

## **Insurance Commission Notification**

**Subject: Rules on methods for issuing and offering of insurance policy for sale and the performing of duty of life insurance agent and life insurance broker and bank B.E. 2551**

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By virtue of section 38 (5) and section 70/2 of the Life Insurance Act B.E. 2535 amended by the Life Insurance Act (No.2) B.E. 2551 combine with the resolution of the 9/2551 Insurance Commission meeting on 24 September B.E. 2551, Insurance Commission has declared the followings:

Clause 1. This Notification shall be called “Insurance Commission Notification Subject: Rules on methods for issuing and offering for sale of an insurance policy and the performing of duty of life insurance agent and life insurance broker and bank B.E. 2551”

Clause 2. This Notification shall come to force from 1 January B.E. 2552 onwards

### **Chapter 1 General remarks**

Clause 3. In this Notification

“Office” means Office of Insurance Commission

“Registrar” means the Secretary-General of the Insurance Commission, or his designated person.

“Company” means Life Insurance Company under the law on Life Insurance

“Life Insurance Agent” means Life Insurance Agent under the law on Life Insurance

“Life Insurance Broker” means Life Insurance Broker under the law on Life Insurance

“Bank” means Bank obtaining broker license under the law on Life Insurance

“The Prospect” means a person who is persuaded or directed by life insurance agent or broker to enter into a life insurance contract.

“Offering Insurance policy for sale” in case of Company means inviting the prospect to enter into insurance contract; in case of life insurance agent means persuading the prospect to enter into insurance contract with a Company; in case of life insurance broker and bank means indicating the prospect of the opportunity to enter into insurance contract with a Company or arranges the prospect to enter into insurance contract with a Company.

Clause 4. In issuing and offering for sale of an insurance policy, the Company shall abide by this Notification.

Clause 5. The performance of duty of Life Insurance Agent and life insurance broker must be in accordance with the rules, procedures and conditions prescribing the act and omission to act of Life Insurance Agent and Life Insurance Broker under the management of the Company under this Notification.

Clause 6. Life Insurance Agent, Life Insurance Broker who violates this Notification may cause the Registrar to revoke the license of Life Insurance Agent or Life Insurance Broker, as the case may be, under section 81 of the Life Insurance Act B.E. 2535 amended by the Life Insurance Act (No.2) B.E. 2551.

## Chapter 2 The issuing of Insurance policy

Clause 7. When a Company receives application form together with the premium paid by the prospect, if the Company agrees to insure, the company must deliver the policy containing the correct contents to the insured. Company must attach documents summarizing the coverage, exceptions under the policy to that policy.

In the case of group insurance, the Company must deliver the policy and documents under the first paragraph to the insured or policyholder. The Company must issue to the each covered person or insured member a certificate of insurance together with documents summarizing the conditions, coverage and exceptions under the policy.

## Chapter 3 The offering of insurance policy for sale

Clause 8. The Company shall manage the Life Insurance Agent, Life Insurance Broker and Bank to offer insurance policy for sale in accordance with this Notification

Clause 9. The Company can offer insurance policy for sale by;

- 9.1 Offering insurance policy for sale via Life Insurance Agent or Life Insurance Broker
- 9.2 Offering insurance policy for sale via direct mail
- 9.3 Offering insurance policy for sale via bank (Bancassurance)
- 9.4 Offering insurance policy via other methods apart from 9.1, 9.2 and 9.3 except telemarketing

### Part 1 Rules used for the offering of insurance policy for sale via Life Insurance Agent, Life Insurance Broker, Bank or other methods

Clause 10. The offering of insurance policy for sale under 9.1, 9.2 and 9.4, Company must manage Life Insurance Agent, Life Insurance Broker or bank, to act or omit to act according to part 2, part 4 and part 5, as the case may be, and also to act or omit to act the followings:

- 10.1 Not persuade the insured to cancel other insurance policies in order to purchase new insurance policy.
- 10.2 Not misrepresent or conceal facts which should be disclosed with the hope to get an insurance contract therefrom.
- 10.3 Not giving advice which may create misunderstanding or omit to disclose material facts which might create misunderstanding.
- 10.4 Explain the duty to disclose and not to misrepresent material facts in the application form and the effect of breach of the duty.

