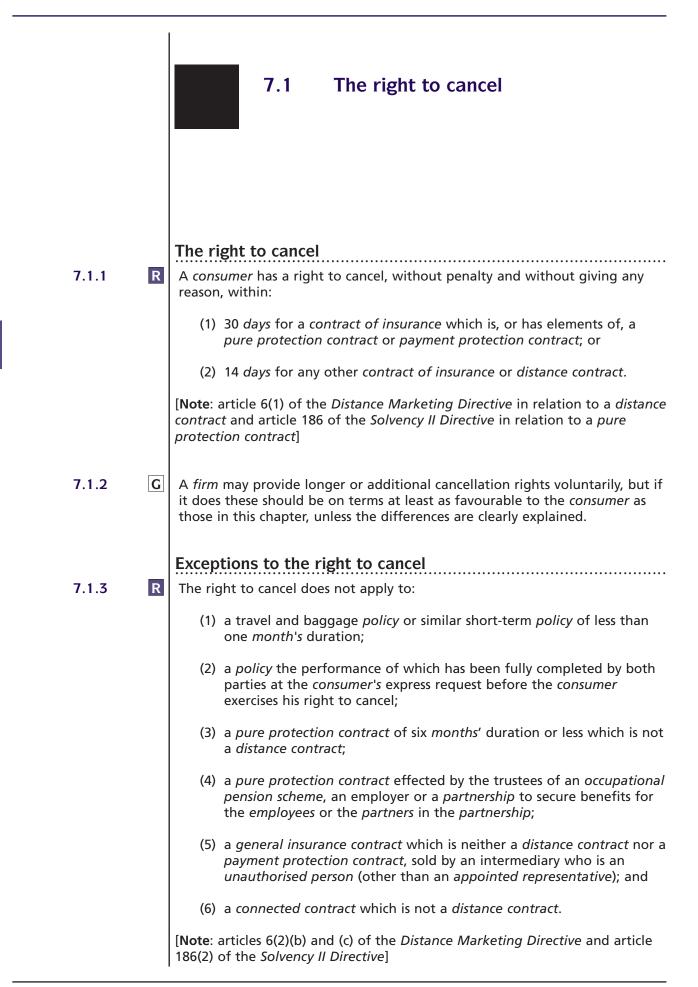
Insurance: Conduct of Business

Chapter 7

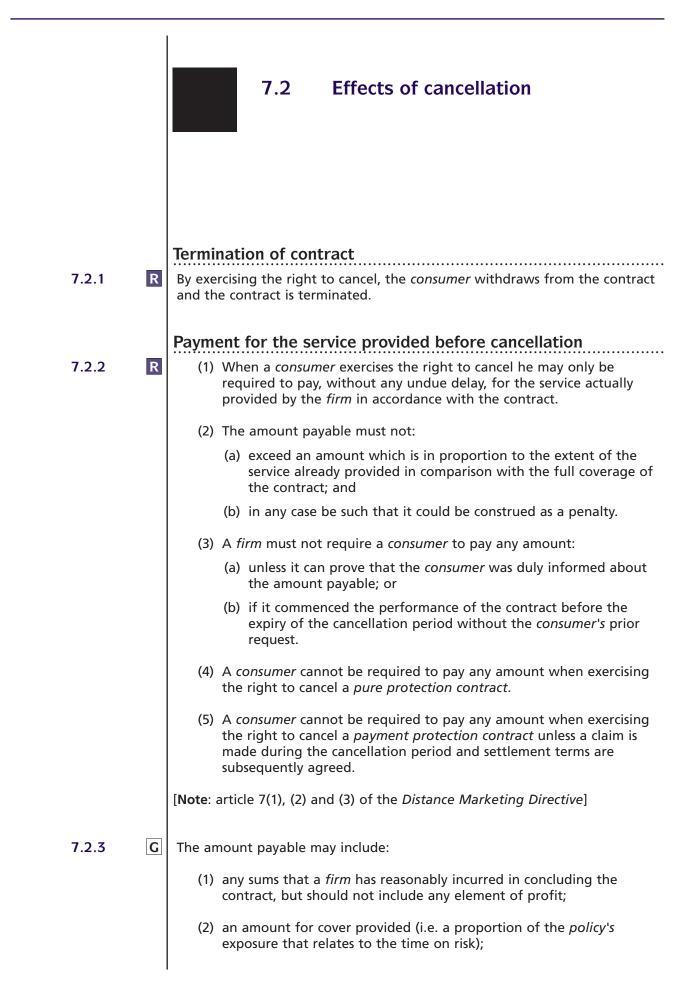
Cancellation



ICOBS 7 : Cancellation

7.1.4	G	A 'similar short-term <i>policy</i> ' is any <i>policy</i> where the event or activity being insured is less than one <i>month</i> 's duration. 'Duration' refers to the period of cover rather than the period of the contract.
7.1.5	R	Start of the cancellation period The cancellation period begins either: (1) from the day of the conclusion of the contract, except in respect of a
		 pure protection contract where the time limit begins when the customer is informed that the contract has been concluded; or (2) from the day on which the consumer receives the contractual terms and conditions and any other pre-contractual information required under this sourcebook, if that is later than the date referred to above.
		[Note: article 186(1) of the Solvency II Directive and article 6(1) of the Distance Marketing Directive]
		Exercising a right to cancel
7.1.6	R	If a <i>consumer</i> exercises the right to cancel he must, before the expiry of the relevant deadline, notify this following the practical instructions given to him. The deadline shall be deemed to have been observed if the notification, if on paper or another <i>durable medium</i> , is dispatched before the deadline expires.
		[Note: article 6(1) and (6) of the <i>Distance Marketing Directive</i>]

7



ICOBS 7 : Cancellation

		(3) a proportion of the <i>commission</i> paid to an <i>insurance intermediary</i> sufficient to cover its costs; and
		(4) a proportion of any fees charged by an <i>insurance intermediary</i> which, when aggregated with any <i>commission</i> to be repaid, would be sufficient to cover its costs.
7.2.4	G	In most cases, the FCA would expect the proportion of a <i>policy's</i> exposure that relates to the time on risk to be a pro rata apportionment. However, where there is material unevenness in the incidence of risk, an <i>insurer</i> could use a more accurate method. The sum should be reasonable and should not exceed an amount commensurate to the risk incurred.
