



**LIFE INSURANCE
ASSOCIATION**

Raising the Standards of Investment Advice - The Singapore Story

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27 April 2005**



TODAY'S PRESENTATION

- ➡ Country Overview
- ➡ Insurance Industry Overview
- ➡ The Central Provident Fund
- ➡ Financial Planning Environment
- ➡ Business Conduct & Professional Standards
- ➡ Public Education

Singapore



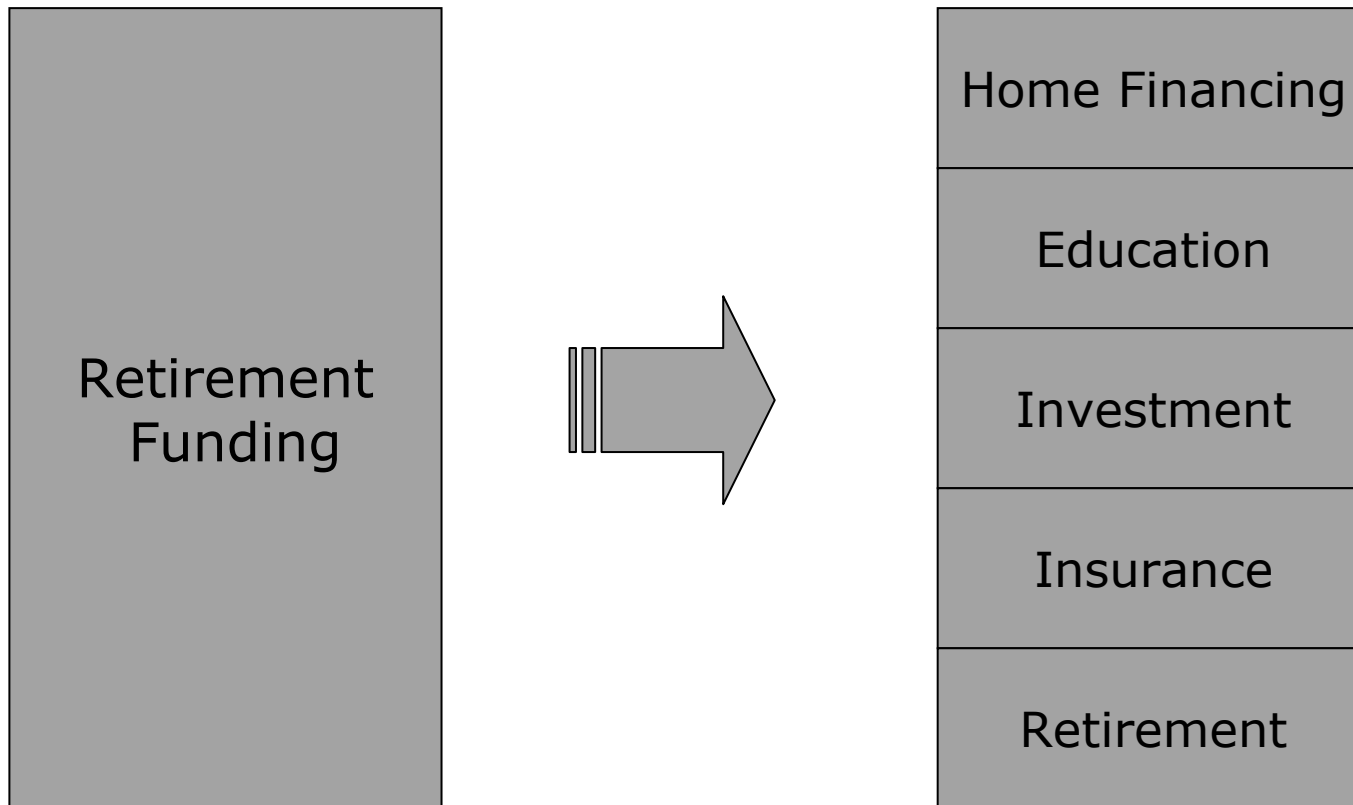
- ➡ Population 4.2 million
- ➡ Working Population 2 million
- ➡ GDP per Capita SGD 42,500

