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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.

Evangelina Crisostomo Escobillo
EVANGELINE CRISOSTOMO-ESCOBILLO
Insurance Commissioner

0010405

cc: The Honorable Secretary
MARGARITO B. TEVES
Department of Finance



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 handwritten signature in black ink, appearing to be 'Juni', is located in the lower right quadrant of the page.

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.

A handwritten signature in black ink, appearing to read "Jimm", with a long horizontal stroke extending to the right.

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 ___ Re_. 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.

