

**CODE OF ETHICS
AND
CONDUCT**

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**LIFE INSURANCE ASSOCIATION
OF MALAYSIA**

No. 4, Lorong Medan Tuanku Satu
Medan Tuanku,
50300 Kuala Lumpur
Tel: 03-2691 6168, 2691 6628, 2691 8068
Fax : 26917978
E-mail: liaminfo@liam.org.my
Http: [//www.liam.org.my](http://www.liam.org.my)

CODE OF ETHICS AND CONDUCT

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PART 1:

CODE OF ETHICS AND CONDUCT

GUIDELINES ON THE CODE OF CONDUCT

CODE OF ETHICS (Statement of Philosophy)

1. The Life Insurance Business is based on the philosophy of risk sharing. It is ubiquitous that such business be operated and administered with the highest degree of integrity and ethics.
2. It is a business based on trust and honesty, requiring a high degree of responsibility and professionalism.
3. The confidence of policy owners and members of the public in the integrity and honesty of life insurers shall be safeguarded and enhanced.
4. Life insurers shall at all times see that their business is soundly managed to ensure the safety of policy owners' savings and the credibility of their companies.
5. Life insurers shall maintain a policy of efficient and prompt service to policy owners and, to assist and advise them where necessary, with the aim of promoting goodwill.

In pursuance of the above objectives and philosophy, the life insurance industry has endeavoured to codify the ethics to provide a guideline to those employed in the industry to promote and maintain uniform ethical standards, and to uphold the trust and welfare of policy owners at all times.

CODE OF ETHICS AND CONDUCT

(Guidelines on the Code of Conduct)

As a trustee of policy owners' savings, a life insurance company has the responsibility to **safeguard its integrity and credibility**. In the business of life insurance, the vital ingredient is trust: trust of the policy owners in the safety of their savings and confidence in the integrity and professional conduct of life insurers. The policy owner's trust placed on the managers of life insurance companies involves a heavy responsibility. They owe it to their policy owners to ensure that their institutions are professionally managed and soundly based. The employees of the life insurance company, thus, must be seen to conduct their business with the highest level of integrity. While life insurers may be guided by certain informal, time-tested and generally accepted code of ethics to attain the level of conduct expected of them, today's insurance operations require that these ethical rules be codified and issued as written guidelines in order to promote and maintain **a uniform ethical standard**.

1. Coverage

To foster high standards of insurance operations in Malaysia, the following guidelines are established, setting out the **minimum standards of conduct** expected of employees of life insurance companies in Malaysia. These guidelines are intended to support the chief executives of all life insurance companies in their efforts to uphold proper standards and do not in any way restrict the companies from formulating more comprehensive sets of rules in maintaining ethical standards if they so desire.

2. Monitoring Devices

To ensure adherence to the guidelines, the management of a life insurance company must establish some effective monitoring device. The management should at least :-

- a) require all employees (existing and upon appointment in the case of new employees) to **sign a declaration** on their observance of the guidelines (Part I),
- b) require all intermediaries (existing and upon appointment in the case of new intermediaries) to **sign a declaration** on their observance of the guidelines (Part II), and
- c) **assign responsibility to the heads of department** to ensure compliance with these guidelines on a day-to-day basis and to handle general

enquiries from employees on matters relating to the code of conduct. Breaches observed should be reported to an audit/disciplinary committee (reporting directly to the Board of Directors) and centralised records be maintained. Cases of fraud should be reported immediately to Bank Negara Malaysia and the Police.

The audit/disciplinary Committee is required to submit **quarterly, a report to Bank Negara Malaysia on breaches observed** during the quarter and the corrective/punitive actions taken.

3. Underlying these guidelines are seven principles :-

- (i) To avoid **conflict of interest** ;
- (ii) To avoid **misuse of position** ;
- (iii) To prevent **misuse of information** ;
- (iv) To ensure **completeness and accuracy of relevant records**;
- (v) To ensure **confidentiality of communication and transactions** between the life insurance company and its policy owners and clients;
- (vi) To ensure **fair and equitable treatment** of all policy owners and others who rely on or who are associated with the life insurance company.
- (vii) To conduct business with the utmost good faith and integrity.

