

To: Ordinary and Associate Members

MU 20/11: LIA MINIMUM STANDARD FOR LIFE INSURANCE ADVISORY PROCESS (1 JUL 12)

1. THIS MEMBERS' UNDERTAKING REPLACES MU 20/07 DATED 23 NOV 07.

2. FOR ORDINARY MEMBERS' IMPLEMENTATION W.E.F. 1 JUL 12

Changes made in 2005

- Terminology
- Disclosure of Representative's status: Recommended (best practice) wordings
- Removal of up to 14 days period for validation of fact-find form by Supervisor
- Penalties for Representative's non-compliance with Minimum Standard

Changes made in 2007

- The desired outcome is to raise competency levels and hence improve the quality of advice across the industry by providing guidance to Financial Advisers on enhancing client disclosures and elements of the sales advisory process.
- Some measures are set as minimum standards, while others are good practices to be achieved. They include a Flowchart of the Sales Advisory Process; and Client's Reference List of Disclosures.
- Principles of validation of the Flowchart Stages are provided. Implementation: These are guiding principles, and no specific "implement by" date is set.
- Application type (Option) 5 is removed with immediate effect.

Changes made in 2011

- Revised mode of presenting Your Guide to Life Insurance
- Revised definitions and minimum requirements for Life Insurance Application Types
- Revised compulsory requirement for client to receive from the representative as soon as possible a copy (whether in hardcopy or softcopy) of the Fact-Find (includes Know Your Client, Needs Analysis and Product Recommendation), Benefit Illustration, Product Summary, Product Highlights Sheet (if applicable) and Your Guide to Life Insurance.
- Guidelines pertaining to the regulatory requirement for Customer Knowledge Assessment

LIA SECRETARIAT

LIA Minimum Standard for Life Insurance Advisory Process

OBJECTIVES & DESIRED OUTCOME

The objective in terms of process is to set a minimum standard for the needs-based advisory process for life insurance representatives.

It is important for a representative to obtain relevant information on a client's financial situation, needs, objectives and goals, and to put this information through proper analysis before making appropriate recommendations on product suitability.

The client would also need to understand the status of the representative in order to make an informed decision when considering the representative's recommendations.

The desired outcome is to raise competency levels and hence improve the quality of advice across the industry by providing guidance to Financial Advisers on enhancing client disclosures and elements of the sales advisory process.

Some measures are set as minimum standards, while others are good practices to be achieved.

SCOPE

LIA members with tied distribution are expected to comply with the minimum standards and adopt the good practices, whilst other LIA members who work with third party Financial Advisers or Exempt Financial Advisers should refer to FAA Notice on Recommendations on Investment Products (FAA-N16) at paragraph 34, which states that Financial Advisers are expected to comply with this set of LIA Guidelines.

Applicable

The Minimum Standard applies to:

- **Policies sold to individuals by life insurance representatives of licensed Financial Advisers or Exempt Financial Advisers.**
- **CPF-funded policies**
 - a) The Minimum Standard applies to life insurance products sold under CPF schemes and which are paid for using CPF savings.
 - b) In addition to requirements under the Minimum Standard, specific requirements stipulated by LIA and/or CPF Board, if any, will also apply.
- **Top-ups and other policy alterations**

Proper advice should be given for top-ups and other policy alterations. As representatives would have most of their clients' basic information, it may be unnecessary to conduct a full fact find. However it is important that representatives ensure all relevant, up-to-date information is obtained when performing these functions of topping-up or alteration of policy.

Not Applicable

The use of fact find form does not apply to:

- **Direct marketing**
- **Simple life insurance sold as an ancillary product to loans with a simple payment basis for the insurance cover**

These policies would cover outstanding loans through personal loans, car loans, and credit card balances, i.e. in particular creditor life and creditor disability but would exclude mortgage reducing term assurance plans.

- **Business insurance**

Examples are keyman insurance or partnership insurance.

Notwithstanding that the fact find form provided under the Minimum Standard is tailored for individual persons and is therefore not appropriate for business insurance, life insurers should be satisfied that the financial needs and objectives of the business entity have been assessed and reflected in the policy sold.

Section 27 of the FAA requires a reasonable basis of recommendation to be made.

- **Group insurance**
 - a) Group term life and group pure protection insurance products, where an employer or association is the policy owner; or
 - b) Yearly renewable products such as credit life and pure protection insurance products that are sold on a group basis.

