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PART I – OVERVIEW

1. Introduction

- 1.1 The Guidelines on Proper Advice Practices for Life Insurance/Family Takaful Business (Guidelines) have been formulated to set minimum standards in the life insurance/takaful industry for proper advice and ethical selling practices of life insurance/family takaful products by insurance/takaful intermediaries.
- 1.2 The Guidelines set a structured process that will assist a customer to better understand his financial needs and how the purchase of life insurance/family takaful products can help him reach his financial goals. It also provides a customer some perspective as to the information that he should receive before making a commitment to purchase any life insurance/family takaful product.
- 1.3 Under the Guidelines, all intermediaries involved in the advising on and selling of life insurance/family takaful products are required to find out enough information about a customer to enable the intermediaries to provide the most appropriate advice.
- 1.4 Intermediaries are required to follow the process and practices of advising on and selling of life insurance/family takaful products as stipulated in the Guidelines. Intermediaries are not allowed to sell any life insurance/family takaful product that they consider to be unsuitable for a customer.

2. Objectives

- 2.1 The objectives of the Guidelines are as follows:-
- (i) protect policy owners'/takaful participants' interests by ensuring that they are in a position to make an informed choice when purchasing life insurance/family takaful products;

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- (ii) facilitate a consistent and orderly sales practice/process of life insurance/family takaful products;
- (iii) ensure that life insurers/takaful operators and intermediaries enhance the quality and maintain high standard of professionalism in the sale of life insurance/family takaful products; and
- (iv) minimise the instances of mis-selling of life insurance policies/family takaful certificates and ensure that the life insurance policies/family takaful certificates sold are appropriate to the needs of the policy owners/takaful participants.

2.2 In essence, the Guidelines are meant to raise the professional standards of intermediaries so that they are more accountable for the advice given and the life insurance/family takaful products recommended to customers. To achieve this, the Guidelines outline the process that an intermediary is required to follow when advising on and selling of a life insurance/family takaful product as follows:-

- (i) disclosure of the intermediary's status;
- (ii) fact find about the customer;
- (iii) analysis on the financial needs and objectives of the customer; and
- (iv) product recommendations and record of advice.

3. Applicability

3.1 The Guidelines are applicable to:-

- life insurers licensed under the Insurance Act 1996;
- takaful operators registered under the Takaful Act 1984;
- insurance brokers and financial advisers licensed under the Insurance Act 1996; and
- takaful brokers licensed under the Takaful Act 1984.

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4. Coverage

4.1 The Guidelines are applicable to all types of stand-alone life insurance policies/family takaful certificates except the following:-

- (i) life insurance policies/family takaful certificates (including investment-linked policies/certificates) sold through direct marketing and telemarketing, including that marketed through internet and mail services;
- (ii) group life insurance policies/family takaful certificates;
- (iii) business insurance policies/takaful certificates such as key man insurance/takaful;
- (iv) simple term insurance policies/takaful certificates sold as ancillary products to loans/financing, including the mortgage reducing term assurance policies/mortgage reducing term takaful certificates;
- (v) stand alone/individual medical and health insurance/takaful;
- (vi) pre-packaged simple employee benefit products that are marketed at the workplace; and
- (vii) additions (top-ups), exclusions (deletions) and changes to existing in-force policies/certificates.

Guidance note:

- *Pre-packaged simple employee benefit product refers to a non-customised product which offers a maximum of three main benefits and does not provide many options for the customer to exercise.*

4.2 For the purpose of the Guidelines, 'intermediary/ies' refers to insurance/takaful agents, insurance/takaful brokers, financial advisers and staff of banking institutions, who sell or provide advice in respect of life insurance/family takaful products, except in Part III – Compliance of the Guidelines where intermediaries excludes insurance/takaful brokers and financial advisers.

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- 4.3 For the purpose of the Guidelines, 'customer' refers to prospective policy owners/takaful participants.
- 4.4 Reference made to 'selling' and 'purchase' in the Guidelines should be read as 'marketing' and 'participate' respectively in the context of family takaful products.
- 4.5 The Guidelines should be read in conjunction with other relevant guidelines or circulars issued by Bank Negara Malaysia from time to time.

5. Legal Provisions

- 5.1 The Guidelines are issued pursuant to section 201 of the Insurance Act 1996 and section 69 of the Takaful Act 1984.

