

## Chapter 7

# Insurance distribution



7.1 Application

7.1.1

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This chapter applies to a *firm* carrying on *insurance distribution activities* in relation to a *life policy*, but only if the *State of the commitment* is the *United Kingdom*.  
[Note: articles 1, 20(1) and 23 of the *IDD*]

		<div>7.3</div> <div>Additional insurance distribution obligations</div>
		<div>Demands and needs</div>
7.3.1	R	<div><div>(1) Prior to the conclusion of a <i>life policy</i>, a <i>firm</i> must specify, on the basis of the information obtained from the <i>client</i>, the demands and needs of that <i>client</i>.</div><div>(2) The details must be modulated according to the complexity of the <i>life policy</i> proposed and the type of <i>client</i>.</div><div>(3) A statement of the demands and needs must be communicated to the client prior to the conclusion of a <i>life policy</i>.</div><div>(4) This <i>rule</i> and ■ COBS 7.3.4R do not apply when a <i>firm</i> makes a <i>personal recommendation</i> in relation to a <i>life policy</i>.</div><div>[Note: first paragraph of article 20(1) and article 20(2) of the <i>IDD</i>]</div></div>
7.3.2	G	<div>Firms are reminded that they are obliged to take reasonable steps to ensure that a <i>personal recommendation</i> is suitable for, and consistent with the insurance demands and needs of, the <i>client</i> and that, whenever a <i>personal recommendation</i> relates to a <i>life policy</i>, a <i>suitability report</i> is required (see ■ COBS 9 or ■ 9A).</div>
7.3.3	G	<div>A <i>firm</i> may obtain information from the <i>client</i> in a number of ways including, for example, by asking the <i>client</i> questions in person or by way of a questionnaire prior to any <i>life policy</i> being proposed.</div>
7.3.4	R	<div>When proposing a <i>life policy</i> a <i>firm</i> must ensure it is consistent with the client’s insurance demands and needs.</div> <div>[Note: recital 44 to, and second paragraph of article 20(1) of, the <i>IDD</i>]</div>
7.3.5	R	<div>The sale of a <i>life policy</i> must always be accompanied by a demands and needs test on the basis of information obtained from the <i>client</i>.</div> <div>[Note: recital 44 to, and article 20(1) of, the <i>IDD</i>]</div>
		<div>Distribution of connected contracts through exempt persons</div>
7.3.6	R	<div>(1) Where an <i>insurance distributor</i> is distributing through a <i>person</i> relying on the connected contracts exemption in article 72B of the</div>

## 7.3.7

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To comply with the relevant chapter of *SYSC* or *Principle 3*, an *insurance distributor* will need to have appropriate arrangements in place to ensure compliance with ■ COBS 7.3.6R.

*Regulated Activities Order*, the *insurance distributor* must ensure that the requirements in (2) are met.

(2) The requirements referred to in (1) are:

- (a) ■ SYSC 19F.2 (Remuneration and insurance incentives)
- (b) ■ COBS 4 (Communicating with clients, including fair financial promotions);
- (c) ■ COBS 2.1.1R (client's best interests);
- (d) ■ COBS 6.1ZA.7AR(1)(a) and (c) (Status disclosure general information: insurance distribution);
- (e) ■ COBS 7.3.1R to ■ COBS 7.3.5R (Additional insurance distribution obligations: demands and needs); and
- (f) ■ COBS 6.1ZA.16AR to ■ 6.1ZA.16DR (cross-selling).

[Note: article 1(4) of the *IDD*]

## 7.4 Insurance distribution: Means of communication to clients

- 7.4.1** **R** This section applies to all information required to be provided to a *client* in ■ COBS 7.3 and where it is stated to apply in other sections or chapters.

### Means of communication to customers: Non-telephone sales.....

- 7.4.2** **R**
- (1) A *firm* must communicate information to a *client* using any of the following:
    - (a) paper; or
    - (b) a *durable medium* other than paper; or
    - (c) a website (where it does not constitute a *durable medium*) where the *website conditions* are satisfied.
  - (2) The *firm* must communicate the information in (1):
    - (a) in a clear and accurate manner, comprehensible to the *client*;
    - (b) in an official language of the *State of the commitment* or in any other language agreed by the parties; and
    - (c) free of charge.

[Note: article 23(1), (2), (4) and (5) of the *IDD*]

- 7.4.3** **R** Where the information is communicated using a *durable medium* other than paper or by means of a website, the *firm* must, upon request and free of charge, also send the *customer* a paper copy.

[Note: article 23(3) of the *IDD*]

### Means of communications to clients: Telephone sales.....

- 7.4.4** **R** In the case of telephone selling:
- (1) the information must be given in accordance with the distance marketing disclosure *rules* (see ■ COBS 5); and
  - (2) if prior to the conclusion of the contract the information is provided:
    - (a) orally; or
    - (b) on a *durable medium* other than paper,

the *firm* must also provide the information to the *client* in accordance with ■ COBS 7.4.2R and ■ COBS 7.4.3R immediately after the conclusion of the *life policy*.

[Note: article 23(7) of the *IDD*]