Insurance Industry Overview

- ➡ 12 Life Insurance Companies
- ➡ 29 General Insurance Companies
- ➡ SGD 77 billion Life Insurance Assets under Management
- ➡ SGD 2,963 p.a. insurance premium per Capita

Central Provident Fund (CPF)

The Central Provident Fund has evolved into a multi-purpose vehicle



Central Provident Fund (CPF)

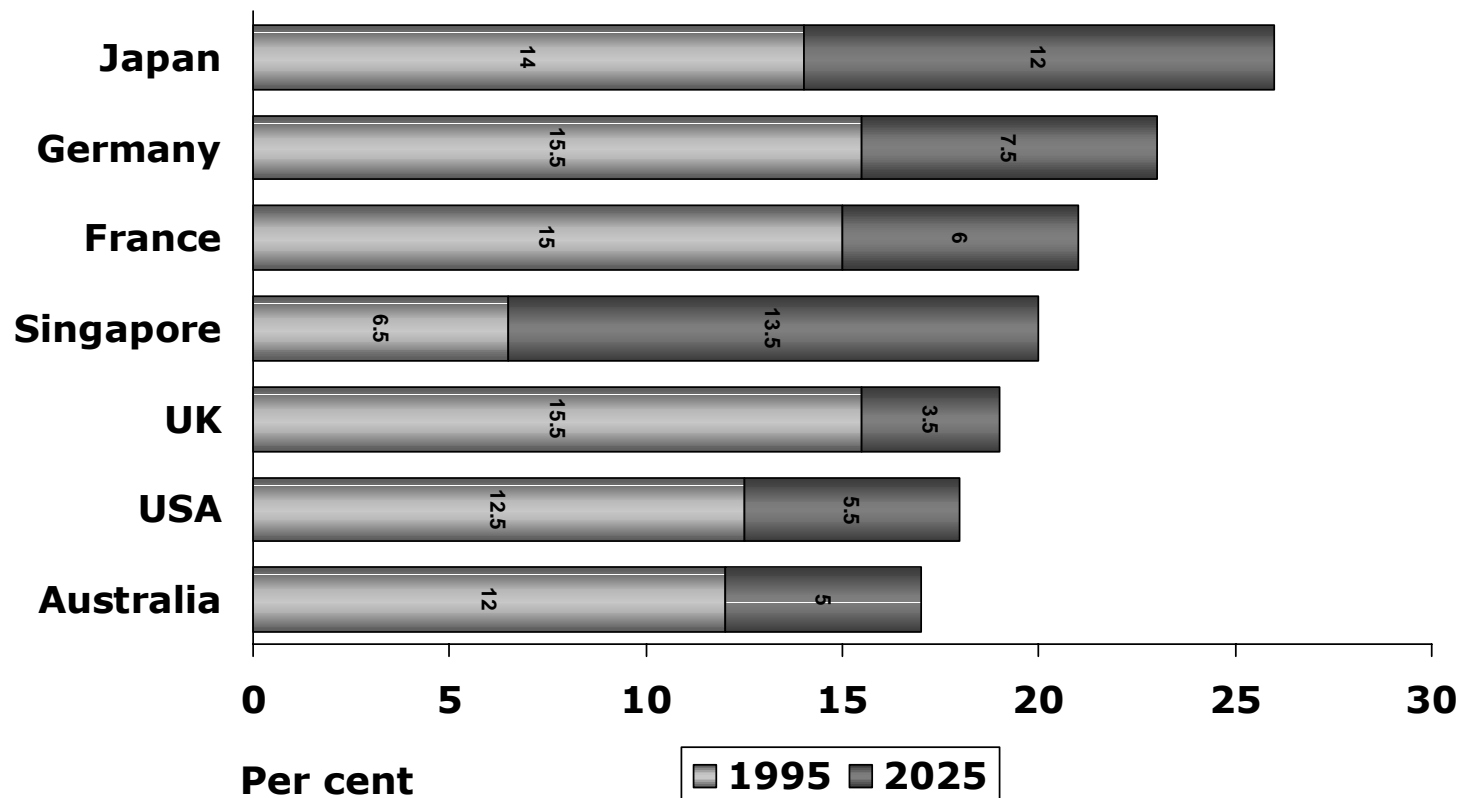
- ➔ 13% Employer Contribution
 - * Capped at SGD 5,000 per month
- ➔ 20% Employee Contribution
 - * Capped at SGD 5,000 per month
- ➔ 3 million Members
- ➔ SGD 111 billion Member Balances at 31/12/04

