Insurance: Conduct of Business
Insurance: Conduct of Business

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   1.1 The general application rule
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ICOBS 2 General matters
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   2.2 Communications to clients and financial promotions
   2.3 Inducements
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6.1 Providing product information to customers: general  
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6.4 Pre- and post-contract information: protection policies  
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8.2 Motor vehicle liability insurers  
8.3 Insurance intermediaries (and insurers handling claims on another insurer’s policy)  
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Chapter 1
Application
1.1 The general application rule

The general application rule

1.1.1 R This sourcebook applies to a firm with respect to the following activities carried on in relation to a non-investment insurance contract from an establishment maintained by it, or its appointed representative, in the United Kingdom:

1. an insurance distribution activity;

2. effecting and carrying out contracts of insurance;

3. managing the underwriting capacity of a Lloyd’s syndicate as a managing agent at Lloyd’s;

4. communicating or approving a financial promotion;

and activities connected with them.

Modifications to the general application rule

1.1.2 R The general application rule is modified in ICOBS 1 Annex 1 according to the type of firm (Part 1), its activities (Part 2), and its location (Part 3).

1.1.3 R The general application rule is also modified in the chapters of this sourcebook for particular purposes, including those relating to the type of firm, its activities or location, and for purposes relating to connected activities.

Guidance

1.1.4 G Guidance on the application provisions is in ICOBS 1 Annex 1 (Part 4).
**Application (see ICOBS 1.1.2 R)**

### Part 1: Who?

**Modifications to the general application rule according to type of firm**

<table>
<thead>
<tr>
<th></th>
<th>Third party processors</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>R (1) This rule applies where a firm (or its appointed representative) (&quot;A&quot;) has outsourced insurance distribution activities to a third party processor.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2) Any rule in this sourcebook which requires the third party processor, when acting as such, to disclose its identity to a customer must be read as applying to the third party processor only to the extent that it applies to A and as requiring disclosure of A’s identity.</td>
<td></td>
</tr>
<tr>
<td>1.2</td>
<td>G (1) The disclosure required of the third party processor under ICOBS 4.3.7R can be made without having to disclose the identity of the third party processor to the customer and therefore without breaching paragraph 1.1R(2) above.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Managing agents</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>R (1) References to an insurer (including within the reference to insurance distributor) apply equally to a managing agent unless the context requires otherwise.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2) A managing agent must give effect to the policy that a consumer must, where required by this sourcebook, be offered cancellation rights.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(3) References to managing agents in this sourcebook relate to their functions in managing the obligations of a member in his capacity as such.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Authorised professional firms</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>R This sourcebook (except for ICOBS 4.6) does not apply to an authorised professional firm with respect to its non-mainstream regulated activities except for:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1) the provisions on communications to clients and financial promotions (see ICOBS 2.2);</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2) the e-commerce provisions (ICOBS 3.2);</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(3) general information disclosure requirements in relation to complaints procedures (see ICOBS 4.1); and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(4) the UK provisions which implemented articles 1(4), 17, 18, 19, 20, 23, and 24 of the IDD (see ICOBS 2.2.2R (communication to customers and financial promotions), ICOBS 2.2.2AR (marketing communications), ICOBS 2.5.1R (the customer’s best interests rule), ICOBS 2.6 (Distribution of connected contracts through exempt persons), ICOBS 4.1 (Information about the firm, its services and remuneration), ICOBS 4.1A (Means of communicating to customers), ICOBS 4.3 (remuneration disclosure), ICOBS 5.2 (Demands and needs), ICOBS 5.3.3R (Advice on the basis of a fair analysis), ICOBS 5.3.4R (Personalised explanation), ICOBS 6A.1.4R (Ensuring the customer can make an informed decision) and ICOBS 6A.3 (Cross-selling)), except to the extent that the firm is subject to equivalent rules of its designated professional body approved by the FCA.</td>
<td></td>
</tr>
<tr>
<td>3.2</td>
<td>G Compliance with the UK provisions which implemented the Distance Marketing Directive is dealt with in the Professional Firms sourcebook (see PROF 5.4).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Appointed representatives</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1</td>
<td>R (1) An insurer must ensure that its appointed representative complies with this sourcebook as it applies to an insurance intermediary.</td>
<td></td>
</tr>
</tbody>
</table>
**Part 1: Who?**

**Modifications to the general application rule according to type of firm**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(2)</td>
<td>However, if the appointed representative is acting as the insurer’s third party processor then:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) this rule is subject to the third party processors rule (see paragraph 1.1R); and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) the insurer is not required to ensure that the appointed representative complies with the rules in this sourcebook on commission disclosure (see ICOBS 4.4).</td>
<td></td>
</tr>
</tbody>
</table>

4.2 G The cancellation requirements in chapter 7 do not apply to a distance contract entered into by an appointed representative to provide distribution services. Regulations 9 (Right to cancel) to 13 (Payment for services provided before cancellation) of the Distance Marketing Regulations apply instead.

5 Service companies

5.1 R This sourcebook does not apply to a service company, except for the provisions on communications to clients and financial promotions (see ICOBS 2.2).

6 Lloyd’s

This sourcebook does not apply to the Society.

7 Gibraltar-based firms and TP firms

7.1 R (1) In addition to the general application rule in ICOBS 1.1.1R, the provisions in (2) also apply to:

<p>| | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>(a) TP firms and Gibraltar-based firms which carry on business from an establishment in the United Kingdom; or</td>
</tr>
<tr>
<td></td>
<td>(b) (i)</td>
</tr>
<tr>
<td></td>
<td>(ii)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

with a customer in the United Kingdom.

(2) The provisions specified for the purposes of (1) are:

<p>| | | |</p>
<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(a) ICOBS 6.1.7-AG, ICOBS 6.5.1AG and ICOBS 6A.4 (Travel insurance and medical conditions) (except for TP firms or Gibraltar-based firms in (1)(b)(i) where the state of the risk is an EEA State or Gibraltar, and to the extent that the EEA State in question or Gibraltar imposes measures of like effect); and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) ICOBS 6A.5 (Retail premium finance: disclosure and remuneration).</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(c) ICOBS 5.1.3CR(1A), ICOBS 6.2.6R, and ICOBS 6.2.7G, ICOBS 6.5.1R(3)(d) and ICOBS 6A.6 (Cancellation of automatic renewal); and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(d) ICOBS 6B (Home and motor insurance pricing).</td>
<td></td>
</tr>
</tbody>
</table>

**Part 2: What?**

**Modifications to the general application rule according to type of firm**

1 Reinsurance

1.1 R This sourcebook does not apply to activities carried on in relation to a reinsurance contract.

[Note: recital 51 to the IDD]
**Part 2: What?**

Modifications to the general application rule according to type of firm

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Contracts of large risks</td>
<td>Subject to Part 3 of this Annex:</td>
</tr>
<tr>
<td>2.1</td>
<td>R</td>
<td>(1) this sourcebook does not apply to a firm distributing a contract of large risks where the risk is located outside the United Kingdom;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2) only ICOBS 2 (General matters) and ICOBS 6A.3 (Cross-selling) apply to a firm distributing a contract of large risks for a commercial customer where the risk is located within the United Kingdom; and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3) the IPID requirement in ICOBS 6.1.10AR (How must IPID information be provided?) and ICOBS 6 Annex 3R (Providing product information by way of a standardised insurance information document) do not apply to a firm distributing a contract of large risks.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>[Note: article 22(1) of the IDD]</td>
</tr>
<tr>
<td>2.2</td>
<td>G</td>
<td>Principle 7 continues to apply so a firm should provide evidence of cover promptly after inception of a policy to its customer. In respect of a group policy, a firm should provide information to its customer to pass on to other policyholders and should tell the customer the information should be given to each policyholder.</td>
</tr>
<tr>
<td>2.3</td>
<td>R</td>
<td>ICOBS 6.2.3 R does not apply to contracts of large risks.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>[Note: article 184(1) of the Solvency II Directive]</td>
</tr>
<tr>
<td>3</td>
<td>Pure protection contracts: election to apply COBS rules</td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>R</td>
<td>(1) This sourcebook (except for ICOBS 4.6) does not apply in relation to a pure protection contract to the extent that a firm has elected to comply with the Conduct of Business sourcebook (COBS) in respect of such business.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2) Within the scope of such an election, a firm must:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(a) comply with the rest of the Handbook (except for COBS 6.1A, COBS 6.1B and COBS 6.1.9 R) treating the pure protection contract as a life policy and a designated investment, and not as a non-investment insurance contract; and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(b) if applicable, also comply with ICOBS 4.6.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3) A firm must make, and retain indefinitely, a record in a durable medium of such an election (and any reversal or amendment). The record must include the effective date and a precise description of the part of the firm’s business to which the election applies.</td>
</tr>
</tbody>
</table>

|4 | Chains of insurance intermediaries |   |
|4.1 | R | Where there is a chain of insurance intermediaries between the insurer and the customer, this sourcebook, except ICOBS 2, applies to any insurance intermediary in contact with the customer. |
|4.2 | G | ICOBS 2 applies to all insurance intermediaries, including those within a chain who are not in contact with the customer. |

|5 | Travel insurance contracts |   |
|5.1 | R | [deleted] |
|5.2 | G | [deleted] |

**Part 3: Where?**

Modifications to the general rule of application according to location

|1 | EEA territorial scope rule: compatibility with European law | [deleted] |
### Part 3: Where?
**Modifications to the general rule of application according to location**

<table>
<thead>
<tr>
<th></th>
<th>Exemption for insurers: business with non-UK customers via non-UK intermediaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>R</td>
</tr>
</tbody>
</table>
| 2.1 | This sourcebook does not apply to an insurer if:  
|     | (1) the intermediary (whether or not an insurance intermediary) in contact with  
|     | the customer is not established in the United Kingdom; and  
|     | (2) the customer is not habitually resident in, and, if applicable, the State of the  
|     | risk is outside the United Kingdom. |

| 3 | Exemption for insurers: business with non-UK EEA customers [deleted] |

|   | Part 4: Guidance [deleted] |
Chapter 2

General matters
2.1 Client categorisation

Introduction

2.1.1 Different provisions in this sourcebook may apply depending on the type of person with whom a firm is dealing:

(1) A policyholder includes anyone who, upon the occurrence of the contingency insured against, is entitled to make a claim directly to the insurance undertaking.

(2) Only a policyholder or a prospective policyholder who makes the arrangements preparatory to him concluding a contract of insurance (directly or through an agent) is a customer. In this sourcebook, customers are either consumers or commercial customers.

(3) A consumer is any natural person who is acting for purposes which are outside his trade or profession.

(4) A commercial customer is a customer who is not a consumer.

Customer to be treated as consumer when status uncertain

2.1.2 If it is not clear in a particular case whether a customer is a consumer or a commercial customer, a firm must treat the customer as a consumer.

Customer covered in both a private and business capacity

2.1.3 (1) Except where paragraph (2) applies, if a customer is acting in the capacity of both a consumer and a commercial customer in relation to a particular contract of insurance, the customer is a commercial customer.

(2) For the purposes of ICOBS 5.1.4 G and ICOBS 8.1.2 R, if, in relation to a particular contract of insurance, the customer entered into it mainly for purposes unrelated to his trade or profession, the customer is a consumer.

Customer classification examples

2.1.4 In practice, private individuals may act in a number of capacities. The following table sets out a number of examples of how an individual acting in certain capacities should, in the FCA’s view, be categorised.
### Customer classification examples

<table>
<thead>
<tr>
<th>Capacity</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal representatives, including executors, unless they are acting in a professional capacity, for example, a solicitor acting as executor.</td>
<td>Consumer</td>
</tr>
<tr>
<td>Private individuals acting in personal or other family circumstances, for example, as trustee of a family trust.</td>
<td>Consumer</td>
</tr>
<tr>
<td>Trustee of a trust such as a housing or NHS trust.</td>
<td>Commercial customer</td>
</tr>
<tr>
<td>Member of the governing body of a club or other unincorporated association such as a trade body and a student union.</td>
<td>Commercial customer</td>
</tr>
<tr>
<td>Pension trustee.</td>
<td>Commercial customer</td>
</tr>
<tr>
<td><em>Person</em> taking out a <em>policy</em> covering property bought under a buy-to-let mortgage.</td>
<td>Commercial customer</td>
</tr>
<tr>
<td><em>Partner in a partnership</em> when taking out insurance for purposes related to his profession.</td>
<td>Commercial customer</td>
</tr>
</tbody>
</table>
2.2 Communications to clients and financial promotions

Application

2.2.1 In addition to the general application rule for this sourcebook, this section applies to the communication, or approval for communication, to a person in the United Kingdom of a financial promotion of a non-investment insurance contract unless it can lawfully be communicated by an unauthorised communicator without approval.

Clear, fair and not misleading rule

2.2.2 When a firm communicates information, including a financial promotion, to a customer it must ensure that it is clear, fair and not misleading.

[Note: article 17(2) of the IDD]

Marketing communications

2.2.2A A firm must ensure that, in relation to insurance distribution, marketing communications are always clearly identifiable as such.

[Note: article 17(2) of the IDD]

Approving financial promotions

2.2.3 (1) Before a firm approves a financial promotion it must take reasonable steps to ensure that the financial promotion is clear, fair and not misleading.

(2) If, subsequently, a firm becomes aware that a financial promotion is not clear, fair and not misleading, it must withdraw its approval and notify any person that it knows to be relying on its approval as soon as reasonably practicable.

Pricing claims: guidance on the clear, fair and not misleading rule

2.2.4 (1) This guidance applies in relation to a financial promotion that makes pricing claims, including financial promotions that indicate or imply that a firm can reduce the premium, provide the cheapest premium or reduce a customer’s costs.

(2) Such a financial promotion should:
(a) be consistent with the result reasonably expected to be achieved by the majority of customers who respond, unless the proportion of those customers who are likely to achieve the pricing claims is stated prominently;

(b) state prominently the basis for any claimed benefits and any significant limitations; and

(c) comply with other relevant legislative requirements, including the Consumer Protection from Unfair Trading Regulations 2008 and the Business Protection from Misleading Marketing Regulations 2008.

The reasonable steps defence

If, in relation to a particular communication or financial promotion, a firm takes reasonable steps to ensure it is fair, clear and not misleading then:

(1) the firm will not contravene ICOBS 2.2.2R where:

(a) the recipient is a customer that does not make the arrangements preparatory to the conclusion of the contract of insurance; or

(b) the communication is made in relation to activities other than insurance distribution; and

(2) a contravention of the clear, fair and not misleading rule (ICOBS 2.2.2R) does not give rise to a right of action under section 138D of the Act.
2.3 Inducements

2.3.1 (1) Principle 8 requires a firm to manage conflicts of interest fairly, both between itself and its customers and between a customer and another client. This principle extends to soliciting or accepting inducements where this would conflict with a firm’s duties to its customers. A firm that offers such inducements should consider whether doing so conflicts with its obligations under:

(a) Principles 1 and 6 to act with integrity and treat customers fairly; and

(b) the customer’s best interests rule.

(2) An inducement is a benefit offered to a firm, or any person acting on its behalf, with a view to that firm, or that person, adopting a particular course of action. This can include, but is not limited to, cash, cash equivalents, commission, goods, hospitality or training programmes.
2.4 Record-keeping

2.4.1

(1) The Senior Management Arrangements, Systems and Controls sourcebook (SYSC) contains high-level record-keeping requirements (see SYSC 3.2.20, SYSC 9.1.1 R and SYSC 9.1.1 AR).

(2) This sourcebook does not generally have detailed record-keeping requirements: firms will need to decide what records they need to keep in line with the high-level record-keeping requirements and their own business needs.

(3) Firms should bear in mind the need to deal with requests for information from the FCA as well as queries and complaints from customers which may require evidence of matters such as:

(a) the reasons for personal recommendations;
(b) what documentation has been provided to a customer; and
(c) how claims have been settled and why.
2.5 Acting honestly, fairly and professionally, exclusion of liability, conditions and warranties

2.5-1 A firm must act honestly, fairly and professionally in accordance with the best interests of its customer.

[Note: article 17(1) of the IDD]

Exclusion of liability and conditions

2.5.1 (1) A firm must not seek to exclude or restrict, or rely on any exclusion or restriction of, any duty or liability it may have to a customer or other policyholder unless it is reasonable for it to do so and the duty or liability arises other than under the regulatory system.

(2) A Solvency II firm must ensure that general and special policy conditions do not include any conditions intended to meet, in an individual case, the particular circumstances of the risk to be covered.

[Note: article 187 of the Solvency II Directive]

2.5.2 The general law, including the Unfair Terms Regulations (for contracts entered into before 1 October 2015) and the CRA, also limits the scope for a firm to exclude or restrict any duty or liability to a consumer.

Conditions and warranties in policies

2.5.2A An insurer must ensure that any condition or warranty included in a policy with a consumer:

(1) has operative effect only in relation to the types of crystallised risk covered by the policy that are connected to that condition or warranty; and

(2) (for a warranty in a pure protection contract) is material to the risks to which it relates and is drawn to the customer’s attention before the conclusion of the contract.

2.5.2B [ICOBS 2.5.2AR(2) does not apply to a ‘life of another’ contract where the warranty relates to a statement of fact concerning the life to be assured.]
An insurer may choose to draft its conditions and warranties so that they clearly state the particular types of crystallised risks covered by the policy to which they are connected, for the purposes of ICOBS 2.5.2AR(1). Alternatively the insurer may in practice have systems and controls which operate the conditions and warranties in a way that has the same effect.

Reliance on others

(1) Where it is compatible with the nature of the obligation imposed by a particular rule, including the customer's best interests rule, and with the Principles, in particular Principles 1 (Integrity), 2 (Skill, care and diligence) and 3 (Management and control), firms may rely on third parties in order to comply with the rules in this sourcebook.

(2) For example, where a rule requires a firm to take reasonable steps to achieve an outcome, it will generally be reasonable for a firm to rely on information provided to it in writing by an unconnected authorised person or a professional firm, unless it is aware or ought reasonably to be aware of any fact that would give reasonable grounds to question the accuracy of that information. However, a firm cannot delegate its responsibility under the regulatory system. For example, where a rule imposes an absolute obligation (such as the requirement for an insurer to handle claims promptly and fairly) although a firm could use outsourcing arrangements to fulfil its obligation, it retains regulatory responsibility for achieving the outcome required.

Other requirements

Firms are reminded of their obligations in SYSC 19F.2 to ensure remuneration arrangements do not conflict with their duty to act in the customer's best interests.
2.6 Distribution of connected contracts through exempt persons

2.6.1 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.