## Part 2

The offering of insurance policy for sale via Life Insurance Agent or  
Life Insurance broker

Clause 11. The offering of insurance policy for sale via Life Insurance Agent, Life Insurance broker, the Company must manage Life Insurance Agent, Life Insurance Broker to act or omit to act the followings in relation to the offering of insurance policy for sale;

11.1 Inform his name, surname, the company to which he belongs (if any) and present Life Insurance Agent license, Life Insurance Broker license.

11.2 Inform the objective of contact to the prospect. The prospect must be for offering insurance policy for sale only. For this purpose, the use of the words, “deposit” or “cash deposit”, instead of the word “paying premium” should be avoided.

11.3 If the prospect clearly declares his intention of not wanting to purchase, the selling must cease immediately no matter when the declaration of intention occurs.

11.4 When the permission to offer insurance policy for sale is granted by the prospect, Life Insurance Agent or Life Insurance Broker must give explanation concerning the offered insurance policy by using sale supporting documents approved by the Company.

11.5 Suggest the prospect to enter into insurance contract which is suitable for his risk and ability to pay premium (Suitability Requirement)

11.6 If the prospect wants to enter into life insurance contract, Life Insurance Agent or Life Insurance Broker must deliver insurance application form to the prospect and let the prospect fill in the application form and signs as proposer by himself.

If Life Insurance Agent, Life Insurance Broker fills in the application form according to the dictation of the prospect, Life Insurance Agent or Life Insurance Broker must fill the prospect’s information as dictated or as he knows in the application form correctly. Life Insurance Agent or Life Insurance Broker must read the details in the application form to the prospect again prior to the prospect’s signature as proposer.

11.7 Every time Life Insurance Agent or Life Insurance Broker receives insurance premiums, he must issue a Company’s document evidencing the Company’s receipt of payment.

Apart from abiding by the first paragraph, Life Insurance Broker must present the authorization by the Company’s power of attorney.

11.8 When receiving application form and premium from the prospect, Life Insurance Agent or Life Insurance Broker must deliver sale supporting documents filled with all particulars to the prospect together with Company’s document evidencing the Company’s receipt of payment.

11.9 From the date the prospect deliver application form and premiums to Life Insurance Agent or Life Insurance Broker, Life Insurance Agent or Life Insurance Broker must inform the duration of time the prospect will receive insurance policy or any contact about insurance policy from the Company.

11.10 Life Insurance Agent or Life Insurance Broker must inform the prospect that upon receiving the insurance policy, the prospect has the right to inspect the contents of the policy. If the prospect is not satisfied, he may terminate the

contract within 15 days or more, depending on the types insurance policy proposed, from the date the insured receives insurance policy from the Company.

11.11 Life Insurance Agent or Life Insurance Broker must deliver application form and premium received from the prospect to the Company at the first opportunity the delivery can be done but not longer than the next working day.

Clause 12. The offering of unit-linked insurance policy for sale via Life Insurance Agent or Life Insurance Broker, Company must manage as follows;

12.1 Manage Life Insurance Agent or Life Insurance Broker offering unit-linked insurance policy to have Type gor <sup>(n)</sup> or kor <sup>(w)</sup> Investment License approved under the law on Securities and Exchange and pass the knowledge training on unit-linked policy in accordance with the curriculum prescribed by the Office and register under the rules, procedures and conditions as prescribed by the Registrar.

12.2 Manage Life Insurance Agent or Life Insurance Broker to act or omit to act as prescribed in clause 11 and to act or omit to act the followings;

(1) Explain about the offered policy by using Company's sale supporting documents together with invitation letter to purchase unit-link under the law on Securities and Exchange.

(2) Give advice according to accepted academic principles. Must posses of knowledge and understanding about mutual fund and must have referable evidence.

(3) Give advice to the insured regarding risk concerning unit-linked insurance risk and investment in unit-trust and life insurance policy.

(4) Not disclose insured's information to others

(5) Not receive fees or commission concerning unit-linked insurance and investment in unit-trust and life insurance policy from the insured apart from those specified in unit-linked insurance policy or in invitation letter.

