

GUERNSEY FINANCIAL SERVICES COMMISSION

THE INSURANCE MANAGERS AND INSURANCE INTERMEDIAIRES (BAILIWICK OF GUERNSEY) LAW, 2002, AS AMENDED

CODE OF CONDUCT

FOR AUTHORISED INSURANCE REPRESENTATIVES

PREAMBLE

The States of Guernsey have determined that insurance representatives must be authorised by their principals. Only authorised insurance representatives may advise on or place insurance business in or from the Bailiwick of Guernsey. The objective in setting out this Code of Conduct is to establish a recognised standard of professional conduct to which insurance representatives are expected to comply with in the carrying out of their insurance business.

This Code of Conduct is an extension of the Principles of Conduct of Finance Business, which were issued by the Commission in February 1991. The Principles of Conduct of Finance Business must be observed by insurance representatives at all times.

No Code of Conduct can be exhaustive in all circumstances. In areas where the Code is not specific, insurance representatives should be guided by the Code's underlying spirit.

Lack of mention in the Code of a particular act or omission shall not be taken as indication that such an act or omission constitutes acceptable professional conduct.

Acts of gross negligence or repeated acts of negligence may amount to unprofessional conduct and may be investigated by the Commission. Nevertheless, claims against insurance representatives and their principals or employees for compensation arising from acts or omissions amounting to negligence are matters for determination by the Courts.

A person shall not use the term "insurance representative" unless authorised to do so by their licensed principal or employer.

This code is designed for compliance by all authorised insurance representatives advising on insurance products in or from the Bailiwick of Guernsey and those advising on Guernsey policies outside the Bailiwick of Guernsey.

A GENERAL PRINCIPLES APPLICABLE TO GENERAL AND LONG-TERM INSURANCE BUSINESS

An Insurance Representative shall:

1. comply with the principles of the Code and at all times conduct business with utmost good faith and high standards of integrity, exercising due skill, care and diligence when dealing with clients;
2. in the conduct of his business, provide advice objectively and not act in any way which is contrary to this Code or any other relevant legislation or Code of Conduct or Practice;
3. whenever possible, make a prior appointment to visit;
4. where unsolicited calls are unavoidable, yet deemed to be in the client's best interests, ensure that they are made at an hour likely to be convenient to the client;
5. produce evidence of his authorisation;
6. ensure as far as possible that the policy proposed is suitable for the needs and financial position of the prospective policyholder;
7. give advice only on those matters in which he is competent and shall seek or recommend specialist advice where necessary;
8. use his best endeavours to explain the principal terms of any contract of insurance recommended by him, and generally to make full and frank disclosure of any matter which may affect the client's decisions;
9. not use or disclose any information acquired from his clients except in the normal course of negotiating, maintaining or renewing a contract of insurance, or in handling a claim for a client, unless the written consent of the client has been obtained beforehand or disclosure of the information is required in the public interest or is compelled by law;
10. when a client is completing a proposal form or any other document, ensure, as far as possible, that all material facts are accurately and properly disclosed, making it clear to the client that all answers or statements are the client's own responsibility. If the insurance representative completes the proposal form on behalf of the client then the client must be asked to check the details before signing the form.

The client should be informed that non-disclosure of material facts or the inclusion of incorrect information may result, inter alia, in a claim being repudiated. On request, a client shall be supplied with a copy of the proposal form or other relevant documentation;

11. where a choice of insurer is available to the authorised insurance representative, use his judgement objectively in the best interests of his clients;
12. inform the client of the name of each insurer with whom a policy is placed. This information shall be given whenever possible prior to the inception of the policy and any changes thereafter shall be advised at the earliest opportunity to the client;
13. before any work involving a fee is undertaken or an agreement to carry out business is made, identify and disclose in writing the amount of the fee and purpose of the related services or work. State whether this is in addition to that required to secure the insurance. If the amount is not known then the basis on which it will be calculated shall be disclosed;
14. have proper regard for the wishes of a client who seeks to terminate any agreement;
15. comply with all anti-money laundering/countering the financing of terrorism laws, regulations, instructions, guidance or rules issued from time to time by the Commission;
16. not make comparisons with any other types of policies or investments unless he clarifies the differing characteristics of each policy or investment;
17. not make inaccurate or unfair criticisms of any financial institution;
18. pass on to the principal and/or employer all information regarding claims or incidents which might give rise to claims, and give reasonable assistance to the client in pursuing a claim;
19. ensure that evidence of cover and the basis of payments are provided to the client at the commencement of risk and again on any renewal or as soon as is reasonably practicable;
20. if in receipt of policy monies which need to be passed on to an insurer, keep a proper account of all financial transactions with a client and acknowledge receipt, if requested, of any monies received. Any such monies must be remitted in strict conformity with any agreement that exists between the insurance representative and the principal and/or employer;
21. for the purpose of selling insurance, not use or disclose any information acquired from any record of the licensed insurer or licensed insurance intermediary or a related party of any of the above, obtained for a purpose other than one specifically designed in connection with the provision of insurance by that licensed insurer or licensed insurance intermediary unless with the written

- permission of the client;
22. not inform the client that his name has been provided by another person without that person's consent, and shall disclose that person's name if requested to do so by the client;
 23. if he becomes involved in conditional selling, explain this fully to the client;
 24. if the policyholder advises him of an incident that might give rise to a claim, inform the insurer without delay and thereafter give prompt advice to the policyholder of the insurer's requirements concerning the claim, including, as soon as possible, the provision of information required to establish the nature and extent of the loss. Information received from a policyholder shall be passed to the insurers without unreasonable delay;
 25. When making contact with prospective clients, for the purpose of marketing or advising on general and/or long-term insurance business, the insurance representative shall identify himself at the start of the call and explain the genuine purpose of the call. For long term insurance business, the purpose of the call should be to discuss the prospective client's financial arrangements and not to sell specific products.

