Central Bank of Trinidad & Tobago

Post Sales Communication

–Policy Discontinuance - Guideline

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1. INTRODUCTION

1.1 The Central Bank of Trinidad and Tobago ("Central Bank") is mandated by Section 7 of the Insurance Act 2018 ("IA") to promote the existence of efficient and fair insurance markets. This can be done through the application of standards of market conduct.

1.2 Section 266 of the IA requires registrants to comply with the standards of market conduct as prescribed in Schedule 11 of the IA. Pursuant to Section 278 of the IA the Central Bank is issuing this Guideline in relation to Schedule 11 for the purpose of providing guidance to **insurance companies and intermediaries regarding the requirements of the standards of market conduct.**

1.3 The Guideline also sets out the expectations of the Central Bank regarding the communication between an insurance company (and its intermediary) and a policyholder in the event of the **replacement** of a long-term insurance policy.

1.4 While the Central Bank recognizes that insurance companies and their intermediaries are primarily businesses for profit, these entities also have a responsibility to ensure that there is adequate disclosure at each stage of their interaction with consumers.

1.5 Globally, regulators have been paying increased attention to the market conduct practices of their regulated institutions to ensure that customers are treated fairly. In some jurisdictions, market conduct is considered as important as financial risk, given the impact on consumer confidence and trust and its potential to contribute to financial inclusion, poverty reduction, social well-being and the reputation of a country.

1.6 Insurance companies and their intermediaries are therefore asked to include, where applicable, aspects of this guideline in their operational policies and procedures. This notwithstanding, the requirements in this Guideline are not intended to be exhaustive, but represent the minimum standards that should be observed.

2. PURPOSE, APPLICATION AND SCOPE

2.1 Section 131(1)(c) of the IA stipulates:

"An agent, agency, broker or brokerage or a sales representative shall not:-
*(c) cause a policyholder to **replace a long term insurance policy** without first discussing the advantages and disadvantages of discontinuance of the policy and shall comply with the **standards of post-sale communication** as prescribed in Schedule 11 and the form of disclosure*[1] *set out in Guidelines."*

2.2 The intent and purpose of this Guideline is to ensure that the key information is brought to the attention of long term insurance policyholders when replacing long term insurance policies.

2.3 Insurers and their respective intermediaries shall ensure that:

a) all post-sale documents and communication are clear, fair, complete and do not mislead policyholders or contain provisions which may conflict with other legislative provisions, e.g., The Consumer Protection and Safety Act Chap 82:34;

b) information contained in post-sale documents and other forms of communication is accurate and up to date, and clearly written, so as to inform prospective policyholders of the implications of proposed changes to existing policies;

c) **all** appropriate and relevant information must be included in any communication; and

d) any and all options presented **post-sale to policyholders must include information that is sufficient to enable policyholders to make informed decisions.**

3. DEFINITION OF KEY TERMS

For the purposes of this Guideline:

"Advertisement" includes every form of advertising whether in a publication, or by display or notices, or by means of circulars or other documents or by an exhibition of photographs or cinematographic films, or by way of sound broadcasting, television, or telephonic, digital or electronic communication, but does not include a prospectus or proposal issued by a company;

"Consumer" means a person who:

a) uses or has used any of the services provided by registrant carrying on activities regulated under the IA;

b) has rights that are derived from, or are otherwise attributable to the use of such services by other persons; or

[1] See Standard Disclosure Form at Appendix I

c) has rights that may be adversely affected by the use of any such services acting on their behalf or in a fiduciary capacity in relation to them.

"Central Bank" means the Central Bank of Trinidad and Tobago established under the Central Bank Act;

"Insurer" means a local insurer, and includes an association of underwriters;

"**Inspector**" means the Inspector of Financial Institutions appointed pursuant to section 7 of the Financial Institutions Act and includes any person appointed to act temporarily for him;

"Intermediary" means an agent, agency broker or brokerage and sales representative;

"Long term insurance" means insurance business of the classes as prescribed in Schedule 1 of the IA. These include Accident and Sickness Insurance Business, Disability Income Insurance, Industrial Life Insurance Business and Life Insurance Business (which includes annuities).

"Marketing/promotional material" means any document used as a marketing or sales material. This may include printed, electronic or digital posters, cards, brochures, pamphlets, illustrations.

"Policy" means any written contract of insurance.

"Replacement" of a long term insurance policy means where a policyholder has a long term insurance policy and, on the advice and/or instruction of an insurer or insurance intermediary, the policyholder procures another long term policy with view to replacing and discontinuing the existing policy.

