

For immediate release

LIA Singapore issues guidelines on the use of sign-on incentives in the recruitment of financial advisory representatives

Industry self-regulates to uphold professionalism and safeguard customer interests

Singapore, 14 March 2018 – The Life Insurance Association Singapore (LIA Singapore) today issued industry guidelines to its members on the use of sign-on incentives in the recruitment of financial advisory (FA) representatives. These guidelines are aligned with MAS’s proposed measures, set out in a public consultation paper issued on 7 March 2018, to address the risks posed by the use of sign-on incentives in the recruitment of financial advisory representatives. The LIA’s guidelines will apply to LIA members as well as their related FA firm(s).

Taking immediate effect, these guidelines have been co-created with the Monetary Authority of Singapore (MAS).

There are four measures. Measures 1 and 2 apply to all representatives who are offered sign-on incentives tied to sales targets or a transition package. Measures 3 and 4 will apply when the insurer or its related FA firm conducts mass recruitment. “Mass recruitment” is defined as the movement of 30 or more representatives from the same FA firm within a 60-day rolling period.

The four measures¹ are:

- Measure 1: Sales targets to be set at a reasonable level

Sales targets for the first year should not be higher than the representative’s average of his annual achieved sales in the preceding three years.

Any increase in subsequent years’ sales targets should be set at a reasonable level, having regard to factors including, but not limited to, the following:

- a) Representative’s past sales performance
- b) Representative’s compliance track record (e.g. Balanced Scorecard grades)
- c) Representative’s years of financial advisory experience
- d) Representative’s past persistency ratios
- e) Sales targets of representative’s peers

¹ The LIA Guidelines are available from www.lia.org.sg

- Measure 2: Payment of sign-on incentives to be spread over a minimum period of six years

The first year payment is capped at 50% of the representative's average annual remuneration in the last three years, and the remaining payments are based on a level percentage.

- Measure 3: Pegging sign on incentives to the persistency of policies serviced by the representative at the previous firm

At the end of two years following the representative's migration, the previous firm should share the persistency of the representative's "ring-fenced policies" (i.e. block of regular premium life policies, and accident and health policies) with the hiring firm. The persistency will be calculated on a case-count basis.

Depending on the persistency of the ring-fenced policies, the hiring firm is required to adjust the representative's entitlement to sign-on incentives.

- Measure 4: Enhanced monitoring of representatives for at least two years

The insurer or related FA firm is to engage an independent external party to conduct a pre-transaction survey of all (100%) transactions involving representatives that receive sign-on incentives pegged to sales targets.

In addition, the representatives are to be subjected to the requirements that are imposed on "Selected Representative" under the BSC framework, i.e. subject to the higher sampling size of 10% for post-transaction documentation review.

In line with section 17 of the Insurance Act, all costs, direct or indirect, that pertain to such acquisition of FA representatives should not be borne by the insurance fund.

"Individuals do move between companies for career advancement, but customers' interests should not be adversely affected by such movements within the industry. This is why it is important to have guidelines to ensure that ethical, professional and responsible recruitment practices are being adopted. We will continue to work closely with MAS and our member companies to ensure smooth implementation of these measures", said Mr Patrick Teow, President of LIA Singapore.

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Life Insurance Association, Singapore (LIA Singapore)

Established in 1962, the Life Insurance Association, Singapore (LIA Singapore) is the not-for-profit trade body of life insurance product providers and life reinsurance providers based in Singapore and licensed by the Monetary Authority of Singapore (MAS).

Vision and Mission

The vision of member companies is *to provide individuals with peace of mind and to promote a society where every person is prepared for life's changing cycles and for those situations unforeseen.*

They are committed to being a progressive life insurance industry by collectively enhancing consumer understanding, promoting industry best practices, and through the association fostering a spirit of collaboration and mutual respect with government and business leaders.

Values underpinning the Association and its members

Unified	in our resolve to deliver innovative solutions where every individual's needs are best met.
Professional	in the way we conduct ourselves and in the counsel we give.
Ethical	in ensuring our policyholders' interests are managed with utmost integrity.
Fair	in how we strive to provide favourable outcomes to both our policyholders and shareholders.
Open & honest	in all that we do to build an environment of trust and transparency.
Proactive	in the steps we take to give our people the skills and knowledge to provide sound solutions at all times.

For more information, please contact:

Pauline Lim (Ms.)
Executive Director, LIA, Singapore
Tel: +65 6438 8900 / +65 9648 6407
Email : pauline.lim@lia.org.sg

Amanda Chong (Ms.)
Ogilvy Public Relations
Tel : +65 6213 7781 / +65 8200 5363
Email: amanda.chong@ogilvy.com

Iris Ng (Ms.)
Ogilvy Public Relations
Tel: +65 6417 3054 / +65 9477 8807
Email: iris.ng@ogilvy.com