

**GUIDELINE
ON
COOLING-OFF PERIOD**

Insurance Authority

<u>Contents</u>		<u>Page</u>
1.	Introduction.....	1
2.	Interpretation.....	1
3.	Relevant Regulatory Requirements and Status of this Guideline.....	3
4.	Scope of Application.....	4
5.	Cooling-off Period.....	4
6.	Right to Cancel during the Cooling-off Period	7
7.	Obligations specific to Authorized Insurers and Licensed Insurance Intermediaries.....	7
8.	Statement in relation to Cooling-off Period in Policy Application Form.....	10
9.	Reminder of Cooling-off Period at Policy Issuance.....	10
10.	Digital Distribution Channels.....	11
11.	Commencement.....	11
12.	Transitional Provision.....	11
	Guideline on Statement in relation to Cooling-off Period in Policy Application Form	Appendix 1
	Guideline on Reminder of Cooling-off Period at Policy Issuance	Appendix 2

1. Introduction

- 1.1 The Insurance Authority (“IA”) issues this Guideline pursuant to section 133 of the Insurance Ordinance (Cap. 41) (“Ordinance”) and its principal function to regulate and supervise the insurance industry for the protection of policy holders. This Guideline also takes account of the Insurance Core Principles, Standards, Guidance and Assessment Methodology (“ICP”) promulgated by the International Association of Insurance Supervisors, in particular ICP 19 which stipulates that the conduct of the business of insurance should ensure that customers are treated fairly.
- 1.2 Life insurance policies are generally long term in nature and the decision to purchase a life insurance policy is an important one. Providing policy holders with the opportunity to reflect on their decision is a key aspect of the “fair customer treatment” principle. The inclusion of a cooling-off period in relation to certain types of life insurance policies (see paragraph 4.2 of this Guideline) can help provide this opportunity for reflection and thereby protect policy holders’ interests. This Guideline aims to set out the relevant requirements for such cooling-off period.

2. Interpretation

- 2.1 In this Guideline, unless the context otherwise specifies:
- (a) “Cooling-off Notice” in relation to a life insurance policy to which this Guideline applies (see paragraph 4.2), means a notice:
 - (i) created by the authorized insurer of the policy;
 - (ii) containing the matters stated in paragraph 7.1 of this Guideline which explains the Cooling-off Period; and
 - (iii) delivered to the policy holder or the policy holder’s nominated representative directly by the authorized insurer;
 - (b) “Cooling-off Period” in relation to a life insurance policy to which this Guideline applies (see paragraph 4.2), means the 21 calendar day period specified in paragraph 5.4 during which the policy holder can cancel the policy and obtain a refund of premium;

- (c) “Date of issue” in relation to a life insurance policy to which this Guideline applies (see paragraph 4.2), means the date on which the authorized insurer, having accepted an application for insurance by the policy holder, creates the document that is policy holder’s life insurance policy;
- (d) “Delivery” in relation to a life insurance policy to which this Guideline applies (see paragraph 4.2) or Cooling-off Notice, means the delivery of the policy or the Cooling-off Notice to the policy holder, or to nominated representative of the policy holder, by any the following means:
 - (i) by hand;
 - (ii) by post (including registered post); or
 - (iii) by electronic means;regardless of the means of delivery is used, it is the responsibility of the authorized insurer of the life insurance policy, to have sufficient proof of delivery and the timing of delivery;
- (e) “Group policy” means a life insurance policy under which a group of employees of a company, partnership or sole proprietor, or members of an organization or other similar group of people, are insured;
- (f) “Life insurance policy” means a contract of insurance which is classed as long term business as defined under the Ordinance;
- (g) “Nominated representative of the policy holder” means an individual expressly nominated and authorized by the policy holder to receive or handle the life insurance policy or policy related documents on behalf of the policy holder (e.g. policy holder’s spouse or family member); and
- (h) “Working day” means a day other than (i) a public holiday; (ii) a Saturday; or (iii) a gale warning day or black rainstorm warning day as defined by section 71(2) of the Interpretation and General Clauses Ordinance (Cap. 1).

2.2 Unless otherwise specified, words and expressions used in this Guideline shall have the same meanings as given to them in the Ordinance.

