

**RESPONSE TO
FEEDBACK RECEIVED**

October 2015

**Response to feedback
received – Review of
Accident & Health
Regulatory Framework**

MAS

Monetary Authority of Singapore

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1 Preface

1.1 On 12 May 2015, MAS issued a consultation paper on enhancing the accident & health (“A&H”) insurance regulatory framework. Taking into consideration the developments in the regulatory landscape for insurance products and the recommendations of the MediShield Life Review Committee (“MLRC”), MAS proposed enhancing disclosure requirements, strengthening protection measures for policy owners and improving the quality of intermediaries’ conduct.

1.2 The consultation period closed on 12 June 2015, and MAS would like to thank all respondents for their contributions. The list of respondents is in Appendix A.

1.3 MAS has considered carefully the feedback received, and will incorporate them where appropriate. Comments that are of wider interest, together with MAS’ responses, are set out below.

2 Enhance Disclosure Requirements

Disclosures highlighting Medishield Life coverage

2.1 Some respondents felt that the disclosures¹ in the conditional letter of offer were irrelevant for individual medical expense policies that were not integrated with MediShield Life. There are concerns that consumers may be misled into thinking that MediShield Life will provide coverage for all their needs, such as global medical coverage or outpatient benefits, which are not covered under MediShield Life.

2.2 Most respondents supported MAS’ proposal to highlight that coverage under MediShield Life continues in the termination letter.

2.3 A few respondents sought clarifications on which type of policies the disclosures would apply to and whether the disclosures would apply to policies offering other benefits in addition to the medical expense benefit component.

MAS’ Response

2.4 MAS acknowledges that MediShield Life or integrated shield plan may not provide certain benefits and coverage offered by other individual medical expense policies referred to in paragraph 2.1. However, there remains some overlap between

¹ Please refer to Appendix B of the Consultation Paper on Review of Accident and Health Regulatory Framework, P008-2015, May 2015.

such plans and MediShield Life. To ensure (1) consumers who are considering such other individual medical expense policies understand their options when they receive the conditional letter of offer which sets out certain exclusions on their pre-existing illnesses and, (2) policy owners who have terminated their such other individual medical expense policies are aware of their health insurance coverage, it is necessary for insurers to inform such consumers of their MediShield Life coverage. For all non-IP individual medical expense policies, the revised disclosure statements are:

- “If you are a citizen or permanent resident of Singapore, you are covered by MediShield Life for life, for treatments in Singapore, regardless of pre-existing medical conditions or other circumstances that you face. For more details on your coverage, please visit www.medishieldlife.sg.” in the conditional letter of offer; and
- “If you are a citizen or permanent resident of Singapore, you are covered by MediShield Life for life, for treatments in Singapore even though you have terminated your policy. The cover is provided regardless of pre-existing medical conditions or other circumstances that you face. For more details on your coverage, please visit www.medishieldlife.sg.” in the termination letter.

2.5 The disclosure requirement applies to all individual medical expense policy which is not integrated with Medishield Life and where the policyholder is a Singapore Citizen or Permanent Resident. It also applies where the medical expense benefit is the main benefit of an individual A&H policy that also contains other A&H benefits and coverage.

Disclosures highlighting that the policy is not Medisave-approved

2.6 Some respondents supported the proposal² to set out clearly in the product summary for all non-Medisave approved A&H policies that the policy is not Medisave-approved and premiums are not payable using Medisave monies.

2.7 A few respondents disagreed with including this disclosure in the product summary or preamble when marketing and concluding sales of a short-term A&H policy via the telephone. These respondents were of the view that the disclosure was not relevant and costly to implement. For sales of selected short-term A&H policies via the

² Please refer to Appendix C of the Consultation Paper on Review of Accident and Health Regulatory Framework, P008-2015, May 2015.

telephone, one respondent opined that the request for credit card details to complete the sale of a policy would indicate that the policy cannot be paid using Medisave monies.

2.8 A few respondents sought clarifications on the types of A&H policies impacted and the documents for which the disclosure would be applicable.

MAS' Response

2.9 The disclosure is intended to ensure that consumers are aware of the type of policy presented so as to make an informed decision when purchasing an A&H policy. We will ensure adequate time is provided for insurers to comply with the requirements as well as manage their costs.

2.10 This disclosure is required in the product summary of all non-Medisave approved A&H policies, including Integrated Shield Plan ("IP") riders.