PART II – PROPER ADVICE REQUIREMENTS

6. Disclosure of Intermediary's Status

- 6.1 The objective of the disclosure of the intermediary's status to a customer is to give the customer an indication of the range of products that the intermediary is allowed to advise on or sell, and on the insurers/takaful operators that the intermediary represents or from which they can source the products. It also aims to inform a customer of any conflict of interest that may affect the advice provided.
- 6.2 At the earliest reasonable opportunity when advising on life insurance/family takaful products, the intermediary must provide a written disclosure to the customer, on the following particulars:-
- (i) the name, address and contact information of the intermediary;
 - (ii) insurer(s)/takaful operator(s) that the intermediary represents. In the case of insurance/takaful brokers and financial advisers, the insurers/ takaful operators from which they can source the products;

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- (iii) the range of products (by major product lines such as term insurance/ takaful, whole life insurance and investment-linked insurance/takaful) that the intermediary is allowed to advise on or sell;
- (iv) a statement that the intermediary is remunerated by the insurer/ takaful operator for providing advice on or selling of the insurance/ takaful products; and
- (v) in the case of insurance/takaful brokers and financial advisers, any conflicts of interest that may affect the advice they provide to the customer.

7. Client's Choice

7.1 It is important for the intermediary to explain to the customer all the available options under the 'Client's Choice' in the 'Customer Fact Find' (CFF) form and the implications of each option. Customers should be cautioned that they must provide all the relevant information in order for the intermediary to make a suitable product recommendation.

Guidance note:

- *Option 1 (I/We wish to disclose all information requested for in this form) refers to full completion of the fact find where the customer wishes to receive the intermediary's recommendation on product suitability.*
- *Option 2 (I/We wish to disclose partially information requested for in this form) refers to partial completion of the fact find where the customer wishes to receive the intermediary's recommendation on product suitability but understands that any recommendation made is limited by the information provided by the customer.*
- *Option 3 (I/We wish to receive product information only and do not wish to disclose any information requested for in this form) refers to a non-*

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advised sale where no product recommendation is made to the customer. However, the intermediary must provide sufficient product information to the customer to enable him to make an informed decision as to whether it meets his own needs.

8. Fact Find about a Customer

- 8.1 An intermediary must obtain sufficient information about his customer to enable him to fulfil his responsibility on proper advice when advising on or selling of life insurance/family takaful products.
- 8.2 The fact find about a customer should provide an analysis of the customer's personal and financial circumstances leading to clear identification of his financial needs and priorities so that, combined with attitude to risk, a suitable and affordable life insurance/family takaful product can be recommended.
- 8.3 An intermediary must obtain sufficient information from his customer as may be reasonably considered relevant before advising and/or selling life insurance/family takaful products. The minimum information about a customer to be obtained is as follows:-
- (i) the customer's personal details and family circumstances;
 - (ii) details on the customer's needs and objectives in relation to protection, retirement, children's education, and savings and investment plans; and
 - (iii) the customer's investment preferences and aversion/tolerance to risk.
- 8.4 An intermediary may utilise the information previously collected by him from the customer, provided that the customer confirms that the information remains relevant and up-to-date. Insurers/takaful operators may also request other relevant information from the customer.

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- 8.5 Insurers/takaful operators must have controls in place to ensure that the intermediaries preserve the confidentiality of the information disclosed by the customer.
- 8.6 An intermediary is required to sign a clause in the CFF form to preserve the confidentiality of information disclosed by a customer, and must not release such information to any third party, and must restrict the use of such information only for the purpose of recommending life insurance/family takaful products.
- 8.7 If a customer chooses not to provide all the information requested, the customer must be cautioned that the intermediary may not be able to give suitable advice without complete information and he might risk making financial commitments to a life insurance policy/family takaful certificate which may not be appropriate to his needs.

9. Financial Needs Analysis

- 9.1 The objective of the financial needs analysis process is for an intermediary to take reasonable care to ensure the suitability of his recommendation when advising on and selling of life insurance/family takaful products.
- 9.2 Based on fact finding of information, the intermediary is required to conduct a financial needs analysis that covers the income protection, retirement, children's education, and savings and investment plans of the customer, compared with what is currently available, to determine the insurance/family takaful product(s) that is appropriate to the customer.

