



Ref. No. : MEMO/038/2014
To : All Members
From : Jase Yiu – Chief Administrative Executive
Date : 22 August 2014
Page(s) : 2

Dear all,

**OCI's Guidance Note on (all authorized Insurers) Underwriting Class C
(Investment-Linked Assurance Schemes ("ILAS")) Business (GN15)**

Office of the Commissioner of Insurance ("OCI") promulgated the GN15 on 30 July 2014. The GN15 shall come into effect from 1 January 2015. It concerns our member brokers who are currently carrying ILAS business.

In gist, the aims of the GN15 are to set out the proper standard of conduct and business practices for authorized Insurers underwriting ILAS products with emphasis on "fair treatment of customers" principle such as:

1. Due regard to the interest of customers, i.e. providing customers with clear information before, during and after the point of sale.
2. Reducing the risk of sales which are not appropriate to the customers' needs.
3. Ensuring that any advice given is of a high quality by means of suitability assessment, i.e. investment vs. insurance needs, and sustainability evaluation.
4. Managing reasonable expectations of customers, i.e. including a "zero" growth scenario in the benefit illustration statement.
5. Post-sale control, i.e. by completion of FNA, confirmation of needs, comparison of different insurance options, completion of the RPQ, explanation of the key product features, and completion of the IFS/AD. A flowchart is stipulated with the GN15.



Besides, there will be in place a number of ILAS products revamp/reform by Insurers including but not limited to:

- A. The prohibition of indemnity commission or advance payment of commission. Insurers should only pay commission on an earned basis;
- B. Insurers have agreed that effective 1 January 2015, all ILAS products would provide a minimum death benefit of 105% of the account value; and
- C. It would be questionable whether an ILAS product, which only carries minimal insurance content but has high upfront charges or multiple charges, could meet the "fair treatment of customers" principle.

If you are currently carrying ILAS business, you are reminded of visiting OCI's homepage or the hyperlink <http://www.oci.gov.hk/download/gn15.pdf> for full details of the GN15.

Best Regards,



Jase Yiu
Chief Administrative Executive