Disclosures highlighting non-guaranteed renewability of short-term A&H policies

2.11 Respondents felt that the disclosures³ in the product summary stating that short-term A&H policies are not guaranteed renewable, in particular the disclosures on the "insurer has unilateral rights to terminate the policy" and policy owners may lose coverage for existing medical conditions, gave the impression that such policies were uncertain and undesirable.

2.12 Two respondents suggested including the disclosures in either the policy wordings or the premium notification letter only. One respondent offering both short-term and long-term policies under a single product name expressed concern as to the application of the mandatory requirement. One respondent proposed to exclude this requirement when marketing and concluding sales of a short-term A&H product via the telephone.

MAS' Response

2.13 Short-term A&H policies are defined as those that are not guaranteed renewable (i.e. the insurer can terminate the policy unilaterally, other than termination on the ground of fraud or material disclosure) with a duration of less than five years.

³ Please refer to Appendix D of the Consultation Paper on Review of Accident and Health Regulatory Framework, P008-2015, May 2015.

2.14 MAS Notice 120⁴ currently requires insurers to highlight that their renewability are not guaranteed as it is crucial for such information to be disclosed upfront for consumers to make an informed decision when purchasing a policy. Similar disclosures are also required post-sales to ensure that policy owners are aware of the limitations of their short-term A&H policies.

2.15 The proposed standardised statements will ensure consistency in pre-sales disclosures amongst insurers offering short-term A&H policies. Where an insurer offers both short-term and long-term policies under one product name, it should clearly indicate that the disclosure statement only applies to short-term policies and ensure their intermediaries similarly inform consumers.

2.16 Taking into consideration the feedback received, MAS has revised the requirement such that only renewable short-term accident and health policies need to include the disclosure statement, set out below, in the product summary.

This is a short-term accident and health policyⁱ and the insurer is not required to renew this policy. The insurer may terminate this policy by giving you ____ⁱⁱ notice in writing.

*If you have any existing medical condition at the policy renewal date, you may not be covered under the renewed policy for such a medical condition. If such a medical condition is covered under the renewed policy, you may need to pay additional premiums.

ⁱThe insurer shall use in the above statement the same term that is used in the product summary to refer to the short-term accident and health policy.

ⁱⁱThe insurer shall set out the relevant notice period, whether in days, weeks or months.

* The insurer shall include this statement only if it imposes exclusions or require additional premiums to cover existing medical conditions under the short-term accident and health policy at renewal.

⁴ Please refer to Paragraph 17 of MAS Notice 120 requires insurers to disclose 1) whether premium rates are guaranteed or non-guaranteed; 2) whether the insurer may alter the terms of contract; and 3) whether the insurer may decline to renew the policy or unilaterally terminate the policy.

Alignment with changes to the Financial Advisers Act (“FAA”)

2.17 One respondent sought clarification on the documents insurance intermediaries are required to review at least annually⁵.

2.18 Respondents also queried if the proposed disclosure of remuneration⁶ would enhance transparency given that remuneration cost are factored into the premiums payable. One respondent asked if disclosure of distribution cost, as per paragraph 22 of the FAA-N03⁷, would be sufficient to comply with the proposed requirement in this consultation paper.

2.19 On the requirement⁸ to provide information on free look period, termination, claims, and warnings, exclusions and disclaimers, some respondents queried if the disclosures were applicable to A&H policies that are not IPs.

2.20 On the proposal to require insurance intermediaries to disclose any applicable switching fee or charge, one respondent sought clarification on whether policy owners are allowed to switch between insurers for short-term A&H policies.

MAS’ Response

2.21 Insurance intermediaries should ensure that documents given to policy owners are kept up-to-date. Such documents include but are not limited to product disclosure documents such as premium tables, product summary, benefit schedule, marketing materials and after-sales updates to policy owners.

2.22 MAS Notice 120 currently requires insurance intermediaries to disclose, in writing, information on their remuneration⁹ upon request by policy owners,

⁵ Please refer to Proposal 7a) of the Consultation Paper on Review of Accident and Health Regulatory Framework, P008-2015, May 2015.

⁶ Please refer to Proposal 7b) of the Consultation Paper on Review of Accident and Health Regulatory Framework, P008-2015, May 2015.

⁷ Paragraph 22 of the FAA-N03 states that, “In the case of a life policy, a financial adviser shall disclose to its client the “distribution cost” item in the Benefit Illustration (where a Benefit Illustration is available in respect of the life policy)”. The distribution cost is computed based on Appendix I of the Guidelines on Benefit Illustration issued by the Life Insurance Association, Singapore.

