GOVERNMENT NOTICE NO.42

FINANCIAL SERVICES ACT

(CAP. 44:05)

FINANCIAL SERVICES (DISCLOSURE REQUIREMENTS FOR INSURANCE SERVICES) DIRECTIVE, 2018.

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IN EXERCISE of the powers conferred by section 34 (2) of the Financial Services Act, I, DR. DALITSO KABAMBE, Registrar of Financial Institutions, issue this Directive as follows—

PART I—PRELIMINARY

Citation

1. This Directive may be cited as the Financial Services (Disclosure Requirements for Insurance Services) Directive, 2018.

Application

2. This Directive applies to insurers and insurance intermediaries.

Interpretation

3.—(1) In this Directive, unless the context otherwise requires—

"Board" means the highest body of authority in a financial institution responsible for strategically guiding the institution, effectively monitoring management and properly accounting to shareholders;

"cooling-off period" means 10 working days from the cover commencement date within which a financial consumer can withdraw from a life insurance contract, without any penalty and have any premiums refunded;

"financial consumer" in relation to a financial service, means—

(*a*) (i) a natural person, not acting in the course of business; or

(ii) a sole trader, partnership, trust club or charity (not being a body corporate), with an annual turnover in its previous financial year of MK250,000,000 or less; or

(iii) an incorporated body that—

(I) had an annual turnover in its previous financial year of MK250, 000,000 or less; and

(II) is not a body corporate that is a member of a group of companies with a combined annual turnover (in the previous financial year of the group of companies), of greater than MK250, 000,0000 that—

(A) is a customer of a financial institution;

(B) is a person or body to whom a financial institution has offered to provide a financial product or service; or

(C) has sought the provision of a financial product or service;

(*b*) an actual or potential beneficiary of a financial product or service;

"insurance intermediary" means a person who performs any act—

(*a*) the result of which is that another person will or does or offers to enter into, vary or renew an insurance policy; or

(*b*) with a view to—

(i) maintaining, servicing or otherwise dealing with;

(ii) collecting or accounting for premiums payable under; or

(iii) receiving, submitting or processing claims under, an insurance policy;

"key fact statement" means a short form, standardized disclosure document prepared by a financial institution in relation to a financial product or service which—

(*a*) summarizes the key terms, annual percentage rate and other fees and charges;

(*b*) can be used to compare the product offers of different financial institutions; and

(*c*) is in a format and contains the content, which is specified in the Schedule hereto;

"rider" means any other additional benefit or product attached to an insurance policy;

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(2) Any term used in this Directive, and which has been defined in the Act and the Insurance Act, has the meaning ascribed to that term under the Act and the Insurance Act .

PART II—OBJECTIVES

Objectives

4. The objectives of this Directive are to—

(*a*) set minimum disclosure requirements for insurance products and services;

(*b*) ensure that financial consumers are provided with full, accurate and timely information to evaluate whether and to what extent the insurance product and service is appropriate;

(*c*) promote comparability of insurance products and services by financial consumers; and

(*d*) promote fair treatment of financial consumers.

PART III—BOARD AND MANAGEMENT OVERSIGHT

Board and management oversight

5.—(1) The Board or management of an insurer and insurance intermediary are responsible for adherence and compliance with the intermediary requirements of this Directive.

(2) An insurer, an insurance broker or their agents shall have a formal written disclosure policy on an insurance product and service, approved by the Board or management.

(3) The Board or management of an insurer and of an insurance broker shall ensure that there is full, timely and accurate disclosure of all relevant information on insurance products and services in line with the requirements of this Directive.

PART IV—MINIMUM DISCLOSURE REQUIREMENTS

General requirements

6.—(1) An insurer or an insurance intermediary shall disclose to a financial consumer all information related to the insurance product and service necessary to enable the financial consumer make an informed decision.

(2) An insurer or an insurance intermediary shall disclose to the financial consumer before entering into a contract with a financial consumer the benefits, risks, terms, conditions and costs of the insurance product and service.

(3) An insurer or an insurance intermediary shall disclose information that is clear, accurate and not misleading to the financial consumer.

No cost for information

7. An insurer or an insurance intermediary shall provide information to a financial consumer prescribed in this Directive at no cost.

Information about the institution

8. An insurer or an insurance intermediary shall disclose in a contract—

(*a*) its official trade name and address of its principal office to the financial consumer prior to granting an insurance product and service; and

(*b*) its regulated status and, where required by the financial consumer, contact details of the Registrar.

Information on performance of product and service

9. An insurer or an insurance intermediary shall, where applicable, disclose to a financial consumer past and projected performance of a life insurance product.

Information about the service

10. The disclosed information about the insurance product and service shall be contained in a key fact statement which shall, where applicable, include—

(*a*) type of insurance policy;

(*b*) the total sum assured or total sum insured by the policy, as the case may be;

(*c*) the duration of the policy and expiry date or maturity date of the policy, as the case may be;

(*d*) amount of premiums to be paid;

(*e*) in the case of an annuity, the level of annuity to be paid, clear explanation on the meaning of guarantee periods and past five years increment history records;

(*f*) in case of guaranteed pension fund insurance products, reserving methodology, application of investment returns to policy holders and bonus declarations for the past five years;

(*g*) premium payment options;

(*h*) benefit payment options and how the benefits shall be calculated upon maturity of the policy;

(*i*) where applicable, policy administration charges;

(*j*) description of situations covered by the policy and other benefits of the policy;

