CIRCULAR LETTER

TO : ALL LIFE INSURANCE COMPANIES DOING BUSINESS IN THE PHILIPPINES AND THEIR AGENTS

SUBJECT : ADOPTION AND IMPLEMENTATION OF PLIA'S MARKET CONDUCT GUIDELINES (MCG)

In line with the Commission's thrust to safeguard the interest of the insuring public, the attached Market Conduct Guidelines are hereby issued for the guidance, compliance and implementation of all Life Insurance companies doing business in the Philippines and their agents.

Objectives of the Market Conduct Guidelines

1. To move towards the development of life insurance agency force (agents and agency leaders) to meet the highest standards in conducting business.

2. To make available to the life insurance companies the best practices and expectations in the life insurance industry in the matter of conducting business.

3. To aid and guide the life insurance agency force so that they can conduct their business with the highest level of professionalism and personal integrity.

4. To build up a highly professional, ethical and productive agency force in the Philippines.

5. To provide the dynamic foundation with which the life insurance agency force could adapt to the changing landscape of the insurance industry.

Hence, the Philippine Life Insurance Association, Inc. (PLIA) is hereby enjoined to provide the necessary support to ensure the effective implementation of the Market Conduct Guidelines.

Non-compliant companies, officers or agents shall be subject to discretionary sanctions provided under Section 415 of the Insurance Code.
# MARKET CONDUCT GUIDELINES
## PHILIPPINE LIFE INSURANCE ASSOCIATION (PLIA)

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SECTION ONE - THE GUIDELINES & PENALTIES

THE GUIDELINES

Each PLIA Member Company is committed to maintaining the highest standards of professional and ethical conduct among its agency force (agents and agency leaders).

These Guidelines are a consolidation of applicable sections in the Philippine Insurance Code, PLIA Joint Declaration on Ethical Business Standards (Nos. 1-2002, 6-2002, and 5-2002) guidelines and notices of the Company’s rules and regulations. These Guidelines shall be applicable to all Sales Underwriters (herein known as "Agents"), Associate Unit Managers, Unit Managers, Associate Agency Managers, Agency Managers, Senior Agency Managers (herein known collectively as "Agency Leaders") in relation to the conduct of their insurance businesses (life, as well as financial products) as representatives of the Company. The Market Conduct Guidelines (MCG) shall be updated or revised by the Insurance Commission upon the recommendation of PLIA as and when necessary.

All PLIA Agents and Agency Leaders are to abide by the MCG in the conduct of their insurance business. While every attempt is made to make the MCG as complete and as comprehensive as possible, Agents and Agency Leaders should appreciate that the MCG, like the insurance industry, is not static but, rather, is very dynamic. From time-to-time, other rules, regulations, and policies may also apply to the conduct of insurance business over and above the MCG. As and when these developments occur, the Company will advise all Agents and Agency Leaders as soon as possible.

The MCG is divided into four broad categories, each containing specific rules, regulations, guidelines, and examples of what would constitute a breach. Please note that the examples cited are not comprehensive. The four categories are as follows:

A. Duty to the Insurance Profession;
B. Duty to the Company;
C. Duty to the Customers; and
D. Duty to the General Public.

*Separate guidelines and regulations apply to the training and competency of our Agents and Agency Leaders as stipulated in the Training and Competency plan. All Agents and Agency Leaders are also required to familiarize themselves with the guidelines in their specific Company’s Agency Training and Development Plan.

**All references to Agents herein shall also include Financial Planners, Agents and Agency Leaders and any other agency personnel howsoever designated from time to time.

THE PENALTIES

Upon receipt of a complaint for violation of the provisions of the MCG, the Company has the discretion to immediately suspend an AGENT, from any or all activities. This period can go on pending the outcome of investigation. If the AGENT is cleared, a RELEASE ORDER will be issued by the appropriate Department/Division to all units concerned.
The penalty for breaches of the Market Conduct Guidelines shall be determined by the Company's Compliance and Ethics Committee ("CEC"). The CEC is composed of Senior Executives of Management representing various disciplines and divisions. A Company Officer is designated to implement the penalties. An Agent found guilty by the CEC for any breach of the MCG shall be included in the Negative List of Agents to be submitted to the Insurance Commission.

Unless otherwise specified, the penalty to be imposed on an AGENT found to be in breach of any clause depending on the severity of the unacceptable behavior, may range from a Letter of Warning, Suspension of Selling Privileges to Termination of Contract.

Penalties are also not confined to the aforesaid as the Company also has the discretion to impose a combination of penalties as it deems fit, such as removal of the AGENT's non-medical limit, additional training or for the AGENT to bear the cost of any service recovery to the complainant or policyholder. Notwithstanding any penalty meted which may not have specifically required the AGENT to bear the cost of service recovery to the complainant or policyholder, the Company reserves the right to recover from the AGENT any expense incurred by the Company in having to effect service recovery to the complainant or policyholder.

However, where the unacceptable behavior constitutes an offense under the law or a breach of the Insurance Code and pertinent circulars, guidelines, rulings of PLIA and the Insurance Commission, the agent's contract can be terminated and the penalty imposed as stipulated under the Insurance Code and the PLIA's and IC's circulars, guidelines and rulings. If applicable, the Company can also file a police report or initiate proper legal action at the duly constituted courts of the land. Any sanction imposed by PLIA shall be without prejudice to any penalty which the Insurance Commission may deem appropriate to impose in accordance with law.
A. DUTY TO THE INSURANCE PROFESSION

1. AGENCY AND LEADER CONTRACT

The AGENCY CONTRACT contains the terms and conditions of the business relationship and practice between the Company and Agents. All Agency Leaders are also first and foremost, AGENTS, and thus are covered by the same basic Contract. A breach of the MCG is a breach of the AGENCY CONTRACT. In addition to being liable for corrective action, the AGENT is also subject to the applicable consequences of breach of any of the CONTRACT provisions.

2. REPRESENTATIVE OF THE PLIA MEMBER COMPANY

Agents are representatives of the PLIA Member Company, and they must thus conduct their business with honesty, fairness, integrity and professionalism in order to maintain good faith and preserve public trust in the Company and the financial services industry. Agents must also exercise reasonable judgement to achieve and maintain objectivity in conducting their business. Agents must therefore avoid situations that might impair their ability to make objective recommendations.