10. Product Recommendations and Record of Advice

- 10.1 In his recommendation on the purchase of life insurance/family takaful products or when providing product information, an intermediary must:-

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- (i) provide the customer enough information and assistance so that the customer can make an informed decision before he makes a final commitment to purchase a life insurance/family takaful product;
- (ii) demonstrate that the advice given was suitable and the product was affordable by the customer at the time it was made (only applicable to options 1 and 2);
- (iii) make sure that all the information given to the customer is clear, fair and not misleading; and
- (iv) not make any unfair criticisms about other personalised financial products offered by other insurers/takaful operators and financial institutions which the intermediary does not represent.

10.2 An intermediary must take reasonable steps to ensure that he does not recommend any purchase of life insurance/family takaful products unless the recommendation is suitable for the customer, having regard to the facts disclosed by the customer, and other relevant facts about the customer which are made available to the intermediary.

10.3 If the intermediary cannot match the needs and requirements of a customer with any life insurance/family takaful product that the intermediary is allowed to sell, he should not recommend any product to the customer. However, the intermediary can provide information on other products that the customer may wish to consider but he must clearly inform the customer that the product may not meet the customer's specific needs and explain the risks and gaps between the product's features and the customer's needs to aid the customer in making an informed decision.

Guidance note:

For example, if the customer wants a lifetime annuity product and the insurer/takaful operator does not have such products, the intermediary should not recommend any product to the customer. However, the intermediary can provide information on an annuity product with guaranteed

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drawn down feature for a limited period i.e. 10 years and bring to the customer's attention that the annuity payout will be payable up to 10 years only and not for the entire lifetime of the customer.

- 10.4 An intermediary must explain all the main features of the life insurance/family takaful products that he recommends or provides product information on, including:-
- (i) information on the insurer/takaful operator underwriting the product;
 - (ii) all the important details of cover and benefits;
 - (iii) any significant or unusual restrictions and exclusions;
 - (iv) any significant conditions or obligations which the customer must meet;
 - (v) the period of the life insurance/family takaful coverage;
 - (vi) frequency/term of premium/contribution payment; and
 - (vii) potential risks associated with any future cash values or savings benefit that are not guaranteed.
- 10.5 The product recommendations to a customer must be recorded in the record of advice section of the form and include:-
- (i) types of products identified as suitable, term of policy/certificate, name of insurer/takaful operator and insured/participant, sum assured/participated and additional benefits; and
 - (ii) explanation or reasons that led to the recommendation of the product and why they are likely to satisfy the customer's financial needs and objectives.
- 10.6 Where a customer purchases a life insurance/family takaful product (based on product information provided) which does not wholly address his needs, the information about this must be documented in the record of advice section of the CFF form.

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- 10.7 Similarly, if a customer chooses to purchase a product that differs from the recommendation of the intermediary, the fact must also be documented in the record of advice section of the CFF form.
- 10.8 If a life insurance/family takaful product is purchased without conducting the fact find and the financial need analysis process, the intermediary is required to provide sufficient information on the product based on the instruction of the customer to enable him to make an informed decision. In this connection, the product information given to the customer must be recorded in the record of advice section of the CFF form with a statement that the customer risks making a financial commitment to a policy/certificate that may not be appropriate to his needs.
- 10.9 If an intermediary advises the termination of an existing life insurance policy/family takaful certificate, to be substituted by the sale of a new policy/certificate, the advice given by the intermediary must be appropriate and have a reasonable basis, and all foreseeable consequences must be listed and clearly explained to the customer including:-
- (i) termination charges of the existing policy/certificate;
 - (ii) entry charges for the replacement policy/certificate;
 - (iii) any duplication of initial costs; and
 - (iv) any loss of benefits due to the replacement of existing policy/certificate.
- 10.10 An intermediary must explain to the customer his duty to disclose all circumstances material to the insurance policy/takaful certificate and the consequences of any failure to make such disclosures.
- 10.11 The CFF form must be given to the customer when recommending or providing product information or as soon as practicable after the recommendation or product information is provided. If the customer requests for a copy of the CFF form after the fact find process, the

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insurer/takaful operator must provide a copy of the CFF form to the customer immediately.