CPF Structure

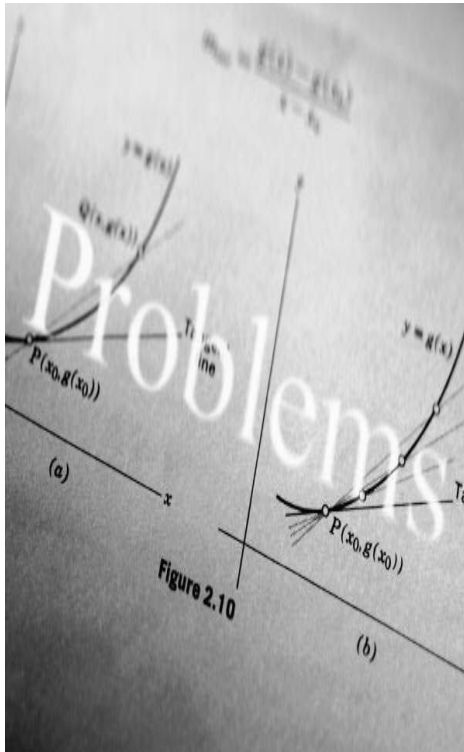
- ➔ Ordinary Account
 - * House Purchase; CPF Insurance / CPF Investment; and Education = 2.5% p.a.
- ➔ Special Account
 - * Retirement Savings; Contingency = 4% p.a.
- ➔ Medisave Account
 - * Healthcare
- ➔ CPF Savings withdrawn at age 55 after leaving Minimum Sum (SGD 84,500) in Retirement Account