Agents are therefore to be mindful that their actions may cast wrong impressions on the Company and the reputation of the Company. Agents should avoid making statements that are misleading, in fact or by implication, with respect to the assets, liabilities, insurance in force, corporate structure, financial condition, age or relative position of the Company in the insurance business. Agents must always conduct themselves with the highest decorum at all times and ensure that they do not bring the Company's name into any disrepute.

Although not an exhaustive list, the following are some important examples of unacceptable behaviour by Agents include:

- Conduct prejudicial to the interests of the company.
- Non-disclosure of full information which could have enabled clients to make an informed choice or decision.
- Threatening prospects, clients, members of the public, Company staff and Officers, Agents, or Agency Leaders.
- Use of abusive language or behavior towards policyholders, the public, Company staff or Officers, Agents, or Agency Leaders.
- Bad-mouthing the Company, fellow Agents, its own products.
- Bad-mouthing the insurance industry, other insurers, their staff, Agents, or products. Agents should avoid making disparaging remarks about other insurers, insurance distributors, policies, services, or methods of marketing. Agents should avoid making comparisons with the products of other insurers.
- Failure to pay permanent, temporary or contractual staff hired to perform agency-related work.
- Committing financial fraud such as Unremitted Premium Collection and Diverting Premium Collection
- Tampering or fabricating Cash Advance Forms, Medical Examinations and other official company accountable Forms
• Advancing Premiums or "abono", Rebating, Giving Discounts
• "Overselling" a product, and Twisting policies in order to make a sale.
• Poaching businesses in process of another agent or "sulutan"
• Misrepresenting product features and benefits of any of its insurance or investment plans; using or modifying any proposal or illustration material without prior clearance.

3. **COMPLIANCE WITH LAWS**

Agents should at all times maintain adequate knowledge of and comply with all applicable laws, rules, regulations and company pronouncements relevant to their business activity, including these guidelines.

(Such examples include the Insurance Code of the Philippines, PLIA guidelines, Corporate Communication Guidelines, Information Sheets, Memorandums, etc.)

4. **CRIMINAL RECORDS/BANKRUPTCY PROCEEDINGS**

Any AGENT who is being prosecuted or discovered to be prosecuted in any criminal or bankruptcy proceedings shall have his Contract terminated or suspended. Any AGENT who has or obtains a criminal record or who is adjudged as bankrupt shall have his Contract terminated.
B. DUTY TO THE COMPANY

1. ADVERTISING, MARKETING AND SALES MATERIALS

The AGENT must only use advertising and marketing materials that have been previously approved by the Company in accordance with IC Circular Letter No. ___ dated __. He shall approach the Company's designated Department to determine what materials have been so approved.

1.1 Marketing Materials or Sales Materials

These include all forms of written communication (including electronic communication) of a general nature pertaining to the conduct of an Agent's insurance business, regardless of whether such materials are intended to prospect new business or to recruit new Agents.

Examples of controlled marketing materials include the following:

- Printed and published material, audiovisual material and descriptive literature used in direct mail, product brochures, flyers, newsletters, newspapers, magazines, annual report, radio and/or television scripts, telemarketing scripts, billboards and similar displays;
- Descriptive literature and sales aids of all kinds issued, distributed or used by the Company or the agency force selling the Company's products, including but not limited to, circulars, newsletters, leaflets, pamphlets, brochures, booklets, depictions, illustrations, software printouts, proposals and pre-approach letters, and other forms of letters delivered in any medium, including electronic;
- Reproduction of newspaper or magazine article clippings, published investment letters, industry publications, or any other material created by a third party; Material or communications that use the Company logo or rates;
- Material used for the recruitment, training and education of the agency force that is designed to be used for solicitation and sale of the Company's products, or is used to encourage the public to purchase, increase, modify, reinstate, borrow on, surrender, replace, or retain a policy or other product;
- Prepared sales talks, seminars, presentations and material for use by the agency force including but not limited to software presentations, videos, overheads and slides used to promote the Company's products or the Company;
• Internet publication of any information relating to the Company or its products, services, office locations, or Company staff, including but not limited to e-mail, web sites or home pages created by the agency force or others.

These are examples only and are not meant to be an exhaustive list.

Marketing Materials or Sales Materials do not include:

• Routine correspondence that contains no marketing text, such as thank-you letters, cover letters noting that sales literature, material and/or prospectuses are enclosed, notes to confirm appointments or contact changes, letters indicating office relocation.
• Materials that otherwise would be regarded as Marketing or Sales Materials, but that are used only within the Company and not intended for dissemination, or actually distributed to the public.

1.2 Use of Illustrations

Agents are only permitted to use illustrations generated by the Company which conform with pertinent IC circulars or software that have been approved by the Company and ensure that the illustrations they use are generated from the most current software. Agents are not permitted to alter the underlying assumptions, or operations of, any Company-approved software.

Presentation of Illustration

Where an illustration is used, Agents must advise clients that the illustration is a projection and not a guarantee of performance. The illustration is merely a statistical representation of past performance. In presenting and explaining the illustration, Agents must not:

• Alter an illustration in any way;
• Represent the policy as anything other than a life insurance policy;
• Use or describe non-guaranteed elements in a manner that is misleading or has the capacity or tendency to mislead;
• State or imply that the payment or amount of non-guaranteed elements is guaranteed;
• Use any illustration that does not comply with the requirements of this policy;
• Provide a client with an incomplete illustration;
• Represent in any way that premium payments will not be required for each year of the policy, in order to maintain the illustrated death benefits
• Represent a standard illustration as the same projection for a client who has a medical or occupational rating
• Use the term "self-support year", "self-support period" or any similar term that implies that the policy becomes paid-up to describe a plan for using non-guaranteed elements to pay a portion of future premiums.
2. **Collection of Fines/Fees**

Agency Leaders are not allowed to impose or collect fines or fees whether on a regular/systematic or intermittent basis from their Agents for whatever reason.

3. **Copyright and Intellectual Property Rights**

Agents are not allowed to modify any of the Company's materials or incorporate only part of any such materials for their own use without the prior approval of the designated Department. Modifying, among other things, includes adding and deleting wordings or figures whether via attachments to the Company's document or amending the Company document itself. For example, adding a disclaimer or attaching new clauses to any of the company documents.

