

To: Ordinary and Associate Members

**MU 31/11 - LIA MINIMUM STANDARD FOR COMPANY TRAINING & COMPETENCY
PLAN FOR LIFE INSURANCE REPRESENTATIVES (W.E.F. 1 APRIL 2012)**

ACTION

- 1. THIS UNDERTAKING REPLACES MU 31/02 OF 10 JAN 2002 AND MU 31/05 OF 1 AUG 2005**
- 2. FOR ORDINARY MEMBERS' COMPLIANCE AS APPROPRIATE**
- 3. FOR ASSOCIATE MEMBERS' INFORMATION**

Changes made in 2011 are highlighted in blue:

Supervised Sales

Introduced two additional limbs to the requirement of "three closed sales", namely:

- One observed process must be of an Application Type 1 or 2 advisory
- One observed process must be of an entire needs-based sales process

Definition of "new" representative for the purpose of supervised sales provided

Weekly Meetings

Provided more practical flexibility to meeting the requirement of weekly meetings

Supervisors not operating under a tier structure or a mobile sales force

Clarified the role and requirements of a supervisor in a bancassurance context

Continuing Professional Development (CPD) requirements are issued as separate guidelines (MU 47/11). It incorporates the LIA Summary of Courses and LIA CPD Application Form.

MU 31/11 and MU 47/11 should be read with reference to each other.

LIA SECRETARIAT

LIA Minimum Standard for Company Training & Competency Plan for Life Insurance Representatives

Preamble

As recommended by the Committee on Efficient Distribution of Life Insurance (CEDLI) and accepted by the MAS, from 1 April 2001, principals of life insurance representatives, including financial institutions as distributors of life insurance, are required to produce a written Training & Competency Plan for their own life insurance representatives.

These guidelines set out the minimum standard on which the development of any T&C Plan should be based.

These guidelines are available on the LIA website.

Objectives and desired outcome of Company T&C Plan

1. The primary objective of the T&C Plan is to ensure that the company meets the minimum standards of competency set by the industry for life insurance representatives.
2. The contents and design of the T&C Plan should contain the minimum specifications set out in this guideline. Within this context, the design of the T&C Plan should be appropriate to the company's business.
3. The aim is to raise the standard of competency across the industry. This should lead to higher levels of ethical conduct and professionalism of life insurance representatives, competitiveness of the industry, consumer confidence and public awareness.

Scope of Company T&C Plan

There should be a formal scheme to set out in detail the steps to be taken by the company in applying to its relevant activities the requirements stated in the following sections.

Section I

Minimum roles and responsibilities of the representative and the supervisor

The T&C Plan should define the minimum roles and responsibilities of the respective parties according to the company's distribution structure/organisation structure for representatives.

- **Identification of tasks and functions; and determination of regulatory requirements, industry standards and, knowledge and skills**

In order for the representative and the supervisor to carry out their tasks and functions competently, the Plan should identify and determine as captioned, stating the areas of knowledge and skills, regulatory requirements and specific industry standards.

The Plan must define the said requirements for the different groups within the categories (e.g. new representatives, existing representatives, supervisors) according to the company's distribution structure/organisation structure for representatives.

- **Roles of representative, supervisor and principal of representatives in ensuring competency**

The minimum standards required for each group with regards to their respective roles and responsibilities should be defined to ensure that competency is maintained.

The following guide defines the basic roles and responsibilities of the respective parties involved.

1. Principal of tied agents, FA representatives or staff of financial institution

- 1.1 Ensure that their representatives and supervisors are competent by providing the necessary support and facilities for their training and development as detailed in the company's T&C Plan.

- 1.2 Re-train and re-assess incompetent representatives as well as outline the grounds for termination should a representative repeatedly fail to meet competency requirements.

- 1.3 Re-train and re-assess incompetent supervisors. Supervisors who repeatedly fail to meet competency requirements should either have a reduced number of representatives under their care, or be asked to step down or be terminated.

- 1.4 Allow only representatives who have been assessed to be competent to conduct needs-based sales process on their own (i.e. without their supervisor in a joint visit format).

- 1.5 Assess the competency of their representatives and supervisors on a regular basis so as to ensure that they maintain their level of competency.

- 1.6 Maintain proper training and competency records of representatives and supervisors to facilitate training needs analysis and audit.

2. Manufacturer (Life insurer)

- 2.1 Provide company specific product training to FA firms and financial institutions that distribute their products.

3. Supervisors operating under a tier structure¹ or a mobile sales force structure²

- 3.1 The key duties are prescribed below and may not be delegated by the supervisor but must be personally performed.

The duties apply to every person, regardless of designation, who has the responsibility of supervising representatives.

