



Legal
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Policyholder Protection Rules (PPR) - Group Schemes: Terminations and replacements

In terms of the Policyholder Protection Rules (Long Term Insurance) 2017, Rule 20 that deals with the terminations and replacements of group schemes took effect on 1 January 2020. Below is an indication of what Rule 20 expects from insurers and policyholders in these instances.

Terminations

If an insurer intends to terminate a group scheme policy, they must give the policyholder and the Financial Sector Conduct Authority (FSCA) 31 days written notice of intent to terminate and it must also demonstrate that it has taken reasonable steps to notify the members of the group scheme of the intent to terminate.

Where the insurer can demonstrate that it is not practicable to directly notify the members of the group scheme of the intent to terminate, the insurer must provide support to the policyholder to notify the members of the group scheme of the intent to terminate. The insurer must also be satisfied of the fact that the policyholder has provided the notice of the intention to terminate to the members of the group scheme.

The insurer will remain liable for the cover in terms of the group policy for the shorter of 31 days after providing the notice of intent to terminate as mentioned above or for the period until the insurer receives proof that the policyholder has taken another policy to provide similar cover to the members of the group scheme.

If a policyholder wants to terminate a policy, the insurer must notify the FSCA of the termination or intent to terminate as soon as reasonably possible after becoming aware of the termination or intent to terminate.

Replacements

Before an insurer enters into a group scheme policy, they must first determine whether the intent of the policy is to replace or substitute another group scheme policy. If the policyholder under the new group scheme policy is the same as the policyholder under the old group scheme policy and the members that are covered under the new group scheme policy are substantially the same as those members covered under the old group scheme policy then that is sufficient to assume that the intent is to replace or substitute the old group scheme policy.

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After determining that the intent is to replace or substitute the group scheme policy, the insurer must within at least 31 days before entering into the new group scheme policy, take reasonable steps to provide members with a communication. The communication must point out any material differences between the two policies and the reasons for the differences.

Where the insurer can demonstrate that it is not practicable to directly notify the members of the group scheme changes, the insurer must provide support to the policyholder to notify the members of the group scheme of changes to the group scheme policy. The insurer must also be satisfied of the fact that the policyholder has provided the changes to the policy to the members of the group scheme.

New waiting periods in respect of the substituted or replaced group schemes policy will be void. No new waiting periods can be imposed or the period extended. Any Existing waiting periods balances will continue.

For any replacements or substitutions of policies, a [replacement record](#) must be completed.

Communication to members

With regard to any of the communication to members mentioned above, the insurer must be able to demonstrate that it has taken reasonable steps to communicate with the members using the contact details that were available. Where the insurer has reason to believe that the contact details are incomplete or there is a material risk that the communication will not reach the members, they must show that they have taken reasonable steps to communicate with the members using other appropriate communication channels.