ACTUARIAL SOCIETY OF SOUTH AFRICA

APN 115 PREMIUM AND BENEFIT REVIEWS ON UNIVERSAL LIFE PRODUCTS

Classification

This is an Advisory Practice Note (APN) that provides guidance to *members* of the *Society* relating to contractually permissible *reviews* on *universal life* insurance policies. This may be a *review* of premiums, benefits, claims criteria, *policy charges*, or a combination of any of these.

This note is classified as an Advisory Practice Note (APN). APNs provide advice to *members* to guide them in their relevant area of practice. Failure to comply with an APN will not in itself constitute grounds for a complaint under the applicable Actuarial Society of South Africa (*ASSA*) disciplinary procedures. However, the Disciplinary Committee investigating an allegation of unacceptable or unprofessional conduct will take into account the extent to which a *member* complied with an APN in this category. It is recommended that any departure from an APN be disclosed.

Abstract

Many *members* of *the Society* perform functions where they can influence outcomes related to *reviews* of *universal life* insurance policies. This APN provides guidance that *members* should take into consideration when advising an *insurer* in relation to such *reviews*.

Purpose

The purpose of this APN is to provide guidance that should be followed by *members* when considering the market conduct aspects related to contractually permissible *reviews* for *universal life* insurance policies.

Legislation or Authority

Rule 15 of the Policyholder Protection Rules made under the Long-term Insurance Act (52 of 1998) and the Actuarial Society of South Africa's Code of Professional Conduct.

Application

This APN applies to all *members* of *the Society* who perform functions where they can influence the practice related to *universal life* insurance policy contract *reviews*. For example, it applies to *members* who are involved in new product development and the management and servicing of customers of in-force products, including *members* who are involved in responding to customer complaints.

Disclaimer

Whilst *ASSA* takes all reasonable efforts to ensure that the content of this APN is correct and aligned with legislation and authority applicable as at the date of drafting and publishing under the governing laws of the Republic of South Africa, this APN is given as guidance to *members* of *ASSA* purely to assist with the subject matter covered in the APN.

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Authors

Life Assurance Committee of the Actuarial Society of South Africa.

Status

Version 1	Effective from 1 September 2023
Version 2	Effective from 1 April 2025

DEFINITIONS

ASSA or the Society	Actuarial Society of South Africa
Code of Conduct	*ASSA's* Code of Professional Conduct [1]
Control Function	A function, as defined in the Insurance Act (18 of 2017), which forms part of an *Insurer's* governance framework.
Head of Actuarial Function	A *member* appointed by an *Insurer* in terms of the Insurance Act (18 of 2017) as the head of the actuarial *Control Function*.
Insurer	The insurance company (including mutual societies) writing and or managing *universal life* business in respect of which the *member* or *members* can influence the practice of *reviews*.
Investigation	Process of assessing the adequacy of life insurance contract features to inform whether or not to perform a *review*.
Law	The applicable constitution, statutes, regulations, judicial decisions, case law and other statements having legally binding authority.
Limited guarantee period	A period, shorter than the full expected term of the policy, during which the *insurer* guarantees that certain features of the policy will not be reviewed (for example, that the premium payable will not be reviewed outside of the agreed annual contractual premium increases).
Member or *Members*	A member of *ASSA* as defined in the *Code of Conduct* or a member of another recognised actuarial association to whom this APN applies.
Policy charges	Refers to any charges applied under *universal life* policies, including but not limited to charges for expenses and risk benefits.
PPRs	The Policyholder Protection Rules [2] aimed at policyholder protection made under Section 62 of the Long-term Insurance Act (52 of 1998), as amended in 2018 [3].
Reasonable benefit expectations	The reasonable expectations of policyholders regarding future premiums, benefits, claims criteria or *policy charges*, based on the *Insurer's* marketing literature, communications to the policyholder and initial sales representations.
Review	Any changes in *universal life* insurance contract premiums, benefits, claims criteria or *policy charges*, made at the discretion of the *insurer* following an *investigation*. This includes increases and decreases in premiums, *policy charges* and/or benefits, as well as any amendments to claims criteria/definitions.

[1] https://www.actuarialsociety.org.za/professional-resources-structure/professional-conduct/
[2] http://www.treasury.gov.za/legislation/regulations/ICRAndPPR/Annexure%20B.pdf
[3] https://www.gov.za/sites/default/files/gcis_document/201809/41928gon997.pdf

Universal life — Insurance contracts that provide risk benefits as well as an investment account, hence combining risk and savings benefits under one policy. *Policy charges* are deducted from the investment account, and hence the quantum of these *policy charges* influence the size and growth of the investment account.

