保險業監管局
Insurance Authority

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To: Chief Executives of authorized insurers carrying on long term insurance business

Dear Sirs,

Temporary facilitative measures to tackle the recent outbreak of Novel Coronavirus

In view of the recent outbreak of Novel Coronavirus which renders it difficult for licensed insurance intermediaries to carry out face-to-face ("F2F") meetings with the potential policyholders, the Insurance Authority ("IA") sees an urgent need for certain temporary facilitative measures to be introduced to minimize the risk of infection during the sale process of insurance policies without adversely affecting the interests of policyholders and potential policyholders.

Considering the diversity of long term insurance products, each with different features and risk characteristics, it is agreed with the industry that the temporary facilitative measures should be introduced by phases to facilitate certain products to be distributed through non-F2F methods as soon as possible.

Phase 1

In order for the tax deduction to be claimed in respect of Qualifying Deferred Annuity Policy ("QDAP") and Voluntary Health Insurance Scheme ("VHIS") for the assessment year 2019-20, the relevant policies must be issued (and with premium duly paid) on or before 31 March 2020. Temporary facilitative measures on the supervisory requirements are therefore introduced to facilitate non-F2F distribution methods for these two particular products as a matter of priority.

To ensure the interests of policyholders and potential policyholders are not adversely affected due to the variation of those supervisory requirements, the principle of fair treatment of customers must be strictly adhered to by the authorized insurers and the licensed insurance intermediaries.

Without F2F engagement, it would be difficult for intermediaries to gather adequate information from the customers to make any recommendation. In Phase 1, insurers and intermediaries can dispense with the need to conduct the Financial Needs Analysis ("FNA") for QDAP and VHIS products after implementing the compensating measures of upfront disclosure and extended cooling-off period to achieve the fair treatment of customers.

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Without the FNA process which is required when intermediaries provide a recommendation, upfront disclosure must be made by the intermediaries to ensure that the customers are aware of the nature, features and risks of the insurance products concerned before the customers make a purchase decision. The upfront disclosure should include, where applicable, objective(s); type and nature of the policy; target benefit period; payment period; level of premiums payable; prominent warning to the customer concerning affordability of the policy during the entire premium payment period; relevant information highlighting the liquidity risk associated with the product etc. Also, if the intermediaries are aware of any issue of concern about the customer's affordability, the intermediaries should not continue the sales process.

The same principle can be adopted for the relevant supervisory requirements under the Guideline on Underwriting Long Term Insurance Business (other than Class C Business) (GL16), Guideline on Qualifying Deferred Annuity Policy (GL19), Guideline on Long Term Insurance Policy Replacement (GL27), Guideline on Benefit Illustrations for Long Term Insurance Policies (GL28), and Guideline on Financial Needs Analysis (GL30). For the avoidance of doubt, it should be stressed that insurers and intermediaries should continue to comply with supervisory requirements, such as proper product disclosure at the point-of-sale, and post-sale confirmation calls for vulnerable customers under GL16 etc, which are not hindered by non-F2F distribution.

To allow sufficient time for policy documents to reach the policyholders through mail (which might take longer than usual time to arrive) as well as time for policyholders to seek independent professional advice where necessary, insurers should extend the cooling-off period to **no less than 30 calendar days** for policies sold with the variations under non-F2F distribution adopted. Policyholders should also be alerted that specific supervisory requirements aimed to protect their interests have been varied under non-F2F distribution due to the current circumstances and they should seek professional advice as they deem fit.

All non-F2F distribution methods (e.g. digital, tele-marketing, postal, video-conference or any combination of those methods) for the distribution of QDAP and VHIS products by long term insurers and their licensed insurance intermediaries are allowed in Phase 1.

Insurers and intermediaries should put in place adequate policies and procedures, as well as control and monitoring on transactions where the variation has been adopted. Insurers and intermediaries should also provide staff training as appropriate for adopting the temporary facilitative measures.

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For the signature requirement, insurers and intermediaries can put into place appropriate measures such as electronic signature, onsite recording, personal identification number ("PIN") verification, sign-and-return-mail, one-time-password etc in lieu of wet signature by the customers.

Unless otherwise extended by the IA, the temporary facilitative measures in Phase 1 will take **immediate effect until 31 March 2020** (based on policy application date).

Phase 2

The Insurance Authority will continue its ongoing dialogue with the industry on the temporary facilitative measures that may be introduced to include other types of insurance policies or distribution methods to be covered in Phase 2.

In case of doubt, please contact your case officers accordingly.

Yours faithfully,

Carol Hui
Executive Director, Long Term Business
Insurance Authority