



CENTRAL BANK OF
TRINIDAD & TOBAGO

Post Sales Communication

- Policy Discontinuance - Guideline

CONTENTS

| | |
|--|----------|
| 1. Introduction..... | 1 |
| 2. Purpose, Application and Scope | 2 |
| 3. Definition of Key Terms | 2 |
| 4. Post Sales Communication | 3 |
| 5. Assessing suitability..... | 4 |
| 6. Sales and marketing..... | 4 |
| 7. Professional Ethics and Standards | 5 |
| 8. Effective Date | 6 |
| <i>Appendix I Disclosure Form</i> | <i>7</i> |

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 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 reminded that 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 disclosure¹ 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 Act, The Bureau of Standards.
- b) information contained in post-sale documents and other forms of communication is accurate and up to date, and clearly written.
- c) **all** appropriate and relevant information must be included in any communication
- 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;

¹ See Standard Disclosure Form at Appendix I

- b) has rights that are derived from, or are otherwise attributable to the use of such services by other persons; or
- 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 in accordance with 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 insurance intermediary, the policyholder procures another long term policy with view to replacing and discontinuing the existing policy.

4. POST SALES COMMUNICATION

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 The Inspector may require the insurer to correct or withdraw any advertisement if it is found to be misleading or objectionable.

5. ASSESSING SUITABILITY

5.1 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 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 profile² 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 and signed by the policyholder and the relevant insurance 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 statements made in their marketing and sales materials for their products, including those made by their agents³.

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

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"

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:-

- 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.

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 policies⁴. 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

⁴ The Disclosure form attached herewith should be considered as applicable to all insurers.

(where applicable) and ensure that they undergo the training in such training programmes.

7.2 DISPUTE RESOLUTION

a.) Notwithstanding the foregoing, situations may still arise where a policyholder, having replaced a policy, is dissatisfied. Consequently, it may be useful to include in marketing/promotional material and policy contractual material, the names of mechanisms which can be used when a dispute occurs. This can include a “Help Desk” or Complaints Officer at the insurer or alternatively:

- a) The Office of the Financial Services Ombudsman; or
- b) The Central Bank.

8. EFFECTIVE DATE

- 8.1 This Guideline comes into effect on January 1, 2019.
- 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.

APPENDIX I DISCLOSURE FORM

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 |
|---|----------------|--------------------------|---------------------------------------|
| Name of Insurer | | | |
| Date of issue | | | |
| Name of insured(s) | | | |
| Type of policy (whole life, term, universal, etc.) | | | |
| Have you read, or has the information in the insurer's promotional material been satisfactorily explained to you? | | | |
| Does your new policy have a "free look" provision? I.e. you the policyholder, have a limited number of days from the time you make the payment of your first premium to when you can withdraw the new application and receive a full refund of any premiums paid? | | | |
| Premiums, Cash Values | | | |
| What is the premium? | | | |
| What is the annual premium per \$1000 of insurance? | | | |
| What is the maximum cost of insurance at: • 0-5 years? • 5-10 years? • 10-15 years? • 15-20 years? • 20-25 years? | | | |
| Does any of the coverage, including riders, change over time? | | | |
| What are the benefits/cash values at: • 0-5 years? • 5-10 years? • 10-15 years? • 15-20 years? • 20-25 years? | | | |
| Does any of the coverage, including riders, change over time? | | | |
| Are policy loans allowed with respect to the policy? If yes, at what interest rate may money be borrowed and on what terms? | | | |
| Are cash withdrawals allowed? If so, what is the charge for the withdrawal? Does the charge change over time or with respect to the amount withdrawn? | | | |
| Are there any riders or auxiliary benefits offered with this policy e.g. waiver of premium or accidental death and dismemberment coverage? | | | |
| Does the policy give the right to buy additional insurance, whatever the insured person's health? If yes, when and how much? | | | |
| Does the new policy guarantee to insure you, or allow you to increase your insurance coverage, no matter what your future medical condition? | | | |
| Can the policy be voided for material non-disclosure e.g. pre-existing conditions, lifestyles (high risk jobs, leisure activities, other habits e.g. drug/tobacco use)? | | | |
| Is there a time frame within which such material non-disclosures must be discovered? On what date does this period expire? | | | |
| Death Benefits | | | |
| What does the policy pay if the insured person dies today? Will this amount change or expire at any time? | | | |
| Is there a suicide clause? When does the suicide period on the policy expire? | | | |
| Other | | | |
| Are you losing tax advantages or creating a tax liability? Many current insurance policies provide valuable income tax benefits. These are not available in some new policies. | | | |
| Are there circumstances where the new policy does not pay benefits? Your policy should specify whether the insurer will not pay because of suicide or because you provided incomplete information | | | |

IMPORTANT
DO NOT SIGN THIS FORM UNLESS YOU HAVE DISCUSSED AND UNDERSTAND ALL THE IMPLICATIONS OF REPLACING YOUR CURRENT LIFE INSURANCE POLICY WITH YOUR AGENT, BROKER OR SALES REPRESENTATIVE.

| | |
|---|-------------|
| | Date |
| Policyholder's signature: | |
| Witnessed by Broker, Agent or Sales Representative | |
| Authorised Signature and Company Stamp of Insurer | |