Variation of a policy — As defined in the *PPR*, this means any act that results in a change to:

(a) the premium;

(b) any term;

(c) any condition;

(d) any policy benefit;

(e) any exclusion; or

(f) the duration of a policy,

excluding any explicit pre-determined or determinable variation stated or provided for in the policy, and "*variation of an existing policy*" and "*varying*" have corresponding meanings.

SECTIONS

1. INTRODUCTION

1.1. Life *insurers* offer individual life insurance policies with features which may not be guaranteed for the full duration of the insurance contract. *Universal life* is one type of such a policy that was offered in the past. There are many reasons for the *limited guarantee period*, including:

a) Uncertainty around future demographic assumptions, such as mortality (including uncertainty around future medical diagnoses and improvements),

b) Uncertainty around future economic assumptions,

c) Potential changes in policyholder behaviour, and

d) Additional solvency capital required to be held as a result of guarantees.

1.2. *Universal life* policies differ from new generation risk policies in two significant ways: these policies contain a savings element, typically in the form of an investment account, through which policyholders have sight of the balance of the savings value (typically through surrender values); and market/investment risk (both future and past) is typically borne by the policyholder due to the design of the investment account.

Under new generation risk policies, policyholders typically do not have access to an investment account and premium *reviews* generally only pass changes in expected future experience to policyholders, while past profits and losses are for the account of the *insurer*. However, *reviews* on *universal life* policies need to take elements of past experience into account because the sustainability of the risk benefit is significantly dependent on the growth of the investment account (and hence past investment performance). Therefore, managing *universal life* policyholder *reasonable benefit expectations* through effective communication throughout the policy lifetime is particularly important and necessitates the need for a separate guidance note.

1.3. The *insurer* can perform an *investigation* to assess the extent that the assumptions on which the premiums were based have been met to date as well as the extent to which the view of future experience has changed from those on which the original contract features were based. When the *insurer* is contractually able to perform a *review* e.g., after expiry of the *limited guarantee period*, the *insurer* then has the contractual right to implement a *review* in accordance with the actual historical experience and the updated view of likely future experience. This may result in a *variation of a policy,* e.g. an increase in premiums, an increase in *policy charges*, a reduction in benefits or stricter claims criteria. The *insurer* could also reduce premiums, reduce *policy (including risk) charges,* increase benefits or relax claims criteria if historic experience has been better than assumed in pricing or if expectations of future experience have improved.

1.4. A consequence of allowing contract features to be reviewed after expiry of the *limited guarantee period*, is that the policyholder has the benefit of more favourable terms (for example, a higher sum assured for a given premium) initially but is subjected to the risk that these features could be adversely amended in the future. In essence, the policyholder shares some of the risks with the *insurer*.

1.5. A *limited guarantee period* may allow a less prudent pricing and product design approach and could lead to lower solvency capital requirements. The resulting lower premiums usually encourage and enable more people to take out insurance contracts, which has the societal benefit of increasing the financial stability and security of individuals and families.

1.6. For policies where these features are guaranteed, any uncertainty around future events and experience could lead to a more prudent pricing and product design approach and higher solvency capital requirements, and therefore higher premiums, higher *policy charges*, reduced benefits or stricter claims criteria.

1.7. For *universal life* insurance contracts, it is possible that the investment account can become depleted as the risk benefits can no longer be supported by the combination of the investment account, future premiums and investment growth on these. This may be the result of either a slower than anticipated growth in the investment account, higher than originally anticipated *policy charges*, or both.

1.8. The remainder of this guidance sets out the relevant regulatory and professional background, the scope of this APN and various requirements and principles that should be considered by the *member*. Some of the requirements and principles stem from other sources, for example, legislation, regulation or other professional guidance, with these being indicated by ***bold italics***, with references to these other sources being shown in brackets.

2. REGULATORY AND PROFESSIONAL BACKGROUND

2.1. The ability of an *insurer* to perform a *review* involves the exercising of discretion by the *insurer*. Where this discretion is applied by *members*, the *member* should always consider the requirements and principles already laid out in legislation, regulation and other professional guidance, such as:

a) *PPRs* (Rule 11 and Rule 15 in particular),

b) *ASSA's* Advisory Practice Note (APN) 106 [4] Section 9.4 wherein the *Head of Actuarial Function is* advised to consider policyholders' *reasonable benefit expectations* when reviewing any material changes to a policy,

c) The appendix to *ASSA's* APN 106 provides guidance to members on policyholders' *reasonable benefit expectations*, and

d) *ASSA's* APN 904 that provides guidance to members related to market conduct and treating customers fairly.