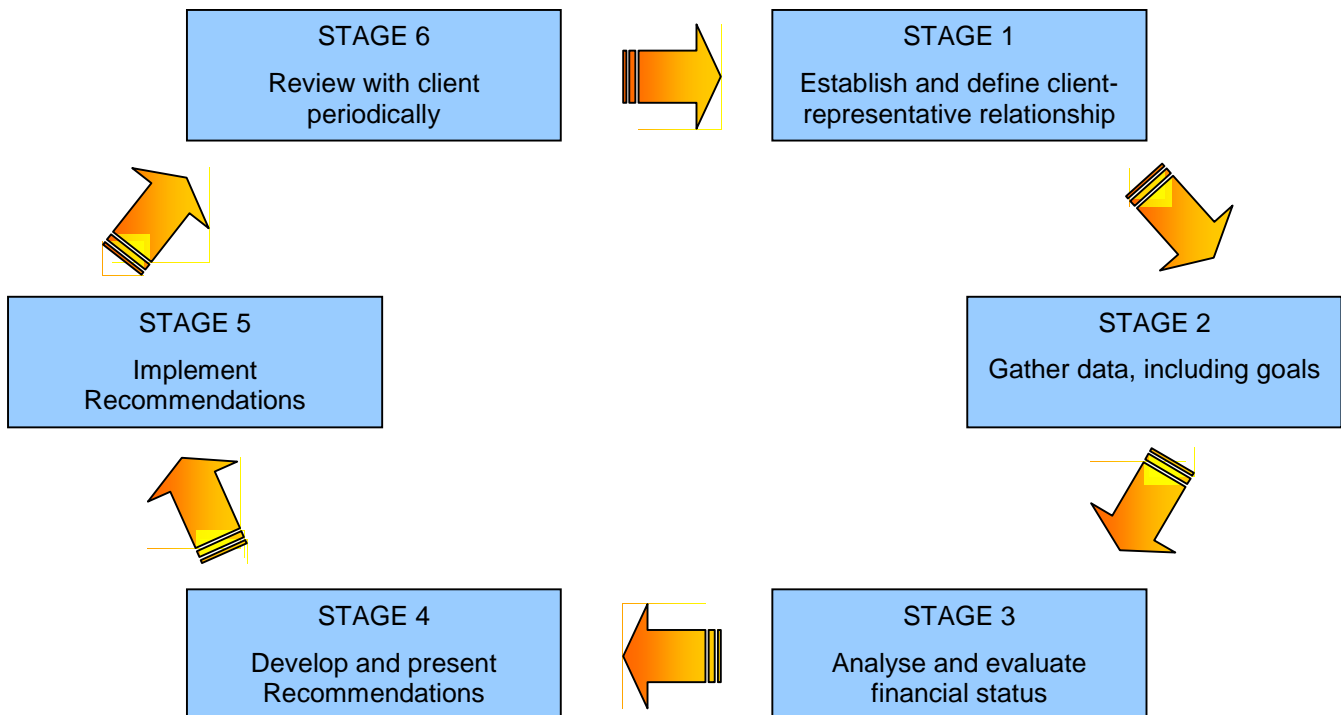
Section 27 of the FAA requires a reasonable basis of recommendation to be made.

FLOWCHART OF THE SALES ADVISORY PROCESS (MINIMUM STANDARD)

Creating client awareness and expectation

- The Flowchart sets out a generic needs-based sales process for adoption by Financial Advisers, and which may be customised by individual Financial Advisers.
- The Flowchart appears in the compulsory client disclosure guide, *Your Guide to Life Insurance*, so as to advise clients on what they should be expecting of the needs-based sales process.
- The Flowchart should be included in the training syllabus for all representatives and supervisors.

FLOWCHART OF THE SALES ADVISORY PROCESS



STAGE 1: Establish and define client-representative relationship

- Meet the client.
- Introduce your company, disclose your status, explain your role and the types of financial advisory service and investment products you can provide.
- Explain the purpose of the meeting.

STAGE 2: Gather data, including goals

- Identify the client's life stage.
- Explore the client's needs and determine his concerns and financial goals.
- Gather the client's financial information and his attitude to risk.
- Update any changes, where necessary.

You should gather the information needed using a Fact-find Form, and identify the financial need(s), and which then forms the basis for suitable recommendations to be proposed to the client.

STAGE 3: Analyse and evaluate financial status

- Analyse the information gathered.
- Evaluate the client's financial situation in relation to his objectives.

This analysis and evaluation help to establish the basis on which recommendations can be made.

STAGE 4: Develop and present Recommendations

- Explore relevant alternatives to meet the client's financial objectives.
- Design a solution and options that can reasonably meet the client's financial objectives.
- Explain to the client the basis of your recommendation having regard to the information obtained from the client, the costs and charges involved, features of the recommended products and assessment of the disadvantages to the investment product based on circumstances of the client.
- Explain to the client costs and charges involved, and the features of the recommended products .

Your client will be informed to expect you to present to him a proper Recommendation in writing, and that a copy of the Fact-find form will be given to him.

STAGE 5: Implement Recommendations

- Select the appropriate plans for implementation, on the client's instruction.

STAGE 6: Review with client periodically

- Contact the client to conduct periodic reviews of the plans to ensure continued appropriateness.

Monitoring of the plan ensures that the client is achieving his financial objectives. There is no hard and fast rule as to how frequently a review should be done. It is normal to conduct a review annually. You should advise clients to initiate a review whenever there is a change in their objectives, personal or financial circumstances.

<p style="text-align: center;">GUIDING PRINCIPLES FOR THE VALIDATION OF THE SIX-STAGE SALES ADVISORY PROCESS AND THE QUALITATIVE ASSESSMENT OF THE SALES ADVISORY</p>

Overview

The industry-wide Needs-based Sales Advisory Process inceptioned in 2001 will be enhanced with effect from 1 October 2007 by a clear articulation of the Process as comprising a 'flow' or series of six stages of actions.