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

(a) SYSC 19F.2 (Remuneration and insurance distribution activities);
(b) ICOBS 2.2.2R and ICOBS 2.2.2AR (Clear, fair and not misleading rule and marketing communications);
(c) ICOBS 2.5.-1R (Customer’s best interests);
(d) ICOBS 4.1.2R(1)(a) and (c) (Status disclosure: general information provided by insurance intermediaries or insurers);
(e) ICOBS 5.2 (Demands and needs);
(f) ICOBS 6.1.5R(4) (Ensuring customers can make an informed decision: the appropriate information rule);
() ICOBS 6.1.10AR (How must IPID information be provided?) (see also ICOBS 6.1.10BG); and
(h) ICOBS 6A.3 (Cross-selling).

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

2.6.2 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 ICOBS 2.6.1R.
Chapter 3

Distance communications
3.1 Distance marketing

Application

This section applies to a firm that carries on any distance marketing activity from an establishment in the United Kingdom, with or for a consumer in the United Kingdom.

Guidance on the Distance Marketing Directive

Guidance on expressions derived from the Distance Marketing Directive and on the Directive’s application in the context of insurance distribution activity can be found in ICOBS 3 Annex 1 G.

The distance marketing disclosure rules

A firm must provide a consumer with the distance marketing information (ICOBS 3 Annex 2 R) in good time before conclusion of a distance contract.

[Note: article 3(1) of the Distance Marketing Directive]

A firm must ensure that the distance marketing information, the commercial purpose of which must be made clear, is provided in a clear and comprehensible manner in any way appropriate to the means of distance communication used, with due regard, in particular, to the principles of good faith in commercial transactions, and the legal principles governing the protection of those who are unable to give their consent, such as minors.

[Note: article 3(2) of the Distance Marketing Directive]

When a firm makes a voice telephony communication to a consumer, it must make its identity and the purpose of its call explicitly clear at the beginning of the conversation.

[Note: article 3(3)(a) of the Distance Marketing Directive]

A firm must ensure that the information on contractual obligations to be communicated to a consumer during the pre-contractual phase is in conformity with the contractual obligations which would result from the law
presumed to be applicable to the distance contract if that contract is concluded.

[Note: article 3(4) of the Distance Marketing Directive]

**Terms and conditions, and form**

3.1.8 A firm must communicate to the consumer all the contractual terms and conditions and the information referred to in the distance marketing disclosure rules in writing or another durable medium available and accessible to the consumer in good time before conclusion of any distance contract.

[Note: article 5(1) of the Distance Marketing Directive]

3.1.9 A firm will provide or communicate information or contractual terms and conditions to a consumer if another person provides or communicates it to the consumer on its behalf.

**Commencing performance of the distance contract**

3.1.10 The performance of the distance contract may only begin after the consumer has given his approval.

[Note: article 7(1) of the Distance Marketing Directive]

**Exception: distance contract as a stage in the provision of another service**

3.1.11 This section does not apply to a distance contract to act as insurance intermediary, if the distance contract is concluded merely as a stage in the provision of another service by the firm or another person.

[Note: recital 19 to the Distance Marketing Directive]

**Exception: successive operations**

3.1.12 In the case of a distance contract comprising an initial service agreement, followed by successive operations or a series of separate operations of the same nature performed over time, the rules in this section only apply to the initial agreement.

[Note: article 1(2) of the Distance Marketing Directive]

3.1.13 If there is no initial service agreement but the successive operations or separate operations of the same nature performed over time are performed between the same contractual parties, the distance marketing disclosure rules will only apply:

1. when the first operation is performed; and

2. if no operation of the same nature is performed for more than a year, when the next operation is performed (the next operation being deemed to be the first in a new series of operations).

[Note: recital 16 and article 1(2) of the Distance Marketing Directive]
Exception: voice telephony communications

3.1.14 R

(1) In the case of a voice telephony communication, and subject to the explicit consent of the consumer, only the abbreviated distance marketing information (R ICOBS 3 Annex 3 R) needs to be provided during that communication.

(2) However, unless another exemption applies (such as the exemption for means of distance communication not enabling disclosure) a firm must still provide the distance marketing information (R ICOBS 3 Annex 2 R) in writing or another durable medium available and accessible to the consumer in good time before conclusion of any distance contract.

[Note: articles 3(3)(b) and 5(1) of the Distance Marketing Directive]

Exception: Means of distance communication not enabling disclosure

3.1.15 R

A firm may provide the distance marketing information (R ICOBS 3 Annex 2 R) and the contractual terms and conditions in writing or another durable medium immediately after the conclusion of a distance contract, if the contract has been concluded at a consumer’s request using a means of distance communication that does not enable the provision of that information in that form in good time before conclusion of any distance contract.

[Note: article 5(2) of the Distance Marketing Directive]

Consumer’s right to request paper copies and change the means of communication

3.1.16 R

At any time during the contractual relationship the consumer is entitled, at his request, to receive the contractual terms and conditions on paper. The consumer is also entitled to change the means of distance communication used unless this is incompatible with the contract concluded or the nature of the service provided.

[Note: article 5(3) of the Distance Marketing Directive]

Unsolicited services

3.1.17 R

(1) A firm must not enforce, or seek to enforce, any obligations under a distance contract against a consumer, in the event of an unsolicited supply of services, the absence of reply not constituting consent.

(2) This rule does not apply to the tacit renewal of a distance contract.

[Note: article 9 of the Distance Marketing Directive]

Mandatory nature of consumer’s rights

3.1.18 R

If a consumer purports to waive any of the consumer’s rights created or implied by the rules in this section, a firm must not accept that waiver, nor seek to rely on or enforce it against the consumer.

[Note: article 12 of the Distance Marketing Directive]
3.1.19 If a firm proposes to enter into a distance contract with a consumer that will be governed by the law of a country outside the United Kingdom, the firm must ensure that the consumer will not lose the protection created by the rules in this section if the distance contract has a close link with the territory of the United Kingdom.

[Note: articles 12 and 16 of the Distance Marketing Directive]
3.2 E-Commerce

Application

3.2.1 This section applies to a firm carrying on an electronic commerce activity from an establishment in the United Kingdom, with or for a person in the United Kingdom.

Information about the firm and its products or services

3.2.2 A firm must make at least the following information easily, directly and permanently accessible to the recipients of the information society services it provides:

(1) its name;

(2) the geographic address at which it is established;

(3) the details of the firm, including its e-mail address, which allow it to be contacted and communicated with in a direct and effective manner;

(4) an appropriate statutory status disclosure statement (GEN 4 Annex 1 R), together with a statement which explains that it is on the Financial Services Register and includes its Firm Reference Number;

(5) if it is a professional firm:
   (a) the name of the professional body (including any designated professional body) or similar institution with which it is registered;
   (b) the professional title;
   (c) a reference to the applicable professional rules and the means to access them; and

(6) where the firm undertakes an activity that is subject to VAT, its VAT number.

[Note: article 5(1) of the E-Commerce Directive]

3.2.3 If a firm refers to price, it must do so clearly and unambiguously, indicating whether the price is inclusive of tax and delivery costs.

[Note: article 5(2) of the E-Commerce Directive]
A firm must ensure that commercial communications which are part of, or constitute, an information society service, comply with the following conditions:

1. the commercial communication must be clearly identifiable as such;
2. the person on whose behalf the commercial communication is made must be clearly identifiable;
3. promotional offers must be clearly identifiable as such, and the conditions that must be met to qualify for them must be easily accessible and presented clearly and unambiguously; and
4. promotional competitions or games must be clearly identifiable as such, and the conditions for participation must be easily accessible and presented clearly and unambiguously.

[Note: article 6 of the E-Commerce Directive]

An unsolicited commercial communication sent by e-mail by a firm must be identifiable clearly and unambiguously as an unsolicited commercial communication as soon as it is received by the recipient.

[Note: article 7(1) of the E-Commerce Directive]

Requirements relating to the placing and receipt of orders

A firm must (except when otherwise agreed by parties who are not consumers):

1. give an ECA recipient the following information, clearly, comprehensibly and unambiguously, and prior to the order being placed by the recipient of the service:
   a. the different technical steps to follow to conclude the contract;
   b. whether or not the concluded contract will be filed by the firm and whether it will be accessible;
   c. the technical means for identifying and correcting input errors prior to the placing of the order; and
   d. the languages offered for the conclusion of the contract;
2. indicate any relevant codes of conduct to which it subscribes and provide information on how those codes can be consulted electronically;
3. (when an ECA recipient places an order through technological means), acknowledge the receipt of the recipient's order without undue delay and by electronic means (an order and an acknowledgement of receipt are deemed to be received when the parties to whom they are addressed are able to access them); and
4. make available to an ECA recipient appropriate, effective and accessible technical means allowing the recipient to identify and correct input errors prior to the placing of an order.

[Note: articles 10(1) and (2) and 11(1) and (2) of the E-Commerce Directive]
3.2.7  R  Contractual terms and conditions provided by a firm to an ECA recipient must be made available in a way that allows the recipient to store and reproduce them.

[Note: article 10(3) of the E-Commerce Directive]

Exception: contract concluded by e-mail

3.2.8  R  The requirements relating to the placing and receipt of orders do not apply to contracts concluded exclusively by exchange of e-mail or by equivalent individual communications.

[Note: article 10(4) and 11(3) of the E-Commerce Directive]
Guidance on the UK provisions which implemented the Distance Marketing Directive

This Annex belongs to ▀ ICOBS 3.1.2 G

Q1. What is a distance contract?

To be a distance contract, a contract must be concluded under an 'organised distance sales or service-provision scheme' run by the contractual provider of the service who, for the purpose of the contract, makes exclusive use (directly or otherwise) of one or more means of distance communication up to and including the time at which the contract is concluded.

So:

• the firm must have put in place facilities designed to enable a consumer to deal with it exclusively at a distance; and

• there must have been no simultaneous physical presence of the firm and the consumer throughout the offer, negotiation and conclusion of the contract. So, for example, contracts offered, negotiated and concluded over the internet, through a telemarketing operation or by post, will normally be distance contracts.

Q2. What about a firm that normally operates face-to-face but occasionally uses distance means?

If a firm normally operates face-to-face and has no facilities in place enabling a consumer to deal customarily by distance means, there will be no distance contract. A one-off transaction effected exclusively by distance means to meet a particular contingency or emergency will not be a distance contract.

Q3. What is meant by "simultaneous physical presence"?

A consumer may visit the firm's local office in the course of the offer, negotiation or conclusion of a contract. Wherever, in the literal sense, there has been "simultaneous physical presence" of the firm and the consumer at the time of such a visit, any ensuing contract will not be a distance contract.

Q4. Does the mere fact that an intermediary is involved make the sale of a product or service a distance contract?

No.

Q5. When is a contract concluded?

A contract is concluded when an offer to be bound by it has been accepted. An offer in the course of negotiations (for example, an offer by an insurer to consider an application) is not an offer to be bound, but is part of a pre-contractual negotiation.

A consumer will provide all the information an insurer needs to decide whether to accept a risk and to calculate the premium. The consumer may do this orally, in writing or by completing a proposal form. The response by an insurer, giving a quotation to the consumer specifying the premium and the terms, is likely to amount to an offer of the terms on which the insurer will insure the risk. Agreement by the consumer to those terms is likely to be an acceptance which concludes the contract.

In other cases where the insurer requires a signed proposal form (for example, some pure protection contracts), the proposal form may amount to an offer by the consumer on which the insurer decides whether to insure the risk and in such cases the insurer's response is likely to be the acceptance.

Q6. What if the contract has not been concluded but cover has commenced?

Where the parties to a contract agree that insurance cover should commence before all the terms
and conditions have been agreed, the consumer should be provided with information required to be provided before conclusion of the contract to the extent that agreement has been reached.

Q7. How do the UK provisions which implemented the Directive apply to insurance intermediaries’ services?

The FCA expects the UK provisions which implemented the Distance Marketing Directive to apply to insurance intermediaries’ services only in the small minority of cases where:

- the firm concludes a distance contract with a consumer covering its insurance distribution activities which is additional to any insurance contract which it is marketing; and

- that distance contract is concluded other than merely as a stage in the effecting or carrying out of an insurance contract by the firm or another person: in other words it has some continuity independent of an insurance contract, as opposed, for example, to being concluded as part of marketing an insurance contract.

Q8. Can you give examples of when the UK provisions which implemented the Directive would and would not apply to insurance intermediaries’ services?

The rules which implemented the Distance Marketing Directive will not apply in the typical case where an insurance intermediary sells an insurance contract to a consumer on a one-off basis, even if the insurance intermediary is involved in the renewal of that contract and handling claims under it.

Nor will the UK provisions which implemented the Directive apply if an insurance intermediary, in its terms of business, makes clear that it does not, in conducting insurance distribution activities, act contractually on behalf of, or for, the consumer.

An example of when the UK provisions which implemented the Distance Marketing Directive would apply would be a distance contract under which an insurance intermediary agrees to provide advice on a consumer’s insurance needs as and when they arise.

Q9. When would the exception for successive operations apply?

We consider that the renewal of a policy falls within the scope of this exception. So, the distance marketing disclosure rules would only apply in relation to the initial sale of a policy, and not to subsequent renewals provided that the new policy is of the same nature as the initial policy. However, unless there is an initial service agreement in place, the exclusion would only apply where the renewal takes place no later than one year after the initial policy was taken out or one year after its last renewal. If the policy terms have changed, firms will need to consider what information should be disclosed about those changes in accordance with the requirement to disclose appropriate information about a policy (see ICOBS 6.1.5 R), as well as ensuring their effectiveness under contract law.
## Distance marketing information

This Annex belongs to ICOBS 3.1.3 R

| The firm | (1) The name and the main business of the firm, the geographical address at which it is established and any other geographical address relevant for the consumer's relations with the firm. |
| (2) Where the firm has a representative established in the United Kingdom, the name of that representative and the geographical address relevant for the consumer's relations with the representative. |
| (3) When the consumer's dealings are with any professional other than the firm, the identity of that professional, the capacity in which he is acting with respect to the consumer, and the geographical address relevant for the consumer's relations with that professional. |
| (4) An appropriate statutory status disclosure statement (GEN 4), a statement that the firm is on the Financial Services Register and its FCA registration number. |

| The financial service | (5) A description of the main characteristics of the service the firm will provide. |
| (6) The total price to be paid by the consumer to the firm for the financial service, including all related fees, charges and expenses, and all taxes paid through the firm or, when an exact price cannot be indicated, the basis for the calculation of the price enabling the consumer to verify it. |
| (7) Where relevant, notice indicating that the financial service is related to instruments involving special risks related to their specific features or the operations to be executed or whose price depends on fluctuations in the financial markets outside the firm's control and that past performance is no indicator of future performance. |
| (8) Notice of the possibility that other taxes or costs may exist that are not paid through the firm or imposed by it. |
| (9) Any limitations on the period for which the information provided is valid, including a clear explanation as to how long a firm's offer applies as it stands. |
| (10) The arrangements for payment and for performance. |
| (11) Details of any specific additional cost for the consumer for using a means of distance communication. |

| The distance contract | (12) The existence or absence of a right to cancel under the cancellation rules (ICOBS 7) and, where there is such a right, its duration and the conditions for exercising it, including information on the amount which the consumer may be required to pay (or which may not be returned to the consumer) in accordance with those rules, as well as the consequences of not exercising the right to cancel. |
| (13) The minimum duration of the contract, in the case of services to be performed permanently or recurrently. |
| (14) Information on any rights the parties may have to terminate the contract early or unilaterally under its terms, including any penalties imposed by the contract in such cases. |
Distance marketing information

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<tr>
<th>Number</th>
<th>Description</th>
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<tbody>
<tr>
<td>(15)</td>
<td>Practical instructions for exercising any right to cancel, including the address to which any cancellation notice should be sent.</td>
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<td>(16)</td>
<td>[deleted]</td>
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<td>(17)</td>
<td>Any contractual clause on law applicable to the contract or on the competent court, or both.</td>
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<tr>
<td>(18)</td>
<td>In which language, or languages, the contractual terms and conditions and the other information in this Annex will be supplied, and in which language, or languages, the firm, with the agreement of the consumer, undertakes to communicate during the duration of the contract.</td>
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Redress

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<th>Number</th>
<th>Description</th>
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<tr>
<td>(19)</td>
<td>How to complain to the firm, whether complaints may subsequently be referred to the Financial Ombudsman Service and, if so, the methods for having access to it, together with equivalent information about any other applicable named complaints scheme.</td>
</tr>
<tr>
<td>(20)</td>
<td>Whether compensation may be available from the compensation scheme, or any other named compensation scheme, if the firm is unable to meet its liabilities, and information about any other applicable named compensation scheme.</td>
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[Note: Recitals 21 and 23 to, and article 3(1) of, the Distance Marketing Directive]
### Abbreviated distance marketing information

This Annex belongs to ICOBS 3.1.14 R

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<tr>
<td><strong>(1)</strong></td>
<td>The identity of the person in contact with the consumer and his link with the firm.</td>
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<td><strong>(2)</strong></td>
<td>A description of the main characteristics of the financial service.</td>
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<td><strong>(3)</strong></td>
<td>The total price to be paid by the consumer to the firm for the financial service including all taxes paid through the firm or, when an exact price cannot be indicated, the basis for the calculation of the price enabling the consumer to verify it.</td>
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<td><strong>(4)</strong></td>
<td>Notice of the possibility that other taxes or costs may exist that are not paid through the firm or imposed by it.</td>
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<td><strong>(5)</strong></td>
<td>The existence or absence of a right to cancel in accordance with the cancellation rules (ICOBS 7) and, where the right to cancel exists, its duration and the conditions for exercising it, including information on the amount the consumer may be required to pay (or which may not be returned to the consumer) on the basis of those rules.</td>
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<td><strong>(6)</strong></td>
<td>That other information is available on request and what the nature of that information is.</td>
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**Note:** article 3(3)(b) of the Distance Marketing Directive
Chapter 4

Information about the firm, its services and remuneration
4.1 General requirements for insurance intermediaries and insurers

Application: who?

This chapter applies to an insurance intermediary and to an insurer carrying on insurance distribution activities.

Interaction with the customer’s best interests rule and Principle 7

To comply with the customer’s best interests rule and Principle 7 (Communications with clients) a firm should include consideration of the information needs of the customer including:

1. what a customer needs in order to understand the relevance of any information provided by the firm; and
2. at which point in the sales process will the information be most useful to the customer to enable them to make an informed decision.