2.2. This APN contains extracts from relevant legislation, regulation and other professional guidance, including the *PPRs*. It should be noted that:

a) Some of these extracts have been adjusted in minor ways to accommodate the flow and context of this APN;

b) While these extracts are deemed to be an accurate reflection of the relevant requirements, they do not replace the requirements themselves and do not absolve *members* from familiarising themselves with the most recent versions of the relevant legislation, regulation and other professional guidance; and

c) The scope of this APN is broader than that of the *PPRs*, as per Section 3.4 below.

2.3. The *member* should take into account that *PPRs* 15.1 to 15.3 do not apply to policies entered into before *PPR* 15 came into operation on 1 July 2018. However, this does not prevent a *member* from considering whether some of the principles contained within *PPRs* 15.1 to 15.3 could be relevant to such policies.

3. SCOPE

3.1. This APN covers all *universal life* policies, including whole life, endowment, term assurance and retirement annuity policies. The inclusion of other rider benefits does not exclude a policy from the scope of this APN.

3.2. The APN excludes reinsurance, which is consistent with the scope of *PPR* 15.

[4] https://www.actuarialsociety.org.za/committees/series-100-dealing-with-life-offices/

3.3. The *PPRs* create regulatory requirements for the *review* of premiums but do not explicitly create any requirements for *reviews* of benefits, claims criteria or *policy charges*. However, any extracts from the *PPRs* that are contained within this APN should be read as also creating professional requirements relating to *reviews* of benefits, claims criteria and *policy charges*.

3.4. The considerations set out in this APN provide guidance for *investigations* and *reviews*, but should also be considered when:

a) Developing products or making adjustments or enhancements to existing *universal life* policies and making any adjustments to policy terms and conditions relating to *reviews*,

b) Performing *investigations* that are carried out to determine the need for a *review* but do not result in a *review*, and

c) Performing other *investigations* to support policyholder communication related to guarantees and *reviews*.

4. GENERAL REQUIREMENTS

4.1. ***Members of the Society must observe applicable Law*** (Paragraph 9 of the preface to the *Code of Conduct*).

4.2. ***Members of the Society are expected to render quality services to their clients through the demonstration of*** professional and ***ethical behaviour, especially in doing actuarial work*** (Paragraph 1.b of the *Code of Conduct*).

4.3. ***A member of the Society must act honestly, with integrity, competence and due care, and in a manner that fulfils the profession's responsibility to the public and upholds the reputation of the actuarial profession*** (Paragraph 9 of the *Code of Conduct*).

4.4. ***In fulfilling assignments, members of the Society must consider the likely implications of their recommendations for all parties that are likely to be materially affected, and also draw the attention of their clients to such implications*** (Paragraph 12 of the *Code of Conduct*).

4.5. Conflicts of interest may arise between the *insurer* and the public for whom the insurance products are designed. The *member* should ensure that their services rendered consider the interests of all stakeholders.

4.6. Where the *member* provides an *insurer* with advice relating to *reviews* and such advice is not followed, the *member* should document the advice that was provided. Further to this, if the *member* expects the *insurer's* course of action to result in materially unfair policyholder outcomes, then the *member* should consult with another member of *the Society* on the most appropriate steps to take, if any.

5. REASONABLE BENEFIT EXPECTATIONS

5.1. ***Any review of a premium payable under a policy must reasonably balance the interests of the insurer and the reasonable benefit expectations of policyholders*** (*PPR* 15.4.a). For *reasonable benefit expectations* of policyholders, the *member* should consider the following (if relevant and practically possible):

a) Contractual terms and conditions,

b) Initial and ongoing policyholder communication,

c) Initial and ongoing marketing,

d) *Reviews* previously conducted on the same product,

e) *Reviews* on other products of the same *insurer (as high-level principles might*

have been established),

f) *Reviews* on competitor products (to the extent that information is publicly available), and

g) Other external influences, for example, National Financial Ombud Scheme rulings, court case outcomes and the media (where relevant).

5.2. The *member* should not only consider the policyholder *reasonable benefit expectations* that apply at a single point in time, for example, at the *review* date, but should rather consider how *reasonable benefit expectations* are likely to develop into the future, as the policy term progresses.