4. POLICY REPLACEMENT

4.1 This Guideline focusses on the expected business conduct during the replacement of an existing long term insurance policy with another long term insurance policy by a policyholder.

4.2 Where a long term policy is replaced as stated above, it invokes obligations between the insurer (and its respective intermediaries) and the policyholder as it relates to a framework of post-sale communication, i.e. information provided for the benefit of illustrating the options available to the policyholder and the ability of the insurer to provide the policy.

4.3 Marketing/promotional material in respect of the new policy should clearly define all the characteristics of the insurance policy including any guarantees and any risks transferred by the insurer to the policyholder. The marketing/promotional material must state where additional information on the policy can be sourced, which includes a website/customer hot-line/frequently asked questions hand-outs in relation to the new policies.

4.4 Insurers are reminded of Section 256 of the Insurance Act 2018 (the Act), which makes it an offence to induce a person to enter into a contract of insurance by means of a false statement. Section 258 of the Act also gives the Inspector the power to request correction of withdrawal of an advertisement found to be misleading or objectionable.

5. ASSESSING SUITABILITY

5.1 Insurers and intermediaries are required to obtain sufficient information about a consumer to ensure an appropriate product is offered. Before advising a policyholder to replace a policy, or make some other material change thereto, an insurer/intermediary must assess the suitability of the policy (or policies) recommended for that policyholder.

5.2 Prior to offering, recommending, arranging or providing a policy appropriate to the policyholder, the insurer or the intermediary, should at a minimum, consider and document whether, on the basis of the policyholder's profile[2] or request, the policy meets that policyholder's needs and objectives.

5.3 To assist in determining suitability, **Appendix 1** of this Guideline contains a **"Disclosure Form"** that is to be presented to the policyholder by the intermediary when faced with a decision of replacement of a policy. The Disclosure Form is designed to highlight the key terms of the current policy and the replacement policy and the differences between them and the impact of the replacement. **The Disclosure Form must be completed, stamped where applicable and signed by the policyholder and the relevant, insurer or intermediary**.

6. SALES AND MARKETING

6.1 Insurers should ensure that their marketing/promotional materials and procedures do not mislead consumers. Insurers are responsible for "truth in advertising" statements made in their marketing and sales materials for their products, including those made by their agents[3].

6.2 All marketing/promotional materials should be easily readable and understandable to the general public. To this end, key information should be brought to the attention of the policyholder, and the method of presentation shall not disguise, diminish or obscure important information. Insurers must be careful not to inundate promotional materials with legal and technical language and *Latin terms*.

6.3 An insurer must ensure that full disclosure and explanations regarding the risks and or rewards, which are material to the decision are made available to the policyholder, before a binding contract is signed. Insurers should observe the following

[2] Schedule 11 Part B "Understanding Consumers' Needs" – Knowing the Customer – Personal Circumstances (age, health, financial literacy, employment status, known future changes to his/her circumstances, Financial Situation – income, savings, debts and financial commitments).

[3] See Schedule 11 Part D "Agent Training"

a) small print or footnotes are only used to supplement or elaborate on the key information in the main body of the marketing/promotional material and must be of sufficient size and prominence to be clearly legible;
b) marketing/promotional material that contains promotional or introductory interest rates clearly states the expiry date of that interest rate and provides an indication of the rate that will apply thereafter;
c) any assumptions or illustrations, on which a statement, promise or forecast contained in marketing/promotional material is based, are clearly stated, reasonable and up to date;
d) marketing/promotional material that promotes more than one policy sets out clearly the key information relating to each policy in such a way that a consumer can distinguish between the products;

e) comparisons or contrasts between policies are based either on facts verified by the insurer, or on reasonable assumptions stated within the marketing/promotional material and presented in a clear, fair and balanced way and not omit anything material to the comparison or contrast. Material differences between the policy must be set out clearly.

f) advertisements or publication of its Sales Representatives or Agents meet the follow criteria:
   i. *the advertisement or publication does not indicate a volume of personal production;*
   ii. *the advertisement or publication does not include any designations that cannot be authenticated by the insurer;*
   iii. *the Agency or Company logo or products and services is not used on any advertising media.*

This prohibition does not apply to advertisements or published documents in insurance company publications or in insurance trade journals. A Sales Representative or Agent, must submit any proposed advertisement that mentions the insurer or its policy with the insurer for approval prior to its publication.

6.4 The information at items under 6.3 (a-e) above should form the basis for any discussion between an intermediary and policyholder. In addition, the information contained in periodic statements to the policyholder where a replacement was effected, must indicate the relevant financial details.