- 10.12 After the purchase of the life insurance/family takaful product, the insurer/takaful operator must issue a 'Confirmation of Advice' (CA) to the policy owner/takaful participant together with the life insurance policy/family takaful certificate. The CA contains a summary of the fact find, product recommendation and key features of the life insurance/family takaful product. In the case where the customer had chosen option 3, the CA must contain a summary of key features of the life insurance/family takaful product.
- 10.13 The insurer/takaful operator and the intermediary shall retain the CA signed by the intermediary for the duration of the policy/certificate. The CA must be made available by the insurer/takaful operator or the intermediary in the case of disputes. The standard format of minimum items to be covered in the CFF form and CA are attached in Appendix I and II respectively.

PART III – COMPLIANCE

- 10.14 Life insurers/takaful operators are responsible to ensure that the requirements of these Guidelines are complied with by their intermediaries in the process of advising on and selling of life insurance/takaful products. Life insurers/takaful operators must establish a process to periodically assess the quality of the advisory process which should include obtaining direct feedback from the policy owner/takaful participant on the ability of the intermediary to clearly and accurately explain relevant product information and independently reviewing the quality of recommendations given to the policy owner/takaful participant based on the CFF forms. Insurers/takaful operators must conduct follow-up calls to check whether the intermediary has fully explained the options available to the policy owner/takaful participant especially in cases where the policy owner/takaful participant had opted to only receive product information.

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- 10.15 Insurers/takaful operators are expected to deal firmly and expediently with any mis-selling of life insurance/family takaful products, including actions to provide appropriate remedies to affected policy owners/takaful participants. In the case that inappropriate advice was proven to be given to a policy owner/takaful participant, the insurer/takaful operator concerned must take appropriate actions against the intermediary responsible for the transaction.
- 10.16 In the case of insurance/takaful brokers and financial advisers, the boards of the insurance/takaful brokers and financial advisers are responsible for ensuring compliance with these Guidelines, including the expectations set out in paragraphs 10.14 and 10.15.
- 10.17 In accordance with section 148 of the Insurance Act 1996, the policy owner/takaful participant must be allowed to return the life insurance policy/family takaful certificate to the insurer/takaful operator within 15 days after the delivery of the life insurance policy/family takaful certificate and CA, and the premiums/contributions paid must be immediately refunded to the policy owner/takaful participant.
- 10.18 In order to ensure that the advice and recommendation given by a newly appointed intermediary is sound, the supervisor of the agent/salaried staff is responsible for evaluating the advice and recommendation given by the new agent/salaried staff during his first year of appointment. The one year period shall also be applicable if the agent/salaried staff were to join another life insurer/takaful operator.
- 10.19 Life insurers/takaful operators may proceed to implement the CFF form and the CA upon complete submission of a new or revised copy of the document to Bank Negara Malaysia.

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PART IV – WITHDRAWAL OF GUIDELINES/CIRCULAR

With the issuance of the Guidelines, the previous guidelines/circular relating to proper advice practices as stated below are deemed withdrawn:-

No.	Ref.	Guidelines and Circular	Issuance date
1	BNM/RH/GL/003-13	Guidelines on Proper Advice Practices for Life Insurance Business	14 October 2003
2	BNM/RH/GL/004-4	Guidelines on Proper Advice Practices for Family Takaful Business	27 December 2003
3	JPIT/GPT 4	Amendments to Guidelines on Proper Advice Practices for Family Takaful Business	17 July 2006

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Appendix I

Customer Fact Find Form

IMPORTANT NOTICE TO CUSTOMERS

(read carefully and understand fully the Customer Fact Find form before proceeding)

- Your intermediary must have sufficient information before making a suitable recommendation. The information that you provide will be basis on which advice will be given.
- If you choose not to provide all relevant information requested, your intermediary may not be able to provide you suitable advice and as a result, you may risk making a financial commitment to a life insurance policy/family takaful plan inappropriate to your needs.
- Your intermediary is required to preserve the confidentiality of information disclosed by you and restrict the use of such information only for the purpose of recommending life insurance/family takaful products.
- You must ensure that important information regarding the policy/plan is disclosed to you and that you understand the information disclosed. Where there is ambiguity, you should seek an explanation from the intermediary or the insurer/takaful operator.
- Prior to making a decision to purchase/participate in any life insurance policy/family takaful plan, you must satisfy yourself that the policy/plan best meets your insurance/takaful needs and resources.