3(i) Conflict of Interest

Employees must not engage directly or indirectly in any business activity that competes or conflicts with the interests of the life insurance company. These activities include, but are not limited to, the following :-

(a) Outside Financial Interest

Where employees have a financial interest in a policy owner, claimant or client, whether as a sole proprietor, partner, shareholder, creditor or debtor, such an interest must be **disclosed immediately** to the employees' immediate superiors. Thereafter, the employees should not be directly involved in the life insurance company's dealings with the policy owner, claimant or client so long as the interest continues to exist.

The above restriction does not apply in cases where an employee has holdings of publicly quoted securities unless the immediate superior considers the interest to be **material**, and, the financial interest is considered likely to impair

the objectivity of the employee concerned. In any case, holdings of 5 per cent or more of the voting shares of a public quoted company would be regarded as material.

(b) Other Business Interest

It is considered a conflict of interest if an employee conducts business other than the company's business during office hours.

Where the acquisition of any business interest or participation in any business activity outside the life insurance company and office hours demands excessive time and attention from the employee, thereby depriving the company of the employee's best efforts on the job, a conflict of interest also arises.

(c) Other Employment

Before making any commitment, employees are to discuss possible part-time employment or other business activities outside the life insurance company's working hours with his manager or department head. The **written approval** of the manager or department head should be obtained before the employee embarks on part-time employment or other business activities. Approval should be granted only where the interests of the company will not be prejudiced.

(d) Sale of Life Insurance

The Company should exercise underwriting prudence in the acceptance of insurance business and employees should not be placed in situations of conflict of interest. Where employees are allowed to solicit life insurance business for the company, the following guidelines shall apply :-

1. Employees shall submit the business directly to the company through their immediate superiors, who would endorse the application before forwarding it for underwriting.
2. For employees with underwriting or claims handling authority, all authorisation in respect of applications from them or the resultant policies are to be endorsed by their superiors.

(e) Entertainment and Gifts

Employees must not accept costly entertainment from policy owners, claimants or clients, or potential policy owners or clients, or suppliers unless they are able to reciprocate, either personally or by obtaining reimbursement from the company through a proper expense voucher. However, employees may **accept token gifts of no commercial value** during festive seasons if the acceptance of such gifts should not place the employee in a compromising position and if refusing the gifts would jeopardize client relations. Under no circumstances

should gifts in the form of cash, bonds, negotiable securities, personal loans or airline tickets be accepted.

Employees of life insurance companies should note that acceptance of any gift of high monetary value, commission, emolument, service, gratuity, money, property for their own (or their relatives) personal benefit or advantage from any person, other than the company, as consideration for the procurement of favourable terms for any person, in the issuance of life insurance contracts, agreements or other transactions, is prohibited.

(f) Corporate Directorships

Employees **must not solicit corporate directorships**. Employees should not serve as directors of other corporations not associated with the life insurance company without the approval of the Chief Executive Officer (in the case of the Chief Executive Officer or Director approval must be obtained from the Board of Directors). Employees who hold directorships without such approval must seek approval immediately, if they wish to remain as directors of other corporations.

However, employees may act as directors of non-profit public service corporations such as religious, educational, cultural, social, welfare, philanthropic or charitable institutions, subject to policy guidelines in each company.

(g) Trusteeships

Employees **must not solicit appointment as executors, administrators or trustees of policy owners' estates**.

However, if such an appointment is made, the employee shall declare his interest to his immediate superior and shall not deal with the case.

3(ii) Misuse of Position

Employees must not use the life insurance company's name or facilities for **personal advantage** in political, investment or retail purchasing transactions, or in similar types of activities. Employees and their relatives must not use their connection with the company to borrow from or become indebted to policy owners and other clients or prospective policy owners and other clients. The use of position to obtain preferential treatment such as in purchasing goods, shares and other securities, is prohibited.

Further, employees must not use the company's facilities and influence for **speculating in commodities, gold, silver, foreign exchange or securities**, whether acting personally or on behalf of friends or relatives.

3(iii) Misuse of Information

Employees of a company shall not utilise any information gained through their company's operation either for personal gain or for any purpose other than that intended by the life insurance company.

3(iv) Completeness and Accuracy of Relevant Records

Accounting records and reports must be **complete and accurate**. Employees shall not make entries or allow entries to be made for any account, record or document of the company that are false or would obscure the true nature of the transaction, as well as to mislead the true authorisation limits or approval by the relevant authority of such transactions.

All records and computer files or programmes of the company, including personnel files, financial statements and policy owner information, must be **accessed and used only for the management approved purposes**.

