

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.