



Guideline G11

POLICYOWNER STATEMENTS AND NOTICES

This Guideline has been approved by the Board of Directors of the Canadian Life and Health Insurance Association Inc. (CLHIA). All Member Companies are expected to comply with the CLHIA Guidelines. Member Companies are expected to adopt this Guideline having regard to the company's structure, products and business processes, including distribution channels. Member Companies are urged to incorporate this Guideline into the company's ongoing compliance program.

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POLICYOWNER STATEMENTS AND NOTICES

1. INTRODUCTION

The statements and notices that insurers provide to policyowners help them understand the key features and benefits of their individual life insurance policies. While statements and notices do not form part of the contract, they assist keeping the policyowner current with evolving policy details, and how various events or changes impact their policies. As products change and become more complex, it is increasingly important to provide information to policyowners in a complete and clear way.

2. PURPOSE

The purpose of this Guideline is to establish consistent practices for disclosure of policy details for policyowner statements and notices.

In the event of any conflict between the provisions of this Guideline and any applicable law, the law takes precedence over the Guideline to the extent of the conflict.

3. DEFINITIONS

In this Guideline,

“Policyowner Statement” means a communication issued by the insurer on a scheduled basis for delivery to the policyowner for the purpose of providing information about the status of the policy;

“Interim Policyowner Statement” means a communications issued by the insurer for delivery to the policyowner to provide information about the policyowner’s policy in response to a specific request (e.g., an “off-anniversary” policyowner statement, account value, loan balance, etc.);

“Event-driven notice” means a communications issued by the insurer for delivery to the policyowner to confirm a transaction or change that has been requested or automatically occurs as a consequence of the terms and provisions of the policy; and

“Advance notice” means as communication issued by the insurer for delivery to the policyowner to advise the policyowner that an event is approaching that may require the policyowner’s instruction or action within a specified period of time.

4. SCOPE

This Guideline applies to all individual life insurance policies insured by member companies, excluding annuities and deferred annuities. It encompasses insurer communications by any medium (including electronic).

5. GENERAL PRINCIPLES

- i) All information must be presented and described clearly, accurately, and in a manner consistent with the purpose of the statement or notice.

- ii) The insurer must provide the policyowner with a contact point for obtaining further information.
- iii) If access to statements or notices is provided by electronic media, the insurer should have a process in place to obtain the consent of and remind the policyowner that such statements or notices are available and how they may be obtained.

6. TIMING OF STATEMENTS AND NOTICES

For those policies that have values that can change annually (e.g., cash values, dividends), it is recommended that annual statements be provided. For policies that do not have fluctuating values, other statements might be appropriate as situations arise (e.g. a notice when the premium is due to increase for a 5-year renewable term policy).

Where annual statements are sent, they should be provided within 60 days of the statement date.

Event-driven notices, where provided, should be sent within 60 days after the event. Advance notices, where provided, should be sent at least 15 days before the event.

7. DISCLOSURE OF VARIABILITY

If the values in the policy are affected by interest rates, fund or dividend performance, the policyowner statement should disclose that these variable elements can affect policy values and premium-paying periods.

8. RATE OF RETURN

If an insurer includes a policy rate of return on a statement or notice, it should be shown net of all fees charged to the account or the customer, and indicate the methodology used to calculate the rate of return.

9. READABILITY

To facilitate policyowner understanding, statements and notices should be constructed with an objective of readability. For example:

- Each page should indicate clearly both the number of that page and, where possible, the total number of pages in the document (e.g., page 3 of 7).
- Use of reasonable font sizes and generous white spaces will make a document less dense and easier to read.

10. ILLUSTRATIONS

Where future non-guaranteed provisions, values or features are included as part of a policyowner statement or notice, CLHIA's *Guideline G6 Illustrations* also applies.

11. RECOMMENDATION INFORMATION FOR STATEMENTS AND NOTICES

The chart on the following page recommends minimum information that should be provided to consumers in their policyowner statements and notices. Insurers may, of course, choose to provide a greater level of detail or to tailor their statements for clients with greater information needs.

RECOMMENDED INFORMATION FOR STATEMENTS AND NOTICES

<i>Description</i>	<i>Annual Statements</i>	<i>Interim* Statements & Notices</i>	<i>Comments</i>
A. Identification Elements			
Purpose	◇	◇	May use descriptive title or narrative
Name of insurer	◇	◇	
Policy number	◇	◇	
Name of owner(s)	◇	◇	
Effective date of statement/notice	◇	◇	
Contact information	◇	◇	Where the policyowner can get additional information
B. Information Element			
Issue date of policy	◇	*	Date on which first premium is due or from which anniversary date is measured
Type of plan	◇	*	May use descriptive title (e.g., Flex-Plus Universal Life) or narrative explanation
Current face amount	◇	*	
Current death benefit	◇	*	Amount that would be payable as of date of statement
Life/lives insured	◇	*	List or indicate where policyowner can obtain information
Beneficiary/beneficiaries	◇	*	List or indicate where policyowner can obtain information
Current dividend	●	*	If applicable
Riders and benefits	●	*	If applicable
Activity within policy	●	*	If applicable; Applies to period of statement and includes but is not limited to: premiums, cost of insurance (for UL policies), and loans
Opening/closing total account balances	●	*	If applicable; For beginning and end of statement period
Reconciliation of values with	●	*	If applicable; Include bonus

statement start			interest
Surrender charges or surrender values	●	*	If applicable; Indicate if MVA (Market Value Adjustment) may be applicable
Policy Loan Balance	●	*	If applicable; including rate of interest at time of statement
Current premium allocation/fund mix	●	*	If applicable
Dividends		*	If applicable; including interest rate for dividends on deposit at time of statement
Prepayment account (for non-UL) or shuttle/side account (UL)	●	*	If applicable; show how much is in account, and state where additional information can be obtained
Taxable amount	●	*	If applicable; indicate that there may be potential tax implications and state where additional information can be found
Disclosure of variability	●	*	If applicable

- ◇ recommended for all statements
- recommended if applicable
- * any information required to meet the stated purpose of the interim statement or notice should be included