5.3. The *member* should also consider the extent that policyholder *reasonable benefit expectations* might have diverged from the contractual terms and conditions. The *member* should bring such divergence to the attention of the *insurer*, along with any implications thereof on *reviews*. *Universal life* policies could be prone to such divergence due to complex product designs and/or where reviews have historically taken place either infrequently or only long after the guarantee period has elapsed. *Members* working with *universal life* policies should aim to ensure that policyholders continually understand the extent to which demographic and market/investment experience could affect their policy benefits going forward.

5.4. Where the abovementioned divergence is due to historically inappropriate or inadequate management of *reasonable benefit expectations*, the *member* should consider how this could be improved going forward. For example, the *member* could advise the *insurer* to:

a) Provide training to intermediaries, and/or

b) Enhance policyholder communications, to not only manage expectations of the future, but also to clarify historical experience and *reviews*.

5.5. ***Any review of a premium payable under a policy in the case of a policy that has an investment component and a risk component, must take into account the reasonable benefit expectations of the policyholder or member in respect of both components*** (*PPR* 15.4.c). The *member* should consider whether any enhancements can be made to customer communication to make the distinction between these two components clearer to customers.

5.6. The *member* should consider fairness across all policyholders who purchased the product and not only those that are reviewed, e.g., are the terms offered on *review* to policyholders with a *limited guarantee period* fair relative to other customers who paid higher premiums from the inception of their policies for fully guaranteed benefits.

5.7. The *member* should provide the *insurer* with advice on how to manage policyholder *reasonable benefit expectations* related to *reviews*. Such advice should not only be provided when a *review* is performed, but should also cover the sales process and the rest of the product life cycle.

6. FREQUENCY OF *INVESTIGATIONS* AND *REVIEWS*

6.1. ***A premium payable under a policy may only be reviewed if the policy provides for a review and states the frequency at which and the circumstances in which a review will take place*** (*PPR* 15.1).

6.2. ***Where a policy provides for a review an insurer may only undertake the review at the frequency stated in the policy and when the circumstances contemplated in the policy prevail*** (*PPR* 15.2).

6.3. The *member* should advise the *insurer* to carry out an *investigation*, within a suitable time frame, having considered the timeframe within which the policy contract states a *review* will take place, as well as the time required to implement reviews.

6.4. The *member* should advise the *insurer* to communicate the results of an *investigation* to policyholders where this is expected to support the management of policyholder *reasonable benefit expectations*. Even when an *investigation* did not result in a review, the *member* should consider whether communication to policyholders is required to support the management of policyholder *reasonable benefit expectations*. An example where such communication might be appropriate is where there is a significant deviation of experience which may impact the ongoing sustainability of the policy and hence requires action to be taken by the policyholder, either at that time or at a later point in time.

6.5. Where *investigations* have not been conducted in the past or, they have been conducted, but the results not communicated to customers, the *member* should consider what communication exercises can be conducted now in order to help manage policyholder *reasonable benefit expectations* going forward and preferably before a next *review* is implemented.

6.6. Where *reviews* are allowed in the terms and conditions of a policy, the *member* should advise the *insurer* to monitor experience on a regular basis even if a full *investigation* is not performed. This could result in better policyholder outcomes by preventing large adjustments later in the contract's term if, for example, smaller adjustments are made at earlier durations.

6.7. However, where *reviews* have not been completed timeously in the past and current *reviews* indicate that large adjustments to benefits, premiums, claims criteria and/or charges are now required, having a negative impact on customers, the *member* should consider what steps can be taken to minimise the customer impact. For example, applying smaller than required adjustments, noting that this will require a shareholder subsidy and the *member* should thus consider the financial soundness of the insurer (which is covered in other regulations and professional guidance). The *member* should also consider whether voluntary customer options, as noted in Section 10.3, could help with minimising potential negative customer impacts.

6.8. *Investigations* and, where relevant, *reviews* should be performed as soon as the *member* would reasonably expect that the experience of the policy deviates from the assumptions to such an extent that it may cause the policy's investment account to become depleted or that policyholder *reasonable benefit expectations* are otherwise unlikely to be met. Furthermore, the *member* should advise the *insurer* to monitor experience during a *limited guarantee period*. Such monitoring could be used to identify proactive actions the *insurer* can take during the *limited guarantee period* that would reduce the magnitude of the policyholder impact of future *reviews* and/or appropriately manage policyholder *reasonability benefit expectations*.