⁸ Please refer to Proposal 7c) of the Consultation Paper on Review of Accident and Health Regulatory Framework, P008-2015, May 2015.

⁹ Paragraph 15 of MAS Notice 120 requires an A&H insurance intermediary to disclose, upon request, in writing to the insured all remuneration, including any commission, fee and other benefit, that it has received or will be receiving for providing advice on, or arranging insurance contracts or both, in respect of any A&H policy.

information¹⁰ on policy owners' contractual rights and obligations, as well as risks and limitations of the policy. Insurers and its intermediaries are also expected to inform policy owners of the free look period under the Insurance (General Provisions) Regulations. These disclosures are relevant to ensure that policy owners are aware of the key policy features and terms to make an informed decision when purchasing an insurance policy or when switching insurance policy between different insurers.

2.23 Insurance intermediaries may provide the distribution cost, calculated based on paragraph 22 of the FAA-N03, in lieu of the remuneration of the individual intermediary.

3 Improve quality of conduct of intermediaries selling A&H insurance

Responsibility of life insurers for the training, competency and conduct of their insurance intermediaries

3.1 As the provision of advice and arranging of A&H policies are not within the scope of the FAA, we had proposed to clarify that the life insurer is responsible for the training, competency and the conduct of its intermediaries, including financial advisers ("FAs"), selling A&H policies¹¹.

3.2 Respondents from the life insurance industry voiced concerns that the proposal was inconsistent with the policy intent of the FAA where FA firms are responsible for their own training, competency and conduct in relation to the sale of life policies. Further, life insurers do not have control over the conduct of non-tied intermediaries and hence, may not be as effective as FA firms in taking action against the FA representatives for any misconduct. One respondent from the FA industry also considered it their responsibility to oversee their representatives' competency and conduct with regard to the sale of policies from life insurers.

3.3 One respondent queried if a life insurer would be responsible for an intermediary which is acting on behalf of the insured, instead of the insurer.

¹⁰ Paragraph 17 of MAS Notice 120 requires an A&H insurance intermediary to disclose the following information to the insured: (a) nature and objective of the policy; (b) details of the insurer; (c) contractual rights and obligations; (d) benefits of the policy; and (e) risk of the policy.

¹¹ Please refer to Proposal 9 of the Consultation Paper on Review of Accident and Health Regulatory Framework, P008-2015, May 2015.

MAS' Response

3.4 MAS has taken the feedback into consideration and note the operational difficulties for life insurers to be fully responsible for the market conduct of licensed and exempt FA firms and their representatives.

3.5 Currently, MAS Notice 117 and MAS Notice 120 impose disclosure and advisory requirements, as well as training and competency requirements on A&H insurance intermediaries, including licensed and exempt FAs. These requirements will continue to apply to A&H insurance intermediaries. Regarding the overall responsibility for the conduct of A&H insurance intermediaries, MAS is reviewing this proposal and intends to require these A&H insurance intermediaries, such as licenced and exempt FAs, to be also responsible for the general conduct of their representatives pertaining to the sale of A&H products manufactured by life insurers. Where there are issues pertaining to the A&H policy sold, life insurers will continue to remain responsible as product manufacturers.

3.6 Where the intermediary, such as an insurance broker, is acting for insureds or intending insureds, insurers are not expected to be responsible for such intermediaries as there is no principal-agency relationship between the broker and the insurer.

Information to be obtained to provide financial advice

3.7 A few respondents asked if the requirement¹² for insurance intermediaries to collect and document, a consumer's financial commitment and affordability consideration as well as enquire, as part of the fact find process, on the consumer's preference for the hospital wards for all A&H policies were applicable to only long-term A&H policies. These respondents voiced concerns that such information relating to a consumer's financial situation, existing health coverage and preferred hospital ward class may not be applicable for some types of A&H products such as hospital income insurance.

¹² Please refer to Proposal 10 of the Consultation Paper on Review of Accident and Health Regulatory Framework, P008-2015, May 2015.

MAS' Response

3.8 MAS intends for the requirement to apply to all health¹³ insurance products that require a fact-find and needs analysis as part of the needs-based sales process.