This Six-Stage Process in generic terms will be communicated to prospective clients via the *Your Guide to Life Insurance*, and which will form their expectations and understanding concerning their Representative's role and service. The aim is to see positive and dynamic interaction taking place between client and Representative and which should impact the quality of the resulting sales advisory for the better.

Clear articulation can also facilitate the assessment of the quality of advice offered by Representatives to their clients. (An individual Representative's weaknesses thus identified should be appropriately addressed through coaching, training, further competency assessments.)

If all the desired outcomes are to be achieved, it becomes imperative for the Financial Advisers of Representatives to have in place or if not, to put in place validation procedures as a key component to ensure that their Representatives are in fact adhering to the Six-Stage Process.

Objectives of the guiding principles

1. Implementation - Adherence to the six-stage sales advisory process
2. Validation - Execution of the six-stage sales advisory process
3. Qualitative assessment - Quality of the sales advisory

4. Supervision - Responsibilities of supervisors

1. Implementation - Adherence to the six-stage sales advisory process

The first five stages of the six-stage sales advisory process are largely fulfilled and carried out through the existing industry (LIA) requirements introduced in 2001. These include the Statement of Representative Status, requirements set out in the Fact-Find, and proposal form.

For Stages 1 to 5, the new mandatory requirement is the *Reference Checklist of Disclosures*, which will be implemented together with the Six-Stage enhancement from 1 October 2007.

Stage 6 (Review with client periodically) of the sales advisory process is not a new activity in practice, but is newly articulated to prospective clients by way of the Six-Stage Process. It recognises the changing financial needs of a client as he goes through the different life stages and therefore the need for his Representative to periodically review his financial plans.

Some tips and tools that could assist in meeting the objective

- For a prospective client to know what to expect of his Representative as he goes through the sales advisory process, he needs to be informed of the Six-Stage Process as part of the sales presentation, and logically let this be done at the commencement.
- Other than *Your Guide to Life Insurance*, which is a mandatory material to be published verbatim, the Principal may for its corporate materials use and print its own Flowchart or Six-Stage Process, which may not be identical to the industry's (LIA) generic Flowchart. However, any Flowchart or Process employed should be based on professionally recognised practices.
- A section for "Periodic Review" could be incorporated into the Fact-Find Form to set the date of appointment for the next review. The goal can also be achieved by other means.

2. Validation - Execution of the six-stage sales advisory process; and

3. Qualitative assessment - Quality of the sales advisory

For audit purposes, Financial advisers should be able to demonstrate holistically that the stages in the sales advisory process are executed by the Representatives. They are encouraged to take it a step further and be able to provide qualitative indicators of how well or how poorly the stages are performed.

Some tips and tools that could assist in meeting the objectives

- Incorporate the six-stage sales advisory process into the training syllabus for Representatives and Supervisors.

Measure the execution of the six-stage process through qualitative and quantitative initiatives such as:

- a) Incorporating ratios of comprehensive planning / specific need(s) planning as one of the performance measurements.
- b) Conducting Pre and Post Fact-Find audits to ensure that recommendations are proposed and developed in accordance with proper analysis based on client's objectives. Supervisors are held accountable and recovery actions are required on the Representative's part for any recommendation that is unsatisfactory. The Financial adviser will pro-actively take corrective actions on Supervisors who are endorsing unsatisfactory recommendations repeatedly.
- c) Conducting Post Purchase surveys.

- The Supervisor employs a summary checklist as a tool to validate the sales advisory process. It helps ensure that he has taken the necessary measure to reduce the risk of Representatives submitting sub-standard documentation and quality of advice.

For a suggested checklist, see **Appendix 2**. This checklist provides the components and details of the six stages. Financial advisers can adopt the basic contents that suit their needs.

- The Supervisor employs a supervisory checklist as a tool to check off the stages of the sales advisory process that were performed by the Representative.

For a suggested checklist, see **Appendix 3**. The same checklist can be used to document the supervisor's endorsement of satisfaction or otherwise with the level / quality of financial advice rendered to the client.

4. Supervision - Responsibilities of supervisors

Whilst the existing LIA guidelines do touch on the role and responsibilities of Supervisors, in line with the 2007 enhancements, it is important for Financial advisers to consider how their role of supporting Representatives to consistently deliver quality six-stage sales process can be further articulated and developed.

Similar to Representatives, it is important for Financial advisers to be able to demonstrate that the Supervisors themselves are carrying out their responsibilities and any supervisory procedures.

Breach of requirements and penalties

The test in assessing whether there is a breach in the Representative's duties is whether the client was put in a disadvantaged position or had suffered from the lack of quality advice.

Penalties, if any, to be imposed is left to the Financial adviser's discretion and judgment.