7. DISCRETION IN THE HANDS OF *MEMBERS*

7.1. The ability of the *insurer* to exercise discretion means the *member* should consider upfront the principles by which such discretion will be exercised. Where these principles already exist, the *member* should assess the current principles and recommend adjustments, if required.

a) Such principles could be defined generically across an *insurer's* full product set, with appropriate variations for specific products.

b) For new products, the *member* should consider and define such principles during the product development process before policies are sold.

c) For existing products where such principles are not defined, the *member* should

consider defining appropriate principles.

d) The *member* should consider what the trigger points would be for an *investigation* to be initiated and/or a *review* to be implemented.

7.2. The *member* should recommend that such principles be documented and approved by the *insurer*.

8. FACTORS AFFECTING *REVIEWS*

8.1. ***The circumstances referred to in PPR 15.1 and PPR 15.2*** *(which refer to the terms of a policy, see paragraphs 6.1 and 6.2 above)* ***may not give an insurer the discretion to increase profitability margins beyond those assumed at the outset of the policy*** (*PPR* 15.3.a)**.**

8.2. ***The primary purpose or effect of a review may not be to:***

a) ***Allow the insurer to recoup its losses on the policy incurred prior to the date of the review*** (*PPR* 15.5.a), nor to

b) ***Increase profitability margins beyond those assumed at the outset of the policy*** (*PPR* 15.5.b). Profitability margins are influenced not only by explicit premium loadings, but also by other factors such as changes to risk discount rates and margins over best estimate assumptions. Care should be taken to ensure these elements are not used indirectly to increase expected profitability margins above those originally priced.

8.3. When, as part of a review, policyholders are offered the ongoing policy benefits in another product, the *member* should consider the differences in profitability margins between the different products.

8.4. Any review of a premium payable under a policy must be justified with reference to the extent to which the assumptions on which the premium were based have been met (*PPR* 15.4.b). The *member* should consider the extent that those assumptions are no longer relevant for the future. As part of the pricing at outset or subsequent repricing exercises, the *member* should thus document the assumptions on which the premiums are based. When assessing expected future experience at the time of *review,* the *member* could consider the relevance of the assumptions used to price new business at the time.

8.5. ***The primary purpose or effect of a review may not be to seek to cover losses or increased expenses arising in the business not related to the profitability of the product concerned*** (*PPR* 15.5.d). The *member* should consider equity between policyholders, for example:

a) Equity between different generations of policyholders, especially where experience changes over time.

b) Equity between different products, for example, it is unlikely that offsetting experience variances across products is appropriate.

8.6. ***The primary purpose or effect of a review may not be to, in case of policies with both an investment and a risk component, allow for an increase in investment management charges to compensate for the fact that the cost of risk benefits has increased where this cost has not accurately been reflected in the risk benefit charge*** *(PPR* 15.5.f).

8.7. ***A premium payable under a policy must reasonably balance the interests of the insurer and the reasonable benefit expectations of a policyholder, and be based on assumptions that are realistic and that the insurer reasonably believes are likely to be met over the term of the policy*** (*PPR* 6.1).

8.8. ***The circumstances referred to in PPR 15.1 and PPR 15.2*** *(which refer to the terms of a policy, see paragraphs 6.1 and 6.2 above)* ***may not allow an insurer to adjust premiums that were not based on assumptions that meet the aforementioned standard in PPR 6.1*** (*PPR* 15.3.b). Nor should a *member* perform an *investigation* relative to assumptions which are deemed to have been unrealistic at the outset. For example, ***the primary purpose or effect of a review may not be to allow for the adjustment of a low initial premium consciously based on overly optimistic assumptions about investment performance*** (*PPR* 15.5.e).

8.9. By implication *members* should then price products as accurately as possible at the outset using realistic assumptions and appropriate margins to avoid large premium, *policy charge,* benefit or claims criteria changes at the time of *review* due to overly optimistic pricing and product design practices.

8.10. The relative optimism of assumptions should be assessed based on the economic environment and outlook at the time those assumptions are set.

8.11. In cases where the *member* has reasonable evidence that premiums at the outset were not based on realistic assumptions, or where the assumptions upon which premiums were based at the outset are not available, the *member* could consider the following approach:

a) Recalibrate any unrealistic assumptions to levels that the *member* deems would have been realistic at the outset, taking care to not apply hindsight bias.

b) Perform an *investigation* relative to such recalibrated assumptions, i.e., compare past and expected future experience against the recalibrated assumptions instead of comparing it to the assumptions that were actually used at outset; and

c) Apply any premium increase flowing from the abovementioned *investigation* to the original premiums that were determined at the outset, i.e. to the premiums that were based on unrealistic assumptions or for which assumptions are not available.