Status disclosure: general information provided by insurance intermediaries or insurers

In good time before the conclusion of an initial contract of insurance and, if necessary, on its amendment or renewal:

1. a firm must provide the customer with at least the following information:
   a. its identity, address and whether it is an insurance intermediary or an insurance undertaking;
   b. whether it provides a personal recommendation about the insurance products offered;
   c. the procedures allowing customers and other interested parties to register complaints about the firm with the firm and the Financial Ombudsman Service or, if the Financial Ombudsman Service does not apply, information about the out-of-court complaint and redress procedures available for the settlement of disputes between the firm and its customers; and
2. an insurance intermediary must also provide the customer with the following information:
(a) the fact that it is included in the Financial Services Register (or if it is not on the Financial Services Register, the register in which it has been included) and the means for verifying this;

(b) whether it has a direct or indirect holding representing 10% or more of the voting rights or capital in a given insurance undertaking (that is not a pure reinsurer);

(c) whether a given insurance undertaking (that is not a pure reinsurer) or its parent undertaking has a direct or indirect holding representing 10% or more of the voting rights or capital in the firm; and

(d) whether it is representing the customer or is acting for and on behalf of the insurer; and

[Note: articles 18 and 19(1)(a) and (b) of the IDD]

(3) paragraph (2) does not apply in relation to a connected travel insurance contract.

Status disclosure exemption: introducers

4.1.3 R A firm whose contact with a customer is limited to effecting introductions (see PERG 5.6) need only provide its identity, address and whether it is a member of the same group as the firm to which it makes the introduction.

4.1.4 G If a firm goes further than putting a customer in contact with another person (for example, by advising the customer on a particular policy available from the firm) the full status disclosure requirements will apply.

4.1.5 R [deleted]

Scope of service: insurance intermediaries

4.1.6 R (1) Where an insurance intermediary proposes or advises on a contract of insurance then in good time before the conclusion of an initial contract of insurance (other than a connected travel insurance contract) and, if necessary, on its amendment or renewal an insurance intermediary must provide the customer with at least information on whether the firm:

(a) gives a personal recommendation, on the basis of a fair and personal analysis; or

(b) is under a contractual obligation to conduct insurance distribution exclusively with one or more insurance undertakings, in which case it must provide the names of those insurance undertakings; or

(c) (i) is not under a contractual obligation to conduct insurance distribution exclusively with one or more insurance undertakings; and

(ii) does not give a personal recommendation on the basis of a fair and personal analysis;
in which case it must provide its customer with the name of those insurance undertakings with which the insurance intermediary may and does conduct business.

(2) [deleted]

[Note: article 19(1)(c) of the IDD]

4.1.7 Where the firm has given information in ICOBS 4.1.6R(1)(b) and (c), then in good time before the conclusion of an initial contract of insurance with a consumer a firm must also state whether it is giving:

(1) a personal recommendation but not on the basis of a fair and personal analysis;

(2) other advice on the basis of a fair analysis of the market;

(3) other advice not on the basis of a fair analysis of the market; or

(4) just information.

Guidance on using panels to advise on the basis of a fair analysis

4.1.8 (1) One way a firm may give advice on a fair analysis basis is by using ‘panels’ of insurance undertakings which are sufficient to enable the firm to give advice on a fair analysis basis and are reviewed regularly.

(2) A firm which provides a service based on a fair analysis of the market (or from a sector of the market) should ensure that its analysis of the market and the available contracts is kept adequately up-to-date. For example, a firm should update its selection of contracts if aware that a contract has generally become available offering an improved product feature, or a better premium, compared with its current selection. The update frequency will depend on the extent to which new contracts are made available on the market. A firm is also required to ensure that the analysis is of a sufficiently large number of contracts of insurance available on the market (see ICOBS 5.3.3R).

(3) The panel selection criteria will be important in determining whether the panel is sufficient to meet the ‘fair analysis’ criteria. Selection should be based on product features, premiums and services offered to customers, not solely on the benefit offered to the firm.

(4) Where a firm also provides personal recommendations based on a fair and personal analysis, paragraphs (1) to (3) may also be relevant to that part of the service which involves a fair analysis of the market.
4.1A Means of communication to customers

Application

This section applies to all information required to be provided to a customer in this chapter and in other chapters or sections where stated.

Means of communication to customers; non-telephone sales

(1) A firm must communicate information to a customer 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 customer;
   (b) in an official language of the United Kingdom where the State of the risk is the United Kingdom, 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]

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]

A firm must ensure that a customer’s choice or consent to receive the information by means of a website (whether a durable medium or where the website conditions are satisfied) is an active and informed choice or consent.

(1) For the purposes of ICOBS 4.1A.4R for example an option to allow a change to the e-mail address to be used or an option to allow information to be provided by means of a website should be presented in a way that is clear, fair and not misleading.
(2) The following are examples of circumstances not evidencing active or informed choice or consent:

(a) a pre-ticked box (suggesting that option has been selected) which appears in a more prominent place than an un-ticked box allowing another option to be selected; and

(b) the customer electing to be informed by a website without being first given other options.

4.1A.6

On renewal of a policy a firm may rely on a customer’s previous choice or consent as appropriate where:

(1) there is evidence that the customer has regular access to the internet;

(2) the provision of information in that medium is appropriate in the context in which the business between the firm and the customer is carried on; and

(3) the customer is made aware, for example in the renewal documentation, of the option to receive the information on paper in a way that is clear, fair and not misleading.

Means of communications to customers: telephone sales

4.1A.7

In the case of telephone selling:

(1) the information must be given in accordance with the distance marketing disclosure rules (see ■ ICOBS 3.1.14R); 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 customer in accordance with ■ ICOBS 4.1A.2R immediately after the conclusion of the contract of insurance.

[Note: article 23(7) of the IDD]
4.2 Additional requirements for protection policies for insurance intermediaries and insurers

Application: what?

4.2.1 This section applies in relation to a pure protection contract or a payment protection contract for a consumer.

Ensuring customers can make an informed decision

4.2.2 [deleted]

4.2.3 [deleted]

Disclosing the limits of the service provided

4.2.4 (1) In a sale that does not involve a personal recommendation, a firm must take reasonable steps to ensure a customer (C) understands that C is responsible for deciding whether a policy meets C’s demands and needs.

(2) [deleted]

(3) If a firm anticipates providing, or provides, information on any main characteristic of a policy orally during a non-advised sale, taking reasonable steps includes explaining the customer's responsibility orally.

(4) A policy’s main characteristics include its significant benefits, its significant exclusions and limitations, its duration and price information.

Status disclosure for insurers

4.2.5 (1) Prior to the conclusion of an initial contract and, if necessary, on its amendment or renewal, an insurer must disclose to the customer at least:

(a) the statutory status disclosure statement (see GEN 4);

(b) whose policies it offers; and
(c) whether it is providing a *personal recommendation* or information.

(2) [deleted]

4.2.6 **G** Insurers are reminded that they are not permitted to carry out business which does not directly arise from their insurance business (see the restriction of business in [INSPRU 1.5.13R](#) and rule 9 of the *PRA Rulebook*: Solvency II firms: Conditions Governing Business).
4.3 Remuneration disclosure

Remuneration disclosure: insurance intermediaries

In good time before the conclusion of the initial contract of insurance and, if necessary, on its amendment or renewal an insurance intermediary must provide the customer with information:

1. on the nature of the remuneration received in relation to the contract of insurance:

2. about whether in relation to the contract it works on the basis of:
   a. a fee, that is remuneration paid directly by the customer; or
   b. a commission of any kind, that is the remuneration included in the premium; or
   c. any other type of remuneration, including an economic benefit of any kind offered or given in connection with the contract; or
   d. on the basis of a combination of any type of remuneration set out above in (a), (b) and (c).

[Note: article 19(1)(d) and (e) of the IDD]

Remuneration disclosure: insurers

In good time before the conclusion of a contract of insurance, an insurance undertaking must provide its customer with information on the nature of the remuneration received by its employees in relation to the contract of insurance.

[Note: article 19(4) of the IDD]

Remuneration disclosure: general

The remuneration referred to in this section includes remuneration that is not guaranteed or which is contingent on meeting certain targets.

The information required to be disclosed by ICOBS 4.3.7 and ICOBS 4.3.6 includes the type of remuneration and, taking into account the clear, fair and not misleading rule (ICOBS 2.2.2R), should also include the source of the remuneration.

When considering what information to provide about the remuneration, a firm should include all remuneration which the insurance intermediary or the

[Note: article 19(1)(d) and (e) of the IDD]
employee of an insurance undertaking receives, or may receive in relation to the distribution of the contract of insurance. This includes remuneration:

(1) provided indirectly by the insurer or another firm within the distribution chain; or

(2) provided by way of a bonus (whether financial or non-financial) paid to the firm by the insurer or another firm, or provided by the firm to its employees, where this bonus is contingent on the achievement of a target to which the distribution of the particular contract of insurance could contribute. For example, this can include cash bonuses paid for achieving a sales target and additional annual leave for achieving a high customer service score on sales calls, profit share arrangements, overrides or other enhanced commissions.

4.3.2 If any payments, other than ongoing premiums and scheduled payments, are made by the customer under the contract of insurance after its conclusion, a firm must make the disclosures under this section, for each such payment.

[Note: articles 19(3) and (5) of the IDD]

4.3.1 Fee disclosure: additional requirements

(1) Where a fee is payable, the firm must inform its customer of the amount of the fee.

(2) The information in (1) must be given before the customer incurs liability to pay the fee, or before conclusion of the contract of insurance, whichever is earlier.

(3) To the extent that it is not possible for an amount to be given, a firm must give the basis for its calculation.

[Note: articles 19(2) and (5) of the IDD]

4.3.2 The fee disclosure requirement extends to all such fees that may be charged during the life of a policy.

[Note: article 19(3) of the IDD]
4.4 Commission disclosure for commercial customers

Commission disclosure rule

4.4.1 R

(1) An insurance intermediary must, on a commercial customer’s request, promptly disclose the commission that it and any associate receives in connection with a policy.

(2) Disclosure must be in cash terms (estimated, if necessary) and in writing or another durable medium. To the extent this is not possible, the firm must give the basis for calculation.

4.4.2 G

An insurance intermediary should include all forms of remuneration from any arrangements it may have. This includes arrangements for sharing profits, for payments relating to the volume of sales, and for payments from premium finance companies in connection with arranging finance.

4.4.3 G

(1) The commission disclosure rule is additional to the general law on the fiduciary obligations of an agent in that it applies whether or not the insurance intermediary is an agent of the commercial customer.

(2) In relation to contracts of insurance, the essence of these fiduciary obligations is generally a duty to account to the agent’s principal. But where a customer employs an insurance intermediary by way of business and does not remunerate him, and where it is usual for the firm to be remunerated by way of commission paid by the insurer out of premium payable by the customer, then there is no duty to account but if the customer asks what the firm’s remuneration is, it must tell him.
4.6 Commission disclosure for pure protection contracts sold with retail investment products

4.6.1 The rules in this section:

(1) address the risk that a consumer believes that a firm's remuneration for its pure protection service is included in its adviser charge, where this is not the case; and

(2) enable the consumer to evaluate a firm's adviser charge in the light of any additional remuneration received by the firm for the pure protection service it provides.

4.6.2 A firm which agrees an adviser charge with a consumer and provides an associated pure protection service to that consumer must:

(1) in good time before the provision of its services, take reasonable steps to ensure that the consumer understands:

(a) how the firm is remunerated for its pure protection service; and

(b) if applicable, that the firm will receive commission in relation to its pure protection service in addition to the firm's adviser charge;

(2) as close as practicable to the time that it makes the personal recommendation or arranges the sale of the pure protection contract, comply with the following disclosure requirements, substituting pure protection contract for references to packaged product:

(a) COBS 6.4.3 R, or COBS 6.4.4A R and COBS 6.4.4B R; and

(b) COBS 6.4.5 R.

4.6.3 A pure protection service is unlikely to be associated with an adviser charge for the purposes of COBS 4.6.2 R if the firm agreed the adviser charge with the consumer 12 months or more before the provision of the pure protection service.

4.6.4 A pure protection service is not associated with an adviser charge for the purposes of COBS 4.6.2 R if the adviser charge is agreed with the consumer by a firm or an appointed representative and the pure protection service is provided to that consumer by another firm or appointed representative. However, if a firm or an appointed representative refers a consumer with whom it is agreeing an adviser charge to another firm or appointed
representative for the provision of a pure protection service, it should consider its obligation to communicate with the consumer in a way that is clear, fair and not misleading in the context of the guidance in ICOBS 4.6.1 G.

4.6.5 If a firm expects to provide, or provides, information about its adviser charge orally, it must also provide the information required by ICOBS 4.6.2R (1)(a) and ICOBS 4.6.2R (1)(b) orally.
ICOBS 4: Information about the firm, its services and remuneration

Initial disclosure document [deleted]
Chapter 5

Identifying client needs and advising
5.1 General

Eligibility to claim benefits: general insurance contracts and pure protection contracts

5.1.1 G
(1) In line with Principle 6, a firm should take reasonable steps to ensure that a customer only buys a policy under which he is eligible to claim benefits.

(2) If, at any time while arranging a policy, a firm finds that parts of the cover apply, but others do not, it should inform the customer so he can take an informed decision on whether to buy the policy.

(3) This guidance does not apply to policies arranged as part of a packaged bank account.

Eligibility to claim benefits: payment protection contracts

5.1.2 R
(1) A firm arranging a payment protection contract must:
   (a) take reasonable steps to ensure that the customer only buys a policy under which he is eligible to claim benefits; and
   (b) if, at any time while arranging the policy, it finds that parts of the cover do not apply, inform the customer so he can take an informed decision on whether to buy the policy.

(2) This rule does not apply to payment protection contract arranged as part of a packaged bank account.

5.1.3 G
(1) For a typical payment protection contract the reasonable steps required in the first part of the eligibility rule are likely to include checking that the customer meets any qualifying requirements for different parts of the policy.

(2) This guidance does not apply to payment protection contracts arranged as part of a packaged bank account.

Eligibility to claim benefits: policies arranged as part of a packaged bank account

5.1.3A R
A firm arranging policies as part of a packaged bank account must:

(1) take reasonable steps to establish whether the customer is eligible to claim each of the benefits under each policy included in the packaged bank account which must include checking that the customer meets...
(2) inform the customer whether or not he would be eligible to claim each of the benefits under each policy included in the packaged bank account so that the customer can take an informed decision about the arrangements proposed.

5.1.3B  

A firm must make a record of the eligibility assessment and, if the customer proceeds with the arrangements proposed, retain it for a minimum period of three years from the date on which the assessment was undertaken.

5.1.3C  

(1) Throughout the term of a policy included in a packaged bank account, a firm must provide the customer with an eligibility statement, in writing, on an annual basis. This statement must set out any qualifying requirements to claim each of the benefits under the policy and recommend that the customer reviews his circumstances and whether he meets these requirements.

Where any policy (except for private health or medical insurance, and pet insurance) included in a packaged bank account renews automatically, the statement must include the information the firm is required to provide under ICOBS 6.2.6R on the right to cancel the automatic renewal element of the policy at any time.

(2) Where a customer has reached an age limit on claiming benefits under a travel insurance policy included in a packaged bank account (or will reach an age limit before the next annual statement is due), a firm must state this clearly and prominently in the statement and on an annual basis thereafter.

(3) The statement (provided under ICOBS 5.1.3C R (1)) must not:

(a) include any information other than that provided in accordance with this rule, ICOBS 6.1.7-AG(2), ICOBS 6A.4.5R(1) and ICOBS 6A.4.7G; or

(b) form part of another document provided to the customer by the firm; or

(c) be included in the same mailing as any other document provided to the customer by the firm.

Disclosure

5.1.4  

A firm should bear in mind the restriction on rejecting claims (ICOBS 8.1.1R (3)). Ways of ensuring a customer knows what he must disclose include:

(1) explaining to a commercial customer the duty to disclose all circumstances material to a policy, what needs to be disclosed, and the consequences of any failure to make such a disclosure;

(2) ensuring that the commercial customer is asked clear questions about any matter material to the insurance undertaking;
(3) explaining to the customer the responsibility of consumers to take reasonable care not to make a misrepresentation and the possible consequences if a consumer is careless in answering the insurer's questions, or if a consumer recklessly or deliberately makes a misrepresentation; and

(4) asking the customer clear and specific questions about the information relevant to the policy being arranged or varied.
5.2 Demands and needs

Application: who? what?

5.2.1 R This section applies to an insurance distributor when carrying on insurance distribution activities.

Demands and needs

5.2.2 R (1) Prior to the conclusion of a contract of insurance a firm must specify, on the basis of information obtained from the customer, the demands and the needs of that customer.

(2) The details must be modulated according to the complexity of the contract of insurance proposed and the type of customer.

(3) A statement of the demands and needs must be communicated to the customer prior to the conclusion of a contract of insurance.

[Note: articles 20(1) and 20(2) of the IDD]

5.2.2A G A firm may obtain information from the customer in a number of ways including, for example, by asking the customer questions in person or by way of a questionnaire prior to any contract of insurance being proposed.

5.2.2B R When proposing a contract of insurance a firm must ensure it is consistent with the customer’s insurance demands and needs.

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

5.2.2C G ICOBS 5.2.2BR applies whether or not advice is given and in the same way regardless of whether that contract is sold on its own, in connection with another contract of insurance, or in connection with other goods or services.

5.2.2D R The sale of a contract of insurance must always be accompanied by a demands and needs test on the basis of information obtained from the customer.

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

5.2.3 R [deleted]
Format of the statement of demands and needs: non-advised sales

Once the firm has obtained information from the customer and ensured the contract of insurance is consistent with the demands and needs, the format of a statement of demands and needs is flexible. Examples of approaches that may be appropriate where a personal recommendation has not been given include:

(1) providing a demands and needs statement as part of an application form, so that the demands and needs statement is made dependent upon the customer providing personal information on the application form. For instance, the application form might include a statement along the lines of: "If you answer 'yes' to questions a, b and c your demands and needs are those of a pet owner who wishes and needs to ensure that the veterinary needs of your pet are met now and in the future";

(2) producing a demands and needs statement in product documentation that will be appropriate for anyone, for whose demands and needs the contract is consistent. For example, "This product meets the demands and needs of those who wish to ensure that the veterinary needs of their pet are met now and in the future"; and

(3) giving a customer a record of all his demands and needs that have been discussed

Means of communication to customers

The information to be provided to customers in ICOBS 5.2 must be given in accordance with ICOBS 4.1A (Means of communication to customers).

[Note: article 23(1) of the IDD]
5.3 Advised sales

Suitability

5.3.1 A firm must take reasonable care to ensure the suitability of its advice for any customer who is entitled to rely upon its judgement.

Suitability guidance for protection policies

5.3.2 (1) In taking reasonable care to ensure the suitability of advice on a payment protection contract or a pure protection contract a firm should:

(a) establish the customer’s demands and needs by using information readily available to the firm and by obtaining further relevant information from the customer, including details of existing insurance cover; it need not consider alternatives to policies nor customer needs that are not relevant to the type of policy in which the customer is interested;

(b) take reasonable care to ensure that a policy is suitable for the customer’s demands and needs, taking into account its level of cover and cost, and relevant exclusions, excesses, limitations and conditions; and

(c) inform the customer of any demands and needs that are not met.