CLIENT'S REFERENCE CHECKLIST OF DISCLOSURES (MINIMUM STANDARD)

Enhance disclosure by incorporating a reference checklist into the sales process

- a) Financial Advisers will implement a reference checklist to ensure that their representatives present all the information and documents that should be provided to clients when going through the sales process.
- b) It is recommended (good practice) that the reference checklist be printed in the Fact-find Form.
- c) Clients will be asked to sign on the reference checklist after the entire sales process, so as to help them to verify that they had received all the necessary information.
- d) The reference checklist should include information as required under the FAA Notice on Information to Clients and Product Information Disclosure (FAA-N03).

Compulsory provision of LIA-prescribed documents

1. Representatives shall provide to all prospective buyers (i.e. any person in contact with the insurer or its representative regarding the purchase of a life insurance policy) a copy of three prescribed documents each, as indicated below.
2. This requirement does not apply to non-life products such as personal accident and medical insurance.

3. The three documents are:

- a) Your Guide to Life Insurance
- b) Product Summary
- c) Benefit Illustration

4. Requirement for documents to be acknowledged

Representatives shall require all proposers to sign on the proposal form, stating that client had read and understood the Product Summary and Benefit Illustration, and that the contents had been explained to his/her satisfaction.

FORMS FOR FACT-FIND, NEEDS ANALYSIS AND PRODUCT RECOMMENDATION (MINIMUM STANDARD)

Minimum industry standard

The substantive contents and information contained in the two forms appended to the Minimum Standard must be adopted as the minimum industry standard.

Further, under FAA-N16 paragraph 11 on Know Your Client, the Financial Adviser shall take reasonable steps to collect and document information from the client as listed therein from 11 (a) to 11 (i).

Customer Knowledge Assessment (CKA)

- 1. Under FAA-N16 paragraph 16, where the investment product is an unlisted Specified Investment Product (SIP), a Financial Adviser shall conduct a CKA based on the criteria set out in Annex 2 of the said Notice before making a recommendation on the unlisted SIP concerned to a client.
- 2. Financial Advisers shall incorporate the CKA into their Fact-find Form.
- 3. There is no standardisation of the wordings of the CKA criteria.
- 4. The flow of the fact-finding (including where applicable the enhanced requirements in FAA-N16 paragraphs 22, 24 and 25) is for Financial Advisers to determine, subject to FAA-N16 paragraph 16.
- 5. The need to obtain a specific sign-off by the client on his declaration in response to the CKA criteria may be adopted but it is not a compulsory minimum requirement.
- 6. It is accepted practice for only one signature to be required at the end of the fact-finding process, which covers "all of the above".
- 7. For a joint-policy (e.g. husband and wife), the CKA should be conducted on the intending joint-policyowners, and both should sign-off. Where one of the joint-policyowners fails the CKA, the purchase will be treated as "CKA failed".
- 8. For purposes of FAA-N16, the provision of "advice" refers to Life Insurance Application Type 1 or 2 as set out in this set of LIA Guidelines.
- 9. Tracking the CKA outcomes of clients is not compulsory, and is a decision left to Financial Advisers.

Format

The forms are found in Appendices 1A and 1B.

- The 'look and feel' and sequence of contents of the two forms may be modified.
- Substantive subject headings or categories may not be omitted.
- Unless otherwise stated, the wordings need not be followed verbatim. For example, the titles of the two forms, "Know Your Client" and "Our Advice and Reasons Why" need not be reproduced verbatim.
- The wordings of the "Application Types" must be followed verbatim for life insurance sales, regardless of distribution channel.

Application Types

"Application Types" must be indicated for sales of life insurance products. (Not applicable to A&H insurance, CIS, other investment instruments.)

The section on "Application Types" must appear at the end of the fact find form and be signed off as follows:

(1) I/We have disclosed relevant information for comprehensive planning.

Explanatory note: For full completion of fact find where client wishes to receive representative's recommendation on product suitability.

Fact find form is to be completed. Client has to acknowledge Application Type.

(2) I/We have disclosed relevant information for specific need(s) planning.

Explanatory note: For partial completion of fact find where client wishes to receive representative's recommendation on product suitability.

Fact find form is to be completed. Client has to acknowledge Application Type.

Full completion for at least one need is required, and in which case completion of income and expenditure, and assets and liabilities sections may not be necessary.

(3) I/We did not undergo any needs analysis in this review and it is my/our responsibility to ensure that the Product I/we have selected is suitable.

Explanatory note: It is mandatory to explain product features, fees and charges to the client. For sale of investment-linked product (ILP), completion of a risk profile assessment is required.

Client has to acknowledge Application Type.

Minimum requirements for each Application Type

Minimum requirements	Application Type		
	(1)	(2)	(3)
Personal information	√	√	√
Dependant	√ (w.a)	o	n.a
Objective	√ (w.a)	√ (w.a)	n.a
Income & Expenditure	√	o	n.a
Assets & Liabilities	√	o	n.a
Existing life policies	√	o	n.a
Assumptions	√ (w.a)	√ (w.a)	n.a
Needs analysis	√ (> 1 need)	√ (1 or > needs)	n.a
Risk profile	√	√	√ (w.a)
Recommendation	√	√	n.a
Client's choice of App. Type	√	√	√
Acknowledgement by client	√	√	√

√ compulsory
w.a where applicable
o good to have
n.a not applicable

RESPONSIBILITIES OF LIFE INSURER, PRINCIPAL OF LIFE INSURANCE REPRESENTATIVES & LIFE INSURANCE REPRESENTATIVE AND SUPERVISOR

Responsibilities of life insurer / principal of life insurance representatives / supervisor of representatives

- In order to ensure that a copy of *Your Guide to Life Insurance* is provided to the client, a compulsory statement in the Proposal Form is required, along the following lines:

Tick as appropriate:

I have been informed and directed to view or download a copy of *Your Guide to Life Insurance* from www.abcinsurancecompany.com, or www.lia.org.sg

I have been informed and I request to be given a hardcopy of *Your Guide to Life Insurance*.