3(v) Confidentiality of Communications and Transactions

The **confidentiality of relations and dealings** between the company and its policy owners and other clients is paramount in maintaining the life insurance company's reputation. Thus, employees must **take every precaution to protect the confidentiality of policy owners' and other client information and transactions**. No employee shall during, or after termination of his employment with the company (except in the proper course of his duties or with the company's written consent) divulge or make use of any secrets, copyright material, or any correspondence, accounts or dealings of the company or its policy owners or clients.

No employee shall in any way use information so obtained for personal financial gain.

Business and financial information about any policy owner or client may be used or made available to third parties only when disclosure is required by law or in accordance with any agreed information exchange programme within the life insurance industry.

3(vi) Fair and Equitable Treatment

All business dealings on behalf of the company with current and potential policy owners and clients and with all those who may have cause to rely upon the

company, should be **conducted fairly and equitably**. Employees must not be influenced by friendship or association in carrying out dealings. Such decisions must be made on a strictly arms-length business basis. All preferential transactions with insiders or related interests should be avoided. If transacted, such dealings should be on normal business criteria basis and fully documented and duly authorised by the company's management.

3(vii) Utmost Good Faith and Integrity

The company must show good faith in its dealing with current and future policy owners by ensuring that the terms of the contract are fair and equitable.

4. Code of Conduct only a Guide

The above guidelines are meant to serve as a guide for the promotion of proper standards of conduct and sound and prudent business practices amongst life insurance companies. Such a code of conduct should not, however, restrict or replace the matured judgement of employees in conducting their day-to-day business. Where there is doubt over matters relating to the code of conduct, employees are to seek guidance from their respective heads of departments, who may, if necessary, seek guidance from their company's management or from the Bank Negara Malaysia.

PART II :
CODE OF ETHICS AND CONDUCT
LIFE INSURANCE SELLING

CODE OF ETHICS AND CONDUCT (Life Insurance Selling)

INTRODUCTION

- (i) The term “**life insurance**” used in this code covers all types of home-service and/or ordinary life insurance, all types of annuities, pension contracts, investment-linked insurances, and permanent health insurance.
- (ii) The code applies to “**intermediaries**”, i.e. all those persons, including employees of a life insurance company, selling life insurance other than registered insurance brokers, who are subject to a separate professional code of conduct.
- (iii) Members of the Life Insurance Association of Malaysia shall undertake to enforce the code and to use their best endeavours to ensure that all those involved in selling their policies observe its provisions.

The audit/disciplinary Committee of the insurer (established in accordance with clause 2 (c) of Part 1) shall be responsible for monitoring compliance of the life insurance intermediaries to this Part (that is, Part II) and shall be responsible for the submission of the quarterly report to Bank Negara Malaysia on breaches observed during the quarter and the corrective or punitive actions taken.

- (iv) In the case of complaints from policy owners that an intermediary has acted in breach of the code, the intermediary shall be required to cooperate with the life insurance company concerned in establishing the facts. The complainant shall be informed that he can refer the complaint to the relevant life insurance company, if not so referred.

It shall be an overriding obligation of an intermediary at all times to conduct business with the utmost good faith and integrity.

1. General Sales Principles

1. The intermediary shall:
 - (i) when he makes contact with the prospective policy owner, make it known that he is an agent of which insurance company and produce his Registered Intermediary Authorisation Card to identify himself;
 - (ii) ensure as far as possible that the policy proposed is suitable to the needs and not beyond the resources of the prospective policy owner;
 - (iii) give advice only on those matters in which he is competent to deal with and seek or recommend other specialist advice if this seems appropriate;
 - (iv) treat all information supplied by the prospective policy owner as completely confidential to himself and to the life office which he represents ;
 - (v) in making comparisons with other types of policies or forms of investment, make clear the different characteristics of each policy/investment;
 - (vi) render continuous service to the policy owner.

2. The intermediary shall not -
 - (i) make inaccurate or unfair criticisms of any insurers;
 - (ii) attempt to persuade a prospective policy owner to cancel any existing policies unless these are clearly unsuited to his needs.