(2) This guidance does not apply to payment protection contracts or pure protection contracts included in a packaged bank account.

Suitability of advice on policies included in a packaged bank account

5.3.2A In taking reasonable care to ensure the suitability of advice on a policy included in a packaged bank account, a firm must:

(1) establish the customer’s demands and needs by using information readily available to the firm and by obtaining further relevant information from the customer, including details of existing insurance cover; it need not consider alternatives to policies nor customer needs that are not relevant to the type of policy in which the customer is interested;

(2) take reasonable steps to establish whether each policy included in the packaged bank account is suitable for the customer’s demands and needs, taking into account its level of cover and cost, and relevant exclusions, excesses, limitations, and conditions;
(3) inform the *customer* of any demands and needs that are not met; and

(4) explain to the *customer* its recommendation and the reasons for the recommendation.

5.3.2B  

A *firm* must make a record of the suitability assessment, the recommendation given and the reasons for the recommendation and, if the *customer* proceeds with the recommendation, retain it for a minimum period of three years from the date on which the recommendation was made.

5.3.3  

**Advice on the basis of a fair analysis**

If an *insurance intermediary* informs a *customer* that it gives:

(1) advice on the basis of a fair analysis, it must give that advice on the basis of an analysis of a sufficiently large number of *contracts of insurance* available on the market to enable it to make a recommendation; or

(2) a *personal recommendation* on the basis of a fair and personal analysis, it must give that *personal recommendation* on the basis of an analysis of a sufficiently large number of insurance contracts available on the market to enable it to make a *personal recommendation*;

and in each case, it must be in accordance with professional criteria, regarding which contract of insurance would be adequate to meet the customer's needs. [*Note: article 20(1) third paragraph of the IDD*]

5.3.4  

**Personalised explanation**

Where a *firm* provides a *personal recommendation* (other than in relation to a *connected travel insurance contract*) the *firm* must, in addition to the statement of demands and needs, provide the *customer* with a personalised explanation of why a particular *contract of insurance* would best meet the customer's demands and needs. [*Note: article 20(1) third paragraph of the IDD*]

5.3.5  

**Means of communication**

A *firm* must provide the information in this section in accordance with *ICOBS 4.1A (Means of communication to customers).* [*Note: article 23(1) of the IDD*]
6.1 Producing and providing product information

Responsibilities for producing and providing information as between insurers and insurance intermediaries: general

6.1.1 An insurer is responsible for producing, and an insurance intermediary for providing to a customer, the information required by this chapter and by the distance communication rules (see ICOBS 3.1). However, an insurer is responsible for providing information required on mid-term changes, and an insurance intermediary is responsible for producing price information if it agrees this with an insurer.

6.1.2 If there is no insurance intermediary, the insurer is responsible for producing and providing the information.

6.1.3 An insurer must produce information in good time to enable the insurance intermediary to comply with the rules in this chapter, or promptly on an insurance intermediary’s request.

6.1.4 These general rules on the responsibilities of insurers and insurance intermediaries are modified by ICOBS 6 Annex 1 if one of the firms is not based in the United Kingdom, and in certain other situations.

Responsibility for producing the standardised insurance product information document

6.1.5 The IPID must be drawn up by the manufacturer of the policy.

[Note: article 20(6) of the IDD]
6.1 Providing product information to customers: general

Ensuring customers can make an informed decision: the appropriate information rule

(1) A firm must ensure that a customer is given appropriate information about a policy in good time and in a comprehensible form so that the customer can make an informed decision about the arrangements proposed.

(2) The information must be provided to the customer:
   (a) whether or not a personal recommendation is given; and
   (b) irrespective of whether a policy is offered as part of a package with:
      (i) a non-insurance product or service (see ICOBS 6A.3 (Cross-selling)); or
      (ii) another policy.

(3) Appropriate information is both objective and relevant information, and includes IPID information.

(4) Where the firm is proposing a policy (including if appropriate on renewal) ‘in good time’ means in good time prior to the conclusion of the policy.

[Note: articles 20(1) first paragraph and 20(4) of the IDD]
6.1.6 The appropriate information rule applies:

(1) at all of the different stages of a contract and includes pre-conclusion and post-conclusion, and also when mid-term changes and renewals are proposed;

(2) in the same way to any policy, regardless of whether that policy is sold on its own, in connection with another policy, or in connection with other goods or services; and

(3) to the price of the policy.

6.1.6A [deleted]

6.1.7 The level of information required will vary according to matters such as:

(1) the knowledge, experience and ability of a typical customer for the policy;

(2) the policy terms, including its main benefits, exclusions, limitations, conditions and its duration;

(3) the policy’s overall complexity;

(4) whether the policy is bought in connection with other goods and services including another policy (also see ICOBS 6A.3 (cross selling));

(5) distance communication information requirements (for example, under the distance communication rules less information can be given during certain telephone sales than in a sale made purely by written correspondence (see ICOBS 3.1.14 R)); and

(6) whether the same information has been provided to the customer previously and, if so, when.

Appropriate information regarding medical condition exclusions in travel insurance policies

6.1.7-A (1) This guidance is relevant to a firm when it provides a consumer with:

(a) a quotation for a travel insurance policy; or

(b) a statement (provided under ICOBS 5.1.3CR(1)) in respect of a travel insurance policy included in a packaged bank account.

(2) At the same time as it provides the information in (1), the firm should:

(a) disclose to the consumer whether any medical condition exclusion can be removed from the policy (in whole or in part); and
(b) if so, how, and the terms on which it can be removed.

(3) Firms are also reminded of their obligations in ICOBS 5.2.2BR to ensure the policy proposed is consistent with the consumer’s insurance demands and needs.

Appropriate information for commercial customers

6.1.7A G A firm dealing with a commercial customer:

(1) may choose to provide some of or all of the appropriate information in an IPID (see ICOBS 6.1.10AR), a policy summary or a similar summary if it considers this to be a comprehensible form in which to provide that information; and

(2) should include the IPID information (regardless of whether an IPID itself is provided).

6.1.8 G [deleted]

6.1.9 G Cancellation rights do not affect what information it is appropriate to give to a customer in order to enable him to make an informed purchasing decision.

6.1.10 G [deleted]

How must IPID information be provided?

6.1.10A R A firm, when dealing with a consumer must provide the IPID information by way of an IPID for each policy (other than a pure protection contract).

[Note: articles 20(4) and 20(5) of the IDD]

6.1.10B G The IPID information:

(1) needs to be provided on paper or on another durable medium;

(2) in the case of telephone selling, a firm may provide the IPID in accordance with the distance communication timing requirements and provide the IPID to the customer immediately after the conclusion of the policy,

in accordance with ICOBS 6.6 (Means of communication).

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

How must appropriate information other than IPID information be provided?

6.1.10C G (1) Appropriate information other than IPID information includes, among other matters, any other information required by the appropriate information rule (ICOBS 6.1.5R), specific price disclosure requirements (ICOBS 6.1.13R), Solvency II Directive disclosure requirements
(ICOBS 6.2.2R), renewals (ICOBS 6.5) and guaranteed assets protection (GAP) products (ICOBS 6A.1.4R).

(2) A firm needs to consider the form in which it provides appropriate information (see ICOBS 6.1.5R).

(3) A firm can provide the other information in (1) together with the IPID as long as the IPID remains a stand-alone document.

[Note: article 20(4) and article 20(7) last paragraph of the IDD]

Interaction between information provision requirements and the customer’s best interests rule and Principle 7

To comply with the customer’s best interest rule and Principle 7 (communication with clients) a firm should:

(1) include consideration of the information needs of the customers including:
   (a) what they need to understand the relevance of any information provided by the firm; and
   (b) at which point in the sales process will the information be most useful to the customer to enable them to make an informed decision;

(2) provide evidence of cover promptly after inception of a policy, taking into account the type of customer and the effect of other information requirements, for example, those under the distance communication rules (ICOBS 3.1); and

(3) in relation to a group policy, provide appropriate information to the customer, telling the customer to pass it on to each policyholder.

Under Principle 7 a firm should provide evidence of cover promptly after inception of a policy. Firms will need to take into account the type of customer and the effect of other information requirements, for example those under the distance communication rules (ICOBS 3.1).

What additional information must be disclosed for packaged products and other relevant requirements?

(1) If a policy is bought by a consumer in connection with other goods or services a firm must, before conclusion of the contract, disclose its
Premium separately from any other prices and whether buying the policy is compulsory.

(2) In the case of a distance contract, disclosure of whether buying the policy is compulsory may be made in accordance with the timing requirements under the distance communication rules (see ICOBS 3.1.8 R, ICOBS 3.1.14 R and ICOBS 3.1.15 R).

(3) This rule does not apply to policies bought in connection with other goods or services provided as part of a packaged bank account.

6.1.13A In addition to the requirements in ICOBS 6.1 (Product information) firms are reminded that:

(1) when offering a policy as part of a packaged bank account the firm may be subject to the requirements of regulation 13 (payment accounts packages with another product or service) of the Payment Accounts Regulations;

(2) ICOBS 6A.3 (Cross-selling) contains rules in relation to packages which include both insurance and non-insurance products or services.

6.1.14 [deleted]
6.2 Pre-contract information: general insurance contracts

Application: what?

6.2.1 This section applies in relation to a general insurance contract.

Solvency II Directive derived disclosure requirements

6.2.2 Before a general insurance contract is concluded, a firm must inform a customer who is a natural person of:

(1) the law applicable to the contract where the parties do not have a free choice, or the fact that the parties are free to choose the law applicable and, in the latter case, the law the firm proposes to choose; and

(2) the arrangements for handling policyholders' complaints concerning contracts including, where appropriate, the existence of a complaints body (usually the Financial Ombudsman Service), without prejudice to the policyholders' right to take legal proceedings.

[Note: article 183(1) to (2) of the Solvency II Directive]

6.2.3 (1) A firm which has its head office in the European Economic Area must inform a customer, before any commitment is entered into, of the state in which the head office or, where appropriate, the branch with which the contract is to be concluded, is situated.

(2) Any documents issued to the customer must convey the information required by this rule.

[Note: article 184(1) of the Solvency II Directive]

6.2.4 A firm which has its head office in the European Economic Area must ensure that the contract or any other document granting cover, together with the insurance proposal where it is binding upon the customer, states the address of the head office, or, where appropriate, of the branch of the firm which grants the cover.

[Note: article 184(2) of the Solvency II Directive]
Disclosure of cancellation right

6.2.5 R

(1) A firm must provide a consumer with information on the right to cancel a policy.

(2) The information to be provided on the right to cancel is:
   (a) its existence;
   (b) its duration;
   (c) the conditions for exercising it;
   (d) information on the amount which the consumer may be required to pay if he exercises it;
   (e) the consequences of not exercising it; and
   (f) the practical instructions for exercising it.

(3) The information must be provided in good time before conclusion of the contract and in writing or another durable medium.

Auto-renewal

6.2.6 R

(1) A firm must:
   (a) inform a consumer whether the terms and conditions of their policy provide for the policy to automatically renew at the end of the term;
   (b) provide the consumer with an explanation of the effect of automatic renewal for them; and
   (c) provide the consumer with information on the right to cancel the automatic renewal element of the policy at any time.

(2) The information on the right to cancel the automatic renewal element must include:
   (a) the existence of the right;
   (b) the conditions for exercising it;
   (c) the consequences of exercising it; and
   (d) the practical instructions for exercising it.

(3) The information in (1) and (2) must be provided:
   (a) in good time before conclusion of the contract; and
   (b) in writing or in another durable medium.

(4) Paragraphs (1) to (3) do not apply in the case of a contract for private health or medical insurance, or pet insurance.

6.2.7 G

In the case of a packaged bank account ICOBS 5.1.3CR(1A) provides that the information required by ICOBS 6.2.6R should be provided in the eligibility statement.
6.3 Pre- and post-contract information: pure protection contracts

Solvency II Directive derived disclosure requirements

(1) Before a pure protection contract is concluded, a firm must communicate, at least, the information in the table below to the customer.

(2) The information must be provided in a clear and accurate manner, in writing, and in an official language of the State of the commitment or in another language if the policyholder so requests and the law of the State of the commitment so permits or the policyholder is free to choose the applicable law.

Information to be communicated before conclusion

(1) The name of the insurance undertaking and its legal form.
(2) The name of the state in which the head office and, where appropriate, the agency or branch concluding the contract is situated.
(3) The address of the head office and, where appropriate, of the agency or branch concluding the contract.
(3a) A concrete reference to the firm’s SFCR allowing the policyholder easy access to this information.
(4)* Definition of each benefit and each option.
(5)* Term of the contract.
(6)* Means of terminating the contract.
(7)* Means of payment of premiums and duration of payments.
(8)* Information on the premiums for each benefit, both main benefits and supplementary benefits, where appropriate.
(9)* Arrangements for application of the cancellation period.
(10) General information on the tax arrangements applicable to the type of policy.
(11) The arrangements for handling complaints concerning contracts by policyholders, lives assured or beneficiaries under contracts including, where appropriate, the existence of a complaints body (usually the Financial Ombudsman Service), without prejudice to the right to take legal proceedings.
(12) The law applicable to the contract where the parties do not have a free choice or, where the parties are free to choose the law applicable, the law the firm proposes to choose.
Note: The rule on mid-term changes applies to items marked with an asterisk (see ICOBS 6.3.3 R).

[Note: article 185 of the Solvency II Directive]

6.3.2 G If the contract is concluded with a commercial customer by telephone, the information in this section may be provided immediately after conclusion.

Mid-term changes

6.3.3 R A firm must keep a customer informed throughout the term of a pure protection contract of any change concerning the policy conditions, both general and special, and any change in the following information:

(1) the name of the firm, its legal form or the address of its head office and, where appropriate, of the agency or branch which concluded the contract; and

(2) all the information marked ‘*’ in the table of information to be communicated before conclusion, in the event of a change in the policy conditions or amendment of the law applicable to the contract.

[Note: article 185(3) and (5) of the Solvency II Directive]

6.3.4 R When a firm provides a customer with information in accordance with ICOBS 6.3.3 R, it must provide it in a clear and accurate manner, in writing, in an official language of the State of the commitment, or in another language if the policyholder so requests and the law of the State of the commitment so permits or the policyholder is free to choose the law applicable.

[Note: article 185(3), (5) and (6) of the Solvency II Directive]
6.4 Pre- and post-contract information: protection policies

Application: what?

This section applies in relation to a payment protection contract or a pure protection contract except as otherwise stated.

Oral sales: ensuring customers can make an informed decision

(1) If a firm provides information orally during a sales dialogue with a customer on a main characteristic of a policy, it must do so for all the policy's main characteristics.

(2) A firm must take reasonable steps to ensure that the information provided orally is sufficient to enable the customer to take an informed decision on the basis of that information, without overloading the customer or obscuring other parts of the information.

(1) A policy's main characteristics include its significant benefits, its significant exclusions and limitations, its duration and price information.

(2) A significant exclusion or limitation is one that would tend to affect the decision of customers generally to buy. In determining what exclusions or limitations are significant, a firm should particularly consider the exclusions or limitations that relate to the significant features and benefits of a policy and factors which may have an adverse effect on the benefit payable under it. Another type of significant limitation might be that the contract only operates through certain means of communication, e.g. telephone or internet.

Policy summary

A firm must provide a consumer with a policy summary in good time before the conclusion of a pure protection contract.

Complaints and compensation information

In relation to a payment protection contract, a firm must provide a consumer with information about:

how the consumer can complain to the insurance undertaking and that complaints may subsequently be referred to the Financial
Ombudsman Service (or other applicable named complaints scheme); and

the consumer’s entitlement to compensation from the compensation scheme (or other applicable compensation scheme), or that there is no compensation scheme, in the event where the insurance undertaking is unable to meet its liabilities;

in good time before the conclusion of the policy.

Payment protection contracts: importance of reading documentation

6.4.5 R (1) A firm must draw a consumer’s attention to the importance of reading payment protection contract documentation before the end of the cancellation period to check that the policy is suitable for the consumer.

(2) This must be done orally if a firm provides information orally on any main characteristic of a policy.

Price information: general

6.4.6 R A firm must provide price information in a way calculated to enable the customer to relate it to a regular budget.

6.4.7 G Price information is likely also to include at least the total premium (or the basis for calculating it so that the customer can verify it) and, where relevant:

(1) for policies of over one year with reviewable premiums, the period for which the quoted premium is valid, and the timing of reviews;

(2) other fees, administrative charges and taxes payable by the customer through the firm; and

(3) a statement identifying separately the possibility of any taxes not payable through the firm.

6.4.8 G Price information should be given in writing or another durable medium in good time before conclusion of the contract. This is in addition to any requirement or decision to provide the information orally. In the case of a distance contract concluded over the telephone, it may be provided in writing or another durable medium no later than immediately after conclusion.

Price information: premiums paid using a non-revolving credit agreement

6.4.9 R (1) This rule applies when a premium will be paid using a credit agreement other than a revolving credit agreement.
(2) A firm must provide price information in a way calculated to enable the customer to understand the additional repayments that relate to the purchase of the policy, and the total cost of the policy.

(3) Price information must reflect any difference between the duration of the policy and that of the credit agreement.

(4) A firm must explain to a customer, as applicable, that the premium will be added to the amount provided under the credit agreement and that interest will be payable on it.

**Price information: policies sold in connection with revolving credit arrangements**

6.4.10 G

(1) This guidance applies to policies bought as secondary products to revolving credit agreements (such as store cards or credit cards).

(2) Price information should be given in a way calculated to enable a typical customer to understand the typical cumulative cost of taking out the policy. This does not require oral disclosure where there is a sales dialogue with a customer. However, consistent with Principle 7, a firm should ensure that this element of price information is not undermined by any information given orally.

**Mid-term changes**

6.4.11 R

(1) Throughout the term of a policy, a firm must provide a customer with information about any change to:

   - (a) the premium, unless the change conforms to a previously disclosed formula; and
   - (b) any term of the policy, together with an explanation of any implications of the change where necessary.

(2) This information must be provided in writing or another durable medium in good time before the change takes effect or, if the change is at the customer's request, as soon as is practicable provided the firm explains the implications of the change before it takes effect.

6.4.12 G

(1) When explaining the implications of a change, a firm should explain any changes to the benefits and significant or unusual exclusions arising from the change.

(2) Firms will need to consider whether mid-term changes are compatible with the original policy, in particular whether it reserves the right to vary premiums, charges or other terms. Firms also need to ensure that any terms which reserve the right to make variations are not themselves unfair under the Unfair Terms Regulations (for contracts entered into before 1 October 2015) or the CRA.
6.5 Renewals

6.5.1

(1) This section applies when a firm proposes to a consumer the renewal of a general insurance contract, which is not a group policy, and which has a duration of 10 months or more.