- For consistency, all the other consumer disclosure guides for Health Insurance, ILPs, Par Policies should be in hardcopy or directed to Insurer/Financial Institution website.
- Insurer as the product provider needs to keep a copy of the Fact Find Form where the client specifically indicates his choice of Application Type; and for a length of time according to individual companies' practice. Information kept must provide the necessary audit trail.
- The principal of the representative shall keep the Fact Find, Needs Analysis and Recommendation Forms for a length of time according to individual companies' practice. Information kept must provide the necessary audit trail.
- The principal must ensure that a register is set up and maintained by itself or its distribution entity (i.e. tied agencies, department(s) of bank/financial institution, or associate units of Financial Adviser) for audits by the MAS.

- The format of the register is as follows:

Policy No.	Application date	Name of insured	Name of representative	*Fact find & Needs analysis	Supervisor agrees with Recommendations? (Y / N)	Remarks	Supervisor's signature / Date
L143562	14/09/2000	Moses Yeoh	K Nathan	3.	Y	Nil	<i>Jay Lim</i> 20/09/2000
T2250	15/09/2000	Lynn Carter	K P Seow	2.	Y	Nil	<i>Paul Low</i> 16/09/2000
L183842	16/09/2000	P Govind	K Nathan	2.	Y	Next time try to improve on	<i>Jay Lim</i> 20/09/2000
L193485	19/09/2000	Osman Ahmad	Mohd Talib	1.	**N	Disagree with	<i>M. Jalil</i> 02/10/2000

Notes

* Numbered according to the 3 "Application Types" provided in the fact find form.

** Intervention to rectify erroneous recommendation is to be taken before expiry of the 14-day free-look provision. Conflicts between representative and his supervisor should be resolved according to internal procedures.

Responsibilities of life insurance representative

- Representative has to ensure that he and his client sign off afresh together, with the current date appended, on the Fact Find, Reason Why and Recommendation Forms at each separate occasion of purchase. A copy of a Fact Find Form which was completed on an earlier occasion may be used, provided the information is still current.
- Representative has to ensure that client signs off on the "Our Advice and Reasons Why" Form (under "3. Acknowledgement"), if applicable, at the time of completion of the proposal form to indicate if the client agrees or disagrees to take up the representative's recommendation on product suitability.
- It is a compulsory requirement for the client to receive from the representative as soon as possible a copy (whether in hardcopy or softcopy) of the Fact-Find (includes Know Your Client, Needs Analysis and Product Recommendation), Benefit Illustration, Product Summary, Product Highlights Sheet (if applicable) and Your Guide to Life Insurance.

The insurer's point of control is to be made via the cover letter enclosing the policy, along the following lines:

Dear (*Name of client*)

Thank you for...

You should have received a copy of the Fact-Find (includes Know Your Client, Needs Analysis and Product Recommendation), Benefit Illustration, Product Summary, Product Highlights Sheet (if applicable) and Your Guide to Life Insurance from your representative. Otherwise, you may contact us at...

- Representatives shall treat the information received from clients with confidentiality and should not disclose any information acquired from their clients without prior consent unless it is in relation to an insurance application and where there is a public duty or legal or professional obligation to disclose such information.

MONITORING IMPLEMENTATION OF THE GUIDELINES

Responsibilities of life insurance representative and supervisor

- Representative is to ensure that he:
 - a) Completes the following areas in the Fact Find Form and Needs Analysis/Recommendation Form for all policies sold to individuals:
 - Application type (Option 1, 2 and 3)
 - Representative's declaration
 - Representative's analysis and recommendation
 - Representative's acknowledgement
 - b) Submits the page of the Fact Find Form where the client specifically indicated his choice of Application Type together with the corresponding proposals to the insurer.
 - c) Provides a copy of the Fact Find Form to the client/policyholder.
 - d) Submits a copy of the said Forms to his supervisor for the latter's validation.
- Supervisor is to ensure that he:
 - a) If applicable to his organisational structure, sets up and maintains a Register for submissions of the said Forms by his representatives to be recorded therein.
 - b) Validates the following fields in the Register records of the said Forms, submitted by his representatives:
 - Application Type (Option 1, 2 and 3)
 - Supervisor agrees with Recommendation?
 - Remarks
 - Supervisor's signature/date
 - c) Files copies of the said Forms and, if applicable, archives the validated Register records for purposes of compliance audit by the MAS.

Responsibilities of life insurer

Insurer is to ensure that it does not issue any policy contract until and unless the fact-find forms duly completed, validated and signed off have been received.