Agents are not to publish or cause to be published any material concerning the Company in whatever medium without the Company's prior approval. All media requests and enquiries must be referred to the said Department. As such, Agents should not be giving press statements or written communication to the media, including newspapers, journal, magazines, television, radio, or Internet on matters concerning the Company.

3.1 **Use of Trademarks & Copyrights**

Agents are also not allowed to use or cause others to use company logo, trademarks or any copyrighted material belonging to the Company entity without the prior permission.

4. **Selling to Relatives and Co-Agents for Production Purposes**

Agents are also not allowed to sell policies for the purpose of counting production credits during contests to fellow Agents, spouses or children of fellow Agents.

5. **Field Underwriting**

Agents are expected to follow all applicable Company and regulatory guidelines pertaining to field underwriting. If in any doubt, the AGENT should contact the Company.

5.1 **Medical Questionnaire**

Agents are to personally ask each prospect every medical question contained in the application form and to record his response to each.

5.2 **Agent's Confidential Report**

Agents are to ensure that, in relation to each new application, the Agent's Confidential Report must be duly completed and must contain all relevant and necessary information to assist the Company in assessing the application. It is therefore the duty of each AGENT to ensure the following:

- Accurate and complete information is provided on the application form and other required forms (e.g. financial questionnaires).
• Any and all factors, which, if known to the Company, may result in an applicant receiving rated or no coverage at all, be made known to the Company.
• Any additional information required by the Company in order to determine any particular application be provided on a timely basis.
• All children who are being insured by their parents are physically seen by the agent.

5.3 Insurance Application Form and other required forms

Agents are to ensure that disclosure of information in the application form is accurate, truthful and complete.

6. Money Laundering

Money laundering is a criminal offense. Facilitating or assisting in a money laundering transaction is also a criminal offense. Agents are to report any suspected money laundering activities that they are aware of or that they encounter in the course and conduct of their business. Agents are advised to seek clarification from the Company whenever in doubt. No AGENT is to knowingly assist in any form of money laundering activity or allow his/her business to be used as a means of facilitating any money laundering activity.

6.1 Attendance of Scheduled Money Laundering Refresher Training

All Agents and Leaders must attend all scheduled basic money laundering and refresher-training sessions as stipulated by the Company.

7. Multi-Level Marketing, Pyramid Selling Schemes and Competing Businesses

Agents are not allowed to actively participate, build or promote any form of Multi-Level Marketing or Pyramid Selling schemes, whether directly or indirectly, because of conflict of interests. Agents may, however, purchase such products marketed under legally approved and credible Multi-Level Marketing schemes for their own personal consumption only.

Agents or Leaders are not allowed to set up or build up businesses on the side that will actually or directly compete with the business of any of its Affiliates, if applicable. The Company reserves the right to terminate the Contract of that person immediately.

8. Pooling

Agents are not allowed to pool cases or to pass cases that they have underwritten to another AGENT. The underwriting AGENT on record must be present at the time of the sale and participate in the presentation to the prospect/client and also at the time of signing of the proposal form by that prospect/client.
9. **SUB-AGENCY**

Agents are not allowed to operate or to engage in any form of Sub-Agency arrangement because sub-agents have no training and are not licensed to sell insurance.

Examples of Sub-Agency include:

- Where the person who conducted the sale and presentation to the prospect is not a licensed Agent, regardless of whether a fellow Agent was present at the time of signing of the proposal form.
- Where the person who procured the signature of the prospect/client on the application form is not a licensed Company Agent.
- Where a policy is recorded to have been sold by an Agent who was not present at the time of sale and presentation of that policy or at the time of signing of the application form.

10. **SELLING WITHOUT APPROPRIATE LICENSE**

Agents cannot sell any product that they are not licensed for. Agents must meet the minimum training requirements.

Examples include:

- Selling Life and General Insurance products without training and license.
- Selling Investment-linked products without training and license.

These are examples only and are not meant to be an exhaustive list.

Agents with valid qualifications should also not facilitate sales by those Agents who do not have the necessary qualifications, through the use of their agency codes or other means.

11. **RECRUITMENT**

11.1 **Vesting Period of New Recruits**

The recruiting leader shall see to it that all applicants should be licensed within 90 days from their date of invitation unless the applicants do not qualify.

Agency Leaders must not induce any pre-contract Agents who have been registered with another agency to join their agency unless the pre-contract Agents have gone over the prescribed vesting period of 90 days.

11.2 **Recruitment and Selection Criteria**

Agency Leaders involved in the recruiting and selection process should recruit and select qualified candidates who can be appointed by the Company. As such, the appointment standards below should be applied for guidance in determining whether to recruit or select a particular candidate.
Leaders are advised against recruiting complete strangers with backgrounds that are either shady or cannot be adequately checked, those who have difficulty in handling their finances, those who are not morally upright and the like. In the long run, problems could arise.

11.3 Appointment Requirement

To be permitted to engage in sales activity, an AGENT must be appointed by the Company. An AGENT must meet all regulatory and Company requirements in order to be appointed by the Company. An AGENT must be at least 21 years old and must meet the minimum qualifications set by the Company, which may include academic or minimum training requirements. In order to maintain his appointment, throughout his career as an agent, the AGENT will undergo continuous training as prescribed by the Company. Above all, the Agent must possess all the qualifications prescribed by the Insurance Commission.

12. DUTY TO REPORT AGENT MISCONDUCT

Any AGENT who has knowledge that another Agent may be or is involved in an action that breaches the Agency Contract, Market Conduct Guidelines or contravenes any applicable laws, rules and regulations relevant to their business activity, is required to inform the Company's designated Department of the name of the AGENT and cooperate with the Department in its investigations, e.g. providing details such as the name of the client/prospect when required. If the Agent is found guilty, the Company has a duty to include the Agent in the Negative List of Agents to be updated by the Insurance Commission in accordance with law.

13. RECORD KEEPING

Agency Leaders must maintain proper records on their agency, on their Agents and on their agency's client relationships. Records are to be kept after the date on which the transaction takes place. However, records relating to the issuance of a life policy are to be kept for 5 years after the policy's inception date.

