



Republic of the Philippines  
Department of Finance  
**INSURANCE COMMISSION**  
1071 United Nations Avenue  
Manila

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**CIRCULAR LETTER**

**TO : ALL LIFE INSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES AND THEIR AGENTS**


**SUBJECT : ADOPTION AND IMPLEMENTATION OF THE 2013 MARKET CONDUCT GUIDELINES**

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In line with the Commission's thrust to safeguard the interest of the insuring public and pursuant to Section 374 of the 2013 Amended Insurance Code, a **Market Conduct Guidelines** is hereby issued for the guidance, compliance and implementation of all Life Insurance Companies doing business in the Philippines and their agents, hereto attached as Annex "A".

Hence, all life insurance companies are hereby enjoined to provide the necessary support to ensure the effective implementation of the Market Conduct Guidelines.

Non-compliant companies, officers or agents shall be subject to disciplinary sanctions provided under Section 438 of the 2013 Amended Insurance Code.

  
**EMMANUEL F. DOOC**  
Insurance Commissioner

Cc : The Honorable Secretary  
CESAR V. PURISIMA  
Department of Finance

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# **MARKET CONDUCT GUIDELINES**

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## **SCOPE AND PURPOSE**

All insurance companies are enjoined to maintain the highest standards of professional and ethical conduct among its agency force.

These Market Conduct Guidelines ("MCG") consolidate all applicable provisions of the Insurance Code of the Philippines and rules and regulations of the Insurance Commission. The MCG applies to all the agents and general agents who have been issued Certificates of Authority by the Insurance Commission, the agency leaders and those who perform functions in the selling of life insurance products and services regardless of how they are called (e.g. Sales Underwriters, Financial Counsellor/Advisers, Unit/District/Agency Managers, or the like). For purposes of these Guidelines, all references to Agents herein shall apply to all agents, general agents and agency leaders, unless otherwise specified.

All agents and agency leaders are likewise enjoined to strictly comply with all the provisions of the MCG.

The MCG is intended to be a comprehensive set of rules of conduct and behavior of all agents in the life insurance industry to protect the policyholders and the insuring public. While it covers significant aspects of agency and agency leader actions and operations, it is not intended to be exhaustive. Other agency and/or agency leader actions or operations though not specifically mentioned here may still be covered under the general principles enunciated in these MCG.

## **A. DUTY TO INSURANCE PROFESSION**

### **A.1 AGENCY LEADER AND CONTRACT**

The AGENCY CONTRACT contains the terms and conditions of the business relationship and practice between the Company and Agents. Agency Leaders are also first and foremost, AGENTS, and thus are covered by the same basic Contract. A breach of the Market Conduct Guidelines is a breach of the AGENCY CONTRACT. In addition to being liable for corrective action, the AGENT is also subject to the applicable consequences of breach of any of the CONTRACT provisions.

### **A.2 SUB-AGENCY**

Agents are not allowed to operate or to engage in any form of Sub-Agency arrangement because sub-agents have no training and are not licensed to sell insurance.

Examples of Sub-Agency:

- When the person who conducted the sale and presentation to the prospect is not a licensed Agent, regardless of whether a fellow Agent was present at the time of signing of the proposal form.
- When the person who procured the signature of the prospect/client on the application form is not a licensed Company Agent.
- When a policy is recorded to have been sold by an Agent who was not present at the time of sale and presentation of that policy or at the time of signing of the application form.

### **A.3 SELLING WITHOUT APPROPRIATE LICENSE**

An agent is prohibited to sell any product for which he is not licensed or has not secured any provisional authority to sell such product

Agents must obtain the necessary certificate of authority or license from the Insurance Commission to solicit and sell life insurance or other special types of life insurance such as the variable life insurance, before they can solicit or sell life insurance.

Agents with the necessary certificates of authority must not allow the use of such certificate of authority by any unlicensed agents in order to circumvent the required licensing requirement.

### **A.4 AGENTS AS REPRESENTATIVES OF THE COMPANY**

Agents are representatives of the Company. As such, they must conduct their business with honesty, fairness, integrity and professionalism in order to maintain good faith and preserve public trust in the Company and the financial services industry. Agents must also exercise reasonable judgement to achieve and maintain objectivity in conducting their business. Agents must therefore avoid situations that might impair their ability to make objective recommendations.

Agents are therefore to be mindful that their actions may cast wrong impressions on the Company and its reputation. Agents should avoid making statements that are misleading, in fact or by implication, with respect to the assets, liabilities, insurance in force, corporate structure, financial condition, age or relative position of the Company in the insurance business. Agents must always conduct themselves with the highest decorum at all times and ensure that they do not bring the Company's name into any disrepute.

Although not an exhaustive list, the following are some important examples of unacceptable behavior by Agents include:

- Conduct prejudicial to the interests of the Company
- Non-disclosure of full information which could have enabled clients to make an informed choice or decision
- Threatening prospects, clients, members of the public, Company staff and Officers, Agents, or Agency Leaders
- Using abusive language or behavior towards policyholders, the public, Company staff or Officers, Agents, or Agency Leaders
- Maligning the Company, fellow Agents, its own products
- Maligning the insurance industry, other insurers, their staff, Agents, or products.
- Making disparaging remarks about other insurers, insurance distributors, policies, services, or methods of marketing, or making comparisons with the products of other insurers
- Failing to pay permanent, temporary or contractual staff hired to perform agency-related work
- Committing financial fraud such as Unremitted Premium Collection, Diverting Premium Collection
- Tampering or fabricating Cash Advance Forms, Medical Examinations and other official company accountable Forms
- Advancing Premiums or "abono", Rebating, Giving Discounts
- "Overselling" a product, and Churning or Twisting existing policies in order to make a sale
- Poaching businesses of another agent or "sulutan"
- Misrepresenting product features and benefits of any of its insurance or investment plans
- Using or modifying any proposal or illustration material without prior clearance.

#### **A.5 CRIMINAL RECORDS/BANKRUPTCY PROCEEDINGS**

Any Agent who is being prosecuted or discovered to be prosecuted in any criminal or bankruptcy proceedings shall have his Contract terminated or suspended. Any AGENT who has or obtains a criminal record or who is adjudged as bankrupt shall have his Contract terminated.