3. Relevant Regulatory Requirements and Status of this Guideline

3.1 This Guideline should be read in conjunction with the relevant provisions of the Ordinance and all other relevant rules, codes, circulars, and guidelines issued by the IA or other regulatory bodies, including but not limited to the following:

- (a) Guideline on Underwriting Class C Business (GL15) issued by IA;
- (b) Guideline on Underwriting Long Term Insurance Business (other than Class C Business) (GL16) issued by IA;
- (c) Code of Conduct for Licensed Insurance Agents issued by the IA;
- (d) Code of Conduct for Licensed Insurance Brokers issued by the IA;
- (e) Code on Investment-Linked Assurance Schemes issued by the Securities and Futures Commission; and
- (f) All relevant rules, codes, circulars and guidelines administered or issued by the Hong Kong Monetary Authority.

3.2 This Guideline does not have the force of law, in that it is not subsidiary legislation, and should not be interpreted in a way that would override the provision of any law. A non-compliance with the provisions in this Guideline would not by itself render an authorized insurer or licensed insurance intermediary liable to judicial or other proceedings. A non-compliance may, however, for example reflect on the IA's view of the continued fitness and properness of (i) the directors, controllers and key persons in relevant control functions of the authorized insurers to which this Guideline applies and (ii) the licensed insurance intermediaries to which this Guideline applies and (in the case of licensed insurance agencies and licensed insurance broker companies) their directors, controllers and responsible officers. The IA may also take guidance from this Guideline in considering whether there has been an act or omission likely to be prejudicial

to the interests of policy holders or potential policy holders (albeit the IA will always take account of the full context, facts and impact of any matter before it in this respect).

4. Scope of Application

4.1 This Guideline applies to all authorized insurers carrying on long term business, and all licensed insurance intermediaries carrying on regulated activities in respect of long term business.

4.2 This Guideline applies to all new life insurance policies, except for the following types of insurance policies:

- (a) group policies; and
- (b) any policies of the nature specified in Class G, Class H and Class I in Part 2 of Schedule 1 to the Ordinance.

4.3 Further, this Guideline does not apply to the following life insurance policy related transactions:

- (a) a premium increase for an increase in sum assured in respect of an existing policy;
- (b) an increase in sum assured by way of indexation under the terms and conditions of an existing life policy;
- (c) a new rider being added to an existing life insurance policy; and
- (d) a policy holder exercising his/her conversion rights under the terms and conditions of an existing life insurance policy (e.g. a right to convert a term basic or term rider into a whole of life policy).

5. Cooling-off Period

5.1 For the purpose of this Guideline, the Cooling-off Period is a mechanism in relation to a life insurance policy to which this Guideline applies (see

paragraph 4.2), which allows the policy holder to cancel the policy within the 21 calendar day period specified in paragraph 5.4 and obtain a refund of premium.

5.2 The Cooling-off Period is to be drawn to the attention of the policy holder, by means of:

- (a) a statement in relation to the Cooling-off Period to be included in the application form for the life insurance policy, in accordance with paragraph 8;
- (b) a reminder to be included with the life insurance policy, in accordance with paragraph 9, when the policy is delivered; and
- (c) the delivery to the policy holder (or the nominated representative of the policy holder) of the Cooling-off Notice by the authorized insurer.

5.3 The Cooling-off Period should commence by the delivery to the policy holder or nominated representative of the policy holder, of:

- (a) the life insurance policy (together with the reminder of the Cooling-off Period as stated in paragraph 9); or
- (b) the Cooling-off Notice,

whichever is the earlier.

5.4 The Cooling-off Period is the period of 21 calendar days immediately following the day of the delivery to the policy holder or the nominated representative of the policy holder, of:

- (a) the life insurance policy; or
- (b) the Cooling-off Notice,

whichever is the earlier. For the avoidance of doubt, the day of delivery of the life insurance policy or the Cooling-off Notice is not included for the calculation of the 21 calendar day period. However, if the last day of the 21

calendar day period is not a working day, the period shall include the next working day.