2. Explanation of the Contract

1. The intermediary shall -
 - (i) explain all the essential provisions of the contract, or contracts, which he is recommending so as to ensure as far as possible that the prospective policy owner understands what he is committing himself to;
 - (ii) draw attention to any restrictions including exclusions applying to the policy;
 - (iii) draw attention to the long-term nature of the policy and to the consequent effects of early discontinuance and surrender;

- iv) draw attention to whether the policy qualify for tax relief or otherwise.
- 2. Where a policy offers participation in profits, or otherwise depends on variable factors such as investment performance, descriptions of the benefits shall distinguish between fixed and projected benefits. In the case of a collateral policy where the maturity proceeds are for loan settlement but which are dependant on non-guaranteed benefits, the sales illustration should mention that “there is no guarantee that the full loan amount will be available on maturity”.
- 3. Where projected benefits are illustrated, it should be made clear where applicable, that they are based on certain assumptions, for example, future bonus declarations, and hence are not guaranteed, and these benefits declared in the future may be lower or higher than those presumed, (past performance may not necessarily be repeated in the future). In the case of investment-linked policies, it should be made clear that unit values may fluctuate up or down depending on the value of the underlying investments.
- 4. Where an intermediary has been supplied with an illustration by the life office, he shall use the whole illustration in respect of the contract which he is discussing with the prospective policy owner, and no other, and shall not add to it or select only the most favourable aspects of it. The sales illustrations shall be prepared in accordance with the recommendations for bonus/interest/dividend/yield illustrations outlined in Appendix I.

3. Disclosure of Underwriting Information

The intermediary shall in obtaining the completion of the proposal form or any other material:

- (i) avoid influencing the proposer and make it clear that all the answers or statements are the latter’s own responsibility;
- (ii) ensure that the consequences of non-disclosure and inaccuracies are pointed out to the proposer by drawing his attention to the relevant statement in the proposal form and by explaining them himself to the proposer.

4. Accounts and Financial Aspects

The intermediary shall:

- (i) acknowledge receipt (which unless the intermediary has been otherwise authorised by the office shall be on his own behalf) and maintain a proper account of all moneys received in connection with an insurance policy and shall distinguish the premium from any other payment included in the moneys;
- (ii) forward to the company without delay any moneys received for life insurance.

**PART III:
CODE OF ETHICS AND CONDUCT
STATEMENT OF LIFE INSURANCE PRACTICE**

CODE OF ETHICS AND CONDUCT

(Statement of Life Insurance Practice)

INTRODUCTION

This statement relates to life insurance (both home-service and ordinary life insurance). Although the statement is not mandatory, it shall be recognised as a standard insurance practice, it being understood that there will sometimes be exceptional circumstances where the statement would be inappropriate.

Life insurance is very largely a social service and the aim of the industry is to reduce to a minimum the formalities (and therefore the expense to the policy owners and claimants) involved in issuing a new life policy and payment of a claim subject only to the need to protect the general body of policy owners from the effects of non-disclosure by a small minority of proposers and improper claims.

To ensure adherence to the guidelines, the audit/disciplinary Committee of the insurer (established in accordance with clause 2 (c) of Part I) shall be responsible for monitoring compliance of the Insurer to this Part (that is Part III) and shall be responsible for the submission of the quarterly report to Bank Negara Malaysia on the breaches observed during the quarter and the corrective or punitive actions taken.

1. Claims

- (a) An insurer will not unreasonably reject a claim. In particular, an insurer will not reject a claim on grounds of non-disclosure or misrepresentation of a matter that was outside the knowledge of the proposer except under those circumstances cited in the policy provisions or provisions of the Insurance Act 1996.
- (b) Under any conditions regarding a time limit for notification of a claim, the claimant will not be generally expected to do more than report a claim and subsequent developments as soon as reasonably possible.
- (c) Payment of claims will be made without avoidable delay once the insured event has been proved and the entitlement of the claimant to receive payment has been established.
- (d) An insurer shall not collect any processing fees from the policy owner or from any person to whom the policy benefits are paid, or are to be paid.

2. Proposal Forms

The design of the proposal forms shall conform with Part III of the Code of Good Practice for Life Insurance Business.

- (a) If the proposal form calls for the disclosure of material facts a statement should be included in the declaration, or prominently displayed elsewhere on the form or in the document of which it forms part:-
 - (i) drawing attention to the consequences of failure to disclose all material facts.
 - (ii) warning that if the signatory is in any doubt about whether certain facts are material, these facts should be disclosed.
- (b) A life insurer shall provide a copy of the proposal form relating to the policy to the policy owner together with the policy.