LIA members who work with third party Financial Advisers or Exempt Financial Advisers should obtain verification from their distributors that the latter have received the fact-find forms duly completed, validated and signed off.

Rationale

- Policyholder may be penalised on market sensitive products such as ILPs because of tardiness of the supervisor in validating the fact-find form.

- In allowing the underwriting process to commence, it saves time and yet allows for change to the product recommendation so long as the policy has not been issued.

Responsibilities of principal of life insurance representatives

Principal of life insurance representatives has to:

- a) Ensure proper maintenance of its Register or, if applicable, monitor life insurance supervisors and representatives of its distribution entity for proper maintenance of their Registers, including proper and timely validations by supervisors.

- b) Raise competency levels of supervisors and, rank and file representatives.

Provide training on proper fact-find assessment, enabling supervisors and representatives to clearly understand the minimum fact-find assessment standards and adequately assess the fact-finds.

- c) Recommended good practice only: Improve the quality of Fact-finds submitted under Options 1 and 2.

- Implement periodic audit/review of the fact-finds to determine their quality.
- Identify a list of common misconceptions or errors on the fact-finds audited/reviewed. This list should be communicated in a timely manner to the representatives so as to prevent similar errors in the future.
- Put in place a service recovery process to address mismatched recommendations. This enables the principal to take prompt corrective measures.

The service recovery process should include the supervisors following up with their representatives. The latter will rectify the fact-finds, and where necessary, they will need to visit the clients to explain the discrepancies and perform the necessary changes.

- d) Recommended good practice only: Obtain higher percentages of quality fact find

- With reference to the MAS Information Paper on Good Practices for Licensed and Exempt Financial Advisers, it is important for FAs to exert deliberate efforts to achieve more than 50% of sales with comprehensive planning / specific need(s) planning. FAs can subsequently increase their percentages of quality fact-finds.
- FAs may consider setting criteria of minimum percentages of comprehensive planning / specific need(s) planning as a basis for performance review and promotion of supervisors and representatives.
- FAs may provide remedial training and coaching to improve supervisors' and representatives' performance in this area.
- FAs may consider enhancing their control measures and supervision to address supervisors and representatives with consistently low comprehensive/specific need(s) planning or sale conducted with advice provided fact-finds.

- e) Ensure Recommendations are put into writing in a professional manner.

Provide training to representatives to enable them to explain and put down in writing, the recommendations in a clear and concise manner, for the client's consideration. The basis, key

benefits and limitations of the recommendation relating to client's objectives will be covered in the representative's written recommendation.

- f) Take appropriate and timely actions to rectify an erroneous recommendation made to a policyholder.
- g) Recommended good practice only: Conduct post-sales or mystery shopping surveys.

The FA is encouraged to conduct some form of qualitative survey on a periodic basis to assess the quality of the sales advisory process. The areas of shortfall can then be identified and remedial actions taken to improve their internal systems and processes. This will help Representatives to ensure that progress of the expected competency standards is on track.

PENALTIES FOR NON-COMPLIANCE BY LIFE INSURANCE REPRESENTATIVES

- Representatives found not to have submitted duly completed and signed Fact Find Form to the insurer for underwriting, or to the client, or to the supervisor are liable to be penalised in accordance with the company's internal provisions.
- Supervisors found not to have validated the Fact Find Form (i.e. Register record) submitted by their representatives or taken appropriate and timely actions to rectify an erroneous recommendation made by their representatives are liable to be penalised in accordance with the company's internal provisions.

Logo of Insurer (Exempt FA) / Other Exempt FA / FA / IFA

“Know Your Client” Form

Confidential fact find for

e.g. Ms Tan Siew Lee

By

e.g. Alex Lim Boon Howe

Important notice to clients

Disclosure of status of representative

[Please refer to FAA-N03 which sets out the requirements on disclosure of general information about the FA and status of a representative to clients.]

Standard statement applicable to all representatives

Your representative must have sufficient information before making a suitable recommendation. The information that you provide on your investment objectives, financial situation and your particular needs will be the basis on which advice will be given.

A policy purchased without the completion of a “Know Your Client” Form, or following partial or inaccurate completion, may not be appropriate to your needs. [Company may wish to present the benefits of participating in a fact find process in layman’s terms, addressed at the prospective buyer.]

1. Personal information

1a Personal details

	Your details	Your spouse's details
Title	<input type="checkbox"/> Mr <input type="checkbox"/> Mrs <input type="checkbox"/> Miss <input type="checkbox"/> Ms	<input type="checkbox"/> Mr <input type="checkbox"/> Mrs <input type="checkbox"/> Miss <input type="checkbox"/> Ms
Name	_____	_____
NRIC	_____	_____
Date of birth	____/____/____	____/____/____
Sex	<input type="checkbox"/> Male <input type="checkbox"/> Female	<input type="checkbox"/> Male <input type="checkbox"/> Female
Marital status	_____	_____
Smoker	<input type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/> No <input type="checkbox"/> Yes