#### **A.6 COMPLIANCE WITH LOCAL LAWS**

Apart from the Agency and Leader Contract provisions and the Market Conduct Guidelines, all Agents should know and are obliged to comply with all relevant Philippine laws, rules and regulations, such as but not limited to the Insurance Code, Anti-Money Laundering Act and the Terrorism Financing Prevention and Suppression Act; as well as, Company rules, regulations and pronouncements relevant to their business activity.

#### **A.7 MONEY LAUNDERING AND ATTENDANCE TO AML TRAINING**

Money laundering is a criminal offense. Facilitating or assisting in a money laundering transaction is also a criminal offense. Agents are to report any suspected money laundering activities that they are aware of or that they encounter in the course and conduct of their business. Agents are advised to seek clarification from the Company whenever in doubt. No Agent is to knowingly assist in any form of money laundering activity or allow his/her business to be used as a means of facilitating any money laundering activity.

##### **A7.1 ATTENDANCE TO SCHEDULED ANTI-MONEY LAUNDERING AND ANTI-TERRORIST FINANCING REFRESHER TRAINING**

All Agents and Leaders must attend all scheduled Anti-Money Laundering Act and the Terrorism Financing Prevention and Suppression Act refresher-training as required by the Company or Philippine authorities.

#### **A.8 MULTI-LEVEL MARKETING, PYRAMID SELLING SCHEMES AND COMPETING BUSINESSES**

Agents are not allowed to actively participate, build or promote any form of Multi-Level Marketing or Pyramid Selling schemes, whether directly or indirectly, because of conflict of interests. Agents may, however, purchase such products marketed under legally approved and credible Multi-Level Marketing schemes for their own personal consumption only.

Agents or Leaders are not allowed to set up or build up businesses on the side that will actually or directly compete with the business of any of its Affiliates, if applicable. The Company reserves the right to terminate the Contract of that person immediately.

#### **A.9 DUTY TO REPORT AGENT MISCONDUCT**

Any Agent who has knowledge that another Agent may be or is involved in an action that breaches the Agency Contract, MCG or violates any applicable law, rule and regulation relevant to their business activity, as well as internal company policies relevant to members of the agency force is required to inform the Company's designated office and cooperate with the Company in its investigations, e.g. providing details such as the name of the client/prospect when required.

#### **A.10 COMPLIANCE AND MARKET CONDUCT TRAINING**

Agents must practice ethical market conduct and comply with applicable laws and regulations. Agents must periodically participate in Business Conduct training sessions as part of their Continuing Professional Development requirement documented in the Company's Training and Competency Plan.

Agency Leaders should regularly take up topics from the Agency Contract and Guidelines in their weekly or monthly meetings.

#### **A.11 CONFLICTS OF INTEREST**

Agents must act in the best interests of their prospects/clients when providing financial advisory services to their prospects/clients.

Agents must disclose any actual or potential conflicts of interest to the Company or their prospect/client that may arise from any connection to or association with any product provider, including any material information or facts that might compromise their objectivity or independence in the carrying on of financial advisory services.

Agents must not co-mingle his personal funds with the client's premium payments. Any payment received from the client must be used to promptly settle the client's outstanding premium and fees with the Company.

### **B. DUTY TO THE CLIENTS**

#### **B.1 AGENT'S BUSINESS CONDUCT DURING SALES PRESENTATIONS**



Agents must conduct themselves professionally during all sales presentations to Prospects or Clients. They must ensure that:

- Prospects/Clients understand what they are buying.
- Prospects/Clients understand what they are signing. There should be no pre-signing of official blank forms.
- Prospects/Clients understand that they must disclose any pre-existing medical condition as this affects the acceptability or rating of the application.

Prospects/Clients understand that any false, incomplete or inaccurate information discovered may affect the suitability of recommendations made, may be a reason to decline the application or to deny a claim if the policy applied is erroneously issued

The above is not an exhaustive list.

## **B. 2 AGENT'S BUSINESS GUIDELINES**

Agents must ensure that all information and terminology presented to the prospects/clients are clear, unambiguous and in simple language. Information provided, including statistics and examples, should not be misleading nor give unrealistic expectations or projections.

### **B.2.1 Opening Interview**

Agents, as licensed representatives of the Company, must possess a Calling Card, disclosing the following, to the client/prospect before beginning a sales presentation:

- The type or types of insurance and financial advisory service that he is authorized to provide
- The Agent's contact details (such as business address and telephone number).

Agents must also inform the client of any change of information in any subsequent dealings with the client/prospect.

Examples of other types of information where Agents must readily disclose and clarify to clients/prospects include:

- General information on financial products.
- Information on the recommended product.
- Contents of the benefit illustration, in particular, the disclaimers and declarations in the Benefit Illustration
- Any risk, clauses, warnings, disclaimers, exclusion or terms and conditions.
- Basis for the recommendation.

### **B. 2.2 Presentation and Closing**

Agents should collect information relating to the prospect's financial situation, needs, objectives, risk profile and priorities. The Agent will put this information through proper analysis before making appropriate recommendations in the prospect's best interest. The basis of the recommendation must be documented.

Greater care should be taken when soliciting business from claim proceeds of beneficiaries. When working with the family of the bereaved, do not assume that financial conditions and personalities are the same from one generation to another. Each heir may have different needs and plans with the claim proceeds.

For single products, the agent must explain the Sales Illustration and Product Summary for each of the recommended products.

For combination products involving Mutual Funds and the like, the agent must explain the complex proposal and make sure that it is understood and signed-off by the prospects to avoid any misunderstanding in the future. The intention is to make sure that the single, multiple or combination plans is affordable and sustainable throughout the plan's life. Sales Illustrations not originating from the Company are prohibited. Any suggestions for improvement must be cleared by the Actuarial Office of the Company.