Key duties have been set out in some detail in view of the historical absence of any such requirements, and therefore the need to build up an acceptable minimum standard across the industry.

A clarification and implementation of such basic roles will significantly enhance the quality and professionalism of representatives, the advice rendered to customers and the productivity of representatives.

¹ Tier structure is in use if overriding benefits are payable. Maximum number of tiers shall not exceed three.

² The distribution structure where sales staff do not conduct their business/sales within designated premises.

3.2 Conduct coaching sessions, meetings and sales activities with their representatives as follows:

a. For new representatives

- Accompanying new representatives in their first six months on three closed sales with three separate lives; **and** at least one comprises an Application Type 1 or 2 **advisory**.

Note

A representative who joins a new organisation is not new if he has provided life insurance advisory services and arranged life insurance contracts for more than 12 consecutive months within the last 24 months.

Rationale

The spirit of the rule is clear. We want to encourage more active field involvement by supervisors at every level of representatives, but in particular, would want to lay down a minimum standard for new representatives in their first six months.

Supervision would mean that, as a standard process, the supervisor would be reviewing the fact-find, and helping in needs analysis for appropriateness and in design of the solution(s).

Therefore, the supervisor is required to be present at three **closed** sales. **However**, to ensure that the new representative is competent, the supervisor must observe the representative conducting **at least one** entire needs-based sales advisory process **involving Application Type 1 or 2. The entire process that is observed need not be one resulting in a closed sale, but in which case four accompanied field work in total would be necessary.** One-interview sales are allowed, provided the new representative is accompanied by the supervisor.

- Weekly coaching of new representatives on a one-to-one basis (with evidence) for their first three months
- Weekly meeting, totalling three hours, with new representatives on a one-to-one or group basis (with evidence) for their first three months; **or totalling 12 hours per month for the first three months, provided that the entire block of 12 hours may not be conducted in one and only meeting.**

b. For existing representatives

- Monthly coaching on a one-to-one basis (with evidence)

c. For all representatives

- Monthly meeting with all representatives (with evidence)
- Reviewing and signing off on all representatives' needs analysis cum product recommendation form

3.3 Conduct coaching sessions and meetings with other supervisors reporting to them as follows:

a. For new supervisors

- Weekly coaching with new supervisors on a one-to-one basis (with evidence) for their first three months

b. For all supervisors

- Monthly meeting with all supervisors (with evidence)
- Reviewing and signing off all supervisors' needs analysis cum product recommendation form in respect of the supervisor's personal sales

3.4 Coaching session focuses on personal development and may include the following activities:

- Assessing performance measurements (e.g. production, persistency, customer service, complaints)
- Reviewing training activities, how well they have been applied and discussing future training required
- Reviewing issues around unsuccessful sales presentation
- Reviewing outstanding issues arising from previous coaching session, etc.

3.5 Meeting session may include the following activities:

- Informing of issues affecting financial services industry, company or representatives
- Assessing company/unit/agency performance
- Reviewing training activities, needs and plans, including conducting training as appropriate
- Reviewing issues affecting the company/unit/agency
- Reviewing outstanding issues arising from previous meeting session

3.6 Be well prepared for coaching and meeting sessions.

3.7 Ensure representatives, supervisors under their supervision and they themselves are competent.

3.8 For effective "span of control", the recommended best practice is that a supervisor should have a maximum of 15 representatives under him/her; and an agency manager a maximum of 10 supervisors under him/her.

This also applies to any non-agency distribution system using a tier structure or mobile sales force.

4. Supervisors not operating under a tier structure³ or a mobile sales force⁴

4.1 The key duties are prescribed below and may not be delegated by the supervisor but must be personally performed.

The duties apply to every person, regardless of designation, who has the responsibility of supervising representatives.

³ Tier structure is in use if overriding benefits are payable. Maximum number of tiers shall not exceed three.

⁴ The distribution structure where sales staff do not conduct their business/sales within designated premises.

Key duties have been set out in some detail in view of the historical absence of any such requirements, and therefore the need to build up an acceptable minimum standard across the industry.

A clarification and implementation of such basic roles will significantly enhance the quality and professionalism of representatives, the advice rendered to customers and the productivity of representatives.

In the Bancassurance context, the “Supervisor” who is overall responsible for the general conduct of a representative and the “Supervisor” who is responsible for coaching and signing-off a recommendation given on a fact-find may not necessarily be the same individual.

An individual will only be given the autonomy to sign-off recommendations on fact-find as the “Supervisor” when the following criteria are fulfilled:

- ✓ Passed all relevant examinations;
- ✓ Acquired all relevant product knowledge;
- ✓ Complied with the CPD hours requirement;
- ✓ Completed a “Supervisor course”.