3.9 The fact-find and needs analysis process is intended to ensure intermediaries have adequate information, such as consumer's financial ability as well as coverage preference, to provide consumers adequate and suitable advice. Insurance intermediaries are at minimum expected to inform Singapore Citizens and Permanent Resident consumers that restructured hospitals B2 and C class wards are subsidised and means-tested (i.e. the lower income families will be eligible for higher subsidies). During the sales advisory process, insurance intermediaries should remind consumers to consider their health insurance needs and long-term affordability of the insurance policy. If the consumer indicates he/she does not wish to provide the information required, the insurance intermediaries is required to clearly document the decision.

3.10 To be clear, the requirement will not apply to health policies in circumstances where no recommendation is made or where only factual information is provided. The requirement will also not apply to personal accident policies, which include hospital cash policies paid out due to accident only, and ElderShield policies.

3.11 MAS will work with the industry associations to review and update the existing templates for the fact-find forms and needs analysis.

Prohibition of sales of long-term A&H policies by telemarketing

3.12 Respondents voiced concerns that the prohibition¹⁴ would restrict insurers from providing consumers with accessibility to insurance products.

MAS' Response

3.13 MAS notes respondents' feedback on providing consumers greater access to insurance products. Following consultation with MOH, insurers and their intermediaries will only not be allowed to conclude sale of Medisave-approved policies¹⁵ over the

¹³ A health policy is defined under MAS Notice 120 as an accident and health policy that is not a personal accident policy, i.e. not a policy where benefits are paid out only (1) in the event of an injury to, or disability of, the insured as a result of accident; (b) on the death by accident of the insured; or (c) on the occurrence of a combination of (a) and (b).

¹⁴ Please refer to Proposal 12 of the Consultation Paper on Review of Accident and Health Regulatory Framework, P008-2015, May 2015.

¹⁵ Medisave-approved policies include any ElderShield policy, ElderShield Supplement policy and IPs.

phone. With the launch of MediShield Life, it is important for insurers and its intermediaries to explain to policy owners, who are either Singapore Citizens or Permanent Residents, the interaction between IPs and MediShield Life, how policies can be paid for using Medisave and assist with the completion or interpretation of disclosure documents provided to policy owners.

Require all insurance intermediaries selling IPs to undergo a minimum two hours of training pertaining to MediShield Life and IPs

3.14 Respondents sought clarification on whether the training hours¹⁶ will count towards the compulsory 30 hours of Continuing Professional Development (“CPD”) hours under the FAA.

MAS’ Response

3.15 MAS intends for a maximum of two hours of training pertaining to MediShield Life and IPs per calendar year to count towards the compulsory 30 CPD hours under the FAA. This requirement will apply regardless of the number of IP insurers the intermediary is distributing for, i.e. insurance intermediaries distributing for more than one IP insurer and attending training of more than one IP insurer is allowed to consolidate the training hours to meet the minimum two hours requirement. Insurance intermediaries will thus be responsible for maintaining their training records.

Guidelines on the Monitoring of Switching for Long-term Accident and Health Plans

3.16 To ensure that switching is not done to the detriment of policy owners’ interest, MAS intends to issue guidelines on the monitoring of switching for long-term A&H policies. These guidelines are non-mandatory best practices and are similar to paragraphs 10 to 16 of the FAA-G10 Guidelines on Switching for Designated Investment Products.

¹⁶ Please refer to Proposal 13 of the Consultation Paper on Review of Accident and Health Regulatory Framework, P008-2015, May 2015.

4 Implementation timeline

4.1 As MOH and MAS have been engaging the IP insurers on the IP-specific disclosure requirements, IP insurers are required to comply with the disclosure requirements by 1 November 2015 while the training requirements for A&H insurance intermediaries selling IPs will be effective from 1 January 2016.

4.2 To comply with the restriction on the use of the word “Shield”, insurers will be given a two year transition period from 1 November 2015 to effect the change in name for existing A&H policies that are not Medisave-approved.

4.3 Insurers will be required to comply with the non-IP disclosure requirements by 30 June 2016. MAS has issued the amendments to the Insurance (General Provisions) Regulations and MAS Notice 120 today. Amendments to MAS Notice 117 will be issued by end 2015.