### **B.2.3 Product Disclosures**

For VUL products, Agents must clearly disclose –

1. All risks to be borne by the client e.g. investment risks for investment-linked policies and currency risk for foreign currency policies.
2. Possible losses that could occur during the Cooling Off Period.
3. Length of payment period

For Ordinary Life products, Agents must clearly disclose –

1. The amount and timing for payment of benefits
2. Whether benefits are guaranteed or non-guaranteed.

This includes informing them of the following:

- **Earnings, Dividends and Self-Supporting Periods are not Guaranteed:** Any figures illustrating dividends and self-supporting periods are predictions or estimates. They are not guaranteed results for the future. Prospects/Clients should also be made aware that earnings from Mutual Funds and Investment-Linked products (VUL) are likewise not guaranteed and could affect projections and expectations.
- **Reference to past performance:** Where the Agent made any reference to past performance, he/she must disclose to the prospects/clients that past performance is not necessarily a guarantee of future performance.
- **Lien on juvenile policies:** Where the Company has a lien on juvenile policies, the Agent must disclose the fact and effect of such lien to the prospects/ clients.
- **Adverse Health:** If the Insured has an adverse health condition, it may be necessary to issue a rating with higher premium than the standard policy premiums initially shown or suggested to the applicant. Presence of medical ratings, just as with occupational ratings, lengthens the self-support period if compared with policies of standard rating.

Clients also should be made to understand that the required premium may vary from client to client if a health condition or risk factor results in a less favorable underwriting rating.

Agents should discuss any charges or expenses with prospects/clients.

Using the Product Summary, during the sales process, the AGENT must disclose and explain the following information to the prospect/client relating to:

1. Nature and objective of the product
2. Details of the Company
3. Commitment required from the prospect/client
4. Benefits and Risks of the Product

5. Pricing of the Product
6. Fees and Charges to be borne by the prospect/client
7. Withdrawal, surrender or claim
8. Warnings, exclusions and disclaimers (in relation to product)

Agents must not use the term "risk free" or any other similar terms.

Agents must not use the term "tax-free" or any other similar terms provided that they qualify by disclosing that "under the present tax laws, proceeds of a personal life insurance policy are not subject to income tax".

### **B.3 AGENT'S SALES PROCESS**

#### **B.3.1 Sales Process – Correct Recommendation based on Suitability**

Agents must make recommendations that take into account a prospects/client's financial objectives, financial situation and particular needs. Agents must fact-find with the prospect /client using Personal Financial Reviews (PFR) or any similar Financial Needs Analysis (FNA) tool as required by the Company. The Agent will document all important information and state their recommendations in the PFR or in the FNA as may be applicable.

#### **B.3.2 Reasonable Basis for Recommendation**

An Agent must have a reasonable basis for any recommendation made with respect to any financial product to a prospect/client who may reasonably be expected to rely on the recommendation. In particular, the AGENT must give due consideration to the prospect's /client's financial objectives, financial situation and particular needs as derived during the fact-finding process and/or that documented.

Agents are to ascertain and to ensure that their prospects/clients have sufficient financial resources to meet the premium commitments of the insurance product(s) that they sell these prospects/clients for the duration of the product(s) in question.

#### **B.3.3 Suitability**

Agents must recommend financial products where there is a reasonable basis to believe that they are suitable for the client. Such a recommendation must be made upon the basis of facts, if any, disclosed by the client as to his or her needs, objectives, risk profile, other holdings and financial situation. Within the bounds of the Data Privacy Act of 2012, reasonable efforts should be made to obtain information that is relevant to making a suitable recommendation to the client including, as appropriate, information concerning the client's financial status, tax status, and insurance, personal, and business objectives.

The suitability of a particular insurance or unit trust sale is determined by reference to the circumstances disclosed by the client. Products should only be recommended to clients when the products satisfy the clients' needs or financial objectives and can be purchased consistent with the clients' financial condition and willingness to accept risk.

#### **B.3.4 Recommendation**

In general, a product should not be recommended to a client unless there has been sufficient fact-finding to develop a recommendation consistent with the client's needs, objectives, financial status, risk profile and insurance.

### **B.3.5 Multiple Recommendations**

Proper fact finding must be the basis for any prescription of multiple policy recommendations to the same client within three months. Information needed must be up-to-date and the information on the application and supplemental forms must be complete, accurate, and consistent with the information on the forms.

### **B.3.6 Sales Process – Misrepresentation**

Agents must ensure that any statement or representation made to any prospect/client is clear, adequate, accurate and not false or misleading. Agents must also ensure that they do not omit disclosing any matter that is material to the statement or representation made.

### **B.3.7 Use of Terms and References**

The following are some guidelines on the use of certain terms and references: -

**Words and Phrases to Avoid:** Representations made to consumers during the sales process have become a basis for numerous legal and regulatory disputes. In an effort to minimize such disputes and decrease the chance of a misunderstanding arising among Agents and prospects/clients, the following are samples of words and phrases that should be avoided in connection with the sales process. Agents should remember that all presentations to prospects/clients should involve giving them comprehensive and helpful information about the Company's insurance products.

- **Suggesting the Company sells something other than insurance**  
Avoid referring to the Company's products as anything other than insurance. Agents must accurately describe the ways in which prospects/clients can use the cash value that can be accumulated in their insurance policies.
- **Suggesting Non-Guaranteed Items are Guaranteed**  
Avoid referring to the Company's products as anything other than insurance or products as the Company is licensed to provide. Agents must accurately describe the ways in which prospects/clients can use the cash value that can be accumulated in their insurance policies.
- **Suggesting premium requirements "Disappear"**  
Avoid the suggestion that premiums will not be required for each year of the policy in order to maintain the illustrated death benefit, unless the policy is fully paid up (e.g., a single premium policy for which the premium is fully paid). In particular, refrain from using the terms "self-support period" or their equivalent.
- **Suggesting policies are guaranteed issue, where issue is not guaranteed**  
Avoid suggesting that a policy is guaranteed issue, as if it were never to be questioned for medical contestability or fraud. The issuance of a policy is only simplified because less questions and documents are required at the time of underwriting. This only hastens the process but does not guarantee the claim if fraud has been discovered. Rules on disclosure still apply.
- **Suggesting clients/prospects can get something for nothing**  
Avoid using the terms "risk free", "free," "no cost," "without cost," "no additional cost," "at no extra cost," or similar words with respect to any benefit or service being made available with a policy, unless there actually is no direct or indirect cost to the prospective policy owner for the service or benefit.