Notwithstanding these retention periods, if the records relate to ongoing court cases, investigations or transactions that have been subject of a disclosure, they shall be retained beyond the stipulated retention period until the case has been closed.

Records may be retained as originals or copies, on microfilm, or in electronic form, provided that such forms are admissible in court.

14. DISCLOSURE

Agents must ensure that any information, declaration, statement or representation made to the Company is clear, adequate, complete and not false or misleading. Agents must also ensure that they do not fail to disclose any matter that is material to the statement or representation made. This includes, among other things, the AGENT's Confidential Report, Personal Financial Review (PFR) and insurance application form.
15. **USE OF COMPANY'S PREMISES AND FACILITIES**

Agents must ensure that the use of the Company's premises and facilities is restricted to conducting Company insurance and cross-selling affiliate business only.

16. **ASSISTANCE RENDERED TO INVESTIGATION, INSPECTION AND AUDIT**

16.1 **Company Officer**

Agents must cooperate and render full assistance to the Company's officer who has been assigned to conduct an investigation, inspection or audit. At no time should an Agent intimidate or threaten the company's officer in the course of his/her work.

16.2 **Third Parties**

Agents must cooperate and render full assistance to such third parties, as the Company shall direct. Cooperation and assistance to these parties may include, for example, assisting in investigations, answering such queries or attendance at meetings, as the parties may request. These parties may include the Compliance and Ethics Committee (CEC) or any individual or corporate body appointed by Management to help resolve the dispute.

17. **UPDATE OF PERSONAL PARTICULARS**

Agents shall notify the Company of any change in their personal particulars within 14 days from the date of the change. Any Agent who fails to notify the Company without an acceptable excuse, will be given a Letter of Warning by the Company.

18. **ROADSHOWS, SALES AND MARKETING PROMOS**

Agents are to strictly comply with the guidelines on road shows, sales and marketing promotions issued by the Company from time to time.

19. **BUSINESS CONDUCT DURING SALES PRESENTATIONS**

Agents are to conduct themselves professionally during all sales presentations to prospects/clients. In particular, the AGENT must ensure that:

- Prospects/clients understand and are aware of the applications and purchase of policy/policies.
- Prospects/clients understand and are aware of the purpose of their signing the various types of forms.
- Prospects/clients understand that it is of utmost importance that the prospects/clients disclose in the application form any pre-existing medical conditions and other material information as these may affect the insurance coverage provided by the Company when it approves the application.
• Prospects/clients understand that any incomplete or inaccurate information provided by the prospects/clients during the underwriting process may affect the suitability of recommendations made.

The above is not an exhaustive list.

20. COMPLIANCE AND ETHICAL MARKET CONDUCT TRAINING

The Company shall be committed to ensuring that its Agents engage in ethical market conduct and comply with applicable laws and regulations. The Company shall also require Agents to periodically participate in Business Conduct training sessions.

21.1 Business Conduct Training Sessions

All Agents have to undergo Business Conduct Training conducted by the Agency Training Department of the Company or any accredited training provider.

Agents must also fulfill the Continuing Professional Development requirements as documented in the Company's Training and Competency Plan.

21. MANIPULATION OF SALES

Agents are strictly prohibited from manipulating sales for the purpose of qualifying for incentives, contests or awards.

Examples of manipulation:

• Any submissions of Agents' own and immediate family's cases during contest months, unless allowed beforehand in the contest rules made by the Company.
• Splitting large sum assured amounts into multiple small sum assured amounts.
• Lapsing of policies immediately after qualifying for incentives, contests or awards. (In this case, agents will be obliged to sustain payment until persistency is not going to be affected by that business.)

These are examples only and are not meant to be an exhaustive list.
C. DUTY TO THE CLIENT

1. REPLACEMENT OF POLICIES BY Churning

Agents must always act in the best interest of the clients. Agents are not allowed to replace policies and facilitate or induce any client to generate funds from the cash values of existing policies to finance part or all of the premiums for the new policy. This will reduce the value of the existing policies, lengthen any self-supporting period and incur interest on the premium loan taken. This rule holds regardless of whether the policy in question is from one's own Company or a Competitor. This amounts to Churning.

The following are some examples of Churning, provided by the Office of Insurance Commission and PLIA, for broad guidance, and may not be exhaustive. The Company will evaluate the basis of the transactions in an objective manner, taking into account all relevant factors in determining if there is Churning.

Examples of Churning provided in the IC Circular No. 1-2002 on Replacement of Policies:

1) Terminating a policy within a short period of time or before its maturity date and buying a new policy soon after.
2) Terminating a cash policy and buying a similar policy, or vice versa, when a change of payment or source or conversion could have been exercised.
3) Withdrawing from old funds or plans and buying into new funds or plan without using the facility available in the policy for switching of funds where commissions are not payable.
4) Generating funds in order to buy a new policy, by:
   a. withdrawing monies from an existing policy, including making partial surrender, withdrawing from investment-linked policy, taking policy loan; or
   b. reducing or terminating an existing regular premium commitment, including advance premium loan, vanishing premium, reduction of sum insured, conversion of the existing regular premium to paid-up policy or extended term insurance.

Examples provided on how such funds may be generated through the use of the following types of mechanisms:

1) Policy surrender
2) Partial withdrawal or cash values and dividends
3) Advance/automatic premium loan
4) Policy loan
5) Reductions in premiums

2. REPLACEMENT OF POLICIES BY Switching

Agents must always act in the interest of the clients and must not induce their clients to replace their financial products, policies and or riders (referred to as “original product”) with another financial product, policy and/or rider (referred to as “replacement product”) in a manner that would be detrimental to the client.
In considering whether a replacement is detrimental, the Company may have regard to a number of factors, including:

- Whether the client suffers any penalty or loss for terminating the original product;
- Whether the client will incur any transaction cost without gaining any real benefit from such a replacement;
- Whether the replacement product confers a lower level of benefit at a higher cost or same cost to the client, or the same level of benefit at a higher cost; and
- Whether the replacement product is less suitable for the client.