7.2.5	G	An <i>insurer</i> and an <i>insurance intermediary</i> should take reasonable steps to ensure that double recovery of selling costs is avoided, particularly where the contract for the <i>insurance intermediary</i> 's services is a <i>distance contract</i> , or where both <i>commission</i> and <i>fees</i> are recouped by the <i>insurer</i> and <i>insurance</i> <i>intermediary</i> respectively.
		Firm's obligation on cancellation
7.2.6	R	(1) A <i>firm</i> must, without any undue delay and no later than within 30 <i>days</i> , return to a <i>consumer</i> any sums it has received from him in accordance with the contract, except as specified in this section.
		(2) This period shall begin from the day on which the <i>firm</i> receives the notification of cancellation.
		[Note: article 7(4) of the Distance Marketing Directive]
		Consumer's obligation on consollation
7.2.7	R	 Consumer's obligation on cancellation (1) A <i>firm</i> is entitled to receive from a <i>consumer</i> any sums and/or property he has received from the <i>firm</i> without any undue delay and no later than within 30 <i>days</i>.
		(2) This period shall begin from the day on which the <i>consumer</i> dispatches the notification of cancellation.
		[Note: article 7(5) of the Distance Marketing Directive]
7.2.8	G	If an <i>insurer</i> has made a charge for services provided, the sums and property to be returned by a <i>consumer</i> should not include any money or property provided in settling a claim.
7.2.9	R	Set off Any sums payable under this section are owed as simple contract debts and may be set off against each other.

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7.2.10

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Automatic cancellation of an attached distance contract

A consumer's notice to cancel a distance contract may also operate to cancel any attached contract which is also a distance financial services contract. This is unless the consumer gives notice that cancellation of the contract is not to operate to cancel the attached contract. (See the Distance Marketing Regulations.) Where relevant, this should be disclosed to the consumer along with other information on cancellation.