- **Referring to a policy as a unique or special offer, when it is not**  
Avoid stating or implying that the policy or combination of policies is an introductory, initial, or special offer, that applicants will receive substantial advantages not available at a later date, or that the offer is available only to a specified group of individuals, unless that is the fact.

#### **B.4 MANIPULATION OF SALES**

Agents are strictly prohibited from manipulating sales for the purpose of qualifying for incentives, contests or awards.

Examples include:

- Any submissions of Agents' own and immediate family's cases during contest months, unless allowed beforehand in the contest rules made by the Company.
- Splitting large sum assured amounts into multiple small sum assured amounts.
- Lapsing of policies immediately after qualifying for incentives, contests or awards. (In this case, agents will be obliged to sustain payment until persistency is not going to be affected by that business.)

##### **B.4.1 Pooling**

Agents are not allowed to pool cases or to pass cases that they have underwritten to another Agent. The underwriting Agent on record must be present at the time of the sale and participate in the presentation to the prospect/client and also at the time of signing of the proposal form by that prospect/client.

##### **B.4.2 Selling to Relatives and co-Agents for Production Purposes**

Agents are also not allowed to sell policies for the purpose of counting production credits during contests to fellow Agents, spouses or children of fellow Agents.

#### **B.5 FIELD UNDERWRITING**

Agents are expected to follow all applicable Company and regulatory guidelines pertaining to field underwriting. If in any doubt, the Agent should contact the Company.

##### **B.5.1 Insurance Application Form and other required forms**

Agents are to ensure that disclosure of information in the application form is accurate, truthful and complete.

##### **B.5.2 Medical Questionnaire**

Agents are to personally ask each prospect every medical question contained in the application form and to record his response to each.

##### **B.5.3 Agent's Confidential Report**

Agents are to ensure that, in relation to each new application, the Agent's Confidential Report must be duly completed and must contain all relevant and necessary information to assist the Company in assessing the application. It is therefore the duty of each AGENT to ensure the following:

- Accurate and complete information is provided on the application form and other required forms (e.g. financial questionnaires).
- Any and all factors, which, if known to the Company, may result in an applicant receiving rated or no coverage at all, be made known to the Company.
- Any additional information required by the Company in order to determine any particular application be provided on a timely basis.
- All children who are being insured by their parents are physically seen by the agent.

#### **B.5.4 Client's Medical, Financial and Personal Disclosure**

Agents must ensure that any information, declaration, statement or representation made about the client to the Company is clear, adequate, complete and not false or misleading. Agents must also ensure that they do not fail to disclose any matter that is material to the statement or representation made.

### **B.6 BEST PRACTICES ON DOCUMENTS**

**B.6.1 Accuracy of Information in Documents:** The information presented in all applications, PFR forms, supplemental questionnaires, illustrations, and other client documents must be accurate and provided, approved, or recorded by the client.

**B.6.2 Client Review and Approval of Information:** Agents must take all necessary steps to ensure that the clients have reviewed the final form of documents containing all information, including the description above the signature line notifying the clients of the purpose and effect of their signature.

**B.6.3 Authenticity of Customer Signatures and Initials:** Agents are to ensure that the clients sign the final form of documents and initial all changes thereto.

**B.6.4 Prohibited Document Completion and Signature Practices:** To ensure that the Company's documents are accurate and that customer signatures are authentic, the following practices are prohibited. Agents must not engage in an otherwise prohibited practice on the grounds that a customer or his representative requested or consented to the act.

- **Executed Blank Forms** – Agents must not let customers signed blank forms
- **Blank Spaces** – Agents must not request or permit customers to sign on blank spaces of partially completed forms (i.e. an application or other form on which questions have been left blank for the AGENT to complete at a later time). All forms must be fully completed before the client/prospect signs it.
- **Alterations**-Agents must not add or change information on a signed document without returning it to the customers for review and approval. Client must sign on the alteration.
- **Signing on Behalf of Customers**- Agents should not sign or initial on behalf of their Clients.
- **Witnessing Documents without Being Present** – Agents must not sign a document as a witness without having seen the customer sign the document.

Examples of breach of this duty include:

- Agents sending documents to clients/prospects by mail or messenger for their completion, and then signing off as a witness without witnessing in person, the client/prospect signing the documents.

- Agents depositing blank forms with clients/prospects for their completion, and then signing off as a witness without witnessing in person, the client/prospect signing the documents.

These are examples only and are not meant to be an exhaustive list.

**B.6.5 False Information** – Agents must not knowingly enter or permit a customer to enter false information on any document.

**B.6.6 Assisting Fraud or Forgery** – Agents must avoid assisting anyone in evading these requirements by filling in information on any document (even at the request of a customer or his representative) or by knowingly permitting a forged or fraudulent document to be used or approved by the Company.

## **B.7 TRUSTEES, BENEFICIARIES, ASSIGNEES AND OWNER OF POLICIES**

Agents cannot be named as trustees, assignees, owners or beneficiaries of any of their clients' policies, except if the policies are taken out on the lives of their immediate family members. For purposes hereof, the term "immediate family" shall be taken to mean, in respect of Agents who are not married, their parents and siblings and, in respect of Agents who are married, their parents, spouse and children.

## **B.8 PREMIUM COLLECTION AND USE OF AGENT'S TEMPORARY RECEIPT**

In order to resist the temptation to use cash premiums for personal needs, emergency needs or as bridge financing of any kind, Agents should encourage their Clients to pay premiums directly to the Company's office, to a bank, or to payment centers all in malls and select areas or to make use of the Company's available non-cash payment facilities.

If an Agent is forced by necessity to handle premiums, he is required to remit it to the Company, within the given period required by the Company or stipulated in the Agency Contract. Company systems are in place to help detect delayed remittances and unremitted premium. Agents should not replace client's Cash payment with any Check.