5.5 In order for the Cooling-off Period to commence within an appropriate time-frame of the date of issue of the life insurance policy:

- (a) where the life insurance policy is to be delivered by the authorized insurer directly to the policy holder (or the nominated representative of the policy holder), the authorized insurer should deliver the policy within 9 calendar days of the date of issue of the policy (the “**9 calendar day period**”);
- (b) where the life insurance policy is to be delivered to the policy holder (or the nominated representative of the policy holder) via a licensed insurance intermediary,
 - (i) the authorized insurer should provide the policy to the licensed insurance intermediary sufficiently in advance of the end of the 9 calendar day period, to enable the licensed insurance intermediary to deliver the policy to the policy holder (or the nominated representative of the policy holder) within the 9 calendar day period; and
 - (ii) on receipt of the policy, the licensed insurance intermediary should use all reasonable endeavours to deliver the policy to the policy holder (or the nominated representative of the policy holder) within the 9 calendar day period;
- (c) the authorized insurer should deliver the Cooling-off Notice directly to the policy holder (or the nominated representative of the policy holder) within the 9 calendar day period; and
- (d) if the last day of the 9 calendar day period is not a working day, the period shall include the next working day.

6. Right to Cancel during the Cooling-off Period

- 6.1 Subject to paragraphs 6.2 to 6.3 below, a policy holder has the right to cancel the life insurance policy at any time within the Cooling-off Period and obtain a refund of premium. To exercise this right of cancellation, the policy holder would need to provide written notice directly to the authorized insurer requesting cancellation of the policy and return the policy, if applicable.
- 6.2 For all life insurance policies to which this Guideline applies (except policies of the nature specified in Class C in Part 2 of Schedule 1 to the Ordinance and single premium policies), the refund should be 100% of the premium which the policy holder has paid.
- 6.3 For all life insurance policies specified in Class C in Part 2 of Schedule 1 to the Ordinance and all single premium policies to which this Guideline applies, authorized insurers have the right to apply a Market Value Adjustment (“MVA”) to the premium to determine the amount that is to be refunded, subject to all of the following requirements being satisfied:
- (a) Any such MVA must be calculated solely with reference to the loss that the authorized insurer might make in realizing the value of any assets acquired through investment of the premiums under the policy. The MVA calculation must not include any allowance for expenses or commissions in connection with the issuance of the policy.
 - (b) Prior to the completion of the policy application form, the authorized insurer’s right to apply an MVA and its basis of calculation must have been disclosed in the relevant product brochure.
 - (c) The prospective policy holder must have been informed of the authorized insurer’s right to apply an MVA and its basis of calculation before the prospective policy holder signs his/her policy application form.

7. Obligations specific to Authorized Insurers and Licensed Insurance Intermediaries

- 7.1 An authorized insurer is required to deliver the Cooling-off Notice to the policy holder or nominated representative of the policy holder in accordance

with paragraph 5.5(c). The authorized insurer should include the following information in the Cooling-off Notice:

- (a) the availability of his/her life insurance policy and the expiry date of the Cooling-off Period;
- (b) the right to re-consider his/her decision to purchase the life insurance product within the Cooling-off Period;
- (c) the right to obtain a refund of premium paid if the policy is cancelled within the Cooling-off Period;
- (d) the contact information of the customer service department of the authorized insurer (including the address, service hotline number and email address); and
- (e) a reminder that if the policy holder or the nominated representative of the policy holder does not receive the policy within 9 calendar days after delivery of the Cooling-off Notice, he/she should contact the authorized insurer.

7.2 An authorized insurer is also required to:

- (a) comply with paragraph 5.5(a) if the life insurance policy is to be delivered by the authorized insurer directly to the policy holder (or the nominated representative of the policy holder);
- (b) comply with paragraph 5.5(b)(i) if the policy is to be delivered to the policy holder (or the nominated representative of the policy holder) via a licensed insurance intermediary;
- (c) specify in its licensed insurance intermediaries' training materials and internal guidelines that its insurance intermediaries must comply with the requirements set out in paragraphs 5.5(b)(ii), 6.3(c) and 7.3;
- (d) comply with the requirements set out in paragraph 7.3(a) if the policy is not entered into through a licensed insurance intermediary;
- (e) devise internal control measures to ensure and provide proof that:

- (i) policies are delivered to policy holders (or the nominated representatives of policy holders) within the 9 calendar day period; and
 - (ii) Cooling-off Notices are delivered to the policy holders (or the nominated representatives of the policy holders) within the 9 calendar day period;
- (f) keep records of proof referenced in paragraph 7.2(e) (e.g. copies of the acknowledgements of receipt of policy delivery, if applicable). In case of a complaint or dispute, the authorized insurer may be required to produce evidence to show that the policy or the Cooling-off Notice was delivered (and when the delivery took place);
 - (g) maintain records in respect of any cases of complaints or disputes where policy holders have sought to cancel their policies and obtain refund of premiums after the Cooling-off Period has expired, but such requests have been refused; and
 - (h) provide records referred to in paragraphs 7.2(e), (f) and (g) to the IA as soon as is practicable upon request.