Clause 13. In offering universal life policy for sale, the Company must manage Life Insurance Agent or Life Insurance Broker to pass knowledge training concerning universal life insurance policy as prescribed by the Office and be registered according to the rules, methods and conditions as prescribed by the Office. The Company must also manage the Life Insurance Agent or Life Insurance Broker the act or omit to act as prescribed in Clause 11 and give advice to the insured about the universal life policy risks.

Clause 14. Sale supporting documents must be approved by the Company and contain the following particulars;

14.1 Company's name and address

14.2 Insured's name and surname

14.3 Life Insurance Agent's or Life Insurance Broker's name and surname and signature space.

14.4 Date and time of offering insurance policy for sale

14.5 Summary of general conditions and benefits under insurance policy including exceptions and rights under insurance policy

14.6 Amount of premium under insurance policy and additional contract (if any), insurance period and premium payment period

14.7 Remark about the delivering of premium that it is the insured's duty and that the collecting premium of Life Insurance Agent or Life Insurance Broker is merely a service.

14.8 Channels of premium payment.

14.9 A warning for the insured to learn, read and understand the sale supporting documents.

Clause 15 Sale supporting documents for the offering of unit-linked insurance policy for sale must have the same particulars as clause 14 and also at least the followings;

15.1 Details of expenses and fees.

15.2 The amount of money the insured has to pay illustrating the portion of life insurance premium, additional coverage premium, expenses and investment.

Clause 16. Sale supporting documents for offering universal life insurance policy for sale must have the same particulars as clause 14 and 15 and also at least the followings;

16.1 Return rate given to the insured, principal calculated return rate, frequency and period in calculating return rate.

16.2 Estimated insurance surrender value table (if any)

Life Insurance Agent or Life Insurance Broker must fill in particulars under 14.2, 14.3 and 14.4 when the prospect agrees to insure and deliver supporting sale documents to the prospect together with Company's document evidencing Company's receipt of payment.

Information in the sale supporting documents for unit-linked insurance policy and universal life insurance policy must be current. If information used is the past Company's turnover, the insured should be warned that the use of past information is not an indicator of the future turnover.

### Part 3

#### The Offering of insurance policy for sale via direct mail

Clause 17. Only Company can offer insurance policy for sale via this method.

Clause 18. Sale supporting documents sent to the receiver must contain at least the followings;

18.1 Company's name and address

18.2 Summary of general conditions and benefits under insurance policy, exceptions and rights under policy conditions

18.3 Amount of premium that must be paid by the insured, insurance period and premium payment period.

18.4 Methods of premium payment and coverage commencement date

18.5. Period of time to issue insurance policy or insurance certificate (as the case may be)

### Part 4

#### The offering of insurance policy for sale via Bank (Bancassurance)

Clause 19. In offering insurance policy for sale via Bank, Company must manage Bank to act or omit to act the followings;

19.1 The offering person must only be Bank's employee having Life Insurance Broker license.

19.2 The offering person must inform his name, surname and Life Insurance Broker license.

19.3 The offering person must illustrate explicitly that the offering is an offering of insurance policy for sale which is different from depositing money with bank.

19.4 The entering into insurance contract of Bank's customers must be voluntary not compulsory and should not be related to loan negotiation or other bank's transaction.

19.5 Bank must act or omit to act like Life Insurance Broker as mentioned in Chapter 3 Part 2

#### Part 5

The offering of insurance policy for sale via other methods according to 9.4

Clause 20. The offering of insurance policy for sale via methods other than 9.1, 9.2 and 9.3 which is a general offering and in order for the prospect to contact the Company by himself, must be the offering of standard life insurance policy only and can be done merely. Part 2 apart from 11.6, 11.8 and 11.11 shall be applied, *mutatis mutandis*.

Notified on 30 December B.E. 2551

Signed by  
(Mr. Supart Kawatkul)  
Permanent Secretary of Ministry of Finance  
President of Insurance Commission

Note: The reason of issuing Notification prescribing rules, methods in offering of insurance policy for sale and the performance of Life Insurance Agent is to protect people who use insurance services.