Conduct of Business Sourcebook

Chapter 7

Insurance distribution



7.3 Additional insurance distribution obligations

Demands and needs

- 7.3.1 R
- (1) Prior to the conclusion of a life policy, a firm must specify, on the basis of the information obtained from the client, the demands and needs of that client.
- (2) The details must be modulated according to the complexity of the *life* policy proposed and the type of client.
- (3) A statement of the demands and needs must be communicated to the client prior to the conclusion of a life policy.
- (4) This rule and COBS 7.3.4R do not apply when a firm makes a personal recommendation in relation to a life policy.

[Note: first paragraph of article 20(1) and article 20(2) of the IDD]

- 7.3.2 G
- Firms are reminded that they are obliged to take reasonable steps to ensure that a personal recommendation is suitable for, and consistent with the insurance demands and needs of, the *client* and that, whenever a *personal* recommendation relates to a life policy, a suitability report is required (see ■ COBS 9 or ■ 9A).
- 7.3.3 G
- A firm may obtain information from the client in a number of ways including, for example, by asking the *client* questions in person or by way of a questionnaire prior to any life policy being proposed.
- 7.3.4 R
- When proposing a life policy a firm must ensure it is consistent with the client's insurance demands and needs.

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

7.3.5 R The sale of a life policy must always be accompanied by a demands and needs test on the basis of information obtained from the client.

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

Distribution of connected contracts through exempt persons

- 7.3.6 R
- (1) Where an insurance distributor is distributing through a person relying on the connected contracts exemption in article 72B of the

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]

7.3.7 G 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.