1b Employment details

	Your details	Your spouse's details
Employment status	<input type="checkbox"/> Full-time	<input type="checkbox"/> Full-time
	<input type="checkbox"/> Part-time	<input type="checkbox"/> Part-time
	<input type="checkbox"/> Self employed	<input type="checkbox"/> Self employed
	<input type="checkbox"/> Not employed	<input type="checkbox"/> Not employed
	<input type="checkbox"/> Other	<input type="checkbox"/> Other
Occupation	_____	_____
Intended retirement age	_____	_____

1c Dependants

(e.g. children, elderly relatives, other)

Name / Relationship	Age	Sex	Years to support
_____	_____	<input type="checkbox"/> Male <input type="checkbox"/> Female	_____
_____	_____	<input type="checkbox"/> Male <input type="checkbox"/> Female	_____
_____	_____	<input type="checkbox"/> Male <input type="checkbox"/> Female	_____
_____	_____	<input type="checkbox"/> Male <input type="checkbox"/> Female	_____
_____	_____	<input type="checkbox"/> Male <input type="checkbox"/> Female	_____

2. Monthly income and expenditure

2a Monthly income

	Your details	Your spouse's details
Total monthly income	_____	_____

2b Monthly expenses

Total monthly expenses	_____	_____
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Combined

Total monthly income \$ _____

Less total monthly expenses - \$ _____

Surplus / Shortfall \$ _____

Do you have any plans or are there any factors within the next 12 months which may significantly increase or decrease your current income and expenditure position (e.g. an inheritance or borrowing money for investment or purchase of a holiday home, etc)?

3. Assets and liabilities

3a Assets

	Your details	Your spouse's details
Fixed assets (e.g. family home, home contents, real estate, motor vehicles, etc)	_____	_____
Investments (e.g. shares, bonds, debentures, managed investments, etc)	_____	_____
CPF	_____	_____
Others (e.g. cash, bank deposits, collectibles, jewellery, etc)	_____	_____
Total assets	_____	_____

3b Liabilities

	Your details	Your spouse's details
Loans (e.g. home mortgage, investment loans, car loans, personal loans, etc)	_____	_____
Liabilities (e.g. credit cards, annual tax liability, etc)	_____	_____
Total liabilities	_____	_____

Combined

Total assets	\$ _____
Less total liabilities	- \$ _____
Net asset position	\$ _____

4. Existing life insurance policies

This covers all forms of life insurance policies you currently have (i.e. CPF Dependants' Protection Scheme, investment-linked, TPD, income protection, etc). This includes any policies that are provided by your current employer.

Policy type*	Insured**	Sum insured	Single / Regular premium***	Maturity date
_____	_____	_____	_____	___/___/___
_____	_____	_____	_____	___/___/___
_____	_____	_____	_____	___/___/___
_____	_____	_____	_____	___/___/___
_____	_____	_____	_____	___/___/___

* Please specify if the policy is provided by your current employer

** Y = You
S = Spouse
J = Joint

*** Please indicate whether single or regular premium

5. Client objectives and preferences

5a Investment preference

Please place an "X" on the scale to give an indication of your risk-return profile.

Low risk		High risk
Low potential return		High potential return
1	2	3
		4

This is important in recommending suitable products that reflect your risk preferences. People make investment decisions based on time, performance of an investment and the risk they are prepared to accept.

You should consider that short term capital losses might be a consequence of aiming for higher, longer term returns. As a general rule, the higher the potential return from an investment, the higher the risk that capital may not be returned.

Please indicate the degree of your concerns by ticking the appropriate box.

	<u>Not concerned</u>	<u>Slightly concerned</u>	<u>Concerned</u>	<u>Very concerned</u>
Keep pace with inflation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Investment is easy to manage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Capital growth	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Easy access to my cash	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Investment income each year	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5b Personal priorities

Please indicate the priority of the following needs by ticking the appropriate box.

	<u>Low</u>	<u>Medium</u>	<u>High</u>
Protect income against sickness or accident	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Protect family and/or assets in event of death	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provide against serious illness	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Plan for retirement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Save for short term (e.g. deposit for home)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Save for medium term (e.g. early mortgage repayment)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Others (e.g. overseas education for children)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5c Retirement needs

Amount Source

What monthly amount (in today's dollars) do you think you and your (then) dependants would require to live on in retirement? \$ _____

What other sources of income do you expect to rely on in retirement? \$ _____

5d Saving goals

	Amount needed	When
Education for children	\$ _____	_____
Others:	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____

6. Declaration

6a Representative's declaration

I declare that the information provided to me in this "Know Your Client" Form is strictly confidential and is only to be used for the purpose of fact finding in the process of recommending suitable insurance products and shall not be used for any other purposes.

Signature of representative:

Date:

Application Types

Client's choice

1. I/We have disclosed relevant information for comprehensive planning.
2. I/We have disclosed relevant information for specific need(s) planning.
3. I/We did not undergo any needs analysis in this review and it is my/our responsibility to ensure that the Product I/we have selected is suitable.

