

Memorandum

To : All Business Partners

From : Partnership Concierge, FTLife Insurance Company Limited

Date : 7 December 2022

Subject : LO-1259 Guideline on Premium Financing from Insurance Authority (Effective on 1 January 2023) – Operation Arrangement

The Insurance Authority (“IA”) issued a circular (Circular number: INS/TEC/9/2/2/26) earlier stating insurance companies need to strengthen the regulatory standards when using premium financing to obtain funds in purchasing a life insurance application/ policy.

Starting from 1 January 2023, we will follow the circular and implement the new regulatory requirements. All new applications signed and submitted on or after 1 January 2023 and at the same time using premium financing to obtain funds in purchasing a life insurance application/ policy will be required to follow the new regulatory requirements.

Details of the operation arrangement are as follows:

1. Summary of New Regulatory Standards and Revised Documents

New business arrangements on or after 1 January 2023 with premium financing	
(A)	<p>1) A new “Important Facts Statement - Premium Financing” (Form no. LU0336) (“IFS-PF”) will be introduced and it will replace the existing “Letter of Risks and Limitations of Collateral Assignment” (Form no. CS0090)</p> <p>2) The “IFS-PF” will enhance the level of risk disclosure</p> <p>(i) Part A : Business Partners must explain to the customer the factors to be considered and the risks involved when using premium financing to obtain funds in purchasing a life insurance application</p> <p>(ii) Part B Q1 : Customer must declare whether the use of premium financing to fund the purchase of the application has been solicited or recommended by Business Partners or not</p> <p>Part B Q2 : Customer can choose to provide the proposed premium financing facility information for affordability assessment</p> <p>(iii) Part C : Business Partners are required to declare that he has discussed and fully explained the “IFS-PF” implications and associated risks to the customer, and signs for confirmation</p>

(B)	<p>To follow the new requirements, we have also <u>updated</u> the “Financial Needs Analysis Form” (Form no. LU0238 – 2212)(“FNA”)</p> <ul style="list-style-type: none"> - Revised Question 3 and Question 6 related to customers' ability and willingness to pay the premium - Affordability assessment including the premium financing application <p>Please note that the updated “Financial Needs Analysis Form” will be applicable to all New Business applications.</p>
(C)	<p>Notice of Approval will be <u>updated</u> as follows:</p> <ul style="list-style-type: none"> - Added the term regarding the right to cancel the policy under the premium financing cooling-off period, including: <ul style="list-style-type: none"> (i) the need to first obtain the consent of the lender and (ii) the cancellation of the policy within the cooling-off period may still require repayment of the premium financing loan principal, prepayment penalty (if applicable), interest and other administrative cost. Therefore, the paid premium will be used to repay the transferee’s loan first, and the customer will be refunded the relevant premium balance (if any).
(D)	<p>The Authorization Letter for Premium Financing will remain <u>unchanged</u></p> <p>Customer needs to sign and confirm to authorize FTLife to provide the insurance application documents and information to the lending bank for premium financing loan purposes.</p>

2. Revised Financial Needs Analysis Form and Affordability Assessment Calculation Method

Questions in the Financial Needs Analysis Form is to collect the overall financial status of the customer including premium financing. Highlighted in Red is modified content:

Q3 - Ability and willingness to pay insurance premiums - Part B Liquid asset must be answered in all kind of applications

Q3.3 - Average monthly expenditure (including FTLife and other insurance companies’ policies’ premium and repayment of the loan facility for premium financing) in the past 2 years

Q3.4 - What percentage of your monthly disposable income would you be able and willing to use to pay for the insurance premium and repayment of the loan facility for premium financing throughout the entire term of the insurance policy

Q3.6 - Net liquid asset amount, which represents the total amount of current assets minus the amount of current liabilities

Q3.7 - What percentage of your net liquid asset would you be able and willing to use to pay for (i) the insurance premium; (ii) out-of-pocket premium portion under the premium financing facility; and (iii) repayment of the loan facility for premium financing, throughout the entire term of the insurance policy

Q3.8 - Do you (i) have any in-force insurance policies (with premium financing facility used to fund the payment of premiums) in FTLife and other insurance companies; or ii) have any premium financing facility applications currently in progress (excluding the current insurance application)? If yes, please specify the current outstanding loan principal amount of the premium financing facility (excluding the current insurance application)

Q6 - Ability and willingness to pay premiums for the policy: Application for premium financing is required to answer Part A regular pay or premium financing

Q6.1 - For how long are you able and willing to pay premium and/or repayment of the loan facility for premium financing for an insurance policy (consider basic plan and/or rider)?

Q6.2.2 - Please specify your source of funds if you have to pay premium and/or repayment of the loan facility for premium financing after retirement

Also, the affordability assessment needs to consider the following factors:

- Customer's repayment ability under the requirement of early repayment by the bank without surrendering the policy.
- Customer's ability and willingness to pay the out-of-pocket premium amount under premium financing.
- Customer's ability and willingness to pay full premium financing for repayment.
- If require income assets proof for large premium financial requirements, the amount of proof from the financial document must be at least equal to the single premium of the premium financing application
- Not accept self-occupied property as income assets proof

For the calculation method of affordability, please refer to "Financial Needs Analysis and Important Facts Statement - Premium Financing User Guide".

3. New Business Application Submission Arrangement

In order to comply with the requirements of the Insurance Authority to collect customer's financial information, please refer below for the new business submission arrangement:

Application sign date and submission date	Apply premium financing?	Required documents
From 1 January 2023 and onwards	Yes	1. Important Facts Statement - Premium Financing (LU0336) 2. Financial Needs Analysis Form (LU0238– 2212) 3. Authorization Form
	No	1. Financial Needs Analysis Form (LU0238 – 2212)

Business Partners can download the following documents from BOSS with immediate effect:

- (1) "Important Facts Statement - Premium Financing",
- (2) Revised "Financial Needs Analysis Form" (LU0238 – 2212),
- (3) "Financial Needs Analysis and Important Facts Statement - Premium Financing User Guide".

Should you have any inquiries regarding above arrangement, please contact IFA & Corporate Agency Service Hotline at 3192 8333 or Premier Business Hotline and 3192 8388.

Partnership Concierge