



# Revised PPRs: Key changes

Industry consultation  
workshop:  
21 July 2017



# Agenda

- Process and next steps
- Overarching changes
- Deleted rules
- Key changes: Rule-by-rule
- Transition measures



Process and next steps



# Consultation to date

- Replacement PPRs were published for public comment on 15 December 2016 – with some extensions granted to 15 March 2017
- 27 commentators provided feedback
  - 19 for L-T; 19 for S-T (some comments on both)
  - Some overlap, but also differences
- All comments thoroughly considered and debated – full response matrix being prepared
- Updated PPRs drafted, taking feedback into account



# Today and next steps

- Purpose of today -
  - Launch final round of informal industry comment
  - High-level overview of key changes only, to inform industry review
- Next steps –
  - Revised PPRs will be circulated for industry comment in next 2 weeks
  - 1 month comment period – to 4 September
  - Aim to table in Parliament in with Regulations in Q4 2017 (Oct)
  - Target effective date before end of 2017– with transition periods



Overarching changes



# Overarching changes

- Definitions –
  - Potential policyholders and members of funds / group schemes removed from definition of “policyholder” – dealt with in each rule
- Group schemes and funds –
  - Various changes to recognise compliance practicalities – but still ensure fair outcomes
- Intermediated models –
  - Various changes to recognise respective roles and responsibilities of insurer and intermediary
- Application to new vs. existing policies / practices clarified for each rule



Deleted rules





# Deleted rules

- Fund policies (L-T only) –
  - No longer required
- Consent required to insure a life –
  - Deferred to next phase of PPRs pending further research and consultation on options
  - Serious moral hazard concerns remain
- Policy loans and cessions (L-T only) -
  - Moved to rule on Disclosure – provisions all disclosure related



# Deleted rules (cont.)

- Clause on penalties deleted – i.e. contravention of the Rules will not constitute an offence, but can attract enforcement action (correction of an oversight)



**Key changes:  
Rule-by-rule**




# Policies & processes dealing with fair treatment

- Clarification on how insurer must comply with TCF principles –
  - In the case of group scheme or fund policies where direct engagements with members is not reasonably practicable
  - In relation to ensuring suitable advice in independent intermediary distribution models



# Product design

- References to “product line” replaced with “product”



# Credit life / consumer credit insurance

- Application in respect of group schemes clarified



# Cooling-off rights

- Cooling-off period to run from not earlier than policyholder's receipt of post inception disclosures
  - (See revised Disclosure and Record Keeping rule)
- Cooling-off for members of voluntary group schemes provided for (L-T only)
- S-T aligned to L-T: cooling-off applicable to certain policies, subject to the deduction of the cost of risk cover actually enjoyed



# Negative option selection

- Clarified that “default” provisions will be permitted where –
  - Required by law
  - The policyholder needs to make an election during the life of the policy but does not do so – provided the default is required to achieve fair outcomes and is disclosed in advance





# Determining premiums

- Prohibition on charging fees in addition to the premium does not apply to -
  - Fees deducted from policy benefits or values that are explicitly provided for in the policy
  - Fees permitted by legislation
  - Claims administration fees (subject to fairness and disclosure conditions)

A photograph of a modern glass skyscraper, likely the Shard in London, viewed from a low angle looking up. The building's facade is composed of numerous glass panels and metal structural elements, creating a complex geometric pattern. The sky is a clear, bright blue.

# Void provisions

- Void provisions re lie detector and similar tests to apply to “claimant” in addition to policyholder



# Waiver of rights

- Clarified that rule also applies to group scheme and fund members and potential policyholders /members



# Signing blank or uncompleted forms

- Clarified that rule also applies to group scheme and fund members and potential policyholders /members



# Advertising

- Definitions clarified – including simplifying definition of “advertisement”
- Rule also applies to “related services”
- Delegation of “sign-offs” provided for
- Insurer responsibility for advertisements produced by third parties clarified
- Obligation to correct or withdraw non-compliant advertisements introduced
- Provision made for practical challenges of including certain details in certain types of media – provided alternative access to the details is provided



# Advertising (cont.)

- Refinement of provisions relating to testimonials and endorsements – includes disallowing actors, allowing pseudonyms
- Advertising of loyalty benefits and no-claim bonuses –
  - Clarification of disclosure of cost impact, whether benefit is optional or not
  - Additional provisions to ensure advertising of benefits that are contingent on policyholder behaviour or external events are not misleading
- Partial relaxation of “prominence” of insurer identification for white labels within financial services groups



# Disclosure and record keeping

- Rule restructured to distinguish more clearly between –
  - Disclosure before a policy is entered into
  - Disclosure after inception of a policy
  - Ongoing disclosure
- Disclosures before a policy is entered into are required where –
  - A policy is entered into through direct marketing (definition of “direct marketing” re-inserted)
  - The insurer provides a detailed policy quotation or similar
- Disclosures after inception of policy are broadly similar to pre-contractual disclosures (with some additional detail), but need not be repeated if provided before entering into



# Disclosure and record keeping (cont.)

- Respective disclosure responsibilities of insurer and intermediary provided for
- Disclosure responsibilities in respect of members of groups schemes and funds clarified
- Rule also applies to “related services”
- Requirement added for identification of the insurer in all disclosure material
- Detailed disclosures more closely aligned to FAIS (but not identical)
- Policyholder right to request recordings of telephone disclosures added





# Disclosure and record keeping (cont.)

- Ongoing disclosures of changes to pre- and post-contractual disclosures required, where reasonably required by policyholder to assess ongoing suitability
- Specific disclosures required for policy loans and surrenders (moved from previous separate rule)
- Record keeping provisions clarified



# Arrangements with intermediaries

- Insurer responsibility to ensure intermediary meets FAIS product knowledge competency requirements clarified
- Confirmation that intermediary agreement must be entered into directly between insurer and intermediary
- S-T only: - Conditions for remuneration payable by policyholder to an intermediary (to replace s.8(5)) moved from regulations to PPRs



# Data management

- Scope of insurer's data management responsibilities clarified – including that insurer must have access as and when required by the insurer to its data where any data processing is outsourced



# Ongoing review of product performance

- No significant changes



# Premium reviews

- Application to new and existing policies clarified
- Drafting changes to clarify regulatory expectations



# Claims management

- Charging of a claims administration fee provided for, subject to fairness and disclosure conditions
- Insurer responsibility clarified where intermediaries participate in claims management process
- Inter-relationship between claims management rule and complaints management rule clarified (where complaint relates to a claim dispute)
- Insurer responsibilities clarified where claimant is a group scheme or fund member or beneficiary of such member



# Complaints management

- Definition of “complainant” expanded to include group scheme and fund members, lives insured and premium payers
- Insurer’s responsibilities clarified where complaints relate to or are handled by its service provider
- Provision made to include complaints relating to premiums, premium collection and policy lapses in existing TCF aligned complaint categories



# Replacement of policies (L-T only)

- Definition of “replacement” inserted – aligned to proposed FAIS General Code definition, but tailored to be specific to insurance
- Confirm that rule only applies to individual risk policies, and only where distribution model entails advice
- *[Delegation of replacement disclosure sign-off provided for]*
- Clarification of matters to be checked by signatory





# Termination of policies

- Provision made for reasonable alternative steps where insurer cannot obtain actual proof that policyholder has received termination notice



# Transition measures



# Transition measures

- Transition measures will apply wherever warranted
- Will differ for different rules



Questions?