(2) In this section, ‘renewal’ means carrying forward a policy, at the point of expiry and as a successive or separate operation of the same nature and duration as the policy, with the same insurance intermediary or the same insurer.

(3) The firm must provide to the consumer the following information in good time before the renewal:

(a) the premium to be paid by the consumer on renewal;

(b) in a way that is consistent with the presentation of (a) so that they can be easily compared:

   (i) except where (ii) applies, the premium for the policy which the firm proposes to renew, as set out at the inception of that policy;

   (ii) where one or more mid-term changes were made to the policy which the firm proposes to renew, an amount calculated by annualising (or otherwise adjusting as appropriate to the duration of the proposed policy) the premium in effect following the most recent mid-term change, excluding all fees or charges associated with those mid-term changes;

(c) a statement alongside (a) and (b) indicating that the consumer:

   (i) should check that the level of cover offered by the renewal is appropriate for their needs; and

   (ii) is able, if they so wish, to compare the prices and levels of cover offered by alternative providers; and

(d) a statement informing the consumer whether the contract will automatically renew or whether the consumer needs to take action to accept the renewal offer.

(4) Where the proposed renewal will be the fourth or subsequent renewal the consumer has entered into in respect of the policy, the firm must include the following statement, to appear alongside the matters required by (3)(a), (b) and (c)(i) (but omitting (c)(ii)): “You have been with us a number of years. You may be able to get the insurance cover you want at a better price if you shop around.”
(5) The firm must communicate the information in (3) and (4):
(a) clearly and accurately;
(b) in writing or another durable medium; and
(c) in a way that is accessible and which draws the consumer’s attention to it as key information.

6.5.1A G

(1) When a firm proposes to a consumer the renewal of a travel insurance policy, the firm should at the same time:
(a) disclose to the consumer whether any medical condition exclusion can be removed from the policy (in whole or in part); and
(b) if so, how, and the terms on which it can be removed.

(2) Firms are reminded of their obligations in:
(a) ICOBS 6A.4.5R, where one or more of the circumstances set out in ICOBS 6A.4.6R applies in respect of the policy proposed on renewal; and
(b) ICOBS 5.2.2BR to ensure the policy proposed is consistent with the consumer’s insurance demands and needs.

6.5.2 G

A firm should have regard to the record-keeping obligations referred to in ICOBS 2.4.1G and ensure that it has appropriate systems and controls in place with respect to:

(1) the adequacy of its records so it may fulfil its regulatory and statutory obligations; and

(2) the sufficiency of its records to enable the FCA to monitor the firm’s compliance with the requirements under the regulatory system.

6.5.3 G

A firm should ensure it complies with the other requirements in ICOBS that are relevant, such as providing product information to customers (see ICOBS 6.1), including the requirement to provide an IPID (see ICOBS 6.1.10AR).
6.6 Means of communication

Means of communication

6.6.1 The information in ICOBS 6, unless modified in this chapter, must be given in accordance with ICOBS 4.1A (Means of communication to customers).

[Note: article 23(1) of the IDD]
Responsibilities of insurers and insurance intermediaries in certain situations

This annex belongs to ■ ICOBS 6.-1.4R

The table in this annex modifies the general rules on the responsibilities of insurers and insurance intermediaries for producing and providing to a customer the information required by this chapter. The table does not include the responsibilities of insurers and intermediaries for producing the IPID (■ ICOBS 6.-1.5R).

<table>
<thead>
<tr>
<th>Situation</th>
<th>Insurance intermediary's responsibility</th>
<th>Insurer's responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Insurance intermediary operates from UK establishment</td>
<td>Production and providing</td>
<td>None</td>
</tr>
<tr>
<td>Insurer does not operate from UK establishment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Insurance intermediary does not operate from UK establishment</td>
<td>None</td>
<td>Production and providing (but for pure protection contracts no policy summary is required unless the insurance intermediary does not operate from a UK establishment)</td>
</tr>
<tr>
<td>Insurer does not operate from UK establishment, is not authorised, is selling connected contracts or is authorised professional firm carrying on non-mainstream regulated activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurer operates from UK establishment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer habitually resident in the United Kingdom</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) As (2) but customer habitually resident outside the United Kingdom and insurer not in contact with the customer</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>(4) As (2) but customer habitually resident outside the United Kingdom and insurer in contact with the customer</td>
<td>None</td>
<td>Production and providing</td>
</tr>
<tr>
<td>(5) Insurance intermediary does not operate from UK establishment</td>
<td>None</td>
<td>Production and providing</td>
</tr>
<tr>
<td>Insurer does not operate from UK establishment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(6) Where ICOBS 6.5.1R applies</td>
<td>Production and providing, as appropriate, where dealing with a consumer on renewal</td>
<td>Production and providing, as appropriate, where dealing with a consumer on renewal</td>
</tr>
</tbody>
</table>

■ Release 15  ● Jan 2022 www.handbook.fca.org.uk ICOBS 6 Annex 1/1
Policy summary (pure protection contracts and/or commercial customers)

This annex belongs to ■ ICOBS 6.1.7AG and ■ ICOBS 6.4.4 R

1 Format

1.1 R (1) A policy summary must be in writing or another durable medium.
(2) A policy summary must be in a separate document, or within a prominent separate section of another document clearly identifiable as containing key information that the consumer should read.

1.2 G The quality and presentation standard of a policy summary should be consistent with that used for other policy documents.

1.3 G A reference to consumer has the meaning commercial customer if a policy summary is used for the purposes set out in ICOBS 6.1.7AG (appropriate information for commercial customers).

2 Content

2.1 R A policy summary must contain the information in the table below and no other information.

Policy summary content

- Key facts logo in a prominent position at the top of the policy summary. Further requirements regarding the use of the logo and the location of specimens are set out in GEN 5.1 and GEN 5 Annex 1 G.
- Statement that the policy summary does not contain the full terms of the policy, which can be found in the policy document.
- Name of the insurance undertaking.
- Type of insurance and cover.
- Significant features and benefits.
- Significant or unusual exclusions or limitations, and cross-references to the relevant policy document provisions.
- Duration of the policy.
- A statement, where relevant, that the consumer may need to review and update the cover periodically to ensure it remains adequate.
- Price information (optional).
- Existence and duration of the right of cancellation (other details may be included).
- Contact details for notifying a claim.
- How to complain to the insurance undertaking and that complaints may subsequently be referred to the Financial Ombudsman Service (or other applicable named complaints scheme).
- That, should the insurance undertaking be unable to meet its liabilities, the consumer may be entitled to compensation from the compensation scheme (or other applicable compensation scheme), or that there is no compensation scheme. Information on the extent and level of cover and how further information can be obtained is optional.

2.2 G A policy summary should properly describe the policy but, in line with Principle 7, should not overload the consumer with detail.
<table>
<thead>
<tr>
<th>3</th>
<th>Significant or unusual exclusions or limitations</th>
</tr>
</thead>
</table>
| 3.1 | **G** (1) A significant exclusion or limitation is one that would tend to affect the decision of consumers generally to buy. An unusual exclusion or limitation is one that is not normally found in comparable contracts.  
(2) In determining what exclusions or limitations are significant, a firm should, in particular, consider the exclusions or limitations that relate to the significant features and benefits of a policy and factors which may have an adverse effect on the benefit payable under it.  
(3) Another type of significant limitation might be that the contract only operates through certain means of communication, e.g. telephone or internet.  
Examples of significant or unusual exclusions or limitations  
• Deferred payment periods  
• Exclusion of certain conditions, diseases or pre-existing medical conditions  
• Moratorium periods  
• Limits on the amounts of cover  
• Limits on the period for which benefits will be paid  
• Restrictions on eligibility to claim such as age, residence or employment status  
• Excesses |
| 4 | Key features document as an alternative to a policy summary |
| 4.1 | **R** A firm may provide a document that has the contents of a key features document instead of a policy summary. The document must include contact details for notifying a claim but need not include the title ‘key features of the [name of product]’.
Providing product information by way of a standardised insurance information document:

[Note: the IDD IPID Regulation is applicable to IDD insurance intermediaries, IDD insurance undertakings and IDD ancillary insurance intermediaries.] This annex belongs to ICOBS 6.1.10AR.

1 Effect of provisions marked ‘UK’

1.1 R (1) Provisions in this section marked “UK” apply in relation to a firm to which the IDD IPID Regulation is not directly applicable, as if they were rules.

(2) In this annex, a word or phrase found in a provision marked “UK” and referred to in column (1) of the table below has the meaning indicated in the corresponding row of column (2) of the table.

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Directive (EU) 2016/97”</td>
<td>IDD</td>
</tr>
<tr>
<td>“durable medium”</td>
<td>durable medium</td>
</tr>
<tr>
<td>“insurance product”</td>
<td>a policy (other than a pure protection contract)</td>
</tr>
<tr>
<td>“manufacturer”</td>
<td>manufacturer</td>
</tr>
<tr>
<td>“non-life insurance product”</td>
<td>a policy (other than a pure protection contract)</td>
</tr>
<tr>
<td>“shall”</td>
<td>must</td>
</tr>
</tbody>
</table>

2 What information needs to be contained in the IPID?

2.1 R The IPID must contain the following information:

(1) information about the type of insurance;

(2) a summary of the insurance cover, including the main risks insured, the insured sum and, where applicable, the geographical scope and summary of excluded risks;

(3) the means of payment of premium and the duration of payments;

(4) main exclusions where claims cannot be made;

(5) obligations at the start of the contract;

(6) obligations during the term of the contract;

(7) obligations in the event that a claim is made;

(8) the term of the contract including the start and end dates of the contract;

(9) the means of terminating the contract.

[Note: article 20(8) of the IDD]

2.2 G A firm, when providing the information in the IPID, should consider:

(1) the rules and guidance on providing appropriate information to customers in ICOBS 6.1;

(2) the order of the information and priority of the information to be provided; and

(3) the information needs of the firm’s typical customer for the policy.

2.3 G A firm that manufactures the policy should, when drawing up the IPID, have regard to the target market and intended distribution strategy.
### Name and company logo of the manufacturer

2.4 UK 1(1) The name of the manufacturer of the non-life insurance product, its authorisation number shall immediately follow the title ‘insurance product information document’ at the top of the first page.

2.5 UK 1(2) The manufacturer may insert its company logo to the right of the title.

**[Note: article 1 of the IDD IPID Regulation]**

### Reference to complete pre-contractual and contractual information

2.6 UK 2 The insurance product information document shall state prominently that complete pre-contractual and contractual information about the non-life insurance product is provided to the customer in other documents. That statement shall be placed immediately below the name of the manufacturer of the non-life insurance product.

**[Note: article 2 of the IDD IPID Regulation]**

### How must the IPID be presented and formatted?

3.1 R The IPID must:

1. be a short and stand-alone document;
2. be presented and laid out in a way that is clear and easy to read, using characters of a readable size;
3. be no less comprehensible in the event that, having been originally produced in colour, it is printed or photocopied in black and white;
4. be written in the official languages, or in one of the official languages, used in the part of the state where the policy is offered or, if agreed by the consumer and the insurance distributor, in another language;
5. be accurate and not misleading;
6. contain the title ‘insurance product information document’ at the top of the first page;
7. include a statement that complete pre-contractual and contractual information on the product is provided in other documents.

**[Note: article 20(7)(a) to (g) of the IDD]**

### Length

3.2 UK 3 The insurance product information document shall be set out on two sides of A4-sized paper when printed. Exceptionally, if more space is needed, the insurance product information document may be set out on a maximum of three sides of A4-sized paper when printed. Where a manufacturer uses three sides of A4-sized paper, it shall, upon request by the Financial Conduct Authority, be able to demonstrate that more space was needed.

**[Note: article 3 of the IDD IPID Regulation]**

### Presentation and order of content

3.3 UK 4(1) The information of the insurance product information document listed in Article 20(8) of Directive (EU) 2016/97 shall be presented in different sections and in accordance with the structure, lay-out, headings and sequence as set out in the standardised presentation format in the Annex to this Regulation, using a font size with an x-height of at least 1,2 mm.

3.4 UK 4(2) The length of the sections may vary, depending on the amount of information that is to be included in each section. Information about add-ons and optional covers shall not be preceded by ticks, crosses or exclamation marks.
3.5 UK 4(3) Where the insurance product information document is presented using a durable medium other than paper, the size of the components in the layout may be changed, provided that the layout, headings and sequence of the standardised presentation format, as well as the relative prominence and size of the different elements, are retained.

3.6 UK 4(4) Where the dimensions of the durable medium other than paper are such that a layout using two columns is not feasible, a presentation using a single column may be used, provided that the sequence of the sections is as follows:
(a) ‘What is this type of insurance?’
(b) ‘What is insured?’
(c) ‘What is not insured?’
(d) ‘Are there any restrictions on cover?’
(e) ‘Where am I covered?’
(f) ‘What are my obligations?’
(g) ‘When and how do I pay?’
(h) ‘When does the cover start and end?’
(i) ‘How do I cancel the contract?’.

3.7 UK 4(5) The use of digital tools, including layering and pop-ups shall be permitted, provided that all the information referred to in Article 20(8) of Directive (EU) 2016/97 is provided in the main body of the insurance product information document and that the use of such tools does not distract the customer’s attention from the content of the main document.

Information provided through layering and pop-ups shall not include marketing or advertising material.

[Note: article 4 of the IDD IPID Regulation]

Plain language

3.8 UK 5 The insurance product information document shall be drafted in plain language, facilitating the customer’s understanding of the content of that document, and shall focus on key information which the customer needs to make an informed decision. Jargon shall be avoided.

[Note: article 5 of the IDD IPID Regulation]

Headings and information thereunder

3.9 UK 6(1) The sections of the insurance product information document shall have the following headings and the following information thereunder:
(a) the information on the type of insurance referred to in Article 20(8)(a) of Directive (EU) 2016/97 shall be included under the heading ‘What is this type of insurance?’, at the top of the document;
(b) the information on the main risks insured referred to in Article 20(8)(b) of Directive (EU) 2016/97 shall be included under the heading ‘What is insured?’. Each piece of information listed in this section shall be preceded by a green ‘tick’ symbol;
(c) the information on the insured sum referred to in Article 20(8)(b) of Directive (EU) 2016/97 shall be included under the heading ‘What is insured?’;
(d) the information on geographical scope, where applicable, referred to in Article 20(8)(b) of Directive (EU) 2016/97 shall be included under the heading ‘Where am I covered?’.
(e) the information on a summary of the excluded risks referred to in Article 20(8)(b) of Directive (EU) 2016/97 shall be included under the heading ‘What is not insured?’.

Each piece of information in this section shall be preceded by a red ‘X’ symbol;
(f) the information on the main exclusions referred to in Article 20(8)(d) of Directive (EU) 2016/97 shall be included under the heading 'Are there any restrictions on cover?'. Each piece of information listed in this section shall be preceded by an orange exclamation mark symbol;

(g) the information on the relevant obligations referred to in points (e), (f) and (g) of Article 20(8) of Directive (EU) 2016/97 shall be included under the heading 'What are my obligations?';

(h) the information on the means and duration of payment of premiums referred to in Article 20(8)(c) of Directive (EU) 2016/97 shall be included under the heading 'When and how do I pay?';

(i) the information on the term of the contract referred to in Article 20(8)(h) of Directive (EU) 2016/97 shall be included under the heading 'When does the cover start and end?';

(j) the information on the means of terminating the contract referred to in Article 20(8)(i) of Directive (EU) 2016/97 shall be included under the heading 'How do I cancel the contract?'.

6(2) The use of sub-headings is permitted, where necessary.

[Note: article 6 of the IDD IPID Regulation]

Use of icons

310 UK 7(1) Each section shall further be headed by icons that visually represent the content of the respective section heading, as follows:

(a) the information on the main risks insured referred to in Article 20(8)(b) of Directive (EU) 2016/97 shall be headed by an icon of an umbrella, which shall be white on a green background or green on a white background;

(b) the information on the geographical scope of the insurance cover referred to in Article 20(8)(b) of Directive (EU) 2016/97 shall be headed by an icon of a globe, which shall be white on a blue background or blue on a white background;

(c) the information on excluded risks referred to in Article 20(8)(b) of Directive (EU) 2016/97 shall be headed by an icon of an X symbol within a triangle, which shall be white on a red background or red on a white background;

(d) the information on the main exclusions referred to in Article 20(8)(d) of Directive (EU) 2016/97 shall be headed by an exclamation mark ('!') within a triangle, which shall be white on an orange background or orange on a white background;

(e) the information on the obligations at the start of the contract, during the term of the contract and in the event that a claim is made, referred to in points (e), (f) and (g) of Directive (EU) 2016/97, respectively, shall be headed by an icon of a handshake, which shall be white on a green background or green on a white background;

(f) the information on the means and duration of payments referred to in Article 20(8)(c) of Directive (EU) 2016/97 shall be headed by an icon of coins, which shall be white on a yellow background or yellow on a white background;

(g) the information on the term of the contract referred to in Article 20(8)(h) of Directive (EU) 2016/97 shall be headed by an icon of an hourglass, which shall be white on a blue background or blue on a white background;

(h) the information on the means of terminating the contract referred to in Article 20(8)(i) of Directive (EU) 2016/97 shall be headed by an icon of a hand with an open palm on a shield, which shall be white on a black background, or black on a white background.

311 UK 7(2) All icons shall be displayed in a manner consistent with the standardised presentation format in the Annex.

312 UK 7(3) The icons referred to in paragraphs 1 and 2 may be presented in black and white where the insurance product information document is printed or photocopied in black and white.
ICOBS 6 : Product Information

[Note: article 7 of the IDD IPID Regulation]
Template for the standardised presentation format

**Xxxxxx Insurance**
Insurance Product Information Document

Company: <Name> Insurance Company  
Product: <Name> Policy

[Statement that complete pre-contractual and contractual information on the product is provided in other documents]

**What is this type of insurance?**
[Description of Insurance]

- What is insured?
  - Xxxxx
  - Xxxxx
  - Xxxxx
  - Xxxxx
  - Xxxxx
  - Xxxxx
  - Xxxxx
  - Xxxxx

- What is not insured?
  - Xxxxx
  - Xxxxx
  - Xxxxx

- Are there any restrictions on cover?
  - ! Xxxxx
  - ! Xxxxx

- Where am I covered?
  - Xxxxxx

- What are my obligations?
  - — Xxxxxx
  - — Xxxxxx
  - — Xxxxxx
  - — Xxxxxx

- When and how do I pay?
  - Xxxxx

- When does the cover start and end?
  - Xxxxx

- How do I cancel the contract?
  - Xxxxx

[Note: Annex to the IDD IPID Regulation]
Chapter 6A

Product specific rules
6A.1 Guaranteed asset protection (GAP) contracts

Application

6A.1.1 This section applies to a firm which sells a GAP contract to a customer in connection with the sale of a vehicle by:

(1) the firm; or

(2) a person connected to the firm.

