



Financial Services Commission  
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*A New Era of Hope*  
Creative Finance  
Financial Inclusion  
Solid Financial System

## Press Release

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August 6, 2013

### PLAN TO BOOST PERSONAL PENSION SCHEME

#### BACKGROUND

With the rapidly aging population, it is important to ensure financially-stable life for the elderly after their retirement through pension plans. Public pension scheme or retirement pension plans alone are not enough to provide sufficient retirement income. Therefore, there is a need to expand personal pension scheme so that more individuals could be better prepared for their elderly life after retirement.

The FSC announced its plan to attract more persons to sign up for personal pension plans and to make them hold their pension plans for a longer period of time.

#### KEY CONTENTS

##### 1. Provide various types of pension products

The FSC will encourage financial institutions to provide various types of pension products tailored to retirees' specific needs. For example, a savings-type pension product designed to allow its policy holders to withdraw their money for medical care if needed will be able to guarantee both retirement income and medical costs for the retirees.

##### 2. Enhance accessibility to pension products through Internet-only insurance providers

The FSC will permit the establishment of Internet-only life insurance providers and reduce sales commission paid to insurance agents per contract for Internet-only pension products.<sup>1</sup>

##### 3. Reform the structure of business cost for pension insurance.

Business cost of pension insurance consists of sales commission and other expenses incurred in business operation. Under the current structure of business cost, insurers require policy holders to pay sales commission mostly upfront, which consequently tends to lower the rate of return in the early phase of the contract period and reduce the amount of refund that policy holder could receive in case of policy cancellation before maturity. To address such problems, the FSC plans to gradually increase the percentage of installment payment of sales commission.<sup>2</sup>

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<sup>1</sup> By 2015, the FSC plans to limit the brokerage commission of Internet-only insurance providers up to 50% of offline providers'.

<sup>2</sup> 30%(current)→40%(2014)→50%(2015)



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#### 4. Launch a web portal about pension products

A website will be launched in December 2013(tentatively) to provide a package of information about pension products and related tax benefits.

#### 5. Encourage policy holders to maintain their contract for a longer period of time

Policy holders who cannot afford their monthly payment of insurance premium temporarily will be allowed to delay the payments for a certain period upon application. Policy holders whose contract was lapsed due to missed payment will be able to revive their policy if they make overdue payment of only one month. In case of savings-type pension insurance, the policy will be allowed to be transferred to a third party without reviving the lapsed contract.

### **IMPLEMENTATION SCHEDULE**

The FSC plans to revise the Regulation on Supervision of Insurance Business in December 2013 to make the current structure of business cost for insurers more reasonable. We will continue to work with insurers to revise insurance policy terms to allow policy holders to temporarily delay their payment; revive or transfer lapsed policies; and provide a variety of pension product.

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