



Monetary Authority of Singapore

Information Paper

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Strengthening Advisory and Sales Processes for Long-Term Accident and Health Policies



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1. Introduction

The Monetary Authority of Singapore (“MAS”) conducted a thematic review of five financial institutions (“FIs”) acting as accident and health insurance intermediaries¹ between 2022 and 2023. The scope of the review covered FIs’ controls, policies and procedures in the provision of advice and sale of long-term accident and health (“LT A&H”) policies², based on the requirements in MAS Notice 120 Disclosure and Advisory Process Requirements for Accident and Health Insurance Products (“Notice 120”) under the Insurance Act 1966³.

MAS observed that FIs’ advisory and sales practices for LT A&H policies were largely similar to those for investment products regulated under the Financial Advisers Act 2001 (“FAA”). For example, FIs voluntarily applied the FAA regulatory requirements on the use of introducers⁴, oversight of advertisements⁵, and handling and resolution of complaints⁶ to LT A&H policies. This is a good practice as it promotes consistency in FIs’ dealings with customers across the two product types.

This information paper sets out MAS’ supervisory expectations⁷, good practices observed and areas for enhancement in the following areas:

- Oversight of accident and health (“A&H”) insurance representatives;
- Provision of advice and sale of integrated shield plans (“IPs”); and
- Post-sales checks and reviews for LT A&H policies.

¹ As defined in Section 5 of Notice 120, “accident and health insurance intermediary” may refer to (a) a direct insurer; (b) a licensed financial adviser; (c) an exempt financial adviser; (d) a direct insurance broker; or (e) an exempt direct insurance broker.

² As defined in the First Schedule of the Insurance Act 1966.

³ MAS did not perform sampling checks as part of this thematic review.

⁴ MAS Notice FAA-N02 Appointment and Use of Introducers by Financial Advisers.

⁵ Regulations 22A to 22D of the Financial Advisers Regulations.

⁶ Financial Advisers (Complaints Handling and Resolution) Regulations 2021.

⁷ Incorporating the relevant Fair Dealing Outcomes, based on the updated Guidelines on Fair Dealing – Board and Senior Management Responsibilities for Delivering Fair Dealing Outcomes to Customers [FSG-G04] issued in May 2024.

2. Oversight of A&H Insurance Representatives

2.1 Fitness and Propriety of A&H Insurance Representatives

2.1.1 FIs appoint A&H insurance representatives⁸ to advise and sell LT A&H policies, including:

- Corporate entities⁹;
- Employees of the corporate entities; and
- Notified representatives under the FAA and/or Securities and Futures Act 2001 (“SFA”).

Supervisory Expectations

FIs should have policies and controls in place to apply the fit and proper criteria in MAS’ Guidelines on Fit and Proper Criteria to all A&H insurance representatives, at the point of onboarding and on an ongoing basis.

Appointing fit and proper A&H insurance representatives is also expected under outcome 3 of the Fair Dealing Guidelines, so that customers are served by competent representatives.

Good Practice 2.1A

Many FIs only allowed their notified representatives under the FAA and/or SFA to distribute LT A&H policies. This is aligned with the supervisory expectation as notified representatives are already assessed to be fit and proper based on the FIs’ fit and proper checks, which are designed to meet MAS’ Guidelines on Fit and Proper Criteria.

⁸ As defined in Section 5 of Notice 120.

⁹ These include both FIs and non-FIs.

Poor Practice 2.1B

One FI appointed its employees and a corporate insurance agent as A&H insurance representatives. However, the FI did not perform fit and proper checks on such persons.

Areas for Enhancement to Meet Supervisory Expectations

- FIs should conduct fit and proper checks on all A&H insurance representatives (i.e. including employees who are appointed as A&H insurance representatives but are not notified representatives under the FAA and/or SFA) at the onboarding stage and periodically thereafter. These checks are to assess that these persons remain fit and proper on an ongoing basis.
- For corporate entities acting on behalf of FIs, FIs should require the corporate entities to assess that their A&H insurance representatives are fit and proper. In this regard, FIs should:
 - refer the corporate entities to the fit and proper criteria in MAS' Guidelines on Fit and Proper Criteria; and
 - require the corporate entities to maintain records of the fit and proper checks and assessments performed on their A&H insurance representatives and provide the information for FIs' oversight purposes.

2.2 Training of A&H Insurance Representatives

Supervisory Expectations

FIs should ensure that A&H insurance representatives are adequately trained on the advisory and sale processes, product features and the relevant requirements under Notice 120 (e.g. disclosures required under Divisions 1A and 2, having a reasonable basis for recommendation under paragraph 30) before being allowed to advise and sell LT A&H policies.

In line with outcome 3 of the Fair Dealing Guidelines, in particular paragraphs 3.2.1 and 3.2.2, FIs should train and equip their A&H insurance representatives with the necessary knowledge and skills to explain the features of the product and provide appropriate advice to customers.

Good Practice 2.2A

Many FIs provided training on the relevant skills and knowledge to A&H insurance representatives before allowing them to advise and sell LT A&H policies. Several FIs also required their A&H insurance representatives to take and pass assessments to demonstrate that they have the relevant competencies to provide appropriate advice to customers.

Poor Practice 2.2B

One FI distributed LT A&H policies from multiple third parties. It relied on the third parties' materials to train its A&H insurance representatives on the products. However, one third-party product manufacturer indicated that its materials were not to be used for training. The same FI also did not independently assess whether the third party's materials met its own training needs and standards.

Areas for Enhancement to Meet Supervisory Expectations

- FIs should ensure that the materials used to train their A&H insurance representatives adequately cover the product's features, risks, conditions and benefits to customers.
- Before using materials produced by third parties, FIs should review the materials to ensure that they are adequate and fit-for-use. For example, the materials should clearly specify the financial objectives or target clientele which the products are suitable for. FIs should supplement third-party materials with their in-house developed content where necessary.