For the avoidance of doubt, a replacement of a policy and/or rider is deemed to have occurred as follows, on:

a) **Regular Premium Policies**

It happens whenever an existing policy and/or rider is surrendered, discontinued or lapsed and a new policy and/or rider is purchased by the same policyholder within 365 days before or after the date of such surrender, discontinuance or lapse. This is so regardless of whether the policies and/or riders in question are one's own Company policies or from other companies.

b) **Single Premium Policies**

It also happens whenever an existing single premium policy is partially or wholly surrendered, discontinued or lapsed and the same policyholder purchases a new single premium policy within 365 days before or after the date of such surrender, discontinuance or lapse. This is so regardless of whether the policies in question are one's own Company policies or otherwise, the type of the single premium policy or the source of money invested.

Agents must always inform their clients on any switching done to move their investments between other investment-linked funds. As with replacement by churning, Agents are in fact discouraged from advising their clients to surrender and reinvest. Agency Training promotes the principle that the first sale made must be a good sale. The succeeding steps show the difficulty of replacing an original policy.

Agents should ask their clients if the product to be purchased is intended to replace another product in the application form and/or Personal Financial Review (PFR). If so, all relevant forms must be completed and the replacement declared in the application form. This is for the information and evaluation of Underwriting. Under the guidelines of the Joint Declaration on Ethical Business Standards and its Implementing Guidelines, the Company is obliged to inform the originating company that a replacement is about to be made. The originating company may exercise the right to file a replacement complaint with PLIA.

Agents must disclose to their clients in writing, and draw the attention of their clients to any fee or charge the client would have to bear if he were to switch from an original product to a replacement product, in order to ensure that their clients are able to make informed decisions on the switching recommendation. Fees and charges to be disclosed include any fees associated with the disposal or reduction of interests in the original product, and fees incurred during the purchase or increase of interests in the replacement product.
Agents must indicate clearly in the Personal Financial Review Form any justification or disadvantages that the client will or may suffer (temporarily or otherwise) as a result of switching from an original product to a replacement product – on benefits, on financial or medical reasons, etc.

3. THE CLIENT

3.1 Clients' Particulars – Contact Numbers, Residence and Email Address

Agents must ensure that a client's personal particulars such as contact numbers (home, office and cell) and current addresses are accurately recorded on all policy application forms. Agents must verify the accuracy of information by checking against that client's personal documents (e.g. Official ID or Passport) before submitting any application form. Agents need to obtain a client's written instructions in the event that the client should want to submit an address that is not his usual residence or business address. In any event, the minimum information required as prescribed under the Anti-Money Laundering Act and/or pertinent IC Circulars on the matter should be complied with.

Unless otherwise provided for in writing by the client or unless the AGENT actually shares the same address as the client, an Agent must not submit his personal address as the client's address on any application form. Agents are not allowed to receive any correspondence from the Company to an applicant, policy owner, insured or beneficiary, whether or not the other person requests it or consents to it.

3.2 Completion of Documents and Signatures

Accuracy of Information in Documents: The information presented in all applications, Personal Financial Review Forms, supplemental questionnaire forms, illustrations, and other client documents must be accurate and provided, approved, or recorded by the client.

Client Review and Approval of Information: Agents must take all necessary steps to ensure that the clients have reviewed the final form of documents containing all information, including the description above the signature line notifying the clients of the purpose and effect of their signature.

Authenticity of Customer Signatures and Initials: Agents are to ensure that the clients sign the final form of documents and initial all changes.

Prohibited Document Completion and Signature Practices: To ensure that the Company's documents are accurate and that customer signatures are authentic, the following practices are prohibited. Agents must not engage in an otherwise prohibited practice on the grounds that a customer or his representative requested or consented to the act.

1. Executed Blank Forms: Agents must not let customers sign blank forms.
2. **Blank Spaces on Completed Applications and Forms:** Agents must not request or permit customers to sign blank or partially completed forms (i.e., an application or other form on which questions have been left blank for the AGENT to complete at a later time). These include, but are not limited to, application forms. All forms must be fully completed before the client/prospect signs it. Any alterations on the form are to be endorsed by the client/prospect.

3. **Alterations to Executed Documents:** Agents must not add or change information on a signed document without returning it to the customers for review and approval which approval shall be evidenced by the customers' initials against the alteration.

4. **Signing on Behalf of Customers:** Agents must not sign customers' names or place customers' initials on any document, even with the consent or at the request of the customer.

5. **Witnessing Documents without Being Present:** Agents must not sign a document as a witness without having seen the customer sign the document.

Examples of breach of this duty include:

- Agents sending documents to clients/prospects by mail or messenger for their completion, and then signing off as a witness without witnessing in person, the client/prospect signing the documents.
- Agents depositing blank forms with clients/prospects for their completion, and then signing off as a witness without witnessing in person, the client/prospect signing the documents.

These are examples only and are not meant to be an exhaustive list.

6. **False Information:** Agents must not knowingly enter or permit a customer to enter false information on any document.

7. **Assisting in a Fraud or Forgery:** Agents must avoid assisting anyone in evading these requirements by filling in information on any document (even at the request of a customer or his representative) or by knowingly permitting a forged or fraudulent document to be used or approved by the Company.

4. **CONFIDENTIALITY**

Agents must maintain the confidentiality of any information obtained from their prospects/clients in the course of the conduct of their insurance business. Agents therefore must not discuss, disclose or otherwise utilize such information with any other person outside of their Agency Leaders or the Company.
Examples of breaches of the confidentiality include:

- Prospects'/Clients' information being disclosed or utilized other than as specified above without their express consent.
- Prospects'/Clients' information being posted on the Internet without their express consent.

5. **CRIMINAL BREACH OF TRUST/ MISAPPROPRIATION**

Agents must not misappropriate any monies entrusted to them by prospects/clients for payments due to the company. Agents must also not misappropriate any monies owing to a prospect/client from the Company.

Examples of Criminal Breach of Trust include:

- Premiums not remitted to the company and Premiums diverted to other policies
- Witholding premiums paid by prospect/client
- Not submitting these premiums to the Company immediately (delayed remittance)
- Witholding benefits, dividends, overpayments or refunds to a prospect/client, or not forwarding these to the prospect/client immediately or for more than one working day following the day of receipt, unless a reasonable excuse exists.

These are examples only and are not meant to be an exhaustive list.

