



香港保險業聯會

THE HONG KONG FEDERATION OF INSURERS

The Hong Kong Federation of Insurers

Cooling-off Initiative

Introduction

1. The Cooling-off Period give purchasers of new life insurance policies a chance to re-think within a reasonable period of time their decision to purchase a life insurance product which is a long term commitment.

Scope

2. The scope of life insurance products to which the Cooling-off Period applies is listed out in Appendix 1 which may be amended or expanded from time to time.

Cooling-off Period

3. The Cooling-off Period will extend to the **later** of:
 - a) 21 days after the date on which the application for the new policy has been signed;
 - b) 14 days after the date of issue of the new policy;
 - c) 14 days after the date on which the Customer Protection Declaration (CPD) form has been copied to the insurer of an existing policy which the new policy is replacing; and
 - d) 5 days after the delivery of the policy or a Notice (see clause 4) to the policyholder or the policyholder's representative.
4. The Notice should inform the policyholder of the availability of the policy and the expiry date of the Cooling-off Period.
5. Life Insurance Members of The Hong Kong Federation of Insurers (HKFI) are advised to:
 - a) specify in their intermediaries training materials and internal guidelines that insurance intermediaries must:
 - i) inform prospective policyholders of their Cooling-off rights and the expiry date of the Cooling-off Period when policyholders sign their policy application forms; and
 - ii) deliver policies to the policyholders within a reasonable period of time after the policy is issued if they are vested with the obligation to deliver policies on behalf of the companies;
 - b) devise internal control measures which will ensure and prove that:
 - i) policies are delivered no later than 9 days after the policy issue date; or
 - ii) a notice to inform policyholders of the availability of the policies and the expiry date of the Cooling-off Period is issued no later than 9 days after the policy issue date;

and

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- c) maintain records in respect of complaints or disputes for cases where clients seek refunds outside the period defined in clause 3 but refused by the company and to provide these records to the HKFI upon request.

Cooling-off Rights

6. Subject to clauses 7 to 11 below, policyholders have the rights to cancel new policies within the Cooling-off Period and obtain a refund of the premium(s) paid.
7. For all non-linked policies other than non-linked single premium policies, the refund shall be 100% of the premiums paid.
8. For all linked policies and all non-linked single premium life insurance policies, the insurer will have the right to apply a "market value adjustment" (MVA) to the refund of premiums.
9. Any such MVA must be calculated solely with reference to the loss the insurer might make in realizing the value of any assets acquired through investment of the premiums made under the life policy. It shall therefore not include any allowance for expenses or commissions in connection with the issuance of the contract.
10. In the case of a linked policy, the insurer's right to apply a MVA must be disclosed in the Principal brochure, and the basis of calculation must be available for disclosure to the potential policyholder prior to the completion of the application form.
11. For non-linked single premium policies, potential policyholders must be made aware that the insurer has the right to apply a MVA before the policyholder signs the application. This may be done by letter, or within the product brochure.

Announcement of Cooling-off Rights on Application Form

12. A statement as defined in *Wording Guidelines on Announcement of Cooling-off Rights on Application Form* (Appendix 2) must be included on the application form immediately above the space for the signature.
13. The size of the printing for the statement must not be smaller than the print size used for any other declarations on the form. Furthermore, the font size shall not be less than 8.
14. It shall be communicated in the same language(s) as are used for all other sections of the application form.

Advice at time of Policy Issue

15. When the policy is issued, the policyholder must be reminded of the Cooling-off rights attaching to the policy.
16. This may be done by way of a letter from the insurer mailed direct to the policyholder, or a statement on the policy jacket or policy cover (either printed or by way of label).

17. It shall be communicated in the same language(s) as are used for other communication at the time of policy issue.
18. The typeface shall be no smaller than font size 10.
19. For details of the Announcement required, see *Wording Guidelines on Announcement of Cooling-off Rights with Policy Issue* (Appendix 3).