7.3 A licensed insurance intermediary should:

- (a) before a prospective policy holder signs the policy application form, inform the prospective policy holder of the right to cancel the policy within the Cooling-off Period, the expiry date of the Cooling-off Period and the authorized insurer's right to apply an MVA together with its basis of calculation (if applicable);
- (b) comply with the requirements in paragraph 5.5(b)(ii), if applicable; and
- (c) comply with any other requirements about the Cooling-off Period as set out in other codes and guidelines which apply to the licensed insurance intermediary.

8. Statement in relation to Cooling-off Period in Policy Application Form

- 8.1 A statement in line with the “Guideline on Statement in relation to Cooling-off Period in Policy Application Form” (**Appendix 1**) should be included by the authorized insurer in the policy application form immediately above the space for the prospective policy holder’s signature.
- 8.2 The statement should be prominently displayed using a legible font size which is no smaller than the font size used for any other declaration on the policy application form. This requirement applies irrespective of whether the policy application form is paper, electronic or in some other format.
- 8.3 The statement should be communicated in the same language(s) as are used for all other sections of the policy application form.

9. Reminder of Cooling-off Period at Policy Issuance

- 9.1 The authorized insurer should include a reminder to the policy holder of the Cooling-off Period with the life insurance policy when the policy is delivered.
- 9.2 The reminder may be provided by way of a letter from the authorized insurer delivered directly to the policy holder with the delivery of the policy, or a statement included by the authorized insurer on the policy jacket or policy cover, taking into account the specificities of the medium used.
- 9.3 The reminder must be communicated in the same language(s) as the policy and other communications/documents which are (or have been) provided or sent to the policy holder in relation to the policy.
- 9.4 The reminder must be prominently displayed using a legible font size.
- 9.5 For further details regarding the required reminder, see the “Guideline on Reminder of Cooling-off Period at Policy Issuance” (**Appendix 2**).

10. Digital Distribution Channels

- 10.1 Where an authorized insurer conducts insurance business through a digital distribution channel (e.g. webpage/mobile app), in relation to life insurance policies to which this Guideline applies which are promoted, offered or purchased through that digital channel, the authorized insurer should use appropriate tools to ensure compliance with the requirements of this Guideline.

11. Commencement

- 11.1 This Guideline shall take effect from 23 September 2019 (“Effective Date”).

12. Transitional Provision

- 12.1 The IA recognizes that authorized insurers and licensed insurance intermediaries to which this Guideline applies may require time to update their documentation, controls and processes to align with the requirements in paragraphs 5 to 10 of this Guideline. A transitional period of 12 months from the Effective Date (i.e. from 23 September 2019 to 22 September 2020) will therefore apply in respect of the requirements in paragraphs 5 to 10 of this Guideline (“Transitional Period”). In respect of life insurance policies with a date of issue during this Transitional Period, authorized insurers and licensed insurance intermediaries may either comply with the requirements in paragraphs 5 to 10 of this Guideline or the requirements issued by The Hong Kong Federation of Insurers in its document entitled “Cooling-off Period” (version effective from 1 February 2010), which is hereby adopted solely for the Transitional Period.

September 2019

**Guideline on Statement in relation to
Cooling-off Period in Policy Application Form**

An explanation of a policy holder's right to cancel the life insurance policy within the Cooling-off Period must be prominently displayed in the application form for the policy and (depending on the distribution channel utilized) must be clearly explained to him/her by the insurer or licensed insurance intermediary (as the case may be) during application process. Guidance on the appropriate wording which may be used for this statement is given below:

1. **For all life insurance policies to which this Guideline applies (except policies of the nature specified in Class C in Part 2 of Schedule 1 to the Ordinance and single premium policies)**