7. PROFESSIONAL ETHICS AND STANDARDS

7.1 Intermediary Training

a.) As part of the outreach to policyholders, insurers must develop, control and approve illustrative and promotional material used by intermediaries to disseminate insurance policies [4]. Only approved marketing/promotional material should be used in interactions with policyholders.

b.) Insurers and intermediaries should ensure that their employees are continuously trained in emerging trends in business and marketing practices, new and emerging market trends and customer relations. Insurers, agencies and brokerages must have documented training programmes for their agents, brokers and sales representatives (where applicable) and ensure that they undergo the training in such training programmes.

7.2 Dispute Resolution and Customer Redress

a.) Notwithstanding the foregoing, situations may still arise where a policyholder, having replaced a policy, is dissatisfied.

b.) Insurers must develop a dispute resolution process addresses complaints from aggrieved customers in a prompt and impartial manner. Such a process must include a suitably resourced "Help Desk" and/or a designated Complaints Officer Further, marketing/promotional material and policy contractual material should clearly reflect the availability of such avenues to parties to the contract of insurance. The process must entail a suitable time frame in which complaints of varying complexity can be addressed.

c.) Where a policyholder fails to receive a response to a complaint within 2 months or the dispute remains unresolved the policyholder may take the complaint to the Office of the Financial Services Ombudsman (OFSO). Once invoked, the deliberation and decision of the OFSO is final.

d.) Where the complaint is outside the remit of the OFSO, it may be referred to the Office of the Inspector of Financial Institution for further consideration.

Nothing in the aforementioned process precludes or prejudices the right of an aggrieved party to seek redress via judicial means. However, where legal action is initiated, no further deliberation of the compliant can be entertained unless specifically sanctioned by the specific court.

8. EFFECTIVE DATE

8.1 This Guideline comes into effect on the commencement of the Insurance Act, 2018.

8.2 Insurers and intermediaries are required to immediately notify the Central Bank of any matter arising that would impede their ability to comply with this Guideline, and the measures that they intend to take to achieve compliance within a reasonable timeframe.

[4] The Disclosure form attached herewith should be considered as applicable to all insurers carrying on long-term insurance business.

If you are replacing a current life insurance policy, you should be given this Form before you fill out an application for the new life insurance policy. This Form requires you to consider certain questions as you make the decision whether to replace your current life insurance policy.

		Current Policy	New (Replacement Policy)	Differences and impact of replacement
1.	Name of Issuer			
2.	Date of Issue			
3.	Name of Insured (s)			
4.	Type of policy (whole life, term, universal etc.)			
5.	Does the new policy have a "free look" provision? I.e. the policyholder has no less than one month between the date on which he receives and sign for receiving the contract to the date of cancellation, to receive a full refund of premiums paid without any penalty, charge or deduction being imposed.			
6.	**Premiums, Cash Values**			
	What is the premium being paid?			
	What is the frequency of the premium (monthly, quarter etc.)?			
	What is the breakdown of the premiums being paid as follows:			
	a) Allocation of premium to insurance coverage			
	b) Allocation of premium to savings/ investment element(if applicable)			
	c) Allocation of premium to policy riders (if applicable)			
	d) Commission expenses			
	e) Other expenses			
7.	Are there any riders or auxiliary benefit offered with this policy? (e.g. waiver of premium or accidental death and dismemberment coverage etc.)			
8.	a) Is there a guaranteed interest rate on this policy?	0	0	0
	b) If yes, how much is the guaranteed Interest rate?			
9.	Are policy loans allowed with respect to the policy?	0	0	0
	If yes, at what interest rate may money be borrowed and on what terms for repayment?			
10.	Are cash withdrawals allowed?	0	0	0
	If so, what is the charge, fee or penalty for the withdrawal?			
11.	Does the policy give the right to buy additional insurance, whatever the insured person's health? If yes, when and how much?			
	Death Benefits			
12.	What does the policy pay if the insured person dies today? Will this amount change or expire at any time?			
13.	Is there a suicide clause? If so, when does the suicide period on the policy expire?			
14.	On the death of the insured, can the death benefit payout be adjusted? (e.g. cases of fraud, misstatement etc.)			
	Other			
15.	Does the policy provide tax benefits? Are you loosing tax advantages by replacing the policy?			

DO NOT SIGN THIS FORM UNLESS YOU HAVE DISCUSSED AND UNDERSTAND <u>ALL</u> THE IMPLICATIONS OF REPLACING YOUR CURRENT LIFE INSURANCE POLICY.

			Date:
Policyholder's signature:			
Declaration I declare that the aforementioned Disclosure Form were presented and explained to the client, before the final decision.			
Broker, Agent or Sales Representative's Signature			
Authorised Signature and Company Stamp of Insurer			