6. **DELIVERY OF DOCUMENTS**

Agents are to ensure that all documents entrusted to them by the Company for delivery to the clients/prospects (e.g. policy contracts, checks and counter-offer letters) are delivered to their clients/prospects without undue delay – 15 days from date of policy issue for metropolitan areas. Worksites and far-flung provincial areas may exceed this period of delivery. Proper advice should be given to the Agency Leader and Executives.

6.1 **Policy Contracts and Policy Acknowledgment Receipt (PAR)**

Policy contracts must be delivered to the policyholder without undue delay. A Policy Acknowledgement Receipt (PAR) is to be accomplished by both the Client and the Agent and submitted back to Head Office and the Agency Leader for monitoring purposes. The Client and the Agent keeps one copy each also for reference.

6.2 **Personal Financial Reviews (PFR)**

A copy of the PFR must be furnished to client before the client signs on the application form.
6.3 Other Documents

Agents must also ensure that copies of the following documents are furnished to the client when making a presentation or recommendation to a client.

- Product Summary
- Benefit Illustration

6.4 Submission of Client's Documents

Agents must submit their clients' applications, requests for any kind of change (payment mode, Face Amount, type of product, etc), payments and any other documents to the Company personally or through their agency without delay.

7. Advancing and Financing of Premium Payments Not Received

Life insurance is an aleatory contract and is enforceable only when the Client does his part in paying the premium himself and if he pays it on time. No Agent is to make any premium payment or any part of any premium payment for, or on behalf of any client. Agents are also to advise the client that check payments or inter-bank transfers are to be made directly to the Company, and not to the Agent's name. The payment must indicate the policies that are being paid for.

Firstly, an agent who advances or pays the premium on behalf of the Client may compromise the Company's position to pay out a claim where otherwise there should have been none. Secondly, if the Client does not also pay the agent back, this will also pressure the agent financially and thus affect his own budget and his whole business. Lastly, for contests or bonuses, agents who advance premiums are at an unfair advantage over other agents who cannot advance.

Out of concern for the ultimate welfare and good of our agents, we believe that the risks of advancing premiums far outweigh any possible disadvantages this practice may produce. Hence, appropriate sanctions will be implemented to enforce this safeguard against such practices.

7.1 Advancing Premiums for Prospects/Clients

Agents must not pay for or make any advance towards any prospect/client's policy premiums, regardless of whether at the request or with the consent of such client.

7.2 Paying Premiums for Immediate Family

Agents may however, pay for or make advances towards the policy premiums of their immediate family members. An Agent must, in such circumstances, declare their qualifying relationship with the client at the time of payment of the premiums in question. For these purposes, the term 'immediate family' shall be taken to mean:
a. In respect of Agents who are not married - their parents and siblings and,
b. In respect of Agents who are married - their parents, spouse and children.

The policy for Agent’s immediate family members will not be recognized by the company for the purposes of the AGENT’s production, promotion or contest/incentive requirements.

7.3 Use of Agents’ Personal Funds (Cash, Check or Credit Card) to effect policy premiums payments for or on behalf of Clients/Prospects

The AGENT must not effect or advance policy premium payments not received for or on behalf of client with their personal funds, be it in the form of cash, check or credit cards. This practice also spoils the client who may not pay the Agent back.

8. Forgery

Forgery of any kind is prohibited and is a criminal offense, thus meriting immediate termination of the Agency Contract. Agents must never forge another person’s signature or initial on any form or document – whether with that person’s consent or at his request. Forgery of any kind is unacceptable to the Company and should always be reported to Management.

Every signature or initial contained in an insurance document must be the authentic signature of the person named in that policy. Agents are not to accept any document for and on behalf of the Company if they are aware or have reason to suspect that someone, other than the person named in that document, signed the document. Agents should be aware that no one is allowed to sign an insurance document for or on behalf of another person, regardless of whether the two persons are related, or they have mutual agreements or consent.

9. Discounts, Rebate and Inducement

Giving discounts in premium, rebating of premium or inducement in whatever form, is strictly prohibited. Agents must also not offer to rebate to any client part (discount) or all (full rebate) of the commissions they would earn in the sale of any policy to induce that prospect/client to purchase that policy. Agents must not offer any incentives (monetary or non-monetary) to induce any prospect/client to purchase a policy.

These practices alter the level playing field and disrupt fair market practices even among agents of the same company. This violation also merits immediate termination of an Agent’s Contract.

10. Trustees, Beneficiaries, Assignees and Owners of Policies

Agents cannot be named as trustees, assignees, owners or beneficiaries of any of their clients’ policies.

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Agents may, however, be named as trustees, assignees, owners, or beneficiaries of policies taken out on the lives of their immediate family members. For purposes hereof, the term "immediate family" shall be taken to mean, in respect of Agents who are not married, their parents and siblings and, in respect of Agents who are married, their parents, spouse and children.

11. SALES PROCESS AND GENERAL DISCLOSURE

Agents must ensure that all information and terminology presented to the prospects/clients are clear, unambiguous and in simple language. Information provided, including statistics and examples, shall not be misleading nor give unrealistic projections. Sales presentation materials should conform with the requirements of the Insurance Commission.

11.1 Opening Interview & Introduction

Agents, as licensed representatives of the Company, must possess a Calling Card, disclosing the following, to the client/prospect before beginning a sales presentation:

- The type or types of insurance and financial advisory service that he is authorized to provide
- The Agent's contact details (such as business address and telephone number).
- Name, address and contact details of the company the Agent is representing.

Agents must also inform the client of any change of information in any subsequent dealings with the client/prospect.

Examples of other types of information where Agents must readily disclose and clarify to clients/prospects include:

- General information on financial products.
- Information on the recommended product.
- Contents of the benefit illustration, in particular, the disclaimers and declarations in the benefit illustration
- Any risk, clauses, warnings, disclaimers, exclusion or terms and conditions.
- Basis for the recommendation.
- Other information as may be required by the Insurance Commission.

11.2 Product Presentation/Closing Interview

Before proceeding to conduct proper fact-finding with the prospect using the Company's Personal Financial Review (PFR) form, Agents must offer the option of undergoing full fact-finding process at the onset of the sales and highlight the following:

1. Information provided by the prospect/client which will be the basis on which the recommendation will be made; and
2. Any inaccurate or incomplete information provided by the prospect which may affect the suitability of the recommendation.

