

## Chapter 5

# Identifying client needs and advising

**5.2 Demands and needs**

**Application: who? what?**

**5.2.1** **R** This section applies to an *insurance distributor* when carrying on *insurance distribution activities*.

**Demands and needs**

**5.2.2** **R**

- (1) Prior to the conclusion of a *contract of insurance* a *firm* must specify, on the basis of information obtained from the *customer*, the demands and the needs of that *customer*.
- (2) The details must be modulated according to the complexity of the *contract of insurance* proposed and the type of *customer*.
- (3) A statement of the demands and needs must be communicated to the *customer* prior to the conclusion of a *contract of insurance*.

[Note: articles 20(1) and 20(2) of the *IDD*]

**5.2.2A** **G** A *firm* may obtain information from the *customer* in a number of ways including, for example, by asking the *customer* questions in person or by way of a questionnaire prior to any *contract of insurance* being proposed.

**5.2.2B** **R** When proposing a *contract of insurance* a *firm* must ensure it is consistent with the *customer's* insurance demands and needs.

[Note: recital 44 to, and article 20(1) of, the *IDD*]

**5.2.2C** **G** ■ ICOBS 5.2.2BR applies whether or not advice is given and in the same way regardless of whether that contract is sold on its own, in connection with another *contract of insurance*, or in connection with other goods or services.

**5.2.2D** **R** The sale of a *contract of insurance* must always be accompanied by a demands and needs test on the basis of information obtained from the *customer*.

[Note: recital 44 to, and article 20(1) of, the *IDD*]

**5.2.3** **R** [deleted]

**Format of the statement of demands and needs: non-advised sales**

5.2.4

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Once the *firm* has obtained information from the *customer* and ensured the *contract of insurance* is consistent with the demands and needs, the format of a statement of demands and needs is flexible. Examples of approaches that may be appropriate where a *personal recommendation* has not been given include:

- (1) providing a demands and needs statement as part of an application form, so that the demands and needs statement is made dependent upon the *customer* providing personal information on the application form. For instance, the application form might include a statement along the lines of: "If you answer 'yes' to questions a, b and c your demands and needs are those of a pet owner who wishes and needs to ensure that the veterinary needs of your pet are met now and in the future";
- (2) producing a demands and needs statement in product documentation that will be appropriate for anyone, for whose demands and needs the contract is consistent. For example, "This product meets the demands and needs of those who wish to ensure that the veterinary needs of their pet are met now and in the future"; and
- (3) giving a *customer* a record of all his demands and needs that have been discussed

**Means of communication to customers**

5.2.5

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The information to be provided to customers in ■ ICOBS 5.2 must be given in accordance with ■ ICOBS 4.1A (Means of communication to customers).

[Note: article 23(1) of the *IDD*]