6A.1.2 There is a sufficient connection between the GAP contract and the sale of a vehicle if the GAP contract is sold in connection with other goods and services, for example a credit agreement.

6A.1.3 A person connected with a firm includes acting as an introducer or appointed representative for that firm or if, regardless of authorisation status, it has a relevant business relationship with the firm.

Ensuring the customer can make an informed decision

6A.1.4 (1) Before a GAP contract is concluded, a firm must give the customer the following information:

(a) the total premium of the GAP contract, separate from any other prices;

(b) the significant features and benefits, significant and unusual exclusions or limitations, and cross-references to the relevant policy document provisions;

(c) whether or not the GAP contract is sold in connection with vehicle finance, that GAP contracts are sold by other distributors;

(d) the duration of the policy;

(e) whether the GAP contract is optional or compulsory;

(f) when the GAP contract can be concluded by the firm, as described in ICOBS 6A.1.6R and ICOBS 6A.1.7R; and

(g) the date the information in (a) to (f) is provided to the customer.

(2) This information must be communicated in a clear and accurate manner and on paper or another durable medium in accordance with ICOBS 4.1A.
(3) This information must be drawn to the customer’s attention and must be clearly identifiable as key information that the customer should read.

6A.1.5  
A firm must also comply with the rules in ICOBS 6 (Product Information).

**Deferred opt-in for GAP contracts**

6A.1.6  
Except as specified in ICOBS 6A.1.7R, a GAP contract cannot be concluded by a firm until at least 2 clear days have passed since the firm complied with ICOBS 6A.1.4R.

6A.1.7  
A firm can conclude a GAP contract the day after providing the information in ICOBS 6A.1.4R to a customer if the customer:

1. initiates the conclusion of the GAP contract; and
2. consents to the firm concluding the GAP contract earlier than provided for in ICOBS 6A.1.6R, and confirms that they understand the restriction in ICOBS 6A.1.6R.

6A.1.8  
Before concluding a GAP contract, a firm should have regard to the information needs of its customers and consider whether it would be in the customer’s interest to receive the information in ICOBS 6A.1.4R again, for example, if a long time has passed between providing the information and the conclusion of the contract.
6A.2 Optional additional products

Restriction on marketing or providing an optional product for which a fee is payable

(1) A firm must not enter into an agreement with a customer under which a charge is, or may become, payable for an optional additional product unless the customer has actively elected to obtain that specific product.

(2) A firm must not impose a charge on a customer for an optional additional product under an agreement entered into on or after 1 April 2016 unless the customer has actively elected to obtain that specific product before becoming bound to pay the charge.

(3) A firm must not invite or induce a customer to obtain an optional additional product for which a charge will be, or may become, payable if the firm knows or has reasonable cause to suspect that:
   (a) a contravention of (1) or (2) will take place with respect to the product; or
   (b) the person supplying the optional additional product will act in a way that would contravene (1) or (2) if that person were a firm.

(4) An omission by a customer is not to be regarded as an active election for the purpose of this rule.

(5) It is immaterial for the purposes of (3) whether or not the firm would or might be a party to the agreement for the optional additional product.

(6) A charge includes a financial consideration of any kind whether payable to the firm or any other person.

(7) [deleted]

(8) If the customer is required to obtain an additional product as a condition for the purchase of the non-investment insurance contract then that product is an optional additional product if the customer is given a choice:
   (a) as to the seller or supplier from whom to obtain the product; or
   (b) which specific product to obtain.
(9) It is immaterial for the purposes of (7) and (8) whether the *optional additional product* is obtained from the *firm* or another *person*.

(10) (a) If, under the terms and conditions of an *optional additional product*, there is to be an automatic renewal of the agreement on substantially the same terms, it suffices for the purposes of (1) to (3) if the *customer* actively elected before entering into the initial agreement or a preceding renewal to obtain the product.

(b) An automatic renewal of the agreement is not to be regarded as being on substantially the same terms if, following the renewal, a charge will or may become payable for the *optional additional product* for the first time (in which case, (1) to (3) apply at the time of the renewal).

(c) Except as set out in (b), changes in the level of charges for an *optional additional product* are to be disregarded in determining whether an automatic renewal of an agreement is on substantially the same terms.

(11) A *customer* may make an active election for the purposes of this rule through an intermediary in the sales process or through a *person* acting on behalf of the *firm*.

**6A.2.2** An example of an omission by a *customer* which is not to be regarded as an active election is the failure by the *customer* to change a default option such as a pre-ticked box on a website.

**6A.2.3** *Firms* are reminded that a similar prohibition on opt-out selling of add-on products is imposed by The Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 in relation to optional additional agreements where the main sale is not a financial service or product.

**6A.2.4** *Firms* are reminded that they must ensure that their appointed representatives comply with this section **ICOBS 6A.2**.

**6A.2.5** *Firms* are reminded that *retail premium finance* is an *optional additional product* for the purposes of **ICOBS 6A.2.1R**.
6A.3 Cross-selling

Requirements where insurance is the primary product

When offering a non-insurance ancillary product or service as part of a package or the same agreement with an insurance product, a firm must:

1. inform the customer whether it is possible to buy the different components separately and, if so must provide the customer with an adequate description of:
   
   (a) the different components;
   
   (b) where applicable, any way in which the risk or insurance coverage resulting from the agreement or package differs from that associated with the components taken separately; and

2. provide the customer with separate evidence of the costs and charges of each component.

[Note: articles 24(1) and (2) of the IDD]

Requirements where insurance is the ancillary product

When offering an insurance product ancillary to and as part of a package or in the same agreement with a non-insurance product or service, a firm must offer the customer the option of buying the non-insurance goods or services separately.

ICOBS 6A.3.2R does not apply where the non-insurance product or service is any of the following:

1. investment services or activities;

2. a credit agreement as defined in point 3 of article 4 of the MCD which is:
   
   (i) an MCD credit agreement; or
   
   (ii) an exempt MCD credit agreement; or
   
   (iii) a CBTL credit agreement; or
   
   (iv) a credit agreement referred to in articles 72G(3B) and (4) of the Regulated Activities Order;
(3) a payment account as defined in regulation 2(1) of the Payment Accounts Regulations.

[Note: article 24(3) of the IDD]

General

6A.3.4 R This section does not prevent the distribution of insurance products which provide coverage for various types of risks (multi-risk insurance policies).

[Note: article 24(5) of the IDD]

6A.3.5 G In addition to the rules in ICOBS 6A.3 firms should still comply with the other rules in ICOBS relating to the offer and sale of insurance products that form part of the package or agreement, such as those applying to price disclosure (ICOBS 6.1.13R), optional additional products (ICOBS 6A.2) and specifying the demands and needs of the customer (ICOBS 5.2.1R).

[Note: article 24(6) of the IDD]
6A.4 Travel insurance and medical conditions

Application

6A.4.1 This section applies in relation to a travel insurance policy, which is not:

(1) a group policy; or

(2) a policy entered into by a commercial customer.

Purpose

6A.4.2 The purpose of this section is to improve access for consumers to travel insurance policies that include cover for more serious medical conditions.

Medical cover firm directory

6A.4.3 (1) A firm must include the details of a medical cover firm directory on the page of its website where it markets travel insurance policies.

(2) The information required by (1) must:

(a) be provided in a prominent, clear and accurate manner; and

(b) include the contact details of the medical cover firm directory, including its telephone number and a link to its website;

(3) The obligations in (1) and (2) apply 30 calendar days from the date on which the firm becomes aware (or ought reasonably to have become aware) of a publicly available directory that meets the requirements of a medical cover firm directory.

6A.4.4 The FCA’s website contains a list of those directories which it considers to be medical cover firm directories.

Additional pre-contract information for the consumer

6A.4.5 (1) Where one or more circumstances set out in ICOBS 6A.4.R applies, the firm that is responsible for communicating with the consumer under this sourcebook, must also communicate to the consumer:

(a) the contact details, including telephone number and website, of the medical cover firm directory;

(b) the purpose of the medical cover firm directory; and
(c) the potential benefits of accessing the medical cover firm directory and any other relevant considerations.

(2) The firm must communicate the information in (1):
(a) in a manner that is prominent, clear and accurate; and
(b) in accordance with ICOBS 4.1A.

The circumstances

6A.4.6 R
The circumstances for the purposes of ICOBS 6A.4.5R are where a firm:

(1) declines, or otherwise does not offer, a consumer a quotation due (wholly or partly) to a medical condition;
cancels a consumer’s policy due (wholly or partly) to a medical condition;
offers a policy with a medical condition exclusion which cannot be removed from the policy;
offers a policy with a medical condition premium of £100 or more; and/or
offers a policy in respect of which the medical condition premium is not known.

Content of communication

6A.4.7 G
When describing the purpose and potential benefits of accessing the medical cover firm directory, the communication provided to consumers pursuant to ICOBS 6A.4.5R should:
(a) tell the consumer why they are receiving the communication;
(b) taken as a whole, not discourage the consumer from using the directory; and
(c) otherwise be the result of careful consideration by the firm of consumer needs and expectations in light of the requirements of relevant principles and rules, including Principles 6, 7 and 8.

An example of a relevant consideration (referred to in ICOBS 6A.4.5R(1)(c)) is where multiple consumers have applied for a joint travel insurance policy from the firm and should consider the consequences of purchasing separate travel insurance policies.

Exception: multiple policies

6A.4.8 R
A firm need not comply with ICOBS 6A.4.5R where it is contemporaneously able to communicate an offer to a consumer of a travel insurance policy in respect of which none of the circumstances set out in ICOBS 6A.4.6R apply.
Exception: consumer has already accessed the medical cover firm directory

6A.4.9  R  A firm need not comply with ▲ ICOBS 6A.4.5R where all the following conditions are met:

   (1) the firm is listed on a medical cover firm directory;

   (2) the firm is aware that the consumer has already accessed the medical cover firm directory in respect of the same risk; and

   (3) only ▲ ICOBS 6A.4.6R (4) applies.

6A.4.10  R  A firm must not rely on the exception in ▲ ICOBS 6A.4.8R or ▲ ICOBS 6A.4.9R where it would still be in the consumer’s best interests to provide the communication under ▲ ICOBS 6A.4.5R.

6A.4.11  G  An example of where it may be in the consumer’s best interests to provide the communication is where the consumer has expressed dissatisfaction to the firm with the quote provided.

6A.4.12  G  (1) Whether a firm has responsibility for communicating with the consumer under this section will depend on the rules in this sourcebook applicable to the relevant circumstances, and the language of relevant provisions in this section should be construed accordingly. See, for example, ▲ ICOBS 5.1.3CR (Packaged bank accounts), ▲ ICOBS 6.13R (Producing and providing product information), ▲ ICOBS 6.1 (Providing product information to customers) and ▲ ICOBS 6.5 (Renewals).

   (2) Guidance on the application of these requirements to an insurer that is an incoming firm can be found at ▲ ICOBS 1 Annex 1 (Part 2) 5.1R.

   (3) Firms with appointed representatives are reminded that the effect of s39(4) of the Act is that where the appointed representative carries out the relevant activity, the firm must ensure that the appointed representative complies with the relevant provision (see ▲ SUP 12.3.1G).

Assessment of medical condition risk

6A.4.13  G  (1) Firms should assess the risk associated with medical conditions and calculate medical condition premiums by reference to reliable information that is relevant to the assessment of the risk. Firms which do not do this may communicate unclear, unfair or misleading price information to consumers and so risk breaching Principles 2, 6 and/or 7, and ▲ ICOBS 2.2.2R and/or ▲ ICOBS 2.5.1R. Firms also need to consider their obligations under the Equality Act 2010.

   (2) Firms are also reminded of their obligations in ▲ PROD 4.2 or ▲ 4.3 to identify and distribute travel insurance policies to the target market.

   (3) Prior to a firm offering a policy with a very high medical condition premium, the firm should take all reasonable steps to consider whether:
(a) the nature of the medical screening or assessment process is insufficient to provide reliable information which is relevant to the assessment of the risk associated with the particular medical condition;

(b) the high premium is intended to indicate an unwillingness to accept the risk by the insurer; or

(c) the high premium is due to the medical condition falling outside of the insurer's risk appetite or the target market for the product.

(4) Where this is the case, offering a quote may mislead the consumer and/or result in them not being treated honestly, fairly and professionally in their best interests. A firm should consider instead whether it would be more appropriate not to offer a quote for the risk, explain the reason/s why not to the consumer and provide them with the details of the medical cover firm directory under ICOBS 6A.4.5R.
6A.5  Retail premium finance: disclosure and remuneration

Other requirements in the Handbook

This section does not affect the application of other requirements in the FCA Handbook applying to firms in relation to a regulated credit agreement.

Pre-contract information

In good time before the conclusion of a policy including on any renewal, a firm offering retail premium finance in relation to that policy must give the customer:

(1) price information about:
   (a) the total cost of the policy if purchased without retail premium finance;
   (b) the total cost of the policy with retail premium finance including costs of, or associated with, the retail premium finance; and
   (c) any difference in the costs in (a) and (b), alongside each other;

(2) a description that the use of retail premium finance arrangements will be more expensive for the customer compared to paying for the policy upfront;

(3) details of any difference between the duration of the policy and that of the retail premium finance; and

(4) where the price information is presented on any basis other than annually, an explanation alongside that information of any difference between the total price to be paid by the customer when buying with or without retail premium finance.

The information in ICOBS 6A.5.2R must be communicated:

(1) in a way that is accessible and which draws the consumer’s attention to it as key information; and

(2) in accordance with ICOBS 4.1A.
Active election

For the purposes of ICOBS 6A.2.1R, providing the customer with the choice between paying monthly or annually will not be sufficient to show the customer has made an active election to obtain the retail premium finance.

Premium finance related remuneration

A firm must not propose or arrange the use of any particular retail premium finance where that would be inconsistent with the firm’s obligations in the FCA Handbook, including the customer’s best interest rule, SYSC 19F.2 or CONC.

(1) Firms are reminded of their obligations elsewhere in the FCA Handbook including:
   (a) Principles 1 and 6 to act with integrity and treat customers fairly;
   (b) Principle 8 to manage conflicts of interest fairly, both between itself and its customers and between a customer and another client. This principle extends to the remuneration a firm receives including soliciting or accepting inducements where this would conflict with a firm’s duties to its customers;
   (c) conflicts of interest requirements in SYSC 3.3 (for insurers) or SYSC 10 (for insurance intermediaries);
   (d) the customer’s best interests rule, and SYSC 19F.2 to ensure remuneration arrangements do not conflict with their duty to comply with the customer’s best interests rule.

(2) An inducement is a benefit offered to a firm, or any person acting on its behalf, with a view to that firm, or that person, adopting a particular course of action. This can include, but is not limited to, cash, cash equivalents, commission, goods, hospitality or training programmes.

(1) Firms should consider, at inception and then on a regular basis, their arrangements with providers or distributors of retail premium finance and whether they could give an incentive to act in a way that is inconsistent with the customer’s best interests rule or otherwise could risk breaching any of the provisions referred to in ICOBS 6A.5.6G above. For example, a firm’s remuneration arrangements should not provide an incentive to offer retail premium finance having greater costs to the customer (including a higher APR) where another retail premium finance arrangement, better aligned with the customer’s interests, is available to the firm in the market.

(2) For the purposes of (1) a firm would be considering its arrangements with providers or distributors of retail premium finance on a regular basis where these arrangements are assessed as part of the firm’s compliance with PROD 4.2.35AR (for a manufacturer) or PROD 4.3.6AR (for a distributor) to consider if these arrangements are consistent with providing fair value.

(3) When considering its arrangements with providers or distributors of retail premium finance, both before entering into any arrangement and on a regular basis, a firm should be able to demonstrate:
(a) how the arrangements provide a fair outcome for the customer; and

(b) why that arrangement was selected.

For example, where the firm receives a greater level of remuneration, whether through a higher commission rate or otherwise, compared to other arrangements available to it, including any monthly payment arrangement where the price to the customer is not greater than where the policy is sold on a standalone basis, it will need to demonstrate how this selection was consistent with the customer’s best interests rule.

(4) Where the remuneration firms receive in relation to retail premium finance conflicts with the duty to comply with the customer’s best interests rule they will need to take appropriate actions to address the situation including, where necessary, changing retail premium finance providers.
6A.6 Cancellation of automatic renewal

Application

6A.6.1 This section applies in relation to all general insurance contracts entered into with consumers which have an automatic renewal feature except for:

(1) private health or medical insurance; and

pet insurance.

Purpose

6A.6.2 The purpose of this section is to support Treating Customers Fairly outcome 6 – “Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint”, by making it easier for consumers who wish to prevent their policy from automatically renewing to cancel this feature of their policy.

Requirement for a range of cancellation methods

6A.6.3 A firm must provide a consumer with easy and accessible methods for cancelling the automatic renewal feature in the consumer’s contract.

6A.6.4 (1) The methods provided by a firm in accordance with ICOBS 6A.6.3R must include at least all the methods by which a consumer is able to purchase a new policy with the firm.

(2) A firm must consider the needs of its customers when determining what cancellation methods it provides.

6A.6.5 An easy and accessible method for cancelling an automatic renewal feature is a method that does not place any unnecessary barriers on the consumer who uses it. Unnecessary barriers may include one or both of the following:

(1) unreasonably longer call waiting times to cancel the automatic renewal feature than to purchase a new policy; and/or

(2) unnecessary questions or steps before the consumer is able to confirm their instructions to cancel the automatic renewal feature.
Times a consumer may cancel

A firm must allow the consumer to exercise their right to cancel the automatic renewal feature:

(1) at the time the consumer purchases the policy and at any time during the duration of the policy; and

(2) free of charge.
Home insurance and motor insurance pricing

Chapter 6B

Home insurance and motor insurance pricing
6B.1 Application and purpose

What?

6B.1.1 This chapter applies where a firm carries out any of the following activities in relation to a home insurance or motor insurance policy or any related additional product sold to a consumer:

(1) setting the renewal price; or
(2) setting the price for any additional product offered to the customer at renewal; or
(3) determining the level of remuneration, including in particular any fees earned by the firm when distributing a product at renewal.

6B.1.2 This chapter also applies where a home insurance or motor insurance policy is sold on a subscription basis and at any point during the lifetime of the policy, the firm increases the price of the policy.

6B.1.2A This chapter also applies where:

(1) a firm carries out insurance distribution activities at renewal; and
(2) the firm either:
   (a) forgoes commission in whole or in part when selling to a new business customer; or
   (b) offers cash or cash-equivalent incentives within the meaning of ICOBS 6B.2.12R to new business customers.