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Agents should collect information relating to the prospect's financial situation, needs, objectives, risk profile and priorities. The AGENT will put this information through proper analysis before making appropriate recommendations in the prospect's best interest. The basis of the recommendation must be documented in the PFR. Greater care should be taken when soliciting business sourcing premium payments from claim proceeds. Agents should not assume that financial conditions and personalities are the same from one generation to another. They may have different needs and plans to do with the claim proceeds.

For single products, the Agent must explain the Sales Illustration and Product Summary for each of the recommended products. For combination products, the agent must explain the complex proposal and make sure that it is understood and signed-off by the prospects to avoid any misunderstanding in the future. The intention is to make sure that the single, multiple or combination plans is affordable and sustainable throughout the plan’s life. Sales Illustrations not originating from the Company are not considered official illustrations and thus must be checked out by the Actuarial Department for computational accuracy and correctness of values used.

Agents must disclose all risks to be borne by the client, e.g., investment risks for investment-linked policies and currency risk for foreign currency policies.

The AGENT must disclose and explain the amount and timing for payment of benefits and whether the benefits are guaranteed or non-guaranteed. Agents must also inform prospects/clients of the nature of the product. This includes informing them of the following:

- **Earnings, Dividends and Self-Supporting Periods are not Guaranteed:** Any figures illustrating dividends and self-supporting periods are projections or estimates. They are not guaranteed results for the future. Prospects/Clients should also be made aware that earnings from Mutual Funds and Investment-Linked products (VUL) are likewise not guaranteed.

- **Reference to Past Performance:** Where the Agent made any reference to past performance, he/she must disclose to the prospects/clients that past performance is not necessarily a guarantee of future performance.

- **Lien on Juvenile Policies:** Where the Company has a lien on juvenile policies, the AGENT must disclose the fact and effect of such lien to the prospects/clients.

- **Adverse Health:** If the Insured has an adverse health condition, it may be necessary to issue a rating with higher premium than the standard policy premiums initially shown or suggested to the applicant. Presence of medical ratings, just as with occupational ratings, lengthens the self-support period if compared with policies of standard rating.

Clients also should be made to understand that the required premium may vary from client to client if a health condition or risk factor results in a less favorable underwriting rating.
Agents should discuss any charges or expenses with prospects/clients.

Using the Product Summary, during the sales process, the AGENT must disclose and explain the following information to the prospect/client relating to:

1. Nature and objective of the product
2. Details of the Company
3. Commitment required from the prospect/client
4. Benefits and risks of the product
5. Pricing of the product
6. Fees and charges to be borne by the prospect/client
7. Withdrawal, surrender or claim
8. Warnings, exclusions and disclaimers (in relation to product)

Agents must not use the term "risk-free" or any other similar terms.

Agents must not use the term "tax-free" or any other similar terms unless it is expressly provided for in the policy.

12. CONFLICT OF INTERESTS

Agents must act in the best interest of their prospects/clients when providing financial advisory services to their prospects/clients.

Agents must disclose any actual or potential conflict of interests to their prospect/client that may arise from any connection to or association with any product provider, including any material information or facts that may compromise their objectivity or independence in the carrying on of financial advisory services.

Agents must not co-mingle his personal funds with the client's monies. Any payment received from the client must be used to promptly settle the client's outstanding premium and fees with the Company.

13. KNOW YOUR PROSPECT/CLIENT

Agents must make recommendations that take into account a prospect's/client's financial objectives, financial situation and particular needs. Agents must fact-find with the prospect/client using Personal Financial Reviews (PFR) as required by the Company. The Agents will document all important information and state their recommendations in the PFR.

13.1 Reasonable Basis for Recommendation

An AGENT must have a reasonable basis for any recommendation made with respect to any financial product to a prospect/client who may reasonably be expected to rely on the recommendation.
In particular, the AGENT must give due consideration to the prospect's /client's financial objectives, financial situation and particular needs as derived during the fact-finding process and/or that documented in the PFR.

Agents are to ascertain and to ensure that their prospects/clients have sufficient financial resources to meet the premium requirements of the insurance product(s) that they sell to their prospects/clients for the duration/term of the product(s) in question.

13.2 Suitability

It is Company policy that Agents recommend financial products where there is a reasonable basis to believe that they are suitable for the client. Such a recommendation must be made upon the basis of facts, if any, disclosed by the client as to his or her needs, objectives, risk profile, other holdings and financial situation. Reasonable efforts should be made to obtain information that is relevant to making a suitable recommendation to the client including, as appropriate, information concerning the client's financial status, tax status, and insurance, personal, and business objectives.

The suitability of a particular insurance sale is determined by reference to the circumstances disclosed by the client. Products should only be recommended to clients when the products satisfy the clients' needs or financial objectives and can be purchased consistent with the clients' financial condition and willingness to accept risk.

13.3 Recommendation

In general, a product should not be recommended to a client unless there has been sufficient fact-finding to develop a recommendation consistent with the client's needs, objectives, financial status, risk profile and insurance. The exception to this rule applies when clients expressly indicate the intention to receive product advice only, are willing to provide partial information only or do not want any advice.

13.4 Multiple Recommendations

The same PFR form may be utilized for multiple recommendations to the same client within three months of the fact-find, on the condition that the PFR form has not been used to close any prior sales during the period. However, information contained on the PFR form must be up-to-date and the information on the application and supplemental forms must be complete, accurate, and consistent with the information on the PFR form.

14. MISPRESENTATION

Agents must ensure that any statement or representation made to any prospect/client is clear, adequate, accurate and not false or misleading. Agents must also ensure that they do not omit any matter that is material to the statement or representation made.
14.1 Use of Terms and References

The following are some guidelines on the use of certain terms and references:

Words and Phrases to Avoid: Representations made to consumers during the sales process have become a basis for numerous legal and regulatory disputes. In an effort to minimize such disputes and decrease the chance of a misunderstanding arising among Agents and prospects/clients, the following is a selection of words and phrases that should be avoided in connection with the sales process. Although this list is lengthy, it is not necessarily exhaustive. Agents should remember that all presentations to prospects/clients should involve giving them comprehensive and helpful information about the Company's insurance products.