An Ageing Population

Proportion of population aged 65 years and over in 1995 and projections for 2025



Despite CPF, Singaporeans are Inadequately Prepared for Retirement



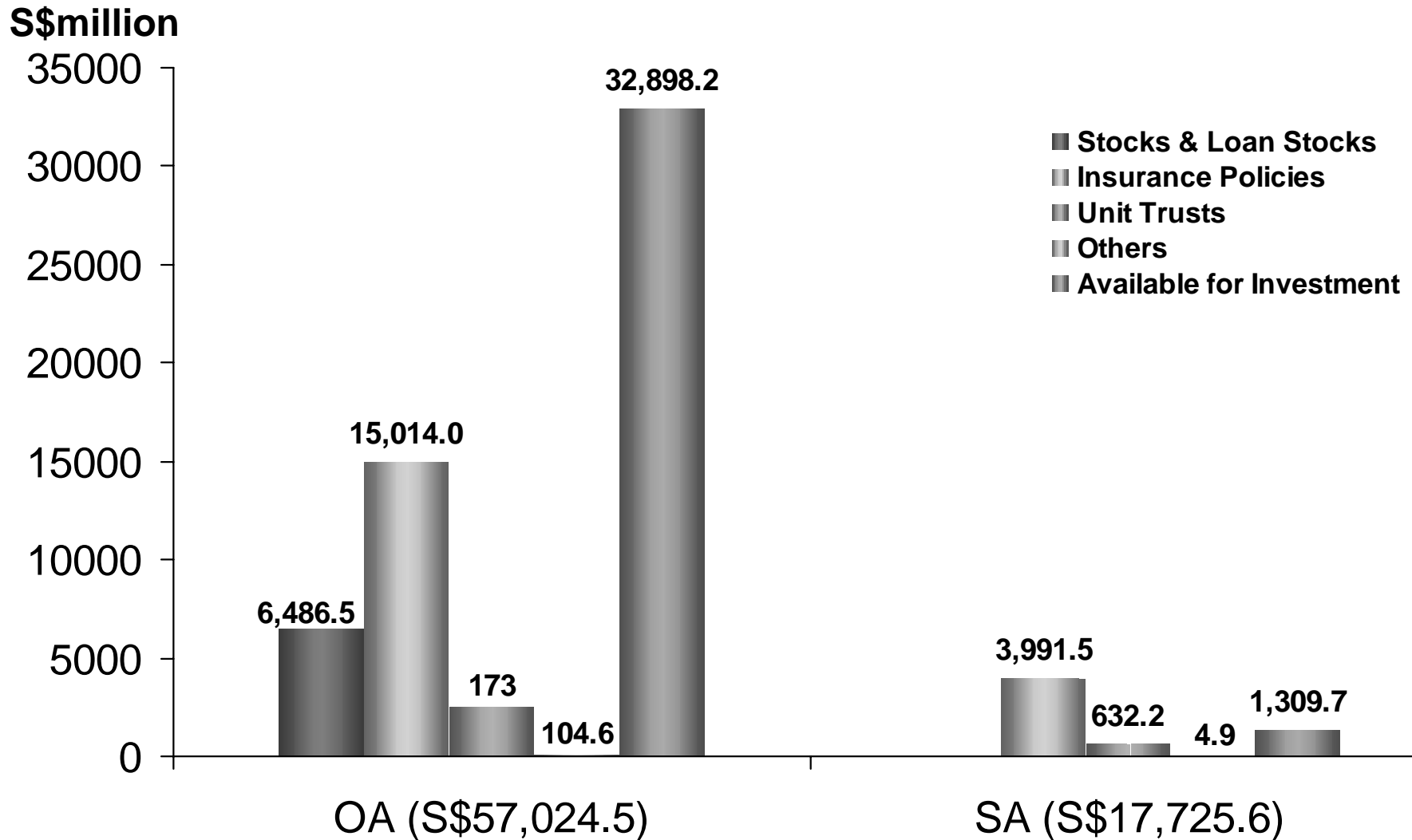
Liquid assets at retirement
insufficient to provide
adequate income

The problem of managing
assets in retirement for
continuity of income

CPF De-Regulation

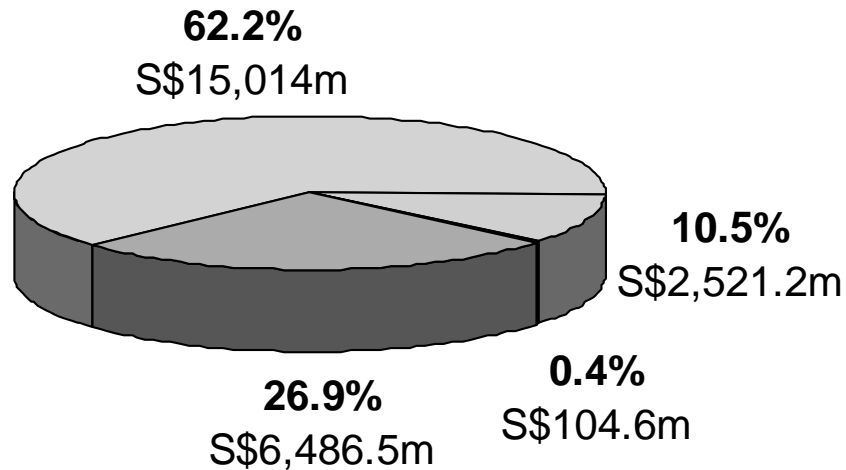
1986	➡ Approved Investment Schemes
1993	➡ Basic Investment Scheme
1997	➡ CPF Investment Scheme (CPFIS)
2001	➡ CPFIS Ordinary Account (CPFIS OA) and CPFIS Special Account (CPFIS SA)