(*k*) where applicable, riders of the policy;

(*l*) exclusions on the policy;

(*m*) penalties for termination of the policy prior to maturity;

(*n*) consequences of non-payment of premium;

(*o*) penalties for late payment of premiums;

(*p*) the claims procedure including all documentation required;

(*q*) any vesting rules attached to the policy;

(*r*) claim settlement period after signing of claim discharge certificate;

(*s*) where applicable, excess of loss paid by the financial consumer;

(*t*) cooling-off period of the policy;

(*u*) where applicable, whether policy benefits are discretionary or guaranteed;

(*v*) any credit products secured on the policy, in which case, the minimum disclosure requirements of the credit products directive shall apply;

(*w*) rights of beneficiaries in case of death of the annuitant or policy holder;

(*x*) expected return on investment;

(*y*) complaints handling mechanism; and

(*z*) any other information which the Registrar may determine from time to time.

PART V—FORM AND TIME OF DISCLOSURE

Disclosure Form

11. The disclosures in paragraph 10 shall be in the prescribed format in the Schedule hereto and communicated to the financial consumer before, during and after signing a contract—

(*a*) in English or vernacular language which is easy to read and understand;

(*b*) in written form, and accessible to the financial consumer; and

(*c*) the information must be—

(i) in legible font size of not less than 12;

(ii) available to financial consumers through numerous channels, such as in branches, pension fund offices and online;

(iii) provided that where an insurer or an insurance intermediary opts to use electronic form of communication, the needs and capabilities of the financial consumer must be properly assessed where appropriate; and

(iv) simplified through consumer testing, especially with the needs of vulnerable client groups in mind.

PART VII—ENFORCEMENT

Monetary penalties

12—(1) The Registrar shall impose the following monetary penalties for violations of this Directive—

(*a*) for an insurer or an insurance intermediary, a fine not exceeding K50,000,000;

(*b*) for individuals, who are members of the Board or management,

a fine not exceeding K10, 000, 000; and

(*c*) in addition, a fine of K50,000 may be imposed on an insurer or an insurance intermediary for each subsequent day for which the violation continues after being notified by the Registrar of the violation.

(2) The penalties imposed in subparagraph 1 shall be payable through a bank certified cheque or electronic transfer payable to the Reserve Bank of Malawi within 10 working days after being notified of the violation.

13. In addition to the monetary penalty imposed in paragraph 12(1), the Registrar may impose directions, and administrative penalties as provided for under the Financial Services Act and other financial services laws. Administrative penalties

SCHEDULE (para. 11)

KEY FACTS STATEMENT FOR

INSURANCE PRODUCT AND SERVICES

(Application No.: .....)

I. PARTIES CONCERNED

(1) Insurance Company Name:.....

(2) Contact Information (*address, telephone, e-mail*):.....

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(3) The information provided remains valid until:.....

(4) (*Full legal name of the regulated entity*) is authorized and supervised by the Registrar of Financial Institutions (see more information below).....

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(5) Agent or Intermediary Details: (*name, address, tel, e-mail*):.....

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(6) Applicant's Name:.....

(7) Contact Information (*address, telephone, e-mail*):.....

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II. KEY TERMS—*Review carefully before buying a policy*

A.—POLICY DETAILS

1. Type of Policy:.....
2. Policy excess charges/costs.....
3. Consequences of lapse in premium payment.....
.....

B.—COST OF POLICY

4. Premiums payable (monthly/quarterly/lump sum).....
5. Other fees and charges (*Administration Costs*).....
.....
6. Risks associated with the policy.....
.....
7. Total sum assured or total sum insured by the policy.....

C.—POLICY SCHEDULE

8. Duration.....
9. Maturity Date:.....
10. Cooling off Period:.....
11. Are there any Riders to this policy (*Clearly state the additional benefits and products on the policy*) Yes / No.....
.....
12. Exclusions .....
13. Penalties for termination of the policy prior to maturity.....
.....
14. Any credit products secured on the policy.....

III.—STATUTORY RIGHTS

1. Claims Settlement period after signing discharge form: Your claim payment is expected to be made ..... days from the date of signing the discharge form.
2. Customer Recourse: Complaints or comments? Please call (.....), email (.....) or write to (.....).
3. Redress Mechanism: In case of a dispute you may lodge a complaint with the Registrar or file a lawsuit. To contact the Registrar, call: 01 820299 or Toll Free: 80008444, email: complaints-handling@rbm.mw, mail: The Consumer Protection Unit, Reserve Bank of Malawi, P O Box 565, Blantyre, or visit: http://www.rbm.mw.

4. Right to draft: You have the right to obtain a draft of the proposed policy free of any charge.

5. Termination of policy: You may terminate the policy in the following manner

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IV.—CLAIMS PROCESSING

D.—BY MEMBER

Amount Claimable MKW.....

Payment Options available MKW.....

E.—THIRD PARTY

Total Amount of Benefits MKW.....

F.—DOCUMENTATION

Documents Required.....

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CERTIFIED CORRECT:

....

Signature of credit provider representative *Date*

I ACKNOWLEDGE THAT I RECEIVE AND UNDERSTAND THIS STATEMENT PRIOR TO PURCHASE OF THE POLICY/ANNUITY:

....

Signature of borrower Date

....

Signature of guarantor (*if applicable*) Date

Dated this 29th day of June 2018

D. KABAMBE, PhD

(FILE NO. FIN/PFSPD/03/04) *Registrar of Financial Institutions*