8.12. ***The primary purpose or effect of a review may not be to unfairly target a particular group of policyholders for an increase in premium*** (*PPR* 15.5.c). For example, *reviews* should be based on experience deviations and not on price optimisation, meaning that *reviews* should not optimise *insurer* outcomes by considering price sensitivity and the propensity to lapse. *Reviews* should also be performed in reasonable cohorts, taking the individualised nature of these policies into account, e.g., existence of different product versions and ability of customers to make partial withdrawals.

8.13. ***An insurer shall not make a distinction between the premiums, benefits or other values of different long-term policies unless the Head of the Actuarial Function is satisfied that the distinction is actuarially justified*** (Long-Term Insurance Act (52 of 1998) Section 46.1.b and APN 106 Section 9.9). *Members*, and not only heads of actuarial functions, should consider whether such distinctions are actuarially justified, both at inception and at *review* stage.

9. EXPERIENCE ITEMS CONSIDERED FOR *REVIEWS*

9.1. The *member* should carefully consider the experience items which may be used to inform a *review and that these align to the policy terms and conditions.* Experience items may be defined explicitly, e.g., by referring specifically to mortality and expense experience, or it may be defined to be more open ended, e.g., by referring to "any adverse deviation in experience items". Where the latter is used, consideration should be given to any complexities created thereby, including the impact on the management of policyholder reasonable benefit expectations. This consideration is also relevant when developing product terms and conditions (should universal life

policies be reintroduced into the market).

9.2. Throughout the product life cycle, the *member* should consider to what extent the following should reasonably affect a *review* without being unfair towards policyholders:

a) Management actions taken since inception of a policy that have influenced future experience, for example, a reduction in expenses,

b) Changes in policyholder behaviour since inception of a policy that have influenced future experience, for example, persistency,

c) Changes in the cost of reinsurance, taking into account the reasons for such changes,

d) Implicit assumptions allowed within pricing, for example, business volumes and business mix,

e) Experience impacts arising directly as result of the *review* being performed e.g., once-off expenses or increased lapses, and

f) Corrections of modelling errors made during the product's development.

9.3. The *member* should take particular care whenever a *review* results in a distinction between premiums, benefits or other policy values that is based on either more or less granular rating factors than those applied at the outset of the policy, as this would generally be considered unfair towards policyholders.

9.4. Consideration should be given to assumptions as a whole such that the original profit target is not exceeded as a result of the *review* (reference *PPR* 15.5 b). Improvements in expected future experience in one basis element should be considered in combination with worsening future experience expected in other basis elements.

9.5. When reviewing *policy charges*, the *member* should be cognisant of the effect of such changes on the investment account of the policy, and whether such changes may result in the investment account of the policy becoming depleted. Where the latter is likely to occur, consideration should be given as to whether other options, including but not limited to, lowering the risk benefits on the policy, should be offered to the policyholder instead.

10. OTHER CONSIDERATIONS

10.1. ***An insurer must timeously and in writing inform a policyholder of a pending review and the timing of the review if the review is expected to result in a premium increase*** (*PPR* 15.6)**.**

10.2. ***If a premium payable under a risk policy will be increased as a result of a review, an insurer must take reasonable steps to afford a policyholder alternatives (such as the option to terminate the policy, to reduce the policy benefit or to enter into an alternative policy) to mitigate the impact of the increase on the policyholder*** (*PPR* 15.7). Similarly, the *member* should also advise the *insurer* to provide alternatives if the *review* results in reduced benefits, increased *policy charges* or more stringent claims criteria.

10.3. The *member* could advise the *insurer* to take other management actions during the guarantee period in order to reduce the risk and/or magnitude of future *reviews*. For example, to provide policyholders with voluntary options during the guarantee period (e.g., options to reduce risk cover or to increase premiums), where such options would reduce the magnitude of future *reviews*.

10.4. Where premiums are required to increase after a *review*, the member should consider the quantum of the premium increase in the context of other considerations like customer's affordability, reputational/market conduct challenges etc.

10.5. When providing policyholders with alternatives the *member* should ***consider the disclosure requirements outlined in Rule 11 of the PPRs***.