If for safety and security reasons, a high net worth client prefers not to carry his cash payment to the Company or a payment center, a special arrangement can be made to facilitate its collection. This will be cleared with the designated Agency Executive.

All premiums collected by the agent must be issued a corresponding valid Agent's Temporary Receipt duly signed by the collecting agent.

In line with the principle of command responsibility, the AGENT will be held financially accountable for any loss incurred if collection is delegated or done by any of his personal employees such as secretary, messenger or by his relative or any other designate.

## **B.9 DELIVERY OF POLICIES AND OTHER DOCUMENTS**

Agents are to ensure that all documents entrusted to them by the Company for delivery to the clients/prospects (e.g. policy contracts, checks and counter-offer letters) are delivered to their clients/prospects without undue delay – 15 days from date of policy issue for metropolitan areas. Worksite and far-flung provincial areas may exceed this period of delivery. Proper advice should be given to the Agency Leader and Executives.

### **B.9.1 Policy Contracts and Policy Acknowledgment Form (PAF)**

Policy contracts must be delivered to the policyholder without undue delay. A Policy Acknowledgement Form (PAF) is to be accomplished by both the Client and the AGENT, as may be applicable, and submitted back to Head Office and the Agency Leader for monitoring purposes. The Client and the AGENT keeps one copy each also for reference.

#### **B.9.2 Personal Financial Review, Financial Health Check, Product Suitability Test**

A copy of the Personal Financial Review (PFR), Financial Health Check, Product Suitability Test, Financial Needs Analysis (FNA) or other similar tools, as may be applicable, must be furnished to client before the client signs on the application form.

#### **B.9.3 Other Documents**

Agents must also ensure that copies of the following documents are furnished to the client when making a presentation or recommendation to a client. -

- Product Summary
- Benefit Illustration

#### **B.9.4 Submission of client's documents**

Agents must submit their clients' applications, requests for any kind of change (payment mode, Face Amount, type of product, etc), payments and any other documents to the Company personally or through their agency without delay.

### **B.10 ADVANCING AND FINANCING OF PREMIUM PAYMENTS**

Life insurance is an aleatory contract and is enforceable only when the Client does his part in paying the premium himself and if he pays it on time. No AGENT or third party is to make any premium payment or any part of any premium payment for, or on behalf of any client. Agents are also to advise the client that check payments or inter-bank transfers are to be made directly to the Company, and not to the AGENT's name. The payment must indicate the policies that are being paid for.

Firstly, an agent who advances or pays the premium on behalf of the Client may compromise the Company's position to pay out a claim where otherwise there should have been none. Secondly, if the Client does not also pay the agent back, this will also pressure the agent financially and thus affect his own budget and his whole business. Lastly, for contests or bonuses, agents who advance premiums are at an unfair advantage over other agents who cannot advance.

Out of concern for the ultimate welfare and good of our agents, we believe that the risks of advancing premiums far outweigh any possible disadvantages this practice may produce. Hence, appropriate sanctions will be implemented to enforce this safeguard against such practices.

#### **B.10.1 Advancing Premiums for Prospects/Clients**

Agents must not pay for or make any advance towards any prospect/client's policy premiums, regardless of whether at the request or with the consent of such client. Consistent with Anti-Money Laundering safeguards, agents should encourage clients to make use of the Company's non-cash payment facilities when paying premiums.

#### **B.10.2 Paying Premiums for Immediate Family**



Agents may however, pay for or make advances towards the policy premiums of their immediate family members. An Agent must, in such circumstances, declare their qualifying relationship with the client at the time of payment of the premiums in question. For these purposes, the term "immediate family" shall be taken to mean,

- a. In respect of Agents who are not married - their parents and siblings and,
- b. In respect of Agents who are married - their parents, spouse and children.

The policy for AGENT's immediate family members will not be recognised by the company for the purposes of the AGENT's production, promotion or contest/incentive requirements.

#### **B.10.3 Use of Agents' Personal Funds (Cash, Check or Credit Card) to effect policy premiums payments for or on behalf of Clients/Prospects**

The AGENT must not effect or advance policy premium payments not received for or on behalf of client with their funds, whether by cash, check or credit cards. This practice also spoils the client who may not pay the agent back.

#### **B.11 DISCOUNTS, REBATE, AND INDUCEMENT**

Agents are prohibited from giving partial discounts or full rebate of premium to their clients. Agents must also not offer any incentive (monetary or non-monetary) to induce any prospect or existing client to purchase a policy.

These practices alter the level playing field and disrupt fair market practices even among our own agents. This violation also merits immediate termination of an Agent's Contract.

#### **B.12 REPLACEMENT**

Agents must always act in the best interest of the clients. Agents are not allowed to replace policies and facilitate or induce any client to generate funds from the cash values of existing policies to finance part or all of the premiums for a new policy. This will reduce the value of existing policies, lengthen any self-supporting period or incur interest on the premium loan taken. This rule holds regardless of whether the policy in question is from one's-own Company or a Competitor.

A replacement is defined under IC Circular Letter No. 11-2000 as any transaction whereby life insurance is to be purchased in a single contract or in more than one related contract(s), as a consequence of which any existing contract of life insurance has been or is to be, within one year before or after the issuance of the new coverage(s); rescinded, lapsed or surrendered; changed to paid-up insurance or continued as an extended term insurance or under automatic premium loan; changed in any other manner to effect a reduction of benefits; or subjected to borrowing of the entire or almost the entire policy loan values, whether in a single loan or under a schedule of borrowing over a period of time.

#### **B.13 REPLACEMENT OF POLICIES BY CHURNING**

The following are some examples of Churning, provided by the Office of Insurance Commission and PLIA, for broad guidance, and may not be exhaustive. The Company will evaluate the basis of the transactions in an objective manner, taking into account all relevant factors in determining if there is Churning.