Total Funds in CPFIS OA & SA (At 31 Dec 04)

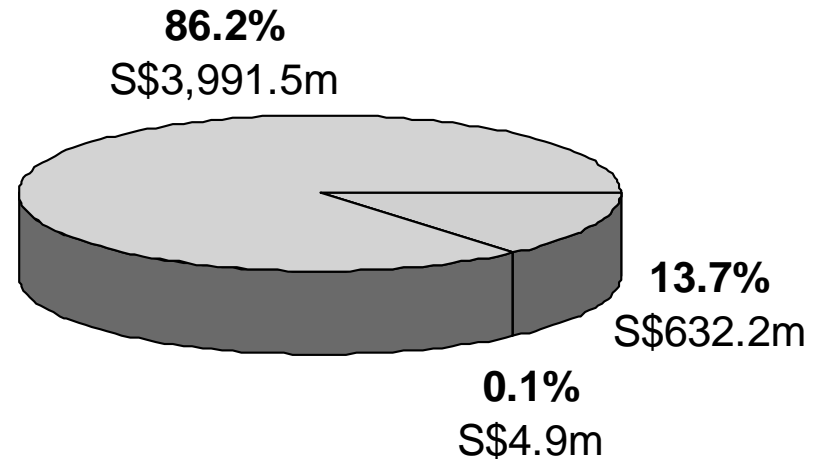


CPFIS OA & SA : Amounts Invested (At 31 Dec 04)

CPFIS OA
(S\$24,126.3m)



CPFIS SA
(S\$4,628.6m)



Stocks & Loan Stocks
 Insurance Policies
 Unit Trusts
 Others

The Financial Planning Environment - Distribution

Life Insurance Agents	➡ 66%
Banks / Bancassurance	➡ 29%
Financial Advisers (FAs)	➡ 4%
Others	➡ 1%

The Regulatory Environment

- ➡ **Financial Advisers Act** : 1 October 2002
 - ➡ Aim: To Harmonise Regulatory Regime
 - ➡ Covers: Investment Products, Securities, Futures, Life Insurance
- = Consistent Professional Standards across Financial Services Industries

Business Conduct

- ➡ Disclosure
- ➡ Best Advice
- ➡ Transparency
- ➡ Financial Advisers License
- ➡ Financial Adviser Representatives License



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Ensuring Professional Standards in Financial Advice

➔ Financial Advisers License

- ✦ Track Record
- ✦ Management Experience
- ✦ Minimum Financial Requirements
- ✦ Professional Indemnity Insurance
- ✦ Compliance Monitoring
- ✦ Business Plan

➔ Financial Adviser Representatives License

- ✦ Minimum Age: 21 Years Old
- ✦ Academic Qualifications
- ✦ Fit and Proper Person

➔ Continuing Professional Requirements

- ✦ 30 hours per annum



Raising Professional Standards - Examinations

➡ Capital Markets and Financial Advisory Services Examination (CMFAS Exam)

* Rules & Regulations (R&R)

Module 1: R&R for Dealing in Securities

Module 2: R&R for Trading in Futures Contracts

Module 3: R&R for Fund Management

Module 4A: R&R for Advising on Corporate Finance

Module 4B: R&R for Advising on Corporate Finance
(solely Debt Securities)

Module 5: R&R for Financial Advisory Services



Raising Professional Standards - Examinations

* Product Knowledge and Analysis

Module 6: Securities Products and Analysis

Module 7: Futures Products and Analysis

Module 8: Collective Investment Schemes

Module 9: Life Insurance and Investment-Linked Policies

Individuals employed by Licensed Financial Advisers or Exempt Financial Advisers to provide life insurance advisory services are required to pass Modules 5 and 9.



