as my income in the Proposal Form

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Annex B

You are encouraged to go through the following items before buying a life policy via the online direct channel:

Have you...
(a) Used the Insurance Estimator at the following link: https://www.cpf.gov.sg/eSvc/Web/Schemes/InsuranceEstimator/InsuranceEstimator to calculate the amount of life insurance coverage you would need?
(b) Used the Budget Calculator at the following link: http://www.moneysense.gov.sg/financial-planning/financial-calculators/budget-calculator.aspx to check if the premium that you will pay is affordable based on your current income and expenditure?
(c) Visited http://www.comparefirst.sg to compare the features and premiums of Direct Purchase Insurance (DPI) and other types of life policies?
(d) Considered the different types of DPI and other types of life policies that are available, and whether the life policy that you intend to purchase is suitable for your financial circumstances and needs?