The objectives of the “Supervisor course” are to:

- ✓ equip the individual the skill to assess appropriateness of recommendation made in the fact-find;
- ✓ inform the individual of the obligations and liabilities that come with the authority to sign-off and it can be delivered to the individual in any media deemed effective by the respective financial institutions.

4.2 Conduct coaching sessions, meetings and sales activities with their representatives as follows:

<p>a. <u>For new representatives</u></p> <p>- Accompanying new representatives in their first six months on three closed sales with three separate lives; and at least one comprises an Application Type 1 or 2 advisory.</p> <p><u>Note</u></p> <p>A representative who joins a new organisation is not new if he has provided life insurance advisory services and arranged life insurance contracts for more than 12 consecutive months within the last 24 months.</p> <p><u>Rationale</u></p> <p>The spirit of the rule is clear. We want to encourage more active field involvement by supervisors at every level of representatives, but in particular, would want to lay down a minimum standard for new representatives in their first six months.</p> <p>Supervision would mean that, as a standard process, the supervisor would be reviewing the fact-find, and helping in needs analysis for appropriateness and in design of the solution(s).</p> <p>Therefore, the supervisor is required to be present at three closed sales. However, to ensure that the new representative is competent, the supervisor must observe the representative conducting at least one entire needs-based sales advisory process involving Application Type 1 or 2. The entire process that is observed need not be one resulting in a closed sale, but in which case four accompanied field work in total would be necessary. One-interview sales are allowed, provided the new representative is accompanied by the supervisor.</p>
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b. For all representatives

- Conducting regular coaching and meeting sessions with the following activities:
 - Assessing performance (e.g. production, persistency, customer service, complaints)
 - Reviewing training activities, how well they have been applied and discussing future training required
 - Reviewing issues around unsuccessful sales presentation
 - Informing of issues affecting financial services industry, company or advisors
 - Reviewing outstanding issues arising from previous session

4.3 Be well prepared for coaching and meeting sessions.

4.4 Ensure representatives and they themselves are competent.

4.5 For effective “span of control”, the recommended best practice is that a supervisor should have a maximum of 15 representatives under him/her.

5. Representatives are required to:

5.1 Prepare themselves for coaching and meeting sessions.

5.2 Ensure that they themselves are competent and updated on current industry standards.

• **Competence assessment**

Competency requirements and/or levels (for the different areas, e.g. skills, knowledge) for each group should be defined and the frequency and methods (e.g. multiple choice questions, group assignment, etc.) of assessment specified.

There should be regular reviews of the Plan’s systems and methodology. It is therefore encouraged that the T&C Plan be revised on an annual basis to allow for updates of components.

Section II

Criteria for recruitment and termination Criteria for retention, promotion, demotion

The criteria for recruitment and termination should be properly defined.

The minimum requirements for each group’s key performance indicators or key result areas to be used in determining retention, promotion and demotion should be defined.

Key Performance Indicators or Key Result Areas may include the following factors:

1. Persistency

The representative’s quality of business may be measured, for example, by how well he/she retains existing clientele.

2. Production

The representative's production may be measured, for example, by the overall amount of first year premium brought in by him/her.

3. Complaints

The representative's quality of business may be measured, for example, by the number and nature of complaints brought against him/her.

4. Competency (skills and knowledge)

The representative's level of competency (skills and knowledge) may be measured, for example, by the competency assessment method employed by the company.

5. Ethical conduct

The assessment of the representative's compliance with minimum ethical standards.

Section III

Penalties for non-compliance

Punitive measures should be put in place and defined for situations where representatives or supervisors fail to meet competency requirements.

The measures for failure to meet minimum requirements may or may not be prescribed by the Authority. In the absence of such prescriptions, companies should put in place their own punitive measures. They are to be consistent with the overall aim and spirit of these guidelines.

Section IV

Implementation, Monitoring, Review

- **Implementation and review of Company T&C Plan**

The company should state the steps and measures it will take to introduce and implement the T&C Plan in terms of target groups, time frame, etc. The Plan should also specify the different users within the company and how it will apply to them.

It is strongly encouraged that the Plan be reviewed and updated annually in order to ensure that contents remain current. All parties concerned should always have in their possession the most updated copy of the Plan in order to ensure that they are aware of the current requirements.

- **Allocation of resources**

The company should state the overall resources to be allocated to its T&C scheme, i.e. manpower support, infrastructure provision, etc.

- **Monitoring mechanism for proper tracking of performance / fulfilment of training and competency requirements**

The company should have systems and methods in place to monitor and ensure that competence is being achieved and maintained.

The systems and methods will also serve the compliance function by ensuring that the minimum competency requirements are being adhered to.

☞ MU 31/11 ☞