He shall make it known that he either:

- (a) represents a licensed insurer or more than one licensed insurer who accept responsibility for his conduct; or
- (b) represents a licensed insurance intermediary, who assumes responsibility for his conduct, while advising clients on their insurance requirements and/or arranging contracts of insurance between insurers and clients.

NOTE: Wherever possible, the insurance representative is strongly advised to obtain a signed and dated statement from the client as proof that he has provided this information to the client.

B GENERAL INSURANCE BUSINESS PRINCIPLES

26. Insurance representatives advising on or placing general insurance business shall, in addition to complying with section (A), adhere to the following:
 - (a) the insurance representative shall forward an insurer's renewal invitation to the policyholder promptly and not withhold any written evidence or documentation relating to the policy of insurance without adequate and justifiable reasons being disclosed to the policyholder;

- (b) the insurance representative shall not advise a client to convert, replace, allow to lapse, or cancel any general insurance contract unless he can demonstrate the action to be in the best interests of the policyholder.

C LONG TERM INSURANCE BUSINESS PRINCIPLES

27. Insurance representatives advising on long term insurance business shall, in addition to complying with section (A), adhere to the following:
- (a) In order to be able to advise a client correctly, the insurance representative should ensure that he has sufficient knowledge of the legislation (including taxation legislation) affecting the products the client already owns or is considering purchasing. If he is unable to advise a client then he should inform the client and, if possible, refer the client to a person who can give him appropriate advice;
 - (b) the insurance representative shall not advise a client to convert, allow to lapse, cancel or surrender any long term insurance contract unless he can demonstrate the action to be in the best interests of the policyholder. If such action is advised then the advice should be fully documented in a written advice, a copy of which should be sent to the client.

Prior to the inception (or any other material change to the policy including cancellation) of the policy, the insurance representative shall:

- 28.
- (a) *take all reasonable steps to obtain and record information from the client concerning the personal and financial circumstances of that client necessary to give suitable advice;
 - (b) provide the client with a copy of the written advice;
 - (c) if a policy is sold on an execution-only basis, confirm to the client, in writing, that the client did not seek any advice from and was not given any advice by the insurance representative;
 - (d) in the case of long term insurance policies, where applicable, explain the different surrender values that may be available over the term of the policy, including a warning that surrender practice may vary from time to time;
 - (e) ensure that the client is warned of the possible penalties of early surrender. Where a terminal bonus may be payable, emphasise that the policy will normally have to run its full term before the bonus becomes payable;
 - (f) in the case of long term insurance policies where the investment return is not guaranteed, explain that it is not guaranteed. Where a product purports

to be guaranteed, explain any conditions or limitations applying to the guarantee. The insurance representative shall use his best endeavours to enable the client to understand the nature of any risks involved;

- (g) explain that there will be an opportunity for the policyholder to cancel or withdraw from the contract and during what period he will be able to exercise this option. Any shortfall provisions should also be explained at this time;
- (h) in the case of long term insurance policies, where applicable, explain that deductions are made to cover the cost of life cover, commission, expenses, surrender penalties and other charges;
- (i) explain to the client the amount or percentage of commission that the licensee will receive as a result of the sale or variation of single premium insurance contracts, Traded Endowment Plans and any contract involving “gearing/leveraging” or, in respect of any other policy, when requested. Also, explain any charges (including bid -offer spread charges and cancellation charges) that will or may be incurred.
- (j) explain the consequences of missed premiums;
- (k) not withhold any written evidence or documentation relating to the contract of insurance from the policyholder;
- (l) if using illustrations, projections and forecasts supplied by an insurer, ensure that the client is provided with all relevant documentation that has been supplied;
- (m) ensure that all illustrations, projections and forecasts are relevant to the specific country where the client is resident and if they are not, explain the differences.

*This rule shall not apply in the case of:

- (a) a person making a written declaration that he does not require any advice i.e. one who is a professional investor or an execution-only client; or
- (b) a transaction entered into solely as a result of the client responding to an ‘off-the-page’ advertisement; or
- (c) the issuing of periodical publications containing recommendations as to the acquisition, retention or disposal of investments of any kind.

D BREACH OF CODE

If an insurance representative breaches any part of this Code he must immediately inform his principal/employer who must inform the Commission as soon as is reasonably practicable.

DEFINITIONS

For the purposes of this Code:

- 1** “Insurance Representative” means Authorised Insurance Representative;
- 2** “Principal” and “Employer” mean the licensed person who has authorised the insurance representative;
- 3** “Financial Institution” as mentioned in the Principles of Conduct of Finance Business also includes a licensed insurance intermediary and a licensed insurer;
- 4** “other relevant legislation or Code of Conduct” in (A)(2) of the Code means any legislation enacted to enable the Commission to supervise the carrying on of insurance business. Other codes of conduct include Codes of Conduct of professional bodies that authorised insurance representatives may belong to, for example, the Institute of Actuaries;
- 5** An “execution-only client” is a client who has neither sought nor has been given any advice in relation to the purchase of an insurance contract;
- 6.** The reference to “shortfall provisions” in (C)(28)(g) of the Code means that where a policyholder exercises his right to cancel a contract he may not get a full refund of the money he has paid if the value of the investment falls before the cancellation notice is received by the insurer.