"Cancellation Rights and Refund of Premium(s) within Cooling-off Period

I understand that I have the right to cancel the policy and obtain a refund of any premium(s) paid by giving a written notice to [the name of authorized insurer]. I understand that to exercise this right, the notice of cancellation must be [signed by me and] received directly by [name of authorized insurer] at [address of the authorized insurer's Hong Kong Main Office] [see Notes (a) and (b) below] within the Cooling-off Period. I understand that the Cooling-off Period is the period of **21 calendar days** immediately following either the day of delivery of the policy or the Cooling-off Notice to me or my nominated representative (whichever is the earlier). I understand that the Cooling-off Notice is a notice that will be sent to me or my nominated representative by [name of authorized insurer] to notify me of the Cooling-off Period around the time the policy is delivered."

Notes

- (a) Authorized insurers may adjust the above wording and specify the manner in which the written notice to cancel the policy is to be given by a policy holder. For example, a written notice may be sent by the policy holder to the authorized insurer by email.
- (b) The address must be a Hong Kong address.

2. **For all policies of the nature specified in Class C in Part 2 of Schedule 1 to the Ordinance and all single premium policies to which this Guideline applies**

"Cancellation Rights and Refund of Premium(s) within Cooling-off Period

I understand that I have the right to cancel the policy and obtain a refund of any premium(s) paid less any market value adjustment, by giving a written notice to [the name of authorized insurer]. I understand that to exercise this right, the notice of cancellation must be [signed by me and] received directly by [name of authorized insurer] at [address of the authorized insurer's Hong Kong Main Office] [see Notes (a) and (d) below] within the Cooling-off Period. I understand that the Cooling-off Period is the period of **21 calendar days** immediately following either the day of delivery of the policy or the Cooling-off Notice to me or my nominated representative (whichever is the earlier). I understand that the Cooling-off Notice is a notice that will be sent to me or my nominated representative to notify me of the Cooling-off Period around the time the policy is delivered."

Notes

- (a) Authorized insurers may adjust the above wording and specify the manner in which the written notice to cancel the policy is to be given by a policy holder. For example, a written notice may be sent by the policy holder to the authorized insurer by email.
- (b) As part of the sales process, authorized insurers will be required to disclose, before the application is signed, their rights to apply an MVA and the details of the basis of calculation of the MVA.
- (c) An authorized insurer's right to apply an MVA (together with its basis of calculation) must be included in the relevant product brochure.
- (d) The address must be a Hong Kong address.

Guideline on Reminder of Cooling-off Period at Policy Issuance

A clear reminder of the Cooling-off Period must be given to the policy holder together with the life insurance policy at the time the policy is delivered. The policy holder must also be advised of the right to call the authorized insurer direct if he/she wishes to further understand the Cooling-off Period. Guidance on the appropriate wording which may be used for this reminder is given below:

"Your Right to Change Your Mind

If you are not fully satisfied with this policy, you have the right to change your mind.

We trust that this policy will satisfy your financial needs. However, if you are not completely satisfied then you should:

- (a) return the policy, if applicable, and
- (b) provide us with written notice, [signed by you], requesting cancellation.

The policy will then be cancelled and the premium(s) paid * will be refunded.

**[For all policies of the nature specified in Class C in Part 2 of Schedule 1 to the Insurance Ordinance (Cap. 41) and all single premium policies, add "less a deduction of the amount (if any) by which the value of your investment has fallen at the time when your cancellation notice is received by us".]*

These cancellation rights are subject to the following conditions:

- (a) Your request to cancel the policy must be [signed by you and] received directly by our office at [address of the authorized insurer's Hong Kong Main Office] [see Note (a) below] within **21 calendar days** immediately following the day of delivery of this policy or the Cooling-off Notice to you or your nominated representative (whichever is the earlier). (The Cooling-off Notice is the notice sent to you or your

nominated representative (separate from the policy) notifying you of your right to cancel within the stated 21 calendar day period).

- (b) No refund can be made if a claim payment under the policy has been made prior to your request for cancellation.

Should you have any further queries, you may contact [contact information of the authorized insurer (including the address, service hotline number and email address)] and we will be happy to explain your cancellation rights further."

Note

- (a) Authorized insurers may adjust the above wording and specify the manner in which the written notice to cancel the policy is to be given by a policy holder. For example, a written notice may be sent by the policy holder to the authorized insurer by email.