Exclusions

6B.1.3 This chapter does not apply to group policies where these include, or are sold alongside, home insurance or motor insurance products.

Purpose

6B.1.4 The rules in this chapter:

(1) promote competition through ensuring consumers have a realistic picture of the long-term cost of their chosen product when purchasing it and incentivising firms to compete for consumer business on this basis; and
(2) protect consumers through ensuring that they are placed in a position where they can understand the long-term cost of their product.

6B.1.5 The rules in this chapter are not intended to affect how risk is priced for home insurance and motor insurance.
6B.2 Setting renewal prices

Renewal price

6B.2.1 R A firm must not set a renewal price that is higher than the equivalent new business price.

Paragraph (1) applies at the point the renewal notice is prepared.

Combined home and motor insurance packages

6B.2.2 R In the case of a combined home insurance and motor insurance package, the renewal price for each of the following must be no higher than the equivalent new business price:

1. the home insurance element;
2. the motor insurance element; and
3. the bundled price for the package.

Net-rated business

6B.2.3 G ICOBS 6B.2.1R does not distinguish between firms writing gross-rated business or net-rated business. Insurers or managing agents writing net-rated business should apply the rules in this section to arrive at a net-rated price which is the equivalent new business price on a net-rated price basis.

Renewal price of retail premium finance

6B.2.4 G Where a customer pays for their policy through retail premium finance, the renewal price of the policy should be set in accordance with ICOBS 6B.2.1R and the renewal price for the retail premium finance should be set in accordance with ICOBS 6B.2.37R.

Assumptions regarding channel used by customer

6B.2.5 R (1) In determining the equivalent new business price, a firm must assume that the existing customer has approached the firm through the same channel as they used when they first purchased their policy.

(2) Where the firm no longer accepts new business through the channel that the customer originally used to purchase the policy, or where the channel can no longer be identified, the firm must assume that the
Customer approached the firm through the channel most commonly used by new business customers of the firm.

If the customer used more than one channel when they first purchased their policy, the firm must determine the equivalent new business price using the channel or combination of channels that was used to determine the price of the customer's policy at new business.

6B.2.6 G For the purposes of the assumptions in ICOBS 6B.2.5R, a firm should treat each intermediary chain, price comparison website or affinity/partnership scheme through which it sells policies as a separate channel.

6B.2.7 R (1) A firm may calculate the equivalent new business price on the basis that the customer is using a different channel than they used when they first purchased their policy where:
   (a) the customer has agreed to take out a different product to the one they took out in the last insurance period;
   (b) the product the customer is taking out is most frequently purchased via a different channel to the one the customer used to take out their original product; and
   (c) it is in the customer's best interests to take out the new product.

   (2) Where a firm calculates the equivalent new business price according to (1), it must assume that the customer approached the firm using the channel that the product is most frequently purchased through.

Changing to a different policy with the same firm at renewal

6B.2.8 G (1) Where a firm offers a customer a different product at renewal the firm should be able to demonstrate how it has met:
   (a) the rules in ICOBS 5.2 (Demands and needs); and
   (b) ICOBS 2.5.-1R (customer best interests).

   (2) Firms are reminded that ICOBS 5.2 includes requirements for a firm, before conclusion of any contract of insurance, to
   (a) specify, on the basis of information obtained from the customer, the demands and needs of the customer; and
   (b) ensure that any contract of insurance proposed is consistent with the customer's insurance demands and needs.

   Before proposing a different product at renewal, a firm will need to take all necessary steps to meet these requirements which may include contacting the customer and obtaining all necessary information from that customer so the firm can conduct a demands and needs assessment.

   (3) A firm should not offer or propose a different product to the customer at renewal if:
   (a) the different product is more commonly distributed through a more expensive channel than the channel or channels the customer originally approached the firm through; and
(b) the primary purpose of distributing the alternative product is to enable the firm to charge the customer a higher renewal price.

**Incentives**

6B.2.9 When calculating the equivalent new business price, a firm must include any cash or cash-equivalent incentives that it gives to new business customers and that the renewing customer would be eligible for if they were a new business customer.

6B.2.10 (1) ICOBS 6B.2.9R applies to any cash or cash-equivalent incentive that is wholly or partially funded by the firm.

(2) For the purposes of (1), it does not matter if the incentive is funded directly by the firm or if the firm provides funding to a third party contingent on that third party providing an incentive to the customer.

6B.2.11 Incentives that are not cash or cash-equivalent are excluded from the scope of these rules.

6B.2.12 A cash or cash-equivalent incentive is any incentive that can be readily expressed as having a monetary value including, but not limited to, the items listed in column 1 of the table at ICOBS 6B.2.14R.

6B.2.13 Non-cash incentives are any incentives that are not capable of being readily expressed as having a definite monetary value.

6B.2.14 The following table gives examples of cash and non-cash incentives for the purposes of ICOBS 6B.2.12R and ICOBS 6B.2.13R.

<table>
<thead>
<tr>
<th>Cash or cash-equivalent incentives</th>
<th>Non-cash incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td>A percentage discount on the premium</td>
<td>Toys</td>
</tr>
<tr>
<td>A monetary discount on the premium</td>
<td>Carbon off-setting</td>
</tr>
<tr>
<td>Part of the insurance term given for free (e.g. one month free)</td>
<td>A percentage chance to win back the premium</td>
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<tr>
<td>A free additional product</td>
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<tr>
<td>Cashback</td>
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<tr>
<td>Retail vouchers</td>
<td></td>
</tr>
<tr>
<td>Points in a retail loyalty scheme</td>
<td></td>
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</tbody>
</table>

6B.2.15 Firms are reminded that Principle 7 and ICOBS 2.2.2R apply to the communication of incentives in the same way as they apply to all communications with their customers. Firms should present incentives in a way that makes clear both the overall price of the product, not including the incentive, and (if different) the price the customer will actually pay.
New business discounts

6B.2.16 **R**
The equivalent new business price must take account of any individually negotiated discounts the firm agrees with an equivalent new business customer for the product.

6B.2.17 **G**
In taking account of individually negotiated discounts agreed with new business customers, a firm should be able to demonstrate that:

1. the equivalent new business price does not discriminate on grounds of tenure contrary to ICOBS 6B.2.40R; and

2. the firm has taken account of the best interests of its customers (ICOBS 2.5.-1R) in determining its method for calculating the equivalent new business price in compliance with ICOBS 6B.2.16R.

Calculating the equivalent new business price - missing information

6B.2.18 **G**
(1) Where a firm does not have the same information for an existing customer as it has when quoting for a new business customer, it may determine its own approach to how it takes account of any missing information when calculating the equivalent new business price.

(2) Examples of situations where a firm may have missing information when calculating the equivalent new business price are:

(a) where the firm uses behavioural factors in calculating the price a new business customer pays, such as the length of time between the quote and the inception date; and

(b) where a firm has changed the information it obtains from new business customers when providing a quote.

(3) Firms are reminded that where factors such as those described in (2) are taken into account in determining the renewal price, they must still be able to demonstrate compliance with:

(a) the requirement to not discriminate on grounds of tenure in ICOBS 6B.2.40R; and

(b) the requirements to provide fair value in relation to non-investment insurance contracts in PROD 4.2.14AR and, where relevant, PROD 4.2.14BR.

Calculating the equivalent new business price - information acquired during the term of the customer's current policy

6B.2.19 **R**
(1) A firm must include in its determination of a customer's equivalent new business price any risk information acquired during the term of the customer's current policy that has the effect of either increasing or decreasing the equivalent new business price.

(2) Paragraph (1) includes risk information that the firm would not normally have in relation to new business customers, such as telematics data or fraud risk indicators.
Changes to contractual parties

6B.2.20 A firm only needs to comply with the rules in this chapter where it arranged the contract or was a party to the contract with the customer in the previous year. For example, where an intermediary operates a panel of insurers and re-brokes the customer’s insurance to another member of the panel, the customer should be treated as a renewal by the intermediary but a new business customer by the insurer who did not underwrite the customer’s policy in the previous year.

Subscription policies

6B.2.21 Where a firm increases the price of a policy sold on a subscription basis, it must apply the rules in this chapter on setting a renewal price.

6B.2.22 A firm that sells policies on a subscription basis must review the pricing of their subscription policies at least annually.

6B.2.23 The annual review must assess whether the price of the policy sold on a subscription basis is no higher than the equivalent new business price.

6B.2.24 The rules in this chapter do not require a firm selling policies on a subscription basis to back date any price reductions that the firm may implement as the result of any review under ICOBS 6B.2.21R.

Closed books

6B.2.25 Where a customer’s policy is in a closed book, the firm must determine the customer’s equivalent new business price according to the following rules.

6B.2.26 The firm must identify from the home insurance and motor insurance products that it currently actively markets or distributes, whether it has a home insurance or motor insurance product that is a close matched product.

6B.2.27 Where the firm no longer actively markets or distributes any home insurance or motor insurance product which is a close matched product but it is part of a group which does actively market or distribute home insurance or motor insurance products, it must identify whether the firm’s group actively markets or distributes a close matched product.

6B.2.28 Where there is more than one product which is a close matched product, the firm must select:

1. the close matched product which is the most similar to the customer’s existing policy; or

2. where it is not possible to identify the most similar close matched product, the close matched product which will lead to the most favourable pricing outcome for customers who hold a policy in the closed book.
6B.2.29 Where a close matched product is identified or selected, the equivalent new business price for a customer in the relevant book is the price set out in (1), taking account of the permitted adjustments set out in (2) below.

(1) The equivalent new business price for the close matched product.

(2) The permitted adjustments are those which fairly and proportionately reflect the difference in costs for the firm arising from differences between the cover or benefits (including any compulsory excess) or other costs of providing services or benefits under the contract (such as additional telephone support) provided by the policies in the closed book and the close matched product.

6B.2.30 In calculating the equivalent new business price for a close matched product, a firm must assume that the customer approached the firm using the channel most commonly used by new business customers of the close matched product.

6B.2.31 A firm must set the renewal price in accordance with ICOBS 6B.2.39R if either (1) or (2) apply:

(1) the firm is unable to identify a product which is a close matched product; or

(2) the firm is unable to determine an equivalent new business price because the firm would not offer a policy to a new business customer of the same risk profile as the existing customer.

6B.2.32 A firm must assess whether any of its home insurance or motor insurance products are in closed books:

(1) at least annually; and

(2) whenever the firm makes a material change to the distribution or marketing of the product that could change the book from being an open book to a closed book.

6B.2.33 (1) The calculation of whether a book meets the closed book definition should be carried out on the basis of the product as a whole across all the channels used by the firm for distribution of the product.

(2) A firm should apply the definition on the basis of its own book of business, without reference to other firms involved in distributing or underwriting the product. This means:

(a) an insurer should apply the closed book definition only to those products that it underwrites; and

(b) an insurance intermediary should apply the closed book definition only to those products which it has distributed.
Intermediaries’ remuneration and involvement in setting price

6B.2.34  
An insurance intermediary that is involved in the setting of any portion of the renewal price of the policy must ensure that the portion they set or their contribution to that portion is set at a level that is no higher than it would be set for a new business customer.

6B.2.35  
An insurance intermediary that carries out insurance distribution activities at renewal and which either:

1. forgoes commission in whole or in part when selling to new business customers; or
2. offers a cash or cash-equivalent incentive (within the meaning of ICOBS 6B.2.12R) to new business customers,

must, to the extent that a customer renewing a policy would be eligible to benefit from the commission forgone or the cash or cash-equivalent incentive if they were a new business customer, include that forgone commission or cash or cash-equivalent incentive when:

1. determining the equivalent new business price at renewal; and
2. applying ICOBS 6B.2.9R to ICOBS 6B.2.15G.

Additional products

6B.2.36  
A firm that has responsibility for setting the price of an additional product that is available to a customer in connection with a home insurance or motor insurance policy must ensure that the price of the additional product at renewal is no higher than the price at which the additional product would be offered to the customer if they were a new business customer.

6B.2.37  
Where the additional product is retail premium finance, the price referred to in ICOBS 6B.2.36R is the APR if the retail premium finance is a regulated credit agreement or in all other cases the amount paid by the customer for retail premium finance for the amount of premium to be financed by the retail premium finance.

6B.2.38  
Where a firm no longer offers to new business customers an additional product which is available to a customer in connection with the renewal of a home insurance or motor insurance policy, the price for that additional product must be set as follows:

1. where the additional product is a policy, the firm must:
   a. apply the rules for closed books in ICOBS 6B.2.25R to ICOBS 6B.2.33G (and references in these rules to home insurance or motor insurance should be read as ‘additional product’); or
   b. if the additional product has no close matched product, apply ICOBS 6B.2.39R;

2. where the additional product is not a policy, the firm must apply ICOBS 6B.2.39R.
Firms’ assurance over customer outcomes

A firm must ensure that it does not systematically discriminate against customers based on their tenure, when determining:

1. an equivalent new business price;
2. the renewal price for customers in closed books where a firm is unable to identify a close matched product;
3. the price for any additional products offered to the customer at renewal of a policy; and
4. the level of any remuneration earned by the firm, including in particular any fees charged to a customer, at renewal of a policy.

1. A firm’s equivalent new business price for customers of longer tenure should not systematically exceed the new business price for new business customers.

2. A pricing model used by the firm to determine the equivalent new business price, or renewal prices for customers in closed books where a firm is unable to identify a close matched product, should not generate prices which are systematically higher the longer a customer’s tenure is.

3. A firm’s renewal price for customers of longer tenure, or the price for any additional products offered to customers of longer tenure at renewal of a policy, should offer fair value to the customer taking account of the prices offered to customers of shorter tenure. In particular, a firm should avoid the following outcomes:
   a. the price of any of the following materially exceeding the new business price which a customer of longer tenure would pay to obtain the cover and/or benefits offered by the product if the customer were to shop around as a new business customer approaching another firm or firms:
      i. the firm’s renewal price for customers in a closed book where no close matched product is identified;
      ii. the firm’s price for any additional product offered at renewal where that additional product is a policy and no close matched product is identified; or
      iii. the firm’s price for any additional products offered at renewal where the additional product is not a policy and is no longer available to new business customers;
   b. the quality of service or cover enjoyed by customers of longer tenure is lower than that enjoyed by customers of shorter tenure for the same product; and
   c. relevant and appropriate value measures, or the gross incurred claims ratio, for policies held by customers of longer tenure indicate that the value provided by these policies is lower than that for policies held by customers of shorter tenure.

4. A firm should not systematically charge higher fees to a customer who is renewing a policy than to a new business customer.
(5) A firm should not selectively close individual channels in order to take advantage of the premium difference between channels when setting an equivalent new business price.

(6) A firm should not fund an incentive offered by a third party in a way that results in the equivalent new business price systematically exceeding the new business price actually paid by new business customers who receive the incentive.

(7) Contravention of any of (1) to (6) may be relied on as tending to establish contravention of ICOBS 6B.2.39R.

6B.2.41 G When comparing a firm’s new business price with the renewal price for individual customers, we would not expect to see that the longer a customer’s tenure is, the greater the difference between:

(1) in the case of an insurer, the risk price and the net-rated price or gross price; or

(2) in the case of an intermediary, the net-rated price and the gross price.

6B.2.42 R A firm must not make arrangements that are designed to enable it to treat existing customers as new business customers unless:

(1) the firm can demonstrate that the proposed arrangements are in the best interests of the customers that will be treated as new business customers under the arrangements; and

(2) the price of the products distributed to these customers does not adversely impact on the product offering fair value according to PROD 4.2.14AR and, where relevant, PROD 4.2.14BR.

6B.2.43 E A firm should not participate in or carry out any of the following steps where the primary impact on existing customers affected by the steps is to increase the price these customers pay for their product:

(1) establish a new entity or entities (whether this is done by the firm or a member of its group) that will be responsible for arranging policies for existing customers at renewal;

(2) transfer the business of existing customers to existing entities in the group or existing subsidiaries; and

(3) sell to existing customers at renewal a product that is only superficially different from the customer’s current product.

Contravention of any of (1) to (3) may be relied upon as tending to establish contravention of ICOBS 6B.2.42R and ICOBS 2.5.-1R.

6B.2.44 R It is not a contravention of ICOBS 6B.2.39R or ICOBS 2.5.-1R for a firm to offer a customer a renewal price that is lower than the equivalent new business price based on any factor, including the customer’s tenure.
Notifications to the FCA

6B.2.45 R
A firm must notify the FCA if it becomes aware that any other firm in the distribution chain is not or may not be complying with the rules in this chapter.

6B.2.46 G
Under Principle 11, firms should notify the FCA of any change in their pricing model where there is a material risk of harm for customers.

Sales practices

6B.2.47 R
When communicating a renewal price to customers, or when contacted by customers to discuss a renewal price, a firm must not systematically discriminate against customers based on tenure.

6B.2.48 R
When communicating a price for any additional product at renewal of the policy, or when contacted by customers to discuss the prices of additional products at renewal of their policy, a firm must not systematically discriminate against customers based on tenure.

6B.2.49 E
(1) A firm should not communicate with a customer of longer tenure in a manner which is objectively likely to discourage a customer of longer tenure from shopping around for an alternative policy offered by another firm.

(2) A firm should not communicate with customers of longer tenure with the intent, or in a way that might reasonably be expected to have the effect, that these customers are less likely than other customers to contact the firm to negotiate the renewal price of the policy.

(3) A firm should not interact with customers of longer tenure with the intent or the effect that these customers are more likely than other customers to accept the renewal price of the policy.

(4) Contravention of any of (1) to (3) may be relied on as tending to establish contravention of ■ ICOBS 6B.2.47R or ■ ICOBS 6B.2.48R.

6B.2.50 G
Where a firm has communicated a renewal price to a customer in compliance with the rules in this chapter, a firm may subsequently agree a discount to a renewal price in individual negotiations with the customer.

Records

6B.2.51 R
A firm must make and retain written records of how it continues to satisfy itself that it does not systematically discriminate against customers based on tenure in contravention of ■ ICOBS 6B.2.39R including details of:

(1) the assessment undertaken by the firm to evaluate whether the equivalent new business price for customers of longer tenure systematically exceeds that for new business customers;

(2) the controls put in place by the firm to ensure that any pricing model it uses to generate its equivalent new business prices, or the renewal...
prices for customers in closed books where a firm is unable to identify a close matched product, does not generate prices which are systematically higher the longer a customer's tenure is;

(3) the evidence gathered and the assessment undertaken by the firm to evaluate whether its renewal prices or prices for additional products at renewal offer fair value to customers of longer tenure;

(4) the assessment undertaken by the firm to evaluate whether the fees it charges to customers of longer tenure systematically exceed those charged to new business customers; and

(5) any appropriate independent oversight of the assessments and controls in (1), (2), (3) and (4).