DISCLOSURE OF INTERMEDIARY'S STATUS

* For a life insurance/family takaful agent or a staff of bank/insurer/takaful operator/other financial institutions

I am (an insurance agent/a takaful agent/staff of bank/insurer/takaful operator/other financial institutions) who represents (name of company) and can advise you on (the range of products) of (name of insurer/takaful operator). I receive remuneration from (name of insurer/takaful operator) for providing advice on/selling of their insurance/takaful products.

* For an insurance broker/takaful broker or financial adviser

I am (an insurance broker/takaful broker/financial adviser) with (name of company) and can source and recommend/advise you on (the range of products) of (name of insurers/takaful operators). I receive remuneration from the insurers/takaful operators for advising and sourcing the insurance/takaful products.

* *Standard disclosure statement applicable depending on the type of intermediary.*

POTENTIAL AREAS FOR DISCUSSIONS *

POSSIBLE NEEDS	ALREADY PLANNED	TO DISCUSS/REVIEW	PRIORITY
1. Protecting your family against death, emergency and yourself against disability and critical illness	Yes [] No []	Yes [] No []	
2. Security in retirement	Yes [] No []	Yes [] No []	
3. Provision for your children's education	Yes [] No []	Yes [] No []	
4. Regular savings for the future	Yes [] No []	Yes [] No []	
5. Lump sum investment	Yes [] No []	Yes [] No []	

CLIENT'S CHOICE*

- (1) I/We wish to disclose **all** information requested for in this Form.
- (2) I/We wish to disclose **partially** information requested for in this Form.
- (3) I/We wish to receive product **information** only and **do not** wish to disclose **any** information requested for in this Form.

* Please tick where appropriate.

Signature of Client _____

Date _____

1. Personal Details

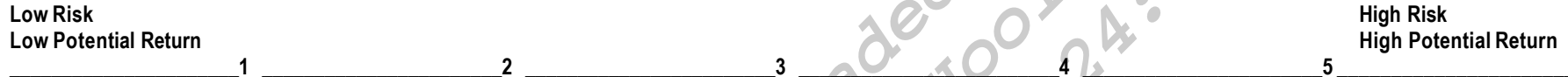
	Client			Partner/Spouse				
Title and Name								
NRIC/Passport No.								
Nationality/Citizenship								
Race/Religion								
Sex	<input type="checkbox"/> Male	<input type="checkbox"/> Female		<input type="checkbox"/> Male	<input type="checkbox"/> Female			
Smoker	<input type="checkbox"/> Yes	<input type="checkbox"/> No		<input type="checkbox"/> Yes	<input type="checkbox"/> No			
Date of Birth/Age	Age :			Age:				
Marital Status	<input type="checkbox"/> Single	<input type="checkbox"/> Married	<input type="checkbox"/> Widowed	<input type="checkbox"/> Divorced/Separated	<input type="checkbox"/> Single	<input type="checkbox"/> Married	<input type="checkbox"/> Widowed	<input type="checkbox"/> Divorced/Separated
Occupation								
Mailing Address	<input type="checkbox"/>							
Permanent Address	<input type="checkbox"/>							
Contact Number	Home	Work	Fax	Home	Work	Fax		
	Mobile	E-Mail	URL	Mobile	E-Mail	URL		

Children and Dependants
Details

Name	Relationship	Date of Birth/Age	Sex	Years to Support
		/	[] Male [] Female	
		/	[] Male [] Female	
		/	[] Male [] Female	
		/	[] Male [] Female	
		/	[] Male [] Female	

2. Preference

Investment Preference (Please place an "x" on the scale to give an indication of your risk-return profile.)



FINANCIAL NEEDS ANALYSIS

1. Protection

Existing protection plans

Policy Owner/Takaful Participant	Company	Type of Plan	Life Assured/ Participant	Death Benefit (RM)	Disability Benefit (RM)	Critical Illness Benefit (RM)	Other Benefit (RM)	Premium/ Contribution (RM)/ Mode	Maturity Date

Client

Partner/Spouse

How much of your current income would you like to allocate for protection per month?