Signature of client:

Date:

Signature of client:

Date:

Signature of representative:

Date:

Logo of Insurer / Exempt FA / FA / IFA

“Our Advice and Reasons Why”

for

e.g. Ms Tan Siew Lee

By

e.g. Alex Lim Boon Howe

Statement by representative
<p>The recommendations in this document are based on the information collected in the “Know Your Client” Form. If there have been any changes in your circumstances since completing that Form, please notify your representative as it may affect the needs analysis process. The recommendations may not be appropriate in the event of a partial or inaccurate completion of the “Know Your Client” Form.</p>

1. Needs analysis calculation worksheet

1a Income protection

	Client	Spouse
Family income protection		
Total amount of liabilities	_____	_____
ADD:		
Immediate expenses e.g. funeral costs?, hospital bills	_____	_____
ADD:		
Present value of monthly expenses (no. of years)	_____	_____
LESS:		
Total existing life coverage	_____	_____
Estimated level of life insurance protection needed	_____	_____
Disability income protection		
Total monthly expenses	_____	_____
LESS:		
Existing disability benefit per month	_____	_____
Existing hospital cash benefit per month	_____	_____
Estimated level of income protection needed	_____	_____

1b Retirement

	Client	Spouse
Total retirement income required	_____	_____
LESS:		
CPF Minimum Sum in cash	_____	_____
Other sources of retirement income	_____	_____
Estimated level of lump sum retirement fund needed	_____	_____

1c Savings

	Client	Spouse
For education		
Total targeted savings for children's education	_____	_____
LESS:		
Current savings for children's education	_____	_____
Estimated level of savings for education needed	_____	_____
For other purposes		
Total targeted savings for other purposes	_____	_____
LESS:		
Current savings for other purposes	_____	_____
Estimated level of savings needed	_____	_____

2. Representative analysis and recommendations

Representative's recommendations	Reasons for recommendations	Remarks
<input type="checkbox"/> Family income protection		
<input type="checkbox"/> Disability income protection		
<input type="checkbox"/> Retirement		
<input type="checkbox"/> Savings for education		
<input type="checkbox"/> Savings for other purposes		

3. Affordability Declaration

Is the amount to be invested a substantial portion of your assets? Yes No

4. Acknowledgement

I/We understand that the above recommendation(s) is/are based on the facts furnished in the "Know Your Client" Form; and I/we **agree / do not agree*** with the proposed recommendation(s).

(*Delete as appropriate.)

Signature of client:
Date:

Signature of client:
Date:

Signature of representative:
Date:

Signature of supervisor:
Date:

Supervisor's Checklist for Validation of the Sales Advisory Process

I have reviewed the sales advisory process in the following areas:

Stage 1

- Disclosure of FA Representative Status
- Acknowledgement by Client on 'Important Notice to Clients'

Stage 2, 3, 4

Proper Documentation for:

Know Your Client

- Client's Concerns
- Client's Risk Profile
- Client's Financial Statements
- Client's Insurance Policy Summary

Client's Needs Analysis

- Proper Analysis of Client's Instructed Life and A&H needs

Recommendations

- Client's Affordability Check
- Minimum Standard of Written Recommendation
- Suitability of Recommendation
- Client's Comments on Recommendation
- Disclosure Checklist by FA Representative

Stage 5

- Client's Acknowledgement
- Completion and submission of Proposal Form

Stage 6

- Date indicated for next Review
- Potential Client's Needs to be addressed

Supervisor's Conclusion

- I have duly checked and validated the financial planning process with the documents provided by the FA Representative.
- I have where necessary, coached and prescribed the rectification required so as to ensure that my FA Representative has executed the proper sales advisory process.

.....

Name of Supervisor

.....

Signature

.....

Date

Supervisory Checklist for Sales Advisory Process

(I) Know Your Client			
			Remarks
1.	Full completion of Client's Personal Information.	<input type="checkbox"/> Complete <input type="checkbox"/> N/A <input type="checkbox"/> Unsatisfactory	
2.	All personal priorities are ranked Low/Med/High.	<input type="checkbox"/> Complete <input type="checkbox"/> N/A <input type="checkbox"/> Unsatisfactory	
3.	All health insurance needs are ranked Low/Med/High.	<input type="checkbox"/> Complete <input type="checkbox"/> N/A <input type="checkbox"/> Unsatisfactory	
4.	Completion of Client investment preference.	<input type="checkbox"/> Complete <input type="checkbox"/> N/A <input type="checkbox"/> Unsatisfactory	

(II) Needs Analysis			
1.	Need analysis for _____ is correctly calculated.	<input type="checkbox"/> Complete <input type="checkbox"/> N/A <input type="checkbox"/> Unsatisfactory	
2.	Need analysis for _____ is correctly calculated.	<input type="checkbox"/> Complete <input type="checkbox"/> N/A <input type="checkbox"/> Unsatisfactory	

(III) Recommendations

1.	Product details such as basic and rider(s) plan name, sum assured and premium amount have been stated.	<input type="checkbox"/> Complete <input type="checkbox"/> N/A <input type="checkbox"/> Unsatisfactory	
2.	Reason for recommendation is appropriate.	<input type="checkbox"/> Complete <input type="checkbox"/> N/A <input type="checkbox"/> Unsatisfactory	

Signature of Supervisor : _____
Supervisor's Name / Branch : _____
Date : _____