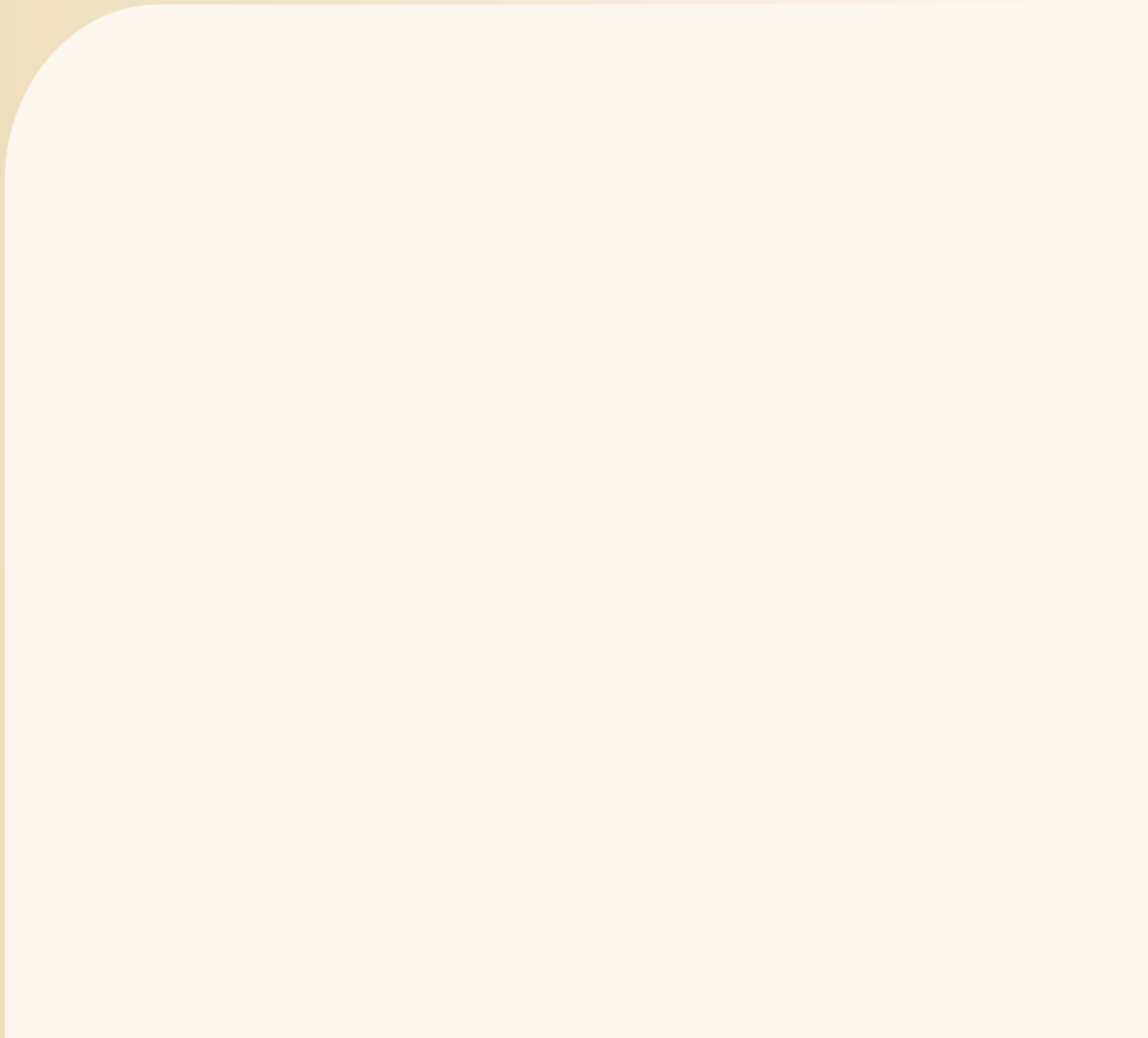
MONETARY AUTHORITY OF SINGAPORE

30 October 2015

Annex A

**LIST OF RESPONDENTS TO THE CONSULTATION PAPER ON
REVIEW OF ACCIDENT & HEALTH REGULATORY FRAMEWORK**

1. ACE Insurance Limited
2. Aetna Insurance (Singapore) Pte. Ltd.
3. Aetna Insurance Company Limited (Singapore Branch).
4. AIG Asia Pacific Insurance Pte. Ltd.
5. Asia Capital Reinsurance Group Pte Ltd
6. Friends Provident International Limited (Singapore Branch)
7. HongKong and Shanghai Banking Corporation Limited, Singapore Branch
8. HSBC Insurance (Singapore) Pte. Limited
9. Life Insurance Association
10. MSIG Insurance (Singapore) Pte. Ltd.
11. NTUC Income
12. Phillip Securities Pte Ltd
13. Standard Chartered Bank (Singapore) Limited



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