LIA Training and Competency (T&C) Guidelines

➡ Coaching Requirements

- * New Representatives – First 3 sales must be supervised; Given one-to-one weekly coaching and attends weekly meeting (individual or group basis), for first 3 months
- * Existing Representatives – Given one-to-one monthly coaching
- * All Representatives – Attends monthly meetings



LIA Training and Competency (T&C) Guidelines

➡ Coaching Requirements

- * New Supervisors – Given one-to-one weekly coaching for first 3 months
- * All Supervisors – Attends monthly meetings

LIA Training and Competency (T&C) Guidelines

➡ Competency Assessment

- * T&C Plan must have well defined competency requirements and/or levels for each group and the methodology/frequency of assessment
- * T&C Plan must be regularly reviewed for updates/relevancy

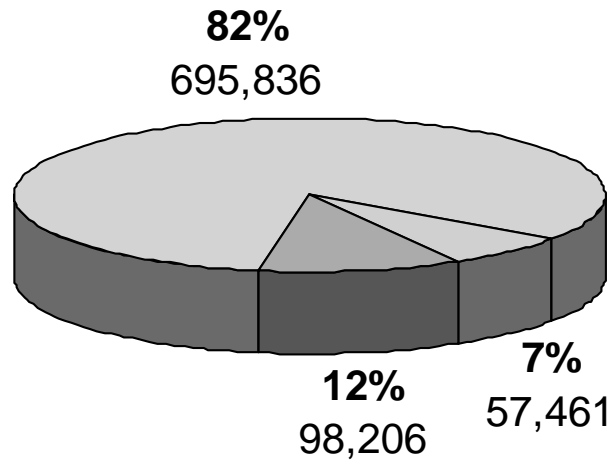
LIA Training and Competency (T&C) Guidelines

➡ Minimum Training Requirements and Hours

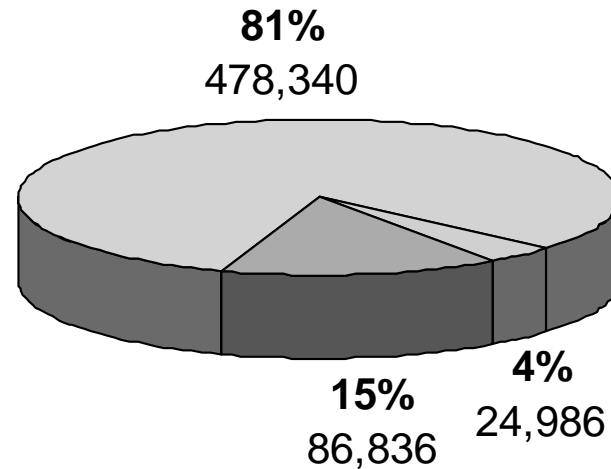
- * New Representatives - Minimum 30 initial training hours to be completed within the first 6 months of appointment, and minimum 10 hours to be completed within the following 6 months
- * Existing Representatives/Supervisors - Minimum 30 training hours per annum
- * In addition, for new Supervisors - Relevant training in supervisory skills / agency management

Analysis of Nature of Advice Given to Customers

2001
(851,503)



2004
(590,162)



■ Full Advice

■ Partial/Product Advice

■ No Advice

Public Education

➡ **MoneySENSE:** Launched in October 2003

✦ Industry and Public Sector Working Together

Tier 1: Basic Money Management

Tier 2: Financial Planning

Tier 3: Investment Know How

Public Education

MoneySENSE Activities – 2003/4

Dec 03	➡ "Protecting Yourself with Life Insurance" (English)
Jun 04	➡ "Protecting Yourself with Life Insurance" (Mandarin)
Sep 04	➡ "Life Insurance – Your Rights and Responsibilities" (English)
Nov 04	➡ Joint IFPAS–LIA Consumer Guide, "Planning for your Families Financial Future" (English)



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Questions & Answers