- **Suggesting the Company sells something other than Insurance**
  Avoid referring to the Company's products as anything other than insurance or products as licensed to provide. Agents must accurately describe the ways in which prospects/clients can use the cash value that can be accumulated in their insurance policies.

- **Suggesting Non-Guaranteed Items are Guaranteed**
  Avoid using words that describe non-guaranteed elements of a policy as guaranteed, or more certain than they really are. Under no circumstances should Agents state or imply that the payment or amount of non-guaranteed elements under a policy is guaranteed.

- **Suggesting premium requirements “Disappear”/Vanish**
  Avoid the suggestion that premiums will not be required for each year of the policy in order to maintain the illustrated death benefit, unless the policy is fully paid up (e.g., a single premium policy for which the premium is fully paid). In particular, refrain from using the terms "self-support period" or their equivalent.

- **Suggesting policies are guaranteed issue, where issue is not guaranteed**
  Avoid suggesting that a policy is guaranteed issue, as if it were never to be questioned for medical contestability or fraud. The issuance of a policy is only simplified because less questions and documents are required at the time of underwriting. This only hastens the process but does not guarantee the claim if fraud has been discovered. Rules on disclosure still apply.

- **Suggesting clients/prospects can get something for nothing**
  Avoid using the terms "risk free", "free," "no cost," "without cost," "no additional cost," "at no extra cost," or similar words with respect to any benefit or service being made available with a policy, unless there actually is no direct or indirect cost to the prospective policy owner for the service or benefit.
Referring to a policy as a unique or special offer, when it is not
Avoid stating or implying that the policy or combination of policies is an
introductory, initial, or special offer, that applicants will receive
substantial advantages not available at a later date, or that the offer is
available only to a specified group of individuals, unless that is the fact.

Tax-Qualified Retirement Program or Pension Program
Avoid stating or implying that any our insurance products are the same
as or can replace Tax-Qualified Retirement Programs. The Cash Value
derived from an insurance product is not the same as money provided
for by a Company in a tax-qualified pension fund.

Any insurance provided for by a Company is purely a voluntary benefit.

A tax qualified pension fund provided for by a Company on the other
hand, pays off tax-free pension benefits. The fund can be considered as
an asset in the Balance Sheet of the Company. It is registered with the
BIR for tax-free status.

The above does not constitute an exhaustive list.
D DUTY TO THE PUBLIC

PREMIUM COLLECTION and USE OF AGENT’S TEMPORARY RECEIPT (ATR)

In order to resist the temptation to use cash premiums for personal needs, emergency needs or as bridge financing of any kind, the AGENT is required to hand over all premiums immediately to the Company as stipulated in the Agency Contract. Delayed remittance of premiums will be monitored. An early-warning reporting system will be designed in order to help detect delayed remittances, which if left unchecked, could remain unremitting.

In general, agents cannot exchange the client’s cash payment with a check, whether personal check, another person’s check, a company check or bank check. Any exceptional exchange arrangements made for safety and security reasons must first be cleared in writing with the designated Agency Officer or Executive.

All premiums collected must be issued a corresponding Agent’s Temporary Receipt duly signed by the collecting agent.

In line with the principle of command responsibility, the AGENT will be held financially accountable for any loss incurred if collection is delegated or done by his personal employees such as secretary, messenger or by his relative or any other designate.
APPENDIX A - GUIDELINES ON PENALTIES – LETTER OF WARNING,

SUSPENSION AND TERMINATION OF AGENT’S CONTRACT

Sanctions will be reviewed from time to time depending on what provision is frequently violated and on the level of discipline of the entire Agency Force. The Compliance and Ethics Committee (CEC) may also choose to modify the implementation of sanctions as needed.

LETTER OF WARNING

- The Company, through its duly authorized representative, may write a letter of warning ranging from a reprimand to stern warning. Depending on the type of offense, the Company may opt to move to the next level of penalty, which is financial.

FINANCIAL PENALTY

- The Company has the prerogative to impose financial penalty on the Agent depending on the gravity of the offense.

SUSPENSION OF AGENT’S CONTRACT

- Suspension will take place with effect from the day following the three-day deadline for the AGENT to inform the designated Department of his intention to appeal.

- If the AGENT appeals and the CEC decides to uphold the suspension, the AGENT will be suspended upon communication to the AGENT of the CEC decision.

- Until such time as an appeal has been resolved and depending on the case, the suspension may or may not be temporarily lifted.

- Retraining for Agents and Leaders serving suspension in areas where they had failed in. Retraining could be by attendance of a relevant course conducted by Agency Training or one-on-one.

IMMEDIATE SUSPENSION OF AGENT’S CONTRACT

- Immediate suspension to be effected by Company. Depending on the violation involved, the duration of suspension shall be determined accordingly by the Committee.

DO’S AND DON’TS DURING SUSPENSION PERIOD

Agents who are suspended are not permitted to do the following during the suspension period:

- Submit new business
- Collect First Year Premiums
- Prospect for clients
- Recruit or be involved in recruitment exercises for new Agents, where applicable
- Receive over-riding commission, where applicable

However, Agents are permitted and required to serve their clients in non-revenue generating and non-financial tasks, and to do such tasks excellently during the suspension period:

- Service, submit policy Withdrawal/Surrender/Policy Loan Requests for existing clients. But the client must still be the one to actually receive any cash or check proceeds.
- Submit administrative requests for existing clients.
TERMINATION OF AGENT'S CONTRACT

- Termination will take effect the day following the three-day deadline for the AGENT to inform the designated Department of his intention to appeal.

- If the AGENT appeals, he shall be suspended from all activities as a representative of the Company until the Appeal board has decided on his appeal.

- Once termination is effected, the AGENT should return his Company ID Card and sign the Letter of Undertaking.

IMMEDIATE TERMINATION OF AGENT'S CONTRACT

- Immediate termination to be effected by Company.

- If the AGENT appeals, he shall be suspended from all activities as a representative of the Company until the Compliance and Ethics Committee has decided on his appeal.

- For this purpose, all companies must form their own Compliance and Ethics Committee. The composition of the said Committee must be reported to the Insurance Commission within thirty (30) days from the effectivity of the Circular issuing the MCG and any change thereof within ten days from the date of the actual change.

- Severe penalties involving suspension and termination should be duly reported to the Insurance Commission.