RM

RM

2. Retirement**Existing retirement plans**

Policy Owner/Takaful Participant	Company	Type of Plan	Premium/Contribution (RM)	Frequency	Start Date	Maturity Date	Projected Lump Sum at Maturity	Projected Annual Income at Maturity	Additional Benefits

Client**Partner/Spouse**

How much of your current income would you like to allocate for retirement per month?

RM RM **3. Education Cost Planning****Existing children's education plans**

Child	Company	Premium/Contribution (RM)	Frequency	Start Date	Maturity Date	Projected Value of Fees Paid at Maturity (RM)

How much of your current income would you like to allocate for education cost planning per month?

RM

4. Savings and Investment Plans**Existing savings and investment plans**

Policy Owner/Takaful Participant	Company	Type of Savings/ Investments	Purpose	Premium/Contribution (RM)	Date of Commencement	Amount Available at Maturity (RM)

How much of your current income would you like to allocate for savings and investment plans per month?

 RM
RECORD OF ADVICE**Recommendation and Reasons for Recommendations**

Recommended Solution – Priority 1	Reasons for recommending Priority 1
Type of Plan:	
Term:	
Name of Insurer/Takaful Operator:	
Name of Insured/Participant:	
Sum Assured/Participated:	
Additional Benefits:	

Recommended Solution – Priority 2	Reasons for recommending Priority 2
Type of Plan:	
Term:	
Name of Insurer/Takaful Operator:	
Name of Insured/Participant:	
Sum Assured/Participated:	
Additional Benefits:	

ACTION TAKEN IF DIFFERENT FROM RECOMMENDATIONS AND THE REASONS

Intermediary’s Declaration and Acknowledgement

I declare that I will treat the information provided to me in the Customer Fact Find form with strict confidence and I will use it only for the purpose of fact finding in the process of recommending suitable insurance/takaful products and shall not use it for any other purposes.

The above analysis/advice is based on the facts furnished in the Form. I have taken reasonable steps to ensure that the advice is suitable for the client, having regard to the facts disclosed and other relevant facts which are made available to me. I have also explained to the client about the features of the product recommended and have given sufficient information to enable the client to make an informed decision.

Signature of Intermediary _____

Date _____

Name of Intermediary _____

Address of Intermediary _____

Manager's Declaration (applicable to intermediary who has been contracted for one year and below)

I declare that I have reviewed this Customer Fact Find form and to my best belief and knowledge, the advice and recommendation given by the intermediary is sound and appropriate.

Signature of Manager _____

Date _____

Name of Manager _____

Client's Acknowledgement

- I/We acknowledge that the intermediary has provided me/us with a copy of the Customer Fact Find form.
- I/We acknowledge that the intermediary has shown me/us the contents of the completed Customer Fact Find form in softcopy and I/we agree that a physical copy of the same Form will be provided to me/us before the issuance of the policy contract.

Signature of Client _____ Date _____

Name of Client _____

This Form should be attached with the application form(s).

A Confirmation of Advice will be sent to you together with the issuance of life insurance policy/family takaful certificate contract by your insurer/takaful operator.

Additional Comments and Notes

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Appendix II

Confirmation of Advice

Logo, Name & Address of Insurer/Takaful Operator

**Confirmation of Advice given to
[name of client]
by [name of intermediary]**

Based on the information provided in the Customer Fact Find form, we have concluded the prioritised financial goals of [name of client] are as follows:

- | |
|--|
| <p><i>For example: (the list is not exhaustive)</i></p> <ol style="list-style-type: none"> 1. <i>Protecting your family against death and yourself against disability and critical illness.</i> 2. <i>Security in retirement.</i> 3. <i>Provision for your children's education.</i> 4. <i>Regular savings for the future.</i> 5. <i>Lump sum investment.</i> |
|--|

In order to meet these goals, the following products have been recommended for [name of client] to purchase/participate.

Name of insured/participant	Product Type	Term	Premium/Contribution and Frequency (monthly/annual/single)	Sum Assured/Participated	Additional Benefits	Bought/Participation (Yes or No)

Signature of intermediary _____ IC No.: _____ Date _____

Name of intermediary _____

You may cancel your life insurance policy/family takaful certificate by returning the policy/certificate to your insurance company/takaful operator within 15 days after the delivery of the policy/certificate document and your premium/contribution will be refunded immediately to you.

This statement should be attached with the insurance policy/takaful certificate contract and a copy will be kept by the insurance company/takaful operator and the intermediary.