



FINANCIAL REGULATOR  
*Rialtóir Airgeadais*

PO BOX NO 9138  
College Green  
Dublin 2  
T +353 1 224 4000  
F +353 1 671 6561

21 November 2008

**Re: Unit Linked Whole of Life Cover Themed Inspections**

Dear «Greeting»

As you may be aware, the Financial Regulator carried out a series of consumer-focussed inspections of selected life insurers during 2008, specifically reviewing their sales and periodic policy review process in relation to Unit Linked Whole of Life (“UL WOL”) Policies. The purpose of this letter is to provide the life insurance industry with feedback in relation to the Authorised Officers findings on those visits. We hope that it will be of future assistance to you in developing and ensuring your own institution’s compliance. Accordingly, we would ask you to consider whether any of the issues set out below are relevant to your institution.

**Issues relating to the periodic policy review process**

**1. Policy reviews to be conducted on time**

The Financial Regulator expects reviews to be carried out in accordance with the terms and conditions of the specific product. Where reviews have not been completed

on time, insurers must ensure that their policyholders have not been financially disadvantaged by late reviews. Insurers which have not completed UL WOL reviews on time must review their practices in relation to how their policyholders were treated to ensure that their policyholders were not placed in a worse financial position than if the review had occurred when it was due.

## **2. Reliance on Manual Intervention**

We are concerned with the reliance of some insurers on manual intervention in the area of performing policy reviews. Unnecessary delays and mistakes can and have occurred due to the lack of proper systems for performing these reviews. Insurers should ensure that they have the system functionality in place to deliver on the terms and conditions of a policy. This system functionality should already be in place when a new product is launched.

## **3. Partial Encashments**

Firms should ensure that their customers are aware of the effect on future required premiums of making partial encashments on their policies.

## **Issues relating to the sale of UL WOL policies**

### **4. Use of the Term “Whole of Life”**

We are concerned that some consumers may believe that the term “Whole of Life” refers to a guarantee that the premium will not change over the life of the policy. We recommend that where the term “Whole of Life” is used, either in written or in verbal communication, that insurers take steps to ensure that consumers do not infer that this means that the premium is guaranteed not to change.

## **5. Provision of information on the review process at point of sale.**

Insurers need to ensure that the key issues particular to UL WOL policies, such as the periodic review feature, are highlighted by their sales staff at point of sale. We expect that the suitability statement includes information on the policy review feature, specifically the risk of the premium increasing. Sales staff should also ensure that customers are aware of the expected period for which the initial premium will sustain the policy.

Insurers should also ensure that information on the review process and information on the investment element of the product and all associated risks, is placed in a prominent position in their product documentation.

## **6. Provision of information on other suitable products**

The Financial Regulator expects that during the sales process firms consider all suitable protection products in their respective product suites, including those products with guaranteed premiums.

## **7. Use of UL WOL for Mortgage Protection Purposes**

We are concerned that where UL WOL is sold to cover a mortgage liability, that a consumer might not be able to afford potential increased premiums following a review. This could have serious consequences for the policyholder. If a UL WOL is sold to cover a mortgage, we recommend that the premium be calculated to sustain the sum assured over the term of the mortgage.

## **8. Post sale monitoring**

While we note that most insurers have general sales monitoring processes in place, we encourage insurers to implement product specific sales monitoring to ascertain if the product sold is actually what the customer required and that the customers' understanding of the product is correct.

We appreciate that not all of the issues referred to in this letter will be applicable to your institution. Nonetheless, we hope that you find the information useful as you review your institution's compliance with the Consumer Protection Code.

Should you have any queries in relation to the contents of this letter, please contact Joe Morley at [joe.morley@financialregulator.ie](mailto:joe.morley@financialregulator.ie).

Yours sincerely

**Adrian O'Brien**  
**Deputy Head of Consumer Protection Codes**