3. Policies and Accompanying Documents

- (a) Insurers will continue to develop clearer and more explicit proposal forms and policy documents whilst bearing in mind the legal nature of insurance contracts.
- (b) Life insurance policies or accompanying documents should indicate whether or not there are rights to surrender values in the contract and, if so, what those rights are.

(Note: The appropriate sales literature should endeavour to impress on proposers that a whole life or endowment assurance is intended to be a long-term contract and that surrender values, especially in the early years, are frequently less than the total premiums paid. The policy will not have a cash value on termination until the policy owner has paid premium for three years or more.)

4. Sales Materials/Advertisements

Insurers will ensure that information contained in the sales materials/ advertisements are correct and truthful, thus not misleading to the public.

APPENDIX 1

RECOMMENDATIONS FOR BONUS / INTEREST / DIVIDEND / YIELD ILLUSTRATIONS

In preparing bonus/interest/dividend/yield illustrations for use in life insurance policy quotations, the following recommendations should be observed :-

- (a) The prospective policy owner should be made aware of the nature and purpose of the illustration. All illustrations should be in plain language and at the point of selling this must be presented in a manner that will not be misleading to the prospective policy owner.

The illustration shall not be based on unrealistic assumptions and should either be preceded by a suitable (and suitably prominent) cautionary statement, or alongside the bonus / interest / dividend / yield rates projection there should be clear reference to that part of the illustration which contains the cautionary statement. This statement should:-

- (i) make clear the assumptions on which the rates have been projected, for instance that the continuance of present rates in the future has been assumed; and
 - (ii) warn that future bonuses / interests / dividends / yields depend on future profits / investment yields and cannot be guaranteed.
- (b) Past performance may not be a guide to future performance. To emphasise that there is no guarantee attaching to the benefits quoted, the illustration should contain some expression such as “assumed bonus rates” or “projected bonus/maturity proceeds” or “maturity proceeds based on...”, etc.
 - (c) The sales illustrations shall conform to the format given in Schedules I to III and Part VI of the Code of Good Practice for Life Insurance Business.

DEFINITION OF TERMS

For purposes of this **Code of Ethics and Conduct**, the following terms shall have the meaning as defined below:-

- i. **“Life Insurance Companies”** shall apply to insurers duly registered to conduct life insurance business by Bank Negara Malaysia in accordance with Section 4 of the Insurance Act 1996.
- ii. **“Employee”** includes chief executive officer, executive director and non-executive directors, secretary and officers of a life insurance company.
- iii. **“Relative”** includes
 - (a) a spouse of the person;
 - (b) a brother or sister of the person;
 - (c) a brother or sister of a spouse of the person;
 - (d) a lineal ascendant or descendant of the person;
 - (e) a lineal ascendant or descendant of a spouse of the person;
 - (f) a spouse of any person referred to in (b), (c), (d) or (e);
 - (g) a lineal descendant of a person referred to in (b), (c) or (f);
 - (h) an uncle, aunt or cousin of the person, or of a spouse of the person; or
 - (i) a spouse, or a lineal ascendant or descendant, of the person referred to in (h).

CODE OF ETHICS AND CONDUCT

Life Insurance Association of Malaysia

DECLARATION OF OBSERVANCE

I *Mr/Ms _____
(name)

bearer of NRIC No.: _____

being an *employee/intermediary of
_____ hereby
(company)

declare and confirm that I have read and understood the contents of the Code of Ethics and Conduct which are applicable to me, and further declare that I shall comply and abide by the rules contained therein.

(Signature): _____

(Designation): _____

(Date): _____

** delete as necessary*

Please return this copy to your Company.

Member Companies of the Life Insurance Association of Malaysia

1. AIA Bhd.
2. Allianz Life Insurance Malaysia Berhad
3. AmMetLife Insurance Berhad
4. AXA AFFIN Life Insurance Berhad
5. Etiqa Insurance Berhad
6. Gibraltar BSN Life Berhad
7. Great Eastern Life Assurance (Malaysia) Berhad
8. Hannover Re Malaysian Branch
9. Hong Leong Assurance Berhad
10. Malaysian Life Reinsurance Group Berhad
11. Manulife Insurance Berhad
12. MCIS Insurance Berhad
13. Prudential Assurance Malaysia Berhad
14. Sun Life Malaysia Assurance Berhad
15. Tokio Marine Life Insurance Malaysia Bhd.
16. Zurich Insurance Malaysia Berhad

* 23 May 2016