
Guideline No: FAA-G15

Issue Date: 31 March 2017

GUIDELINES ON THE ONLINE DISTRIBUTION OF LIFE POLICIES WITH NO ADVICE

Purpose of these Guidelines

1 These Guidelines are issued pursuant to section 64 of the Financial Advisers Act (Cap. 110) (the Act). Subject to paragraph 2, these Guidelines apply to all licensed financial advisers and exempt financial advisers.

2 These Guidelines do not apply to a financial adviser which is exempt from section 27 of the Act under regulations 32B(1) and (3), regulation 34(1) (read with regulation 34(2)) or regulations 36(1) and (2) (read with regulation 36(3)), of the Financial Advisers Regulations (FAR) in respect of the activity or activities for which the financial adviser is exempt under those respective provisions.

3 These Guidelines set out the Authority's expectations on the safeguards that licensed financial advisers and exempt financial advisers should put in place for the online distribution of life policies without the provision of advice.

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

5 The Guidelines shall take effect on 31 March 2017.

Definitions

6 For the purposes of these Guidelines,

“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 Insurance Act (Cap. 142) to carry on life business;

“Direct Purchase Insurance Products” has the same meaning as in regulation 40B of the Financial Advisers Regulations (Rg 2);

“exempt financial adviser” means a person who is exempt from holding a financial adviser’s licence under section 23(1)(a), (b), (c), (d) or (e) of the Act;

“financial adviser” means a holder of a financial adviser’s licence under the Act or an exempt financial adviser;

“life policy” has the same meaning as in the First Schedule to the Insurance Act (Cap.142);

“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 financial adviser, on which a client may purchase a life policy.

7 The terms used in these Guidelines, except where expressly defined in these Guidelines or the context otherwise requires, have the same respective meanings as in the Act and the FAR.

Offer of equivalent Direct Purchase Insurance products (DPI)

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

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

Provision of key information

10 A financial adviser 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 financial adviser 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 37(b) of the MAS Notice on Recommendations on Investment Products (FAA-N16) (as may be amended from time to time), including the Product Summary, Benefit Illustration, and Product Highlights Sheet in respect of that life policy (where a Product Summary, Benefit Illustration, and Product Highlights Sheet are available in respect of that policy); and
- ii. full policy wordings of the relevant life policy.

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

- (b) Acknowledgement of conditional acceptance: The financial adviser should highlight to a client any conditions, including special exclusions or additional premium loadings imposed by a 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 financial adviser 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

11 A financial adviser 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.

12 The safeguard set out in paragraph 11 may not be applicable for all types of life policies sold via the online direct channel. For example, a financial adviser 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

13 A financial adviser 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.

14 A financial adviser 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

15 It is an existing obligation for a financial adviser 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 financial adviser must take steps to address any specific risks associated with non-face-to-face business relations with a client.

16 It is also an existing obligation for a financial adviser to implement internal policies and processes to address technological risks. A financial adviser 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 financial adviser 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.

17 A financial adviser 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

18 Financial advisers should be able to demonstrate to the Authority that they are able to observe the Guidelines.

19 Where the Authority is not satisfied with a financial adviser's observance of the Guidelines, the Authority may require the financial adviser to take additional measures to address the deficiencies noted.

Annex A

I acknowledge that I have
Part A
(a) Read and understood the benefit 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

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?