Scope of Cooling-off Rights

"Cooling-off" rights will apply as follows:

	Transaction	Do cancellation rights apply?	Cooling-off Period	How to exercise the Cooling-off rights?	Refund Amount
1.	New non linked life policies (excluding single premium policies)	Yes	Later of (a) 21 days from application signed date; (b) 14 days from policy issue date; (c) 14 days from CPD form copied date (if the new policy is a replacement); and (d) 5 days from policy/a notice delivery date.	Policyholder shall within the Cooling-off Period (a) write to the insurance company cancelling the relevant life insurance policy; and (b) return the life insurance policy.	All premium(s) paid
2.	New linked life policies and all single premium life policies	Yes	Same as above	Same as above	All premium(s) paid <u>less</u> Market Value Adjustment (MVA)
3.	Premium increase for increased sum assured	No	N/A	N/A	N/A
4.	Indexation increases exercised under existing policy terms and conditions	No	N/A	N/A	N/A
5.	New rider added to existing life policy	No	N/A	N/A	N/A
6.	Existing policy where the client applies to "convert" e.g. Term basic or Term rider to whole of life	No	N/A	N/A	N/A
7.	General insurance products	No	N/A	N/A	N/A
8.	Group medical	No	N/A	N/A	N/A
9.	Group life insurance	No	N/A	N/A	N/A
10.	Employer sponsored provident fund	No	N/A	N/A	N/A

(effective 1/1/2003 – rev.1)

Wording Guidelines
on
Announcement of Cooling-off Rights on Application Form

The ability of a policyholder to take advantage of their cancellation rights must be prominently displayed on the application form and clearly explained to him/her by the producing insurance intermediary. Guideline wordings and format as below:-

(1) For All Non Linked Policies other than Non Linked Single Premium Policies

"Cancellation Rights and Refund of Premium(s)"

I understand that I have the right to cancel and obtain a refund of any premium(s) paid by giving written notice. Such notice must be signed by me and received directly by [Address of the insurer's Hong Kong Main Office] within 21 days from the date of this application, 14 days from the date of issue of the policy or 5 days from the date of delivery of the policy/a Notice informing me/my representative about the availability of the policy and the expiry date of the Cooling-off Period, whichever is later."

Notes

- (i) Insurers may need to define date of policy issue in their policy provisions.
- (ii) The address must be a Hong Kong address.

(2) For All Linked Policies and all Non Linked Single Premium Policies

"Cancellation Rights and Refund of Premium(s)"

I understand that I have the right to cancel and obtain a refund of any premium(s) paid less any market value adjustment, by giving written notice. Such notice must be signed by me and received directly by [Address of the insurer's Hong Kong Main Office] within 21 days from the date of this application, 14 days from the date of issue of the policy or 5 days from the date of delivery of the policy/a Notice informing me/my representative about the availability of the policy and the expiry date of the Cooling-off Period, whichever is later."

Notes

- (i) Insurers will be required to disclose their rights to apply a MVA and have available details of the basis of calculation of the MVA as part of the sales process and for disclosure before the application is signed.
- (ii) For linked products the right to apply a market value adjustment must be included in the principal brochure.
- (iii) The address must be a Hong Kong address.

(3) Format of Wording

Should be prominent and no less than 8 font size, and

- (a) In bold type no smaller than the main type font used on the application form,
- (b) Be communicated in the same language(s) as are used for all other sections of the application form, and
- (c) On the application form immediately above the place for the clients signature.

Wording Guidelines
on
Announcement of Cooling-off Rights with Policy Issue

An announcement must be prominently made at the time of policy issue clearly reminding the policyholders of their Cooling-off rights. Policyholders should also be advised that they have the rights to call the company direct if they wish to further understand their rights. Guideline wordings and format as below:

(1) Wording

"Your Right to Change Your Mind

If you are not fully satisfied with this policy
you have the right to change your mind.

We trust that this policy will satisfy your financial needs. However, if you are not completely satisfied then you should

- return the policy, and
- attach a letter, signed by you, requesting cancellation.

The policy will then be cancelled and the premium(s) paid will be refunded (*).

These cancellation rights have the following conditions :

- Your request to cancel must be signed by you and received directly by our [Address of the insurer's Hong Kong Main Office] within 14 days after the date of issue of the policy, 21 days after your application date or 5 days from the date of delivery of the policy/a Notice informing you/your representative about the availability of the policy and the expiry date of the Cooling-off Period, whichever is later, and
- No refund can be made if a claim payment has been made.

Should you have any further queries you may contact [] and we will be happy to explain your cancellation rights further."

Notes

- * For all linked Policies and all Non Linked Single Premium Life Policies add "less a deduction of the amount (if any) by which the value of your investment has fallen at the time when your cancellation letter is received by us."

(2) Announcement Format

Insurers may decide to make this announcement either by:

- (a) display on policy jacket / cover, or
- (b) separate notice, from the Insurer mailed direct to the client.

The announcement must be prominently displayed and no smaller than 10 font size.