Examples of churning on Replacement of Policies

- 1) Terminating a policy within a short period of time or before its maturity date and buying a new policy soon after.
- 2) Terminating a cash policy and buying a similar policy, or vice versa, when a change of payment or source or conversion could have been exercised.
- 3) Withdrawing from old funds or plans and buying into new funds or plan without using the facility available in the policy for switching of funds where commissions are not payable.
- 4) Generating funds in order to buy a new policy, by:
  - a. withdrawing monies from an existing policy, including making partial surrender, withdrawing from investment-linked policy, taking policy loan; or
  - b. reducing or terminating an existing regular premium commitment, including advance premium loan, vanishing premium, reduction of sum insured, conversion of the existing regular premium to paid-up policy or extended term insurance.

Examples provided on how such funds may be generated through the use of the following types of mechanisms:

- 1) Policy surrender
- 2) Partial withdrawal or cash values
- 3) Advance/automatic premium loan
- 4) Policy loan
- 5) Reductions in premiums

#### **B.14 REPLACEMENT OF POLICIES BY SWITCHING**

Agents must always act in the interest of the clients and must not induce their clients to replace financial products, policies and/or rider (referred to as "original product") with another financial product, policy and/or rider (referred to as "replacement product") in a manner that would be detrimental to the client.

In considering whether a replacement is detrimental, the Company may have regard to a number of factors, including: -

- Whether the client suffers any penalty or loss for terminating the original product;
- Whether the client will incur any transaction cost without gaining any real benefit from such a replacement;
- Whether the replacement product confers a lower or similar benefit at a higher cost,
- Whether the replacement is a less suitable product for the client.

For the avoidance of doubt, a replacement of a policy and/or rider is deemed to have occurred as follows on:

##### **B.14.1 Regular Premium Policies**

It happens whenever an existing policy and/ or rider is surrendered, discontinued or lapsed and a new policy and/ or rider is purchased by the same policyholder within 365 days before or after the date of such surrender, discontinuance or lapse. This is so regardless of whether the policies in question are one's own COMPANY policies or otherwise, the type of the single premium policy or the source of money invested.

##### **B.14.2 Single Premium Policies**

It also happens whenever an existing single premium policy is partially or wholly surrendered, discontinued or lapsed and the same policyholder purchases a new single premium policy within 365 days before or after the date of such surrender,

discontinuance or lapse. This is so regardless of whether the policies in question are our Company policies or otherwise, the type of the single premium policy or the source of money invested. .

Agents must always inform their clients on any switching done to move their investments between other investment-linked funds. As with replacement by churning, Agents are in fact discouraged from advising their clients to surrender and reinvest. Agency Training promotes the principle that the first sale made must be a good sale. The succeeding steps show the difficulty of replacing an original policy.

Agents should ask their clients if the product to be purchased is intended to replace another product in the application form and/or Personal Financial Review (PFR). If so, all relevant forms must be completed and the replacement declared in the application form. This is for the information and evaluation of Underwriting.

Agents must disclose to their clients in writing, and draw the attention of their clients to any fee or charge the client would have to bear if he were to switch from an original product to a replacement product, in order to ensure that their clients are able to make informed decisions on the switching recommendation. Fees and charges to be disclosed included any fees associated with the disposal or reduction of interests in the original product, and fees incurred during the purchase or increase of interests in the replacement product.

Agents must indicate clearly in the Personal Financial Review Form any justification or disadvantages that the client will or may suffer (temporarily or otherwise) as a result of switching from an original product to a replacement product – on benefits, on financial or medical reasons, etc.

All PLIA member companies are required to implement clearly defined internal company policies or measures to support and aid the implementation of the foregoing rule on replacement.

## **C. DUTY TO THE COMPANY**

### **C.1 USE OF COMPANY PREMISE AND FACILITIES**

Agents must ensure that the use of the Company's premises and facilities is restricted to conducting Company insurance and cross-selling affiliate business only.

### **C.2 ADVERTISING, MARKETING AND SALES MATERIALS**

The AGENT must only use advertising and marketing materials that have been previously approved by the Company. He shall approach the Company's designated Department for such approval.

#### **C.2.1 Marketing Materials or Sales Materials**

These include all forms of written communication (including electronic communication) of a general nature pertaining to the conduct of an Agent's insurance business, regardless of whether such materials are intended to prospect new business or to recruit new Agents.

Examples of controlled marketing materials include the following:

- Printed and published material, audio-visual material and descriptive literature used in direct mail, product brochures, flyers, newsletters, newspapers, magazines, annual report, radio and/or television scripts, telemarketing scripts, billboards and similar

displays;

- Descriptive literature and sales aids of all kinds issued, distributed or used by the Company or the agency force selling the Company's products, including but not limited to, circulars, newsletters, leaflets, pamphlets, brochures, booklets, depictions, illustrations, software printouts, proposals and pre-approach letters, and other forms of letters delivered in any medium, including electronic;
- Reproduction of newspaper or magazine article clippings, published investment letters, industry publications, or any other material created by a third party; Material or communications that use the Company logo or rates;
- Material used for the recruitment, training and education of the agency force that is designed to be used for solicitation and sale of the Company's products, or is used to encourage the public to purchase, increase, modify, reinstate, borrow on, surrender, replace, or retain a policy or other product;
- Prepared sales talks, seminars, presentations and material for use by the agency force including but not limited to software presentations, videos, overheads and slides used to promote the Company's products or the Company;
- Internet publication of any information relating to the Company or its products, services, office locations, or Company staff, including but not limited to e-mail, web sites or home pages created by the agency force or others.

These are examples only and are not meant to be an exhaustive list.

**Marketing Materials or Sales Materials do not include :**

- Routine correspondence that contains no marketing text, such as thank-you letters, cover letters noting that sales literature, material and/or prospectuses are enclosed, notes to confirm appointments or contact changes, letters indicating office relocation.
- Materials that otherwise would be regarded as Marketing or Sales Materials, but that are used only within the Company and not intended for dissemination, or actually distributed to the public.

**C.2.2 Use of Illustrations**

Agents are only permitted to use illustrations generated by the Company or software that have been approved by the Company and ensure that the illustrations they use are generated from the most current software. Agents are not permitted to alter the underlying assumptions, or operations of, any Company-approved software.

