

## **MORTGAGE ENDOWMENT POLICY REVIEWS**

### **CODE OF PRACTICE**

#### **Introduction**

1. Members of the Association have undertaken, as a condition of membership, to implement this code of practice concerning reviews of mortgage endowment life policies and to follow the guidance to the code.
2. This code should be read in conjunction with the model re-projection letters and the code guidance, which are attached to it.

#### **Objective**

3. To ensure that all investors with mortgage endowment policies bought with the intention to pay off all or part of a mortgage and who are still paying premiums, are kept regularly informed of the progress of such life policies in meeting this intention by means of regular policy reviews.

#### **Implementation**

4. This revised code comes into force on 1 April 2011. It replaces the earlier versions of the Code that were in force between 1 June 2004 to 31 March 2011, and between 1 July 2001 to 31 May 2004.

#### **Timing of Policy Reviews**

5. Policies should be reviewed at least every 2 years, except:
  - The first review can be issued up to 3 years after the start of the policy; and
  - For policies in force before 2000, the gap between the first and second review can be up to 3 years, in accordance with the guidance issued by the ABI at the time.
6. Where an investor requests a policy review at a time other than those stipulated above, insurers will provide such a review within a reasonable time. A further review need not be provided within 12 months of a review taking place.

#### **Communicating the Review**

7. The overall aim of the reviews is to give consumers timely, accurate and appropriate information that can be easily understood.
8. Companies must comply with the model re-projection letters and plan updates provided by the ABI as far as possible.
9. There is a general duty not to mislead an investor in any investor communication and should any insurer wish to depart from the ABI model communication, any departure will need to be justified by testing to ensure that the change will reduce the risk of the investor being misled.

10. Policy review materials sent to investors will conform to the following principles:
- All investor materials will be expressed in plain English. Jargon will be minimised and explained where used. The content will not mislead investors.
  - Small print will not be used. It is unlikely that a font size below 11 will be easily read. Clarity is most important.
11. No non-related material will be enclosed with the policy review communication. The only exceptions to this principle are where:
- A policyholder receives a re-projection letter under a contractual obligation instead of a letter required by this code; or
  - An insurer combines re-projection with the annual bonus (or similar) statement; or
  - An insurer combines re-projection with any annual renewal information.
12. Other than as expressly permitted by this Code, no selling activity will be directly connected with this exercise.

### **General**

13. Reasonable efforts will be made to trace customers for whom the company does not have an up-to-date address, in line with normal procedures operated by the insurer for other purposes.
14. Helpline staff will be trained to a suitable standard to be able to deal with enquiries arising from re-projection letters in an effective and courteous manner.

### **Scope**

15. This code covers endowment life policies still in force and for which premiums are being paid and which are being, or might be used to repay, all or part of a mortgage. It applies to all policies except:
- Full or without profits endowments;
  - Policies where the sum assured and reversionary (ie annual) bonuses already exceed the target sum;
  - Policies where a guarantee to pay the target sum has been given by the insurer. (Any doubts in this area to be resolved by reference to the FSA);
  - Policies where a mortality or morbidity claim is in hand that will terminate the policy;

- Policies that have previously had a review showing no shortfall and which are guaranteed to continue to maturity with no shortfall;
  - Lapsed or paid-up policies;
  - Policies where the insurer knows that the policy is no longer being used for the purpose of repaying a mortgage or part of the mortgage;
  - Traded, or second-hand, endowment policies;
  - Policies within six months of maturity;
  - Non-UK-regulated international business.
16. The requirements of this code do not override any rights investors may have under their endowment contract of insurance to periodic premium reviews. However, to the extent that it is feasible, insurers will apply the requirements of the code to contractual reviews.
17. Where policies contain contractual premium policy reviews and guarantee payment of the sum assured/death benefit on maturity or earlier death if the policyholder follows the insurer's review recommendations, the implications of taking one of the other options rather than following the review recommendations must be clearly explained in the letter.
18. Nothing in this code prevents insurers exceeding the minimum requirements of this code if they wish.

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