

Guidance Note on Proper Delivery of Long Term Insurance Policy

According to Membership Regulation 3.5, the General Committee is issuing this Guidance Note on proper delivery of long term insurance policy.

Background

CIB Membership Regulation 14.7.8 requires our Members and their Chief Executive and Technical Representatives to deliver any new long term insurance policy issued by the insurer through him to his client without delay. It has come to our notice that in some cases when the brokers are vested with the obligation to deliver policies to clients, delay in doing on their part has deprived the clients of their right under the Cooling-off Initiative promulgated by the Hong Kong Federation of Insurers.

Cooling-off Period

Life insurers in Hong Kong have adopted the Cooling-off Initiative promulgated by the Hong Kong Federation of Insurers, under which policyholders have the rights to cancel new life insurance policies within the Cooling-off Period and obtain a refund of the premium(s) paid.

The Cooling-off Period will be the later of:

- (a) 21 days after the date on which the application for the new policy has been signed;
- (b) 14 days after the date of issue of the new policy;
- (c) 14 days after the date on which the Customer Protection Declaration form has been copied to the insurer of an existing policy which the new policy is replacing; and
- (d) 5 days after the delivery of the policy or a Notice to the policyholder or the policyholder's representative.

Devising Internal Control Measures

It is commercial arrangement among insurance brokers, insurers and clients whether new life policies are delivered to clients direct by insurers or via insurance brokers. However, when Members take on or are vested with the obligation to deliver policies to clients, they should devise appropriate internal control measures which will ensure and prove that: policies are delivered to clients properly.

In devising such measures, Members should also take into account:

- (1) The 5-day cooling-off period specified under (d) above in the Cooling-off Initiative, for any delay in delivery on the part of Members would reduce such time available to clients for policy review, hence it would be against the interest of clients and a breach of the Code of Conduct as well.
- (2) Fallback strategy in case where the clients cannot be reached for policy delivery.
- (3) Documentation of the paper flow.

Filing Requirement

The acknowledgement of receipt by client of the policy document should form part of the client's record to be kept and maintained by the Members. CIB would inspect the record at site visits or when dealing with complaints. Members should cooperate by furnishing with CIB a copy of such when it is required for purpose of investigation.

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