**Presentation of Illustration**

Where an illustration is used, Agents must advise clients that the illustration is a projection and not a guarantee of performance. The illustration is merely a statistical representation of past performance. In presenting and explaining the illustration, Agents must not:

- Alter an illustration in any way;
- Represent the policy as anything other than a life insurance policy;
- Use or describe non-guaranteed elements in a manner that is misleading or has the capacity or tendency to mislead;
- State or imply that the payment or amount of non-guaranteed elements is guaranteed;

- . Use any illustration that does not comply with the requirements of this policy;
- . Provide a client with an incomplete illustration;
- . Represent in any way that premium payments will not be required for each year of the policy, in order to maintain the illustrated death benefits
- . Represent a standard illustration as the same projection for a client who has a medical or occupational rating
- . Use the term "self-support year", "self-support period" or any similar term that implies that the policy becomes paid-up to describe a plan for using non-guaranteed elements to pay a portion of future premiums.

### **C.3 ROADSHOWS, SALES AND MARKETING PROMOS**

Agents are to strictly comply with the guidelines on road shows, Sales and Marketing Promotions issued by the Company from time to time.

### **C.4 CLIENT CONFIDENTIALITY AND DATA PRIVACY**

#### **Clients' Particulars – Contact Numbers, Residence and Email Address**

Because of the Anti-Money Laundering Act (AMLA) provision on Know Your Customer (KYC), agents must ensure that a client's personal particulars such as contact numbers (home, office and cell), current addresses are accurately recorded on all policy application forms. Agents must verify the accuracy of information by checking against that client's personal documents (e.g. Official ID or Passport) before submitting any application form. Agents need to obtain a client's written instructions in the event that the client should want to submit an address that is not his usual residence or business address.

The Agent must not submit his personal address as the client's address as the client's address on any application form. Agents are not allowed to receive any correspondence from the Company to an applicant, policy owner, insured or beneficiary, whether or not the other person requests it or consents to it.

**Agents must comply with the Company's measures to ensure appropriate Anti-Money Laundering –Combating the Financing Terrorism (AML-CFT) safeguards are in-place relative to KYC.**

#### **Client Confidentiality**

Agents are to inform their clients about the Company's data privacy or confidentiality policies which ensure protection over the clients' personal information. Agents must update client information and maintain the confidentiality of any information obtained from their prospects/clients in the course of the conduct of their insurance business. Agents therefore must not discuss, disclose or otherwise utilise such information with any other person outside of their Agency Leaders or the Company.

Examples of breaches of the client confidentiality include:

- Prospects'/Clients' information being disclosed or utilized other than as specified above without their express consent.
- Prospects'/Clients' information being posted on the Internet without their express consent.

### **C.5 COPYRIGHT AND INTELLECTUAL PROPERTY RIGHTS**

Agents are not allowed to modify any of the Company's materials or incorporate only part of any such materials for their own use without the prior approval of the designated Department. Modifying, amongst other things, includes adding and deleting wordings or figures whether via attachments to the Company's document or amending the Company document itself. For example, adding a disclaimer or attaching new clauses to any of the company documents.

Agents are not to publish or cause to be published any material concerning the Company in whatever medium without the Company's prior approval. All media requests and enquiries must be referred to the said Department. As such, Agents should not be giving press statements or written communication to the media, including newspapers, journal, magazines, television, radio, or Internet on matters concerning the Company.

Agents should respect the intellectual property rights of other persons or entities. They should not use or cause others to use trademarks or any copyrighted material belonging to another person or entity without the prior permission from the owner.

#### **C.6 CRIMINAL BREACH OF TRUST AND MISAPPROPRIATION OF PREMIUMS**

Agents must not misappropriate any monies entrusted to them by prospects/clients for payments due to the company. Agents must also not misappropriate any monies owing to a prospect/client from the Company.

Examples of Criminal Breach of Trust include:

- Premiums not remitted to the company, Premiums diverted to other policies
- Withholding premiums paid by prospect/client
- Not submitting these premiums to the Company immediately (delayed remittance)
- Withholding benefits, dividends, overpayments or refunds to a prospect/client, or not forwarding these to the prospect/client immediately or for more than one working day following the day of receipt.

These are examples only and are not meant to be an exhaustive list.

#### **C.7 FORGERY**

Forgery of any kind is prohibited and is a criminal offense, thus meriting immediate termination of the Agency Contract. Agents must never forge another person's signature or initial on any form or document – whether with that person's consent or at his request. Forgery of any kind is unacceptable to the Company and should always be reported to the Company.

Every signature or initial contained in an insurance document must be the authentic signature of the person named in that policy. Agents are not to accept any document for and on behalf of the Company if they are aware or have reason to suspect that someone, other than the person named in that document, signed the document. Agents should be aware that no one is allowed to sign an insurance document for or on behalf of another person, regardless of whether the two persons are related, or they have mutual agreements or consent.

#### **C.8 INVESTIGATION, INSPECTION AND AUDIT**

Agents must cooperate and render full assistance to any Company representative assigned to conduct an investigation, inspection or audit. An Agent should not intimidate or threaten a Company representative in the course of his work.

Agents must cooperate and render full assistance to the Company representative. Cooperation and assistance to these parties includes assisting in investigations, answering queries, attendance in meetings as requested. These parties may include the Compliance and Ethics Committee (CEC) or any individual or corporate body appointed by the Company to help resolve the dispute.

#### **C.9 UPDATE OF PERSONAL PARTICULARS**

Agents shall notify the Company of any changes in their personal particulars within 14 days from the date of the change.

#### **D. For AGENCY LEADERS**

##### **D.1 SELECTING AND CONTRACTING PROSPECTS**

###### **D.1.1 Vesting Period of New Prospects**

The recruiting leader should cause the licensing of the agent within 90 days from the date of agent's invitation.

###### **D.1.2 Selection Criteria**

Agency Leaders involved in the recruiting and selection process should recruit and select qualified candidates who can be appointed by the Company. As such, the appointment standards below should be examined for guidance in determining whether to recruit or select a particular candidate.

Leaders are advised against recruiting complete strangers with backgrounds that are either shady or cannot be adequately checked, those who have difficulty in handling their finances, those who are not morally upright and the like. In the long run, problems could arise. The COMPANY reserves the right to require NBI or Police Clearances from prospective candidates.

