

Chapter 4

Product governance: IDD and pathway investments

4.6 Application of PROD 4.2 and 4.3 for legacy non-investment insurance products

Application

- 4.6.1 **R** ■ PROD 4.6 applies to:
- (1) the *manufacturer* of a *legacy non-investment insurance product*, which includes:
 - (a) an *insurance intermediary* which has a decision-making role (in whole or in part) in relation to the *manufacture* of a *legacy non-investment insurance product*;
 - (b) an *insurer* that is responsible for the *manufacture* of a *legacy non-investment insurance product* including whoever currently underwrites the *legacy non-investment insurance product*; and
 - (2) a *firm* that *distributes* (including the renewal of an existing *policy*) a *legacy non-investment insurance product*.

- 4.6.2 **R** For a product falling within (2)(b) of the definition of a *legacy non-investment insurance product*, any reference to distribution or renewal is to be treated as including the ongoing collection of premiums in relation to a *policy* that remains in force.

Purpose

- 4.6.3 **G** The purpose of this section is to set out the product governance distribution arrangements for, and how ■ PROD 4 applies to, *legacy non-investment insurance products*.

Manufacturers of legacy non-investment insurance products

- 4.6.4 **R** A *manufacturer* of a *legacy non-investment insurance product* must apply the product approval process in ■ PROD 4.2 to that insurance product.
- 4.6.5 **G** For the purposes of ■ PROD 4.6.4R a *manufacturer* will need to demonstrate it has arrangements to meet the following:
- (1) general product approval process requirements (■ PROD 4.2.5R to ■ PROD 4.2.14R);
 - (2) fair value assessment (■ PROD 4.2.14AR to ■ PROD 4.2.14SR);

- (3) target market requirements (■ PROD 4.2.15R to ■ PROD 4.2.21AG);
- (4) product testing (■ PROD 4.2.22R to ■ PROD 4.2.26G);
- (5) distribution channels and information disclosure to distributors requirements (■ PROD 4.2.27R to ■ PROD 4.2.32DG); and
- (6) monitoring and review of insurance products (■ PROD 4.2.33R to ■ PROD 4.2.39AR).

4.6.6

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Firms should take into account all relevant factors, including those in ■ PROD 4.2.3G and ■ PROD 4.2.3AG, when identifying the necessary product approval process and arrangements including, in particular:

- (a) previous product governance arrangements including reviews which the *firm* (or another person) has undertaken and the extent to which these would or would not have complied with *PROD* requirements; and
- (b) the potential level of harm which could result from the product in question.

Firms should ensure the product approval process has the necessary measures to identify whether the insurance product is, or remains, appropriate to be marketed or *distributed to customers*.

4.6.7

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- (1) A *firm* must determine whether the *legacy non-investment insurance product* should continue to be marketed and *distributed* (including renewals for existing *customers*).
- (2) Where a *firm* does not approve the continued marketing and distribution of the product, including where the *firm* has been unable to identify that the product, or where relevant, the package provides fair value for the purposes of ■ PROD 4.2.14AR or, where relevant, ■ 4.2.14BR, it must immediately:
 - (a) cease marketing or distributing the product or package (whether directly or indirectly), including any renewal for an existing *customer*; and/or
 - (b) make such changes as are necessary for the product or package to provide fair value.

Distributors of legacy non-investment insurance products

4.6.8

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- (1) A *firm* which *distributes*, or will distribute, a *legacy non-investment insurance product* must meet the requirements in ■ PROD 4.3 in relation to that insurance product.
- (2) A *firm* must put in place the necessary arrangements for the purposes of (1), including for:
 - (a) obtaining any necessary information from the *manufacturer*;
 - (b) providing any necessary or relevant information to the *manufacturer*;
 - (c) understanding the product, identified target market and value assessment;

- (d) ensuring adequate oversight, including the ability to obtain necessary or relevant information, of any other persons involved in the distribution with whom the distributor has a direct relationship; and
- (e) the regular review of the product distribution arrangements including to take appropriate action in order to avert the risk of consumer detriment.