3. Provision of Advice and Sale of IPs

3.1 Paragraph 34 of Notice 120 requires FIs to comply with the requirements set out in Division 4 of the Notice in relation to “Know-Your-Client”, needs analysis, and documentation and record keeping when providing advice. These include taking into account the customer’s financial situation and particular needs, explaining to the customer the basis of the advice, and furnishing documentation containing specific information to the customer.

Supervisory Expectations

Consistent with outcome 3 of the Fair Dealing Guidelines, in particular section 3.3, FIs should ensure that their fact-find forms adequately and accurately capture all relevant customer information and the basis of recommendation is fully documented. FIs should also extend appropriate safeguards to vulnerable customers. In addition, FIs should provide all relevant information on the policies offered in a clear manner to enable customers to make informed decisions. This is consistent with outcome 4 of the Fair Dealing Guidelines.

Good Practice 3.1A

FIs had applied the safeguards for selected clients¹⁰ under the FAA to other vulnerable customers purchasing IPs. The safeguards included mandating the presence of trusted individuals to assist vulnerable customers better comprehend the product before purchase and conducting post-sales callbacks. One FI disallowed vulnerable customers from purchasing IPs and riders via its website, having assessed that such products were too complex for this group of customers to purchase through digital channels.

¹⁰ This refers to a customer who meets any two of the following criteria — (a) is 62 years of age or older; (b) is not proficient in spoken or written English; or (c) has secondary education or below.

Good Practice 3.1B

One FI designed and provided graphical placemats to enable its A&H insurance representatives to better illustrate and explain to customers the two components of IPs (i.e. MediShield Life component and private insurance component) and the interaction of the two components.

Poor Practice 3.1C

Many FIs did not require their A&H insurance representatives to adequately explain salient features of IPs to customers such as:

- the two components of IPs;
- the implications of the customer's choice of ward and hospital on the size of the hospitalization bill, and amount of government subsidy that will be applied to post-hospitalisation outpatient treatments;
- the amount of deductible and co-payment that will be borne by the customer; and
- the purchase of IP riders was optional.

In addition, A&H insurance representatives often assessed the customer's affordability based on the customer's financial situation at the point of purchase. No consideration was given to the customer's affordability over the longer term, which would be impacted by the escalating nature of premiums with age, and the limits on the use of MediSave to pay for IPs.

Poor Practice 3.1C (Cont'd)

Areas for Enhancement to Meet Supervisory Expectations

Salient features of IPs and/or IP riders, such as the areas indicated below, should be adequately and clearly explained to customers, in line with outcome 4 of the Fair Dealing Guidelines:

- the two components of IPs;
- implications of ward/hospital choice on the hospitalization bill size, and amount of government subsidies applicable to post-hospitalisation outpatient treatments;
- pre- and post-hospitalization and outpatient hospital benefits;
- amount of deductible and co-insurance borne by customer;
- escalating nature of premiums with age, and possibility of premium increases at renewal;
- Additional Withdrawal Limits (i.e. vary across age groups, and customer has to incur cash outlay if premium payable exceeds the applicable limit);
- impact of the purchase of IP on customer's eligibility for Additional Premium Support¹¹;
- implications of claims-based pricing, if applicable;
- implications when upgrading or downgrading IPs;
- optional nature of IP riders; and
- restriction on the use of MediSave to pay for IP riders.

FIs should incorporate the use of publicly accessible materials from relevant government agencies to aid this process.

¹¹ Additional Premium Support is financial assistance provided to Singapore citizens and permanent residents who are unable to afford their MediShield Life and/or CareShield Life premiums even after premium subsidies from the Singapore Government, use of funds in their MediSave accounts, and have limited family support.

4. Post-Sales Checks and Reviews for LT A&H Policies

Supervisory Expectations

FIs should perform regular and independent reviews to identify and rectify shortcomings in the advisory services provided by their A&H insurance representatives. Reviews may take the form of review of fact-find forms and sales documentation, and conduct of mystery shopping exercises.

Poor Practice 4.1A

FIs did not perform regular and independent post-sales reviews to assess whether their A&H insurance representatives adhered to FIs' processes and controls in the provision of advisory services. FIs also did not incorporate LT A&H policies in the scope of their regular mystery shopping exercises.

Areas for Enhancement to Meet Supervisory Expectations

- FIs should conduct regular and independent reviews to ensure compliance by their A&H insurance representatives with FIs' processes and controls. These reviews could be in the form of post-sales documentation reviews and/or customer surveys on sampled transactions.
- Where deficiencies are found, FIs should perform service recovery for affected customers, and impose appropriate disciplinary actions on the A&H insurance representatives involved.
- Post-sales reviews should cover the following areas:
 - understanding of customer's needs by A&H insurance representative;
 - suitability of product recommendation by A&H insurance representative;
 - adequacy of information disclosure by A&H insurance representative;
 - professionalism and conduct of A&H insurance representative; and
 - supervisor's review of adherence by A&H insurance representative to FI's processes and controls.
- FIs should also include LT A&H policies in the scope of their regular mystery shopping exercises.



5. Conclusion

5.1 FIs and their A&H insurance representatives play an important role in providing appropriate information and advice to guide customers in their purchase of LT A&H policies. As such, FIs are expected to benchmark their current processes and practices against the supervisory expectations and good practices in this paper. Where gaps are identified, FIs should take steps to address them.

5.2 MAS will continue to monitor and engage FIs, as part of our ongoing supervision, to promote good practices for the provision of advice and sale of LT A&H policies.