###### **D.1.3 Appointment Requirement**

To be permitted to engage in sales activity, an AGENT must be appointed by the Company. An AGENT should pass all required licensing exams to sell particular financial products, and must meet all regulatory and Company requirements in order to be appointed by the Company. An AGENT must be at least 18 years old and must meet the minimum qualifications set by the Company, which may include academic or minimum training requirements. In order to maintain his appointment, throughout his career as an agent, the AGENT will undergo continuous training as prescribed by the Company.

#### **APPENDIX A - PENALTIES**

Upon receipt of a complaint, the Company has the discretion to immediately withhold commissions and suspend the selling privileges of an AGENT. This period will cover a period pending the outcome of investigation.

Once the AGENT is cleared, a **RELEASE ORDER** or any similar document will be issued by the appropriate Department/Division to all units concerned.

The penalty for breaches of the Market Conduct Guidelines shall be determined by the Company's **Compliance and Ethics Committee (CEC)** or to any Committee authorized and designated. The CEC is composed of Senior Executives of the Company representing various

disciplines and divisions. These are then implemented through the designated Company Officer.

Unless otherwise specified, the penalty to be imposed on an AGENT found to be in breach of any clause depending on the severity of the unacceptable behavior, may range from Warning, Fines, and Suspension from Acting as Agent and Agency Leader, to Termination of Contract. Combinations of penalties may also be imposed if applicable. Other administrative sanctions may include removal or cancellation of non-medical authorities or other authorities, requirement to attend re-training or re-orientation, payment of cost or damage resulting from the violation including cost of collection, if any. This is without prejudice to the right of the Company to take any appropriate legal action including the filing of any administrative, civil and/or criminal action against the erring agent or agency leader.

The Company has discretion to impose a single penalty for an offense or a combination of penalties as it deems fit, such as but not limited to suspension of NMA privileges, removal of the AGENT's non-medical limit, additional training or for the AGENT to bear the cost of any service recovery to the complainant or policyholder. Notwithstanding any penalty meted which may not have specifically required the agent to bear the cost of service recovery to the complainant or policyholder, the Company reserves the right to recover from the AGENT any expense incurred by the Company in having to effect service recovery to the complainant or policyholder.

Once an agent, after due process, is found to have committed a violation of any provision of these Guidelines, the Company can suspend other rules, courses, 'Simplified Insurance Offer' privileges and the like which the errant agent or leader may use to help him circumvent the penalty or the sanction. Such circumvention will defeat the purpose of the lesson being taught by the penalty/sanction. One such example may be, a person whose NMA is temporarily suspended cannot use the rule on following the higher NMA limit to circumvent the sanction. If there is a valid joint case, the case should still be given a medical. Most rules, courses and privileges apply when no irregularity exists. There could be other kinds of circumvention, so disputes such as these will be resolved by Company or CEC.

#### **APPENDIX B - GUIDELINES ON PENALTIES – LETTER OF WARNING, SUSPENSION OF SELLING PRIVILEGES AND TERMINATION OF AGENT'S CONTRACT**

Sanctions will be reviewed from time to time depending on what provision is frequently violated and on the level of discipline of the entire Agency Force. The Compliance and Ethics Committee (CEC) may also choose to modify the implementation of sanctions as needed.

##### **LETTER OF WARNING**

- The Company, through its duly authorized representative, may write a letter of warning ranging from a reprimand to stern warning. Depending on the type of offense, the Company may opt to move to the next level of penalty, which is financial.

##### **FINANCIAL PENALTY**

- The Company has the prerogative to impose financial penalty on the Agent depending on the gravity of the offense.

##### **SUSPENSION OF SELLING PRIVILEGES**

- Suspension is basically Withdrawal of Selling Privileges, disallowing the AGENT or LEADER from selling insurance. This can take place with effect from the day following the three-day deadline for the AGENT to inform the designated Department of his intention to appeal.
- If the AGENT appeals and the CEC decides to uphold the suspension, the AGENT will be suspended upon communication to the AGENT of the CEC decision.
- Until such time as an appeal has been resolved and depending on the case, the suspension may or may not be temporarily lifted.



- Retraining for Agents and Leaders serving suspension in areas where they had failed in. Retraining could be by attendance of a relevant course conducted by Agency Training or one-on-one.

#### **SUSPENSION OF OTHER PRIVILEGES**

- Suspension of NMA – all cases within designated period must be medicalled
- Disqualification from other privileges, for example Incentive trips, Agency Contests and other similar initiatives of the company for a period to be determined by the company but in no case to exceed one (1) year
- Others

#### **IMMEDIATE SUSPENSION OF SELLING PRIVILEGES**

- Immediate suspension to be effected by Company. Depending on the violation involved, the duration of suspension shall be determined accordingly by the Committee.

#### **DO'S AND DON'TS DURING SUSPENSION PERIOD**

Agents who are suspended are not permitted to do the following during the suspension period:

- Submit new business
- Collect First Year Premiums
- Prospect for clients
- Recruit or be involved in recruitment exercises for new Agents, where applicable
- Receive over-riding commission, where applicable

However, Agents are permitted and required to serve their clients in non-revenue generating and non-financial tasks, and to do such tasks excellently during the suspension period:

- Service, submit policy Withdrawal/Surrender/Policy Loan Requests for existing clients. But the client must still be the one to actually receive any cash or check proceeds.
- Submit administrative requests for existing clients.

#### **TERMINATION OF AGENT'S CONTRACT**

- Termination will take effect the day following the three-day deadline for the AGENT to inform the designated Department of his intention to appeal.
- If the AGENT appeals, he shall be suspended from all activities as a representative of the Company until the Compliance and Ethics Committee has decided on his appeal.
- Once termination is effected, the AGENT should return his Company ID Card, all official documents and ATR's and sign the Letter of Undertaking.

#### **IMMEDIATE TERMINATION OF AGENT'S CONTRACT**

- Immediate termination to be effected by Company. If the AGENT appeals, he shall be suspended from all activities as a representative of the Company until the Compliance and Ethics Committee has decided on his appeal.