6B.2.52 A firm must make and retain written records of how it satisfies itself that any arrangements it makes to enable it to treat existing customers as new business customers are consistent with ICOBS 6B.2.39R, including details of:

(1) the assessment it has undertaken to assure itself that the customer best interests rule in ICOBS 2.5.-1R is met; and

(2) the assessment it has undertaken of the likely effect of the arrangements on the price customers will pay for their product after the arrangements have taken effect as compared to the price customers would pay if the arrangements did not take effect.

6B.2.53 A firm must also make and retain written records of its consideration of the extent to which material decisions which it takes in relation to its compliance with the rules in this chapter are consistent with:

(1) the objectives of these rules as set out in ICOBS 6B.1.4G;

(2) the requirement not to discriminate against customers based on tenure in ICOBS 6B.2.39R, ICOBS 6B.2.47R and ICOBS 6B.2.48R; and

(3) the requirements in ICOBS 6B.2.42R around making arrangements to treat existing customers as new business customers.

6B.2.54 The records in ICOBS 6B.2.51R and ICOBS 6B.2.52R must set out clearly:

(1) the basis on which the firm is complying with the rules in this chapter;

(2) how the firm has resolved any areas of discretion, ambiguity or potential uncertainty in its determination that the pricing of its home insurance and motor insurance renewal business, including additional products available to customers in connection with this business, is in compliance with the rules in this chapter; and

(3) appropriate expert input and advice on which the firm relies in satisfying itself as to its compliance with the rules in this chapter.
6B.2.55 The material decisions referred to in ICOBS 6B.2.53R include, but are not limited, to:

1. launching, discontinuing or materially varying any aspect of a product which is, or could be, relevant to setting an equivalent new business price;

2. taking action which would result in a book becoming a closed book for the purposes of the rules in this chapter;

3. identifying or selecting a close matched product or determining that it is not possible to identify a close matched product;

4. making any adjustments to the equivalent new business price for a close matched product as a result of applying the assumptions in ICOBS 6B.2.29R and ICOBS 6B.2.30R;

5. making changes to the firm’s business structure or to the business structure of a firm’s group to the extent that this may affect the basis on which an equivalent new business price is set;

6. determining the firm’s approach to ensuring that it does not systematically discriminate against customers based on their tenure in accordance with ICOBS 6B.2.39R, ICOBS 6B.2.43R and ICOBS 6B.2.44R; and

7. arranging for another entity or entities to offer the renewal product to the customer.

6B.2.56 The following are examples of the types of records that firms should retain under ICOBS 6B.2.51R to ICOBS 6B.2.53R:

a. records of minutes of any pricing committee;

b. any analysis showing whether similar customers face different pricing outcomes;

c. where the firm’s data indicates any potential issues under ICOBS 6B.2.40R, any analysis demonstrating that the firm has not discriminated against customers of longer tenure.

6B.2.57 The records compiled by the firm in accordance with ICOBS 6B.2.51R to ICOBS 6B.2.53R must be provided as soon as reasonably practicable after the record is prepared or updated to the person responsible for the attestation in ICOBS 6B.2.60R, and to the FCA on request.

6B.2.58 Firms are reminded of their obligations under SYSC 3.2.20R and SYSC 9.1.1R in relation to the keeping of records and the guidance in SYSC 3.2.21G and SYSC 9.1.5G regarding the nature of the systems and controls a firm should have in place and the general principle that records should be retained for as long as is relevant for the purposes for which they are made.

Policies and procedures

6B.2.59 A firm should have in place policies and procedures to ensure its ongoing compliance with the rules in this chapter following any material changes to
the firm’s pricing practices, pricing models or products which could affect a firm’s compliance with rules in this chapter or fair outcomes for customers of longer tenure.

Attestation requirements

Every firm subject to the rules in this chapter must provide the attestation set out at (1) for the reporting period set out in (2) at the time set out in (3) by a person in (4) below.

(1) The attestation is that the firm:
   (a) is and has been complying with the rules in this chapter throughout the reporting period; and
   (b) is satisfied that the pricing of its home insurance and motor insurance renewal business and related sales practices are consistent with the objectives of the rules as set out in ICOBS 6B.1.4G and does not discriminate against customers of longer tenure as set out in ICOBS 6B.2.39R, ICOBS 6B.2.47R and ICOBS 6B.2.48R.

(2) The reporting period is the 12-month period beginning 1 January and ending 31 December.

(3) The attestation must be provided annually, on or before 31 March in the year following the end of the reporting period.

(4) The attestation must be provided by:
   (a) a single person, who holds a senior management function in the firm; or
   (b) where a firm is not an SMCR firm, by a director of the firm.

Format and method of submission of attestation

The attestation must be submitted online through the appropriate systems accessible from the FCA’s website.

The attestation will not be considered as submitted to the FCA unless it has been accepted by the relevant FCA system.

If the FCA’s information technology systems fail and online submission is unavailable for 24 hours or more, the FCA will endeavour to publish a notice on its website confirming that online submission is unavailable and will confirm what methods of submission should be used instead.
Chapter 7

Cancellation
7.1 The right to cancel

The right to cancel

7.1.1 A consumer has a right to cancel, without penalty and without giving any reason, within:

1. 30 days for a contract of insurance which is, or has elements of, a pure protection contract or payment protection contract; or

2. 14 days for any other contract of insurance or distance contract.

[Note: article 6(1) of the Distance Marketing Directive in relation to a distance contract and article 186 of the Solvency II Directive in relation to a pure protection contract]

7.1.2 A firm may provide longer or additional cancellation rights voluntarily, but if it does these should be on terms at least as favourable to the consumer as those in this chapter, unless the differences are clearly explained.

Exceptions to the right to cancel

7.1.3 The right to cancel does not apply to:

1. a travel and baggage policy or similar short-term policy of less than one month’s duration;

2. a policy the performance of which has been fully completed by both parties at the consumer’s express request before the consumer exercises his right to cancel;

3. a pure protection contract of six months’ duration or less which is not a distance contract;

4. a pure protection contract effected by the trustees of an occupational pension scheme, an employer or a partnership to secure benefits for the employees or the partners in the partnership;

5. a general insurance contract which is neither a distance contract nor a payment protection contract, sold by an intermediary who is an unauthorised person (other than an appointed representative); and

6. a connected contract which is not a distance contract.

[Note: articles 6(2)(b) and (c) of the Distance Marketing Directive and article 186(2) of the Solvency II Directive]
A ‘similar short-term policy’ is any policy where the event or activity being insured is less than one month’s duration. ‘Duration’ refers to the period of cover rather than the period of the contract.

**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**

If a consumer 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 durable medium, is dispatched before the deadline expires.

[Note: article 6(1) and (6) of the Distance Marketing Directive]
7.2 Effects of cancellation

Termination of contract

7.2.1 By exercising the right to cancel, the consumer withdraws from the contract and the contract is terminated.

Payment for the service provided before cancellation

7.2.2 (1) When a consumer exercises the right to cancel he may only be required to pay, without any undue delay, for the service actually provided by the firm in accordance with the contract.

(2) The amount payable must not:

   (a) exceed an amount which is in proportion to the extent of the service already provided in comparison with the full coverage of the contract; and

   (b) in any case be such that it could be construed as a penalty.

(3) A firm must not require a consumer to pay any amount:

   (a) unless it can prove that the consumer was duly informed about the amount payable; or

   (b) if it commenced the performance of the contract before the expiry of the cancellation period without the consumer's prior request.

(4) A consumer cannot be required to pay any amount when exercising the right to cancel a pure protection contract.

(5) A consumer cannot be required to pay any amount when exercising the right to cancel a payment protection contract unless a claim is made during the cancellation period and settlement terms are subsequently agreed.

[Note: article 7(1), (2) and (3) of the Distance Marketing Directive]

7.2.3 The amount payable may include:

(1) any sums that a firm has reasonably incurred in concluding the contract, but should not include any element of profit;

(2) an amount for cover provided (i.e. a proportion of the policy's exposure that relates to the time on risk);
(3) a proportion of the commission paid to an insurance intermediary sufficient to cover its costs; and

(4) a proportion of any fees charged by an insurance intermediary which, when aggregated with any commission to be repaid, would be sufficient to cover its costs.

7.2.4 In most cases, the FCA would expect the proportion of a policy’s 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 insurer 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 An insurer and an insurance intermediary should take reasonable steps to ensure that double recovery of selling costs is avoided, particularly where the contract for the insurance intermediary’s services is a distance contract, or where both commission and fees are recouped by the insurer and insurance intermediary respectively.

**Firm’s obligation on cancellation**

7.2.6 (1) A firm must, without any undue delay and no later than within 30 days, return to a consumer 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 firm receives the notification of cancellation.

[Note: article 7(4) of the Distance Marketing Directive]

**Consumer’s obligation on cancellation**

7.2.7 (1) A firm is entitled to receive from a consumer any sums and/or property he has received from the firm without any undue delay and no later than within 30 days.

(2) This period shall begin from the day on which the consumer dispatches the notification of cancellation.

[Note: article 7(5) of the Distance Marketing Directive]

7.2.8 If an insurer has made a charge for services provided, the sums and property to be returned by a consumer should not include any money or property provided in settling a claim.

**Set off**

7.2.9 Any sums payable under this section are owed as simple contract debts and may be set off against each other.
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.
Chapter 8
Claims handling
8.1 Insurers: general

8.1.1 An insurer must:

(1) handle claims promptly and fairly;

(2) provide reasonable guidance to help a policyholder make a claim and appropriate information on its progress;

(3) not unreasonably reject a claim (including by terminating or avoiding a policy); and

(4) settle claims promptly once settlement terms are agreed.

Cases where rejection of consumer’s claim is unreasonable: contracts before 1 August 2017

8.1.2 For contracts entered into or variations agreed before 1 August 2017, a rejection of a consumer policyholder’s claim is unreasonable, except where there is evidence of fraud, if it is:

(1) in relation to contracts entered into or variations agreed on or before 5 April 2013, for:
   (a) non-disclosure of a fact material to the risk which the policyholder could not reasonably be expected to have disclosed; or
   (b) non-negligent misrepresentation of a fact material to the risk; or

(2) in relation to contracts entered into or variations agreed on or after 6 April 2013, for misrepresentation by a customer and the misrepresentation is not a qualifying misrepresentation (see ICOBS 8.1.3R); or

(3) for breach of warranty or condition unless the circumstances of the claim are connected to the breach and unless (for a pure protection contract):
   (a) under a ‘life of another’ contract, the warranty relates to a statement of fact concerning the life to be assured and, if the statement had been made by the life to be assured under an ‘own life’ contract, the insurer could have rejected the claim under this rule; or
   (b) the warranty is material to the risk and was drawn to the customer’s attention before the conclusion of the contract.
Cases where rejection of consumer’s claim is unreasonable: contracts on or after 1 August 2017

8.1.2A
(1) Cases in which rejection of a consumer’s claim would be unreasonable (in the FCA’s view) include, but are not limited to rejection:
   (a) for misrepresentation, unless it is a qualifying misrepresentation (see ICOBS 8.1.3R);
   (b) where the claim is subject to the Insurance Act 2015, for breach of warranty or term, or for fraud unless the insurer is able to rely on the relevant provisions of the Insurance Act 2015; and
   (c) where the policy is drafted or operated in a way that does not allow the insurer to reject.

(2) The Insurance Act 2015 sets out a number of situations in which an insurer may have no liability or obligation to pay. For example:
   (a) section 10 provides situations in which an insurer has no liability under a policy due to a breach of warranty;
   (b) section 11 places restrictions on an insurer’s ability to reject a claim for breach of a term where compliance is aimed at reducing certain types of risk; and
   (c) sections 12 and 13 provide for the extent to which a firm is entitled to reject fraudulent claims.

8.1.2B
For contracts entered into or variations agreed on or after 1 August 2017, a rejection of a consumer policyholder’s claim for breach of a condition or warranty (that is not subject to and within section 10 or 11 of the Insurance Act 2015) is unreasonable unless the circumstances of the claim are connected to the breach.

Definition of a qualifying misrepresentation

8.1.3
In this section, a “qualifying misrepresentation” is one made by a consumer before a consumer insurance contract was entered into or varied if:

   (1) the consumer made the misrepresentation in breach of the duty set out in section 2(2) of the Consumer Insurance (Disclosure and Representations) Act 2012 to take reasonable care not to make a misrepresentation to the insurer; and

   (2) the insurer shows that without the misrepresentation, the insurer would not have entered into the contract (or agreed to the variation) at all, or would have done so only on different terms.

[Note: section 4 of the Consumer Insurance (Disclosure and Representations) Act 2012.]
8.2 Motor vehicle liability insurers

Application: who? what?

8.2.1 R
(1) This section applies to a motor vehicle liability insurer.

(2) The rules in this section relating to the appointment of claims representatives apply:
(a) [deleted]
(b) in relation to claims arising out of events occurring, and risks situated, in the United Kingdom, and covered by a firm operating from an establishment in the European Economic Area.

(3) The rules in this section relating to claims handling apply in respect of claims arising from any accident caused by a vehicle normally based in the United Kingdom.

[Note: article 20(1) of the Consolidated Motor Insurance Directive and article 152 of the Solvency II Directive]

Requirement to appoint claims representatives

8.2.2 G
[deleted]

8.2.2A R
[deleted]

8.2.2B R
A firm operating from an establishment in the European Economic Area carrying on motor vehicle liability insurance business and covering UK risks must have a claims representative in the United Kingdom to deal with claims arising out of events occurring in the United Kingdom.

[Note: article 152 of the Solvency II Directive]
Conditions for appointing claims representatives

8.2.3 A firm must ensure that each claims representative:

(1) is responsible for handling and settling a claim by an injured party;

(2) is resident or established in the United Kingdom;

(3) collects all information necessary in connection with the settlement of a claim and takes the measures necessary to negotiate its settlement;

(4) possesses sufficient powers to represent the firm in relation to an injured party and to meet an injured party’s claim in full; and

(5) is capable of examining cases in the official language(s) of the United Kingdom.

[Note: article 21(1), (4) and (5) of the Consolidated Motor Insurance Directive and article 152 of the Solvency II Directive]

The requirement to possess sufficient powers does not prevent a claims representative from seeking additional authority or instructions if needed. It does prevent it from declining to deal with, or transferring responsibility for, claims properly referred to it by an injured party, or their representative.

Notifying the appointment of claims representatives

8.2.5 (1) A firm must notify to the Motor Insurers’ Information Centre:

(a) the name and address of the claims representative which they have appointed in the United Kingdom;

[Note: article 23(2) of the Consolidated Motor Insurance Directive]

(b) the telephone number and effective date of appointment; and

(c) any material change to information previously notified.

(2) Notification must be made within ten business days of an appointment or of a material change.

Motor vehicle liability claims handling rules

8.2.6 Within three months of the injured party presenting his claim for compensation:

(1) the firm of the person who caused the accident or its claims representative must make a reasoned offer of compensation in cases where liability is not contested and the damages have been quantified; or

(2) the firm to whom the claim for compensation has been addressed or its claims representative must provide a reasoned reply to the points made in the claim in cases where liability is denied or has not been clearly determined or the damages have not been fully quantified.
[Note: article 22 of the Consolidated Motor Insurance Directive and article 3 of the Consolidated Motor Insurance Directive]

8.2.7 R

(1) If liability is initially denied, or not admitted, within three months of any subsequent admission of liability, the firm must (directly, or through a claims representative) make a reasoned offer of settlement, if, by that time, the relevant claim for damages has been fully quantified.

(2) If an injured party's claim for damages is not fully quantified when it is first made, within three months of the subsequent receipt of a fully quantified claim for damages, the firm must (directly, or through a claims representative) make a reasoned offer of damages, if liability is admitted at that time.

8.2.8 R

A claim for damages will be fully quantified for the purpose of this section when the injured party provides written evidence which substantiates or supports the amounts claimed.

Interest on compensation

8.2.9 R

(1) If the firm, or its claims representative, does not make an offer as required by this section, the firm must pay simple interest on the amount of compensation offered by it or awarded by the court to the injured party, unless interest is awarded by any tribunal.

(2) The interest calculation period begins when the offer should have been made and ends when the compensation is paid to the injured party, or his authorised representative.

(3) The interest rate is the Bank of England's base rate (from time to time), plus 4%.

[Note: article 22 of the Consolidated Motor Insurance Directive. Regulation 6 of the Financial Services and Markets Act 2000 (Rights of Action) Regulations 2001 makes this rule actionable under section 138D of the Act (Actions for damages) by any person who suffers loss as a result of its contravention]

8.2.10 R

A firm will be taken to have received a claim, or a fully quantified claim, for damages when the claim is delivered to it, or a claims representative, by any person by any method of delivery which is lawful in the firm's, or its claims representative's, respective State of residence or establishment.

8.2.11 G

The provisions in this section are not intended to, and do not, restrict any rights which the injured party, or its motor vehicle liability insurer, or any other insurer acting on its behalf, may have and which would enable any of them to begin legal proceedings against the person causing the accident or that person's, or the vehicle's, insurers.
8.3 Insurance intermediaries (and insurers handling claims on another insurer’s policy)

Application: who?

8.3.1 This section applies to an insurance intermediary, and to an insurer handling a claim on another insurance undertaking’s policy.

Interaction with the general law

8.3.2 A firm is expected to comply with the general law on the duties of an insurance intermediary. This section does not seek to set out the full extent of those duties.

Conflicts of interest

8.3.3 (1) Principle 8 requires a firm to manage conflicts of interest fairly. SYSC 10 also requires an insurance intermediary to take all reasonable steps to identify conflicts of interest, and maintain and operate effective organisational and administrative arrangements to prevent conflicts of interest from constituting or giving rise to a material risk of damage to its clients.

(2) [deleted]

(3) If a firm acts for a customer in arranging a policy, it is likely to be the customer’s agent (and that of any other policyholders). If the firm intends to be the insurance undertaking’s agent in relation to claims, it needs to consider the risk of becoming unable to act without breaching its duty to either the insurance undertaking or the customer making the claim. It should also inform the customer of its intention.

(4) A firm should in particular consider whether declining to act would be the most reasonable step where it is not possible to manage a conflict, for example where the firm knows both that its customer will accept a low settlement to obtain a quick payment, and that the insurance undertaking is willing to settle for a higher amount.
Dealing with claims notifications without claims handling authority

8.3.4  

A firm that does not have authority to deal with a claim should forward any claim notification to the insurance undertaking promptly, or inform the policyholder immediately that it cannot deal with the notification.
8.4 Employers’ Liability Insurance

Application

8.4.1 (1) The general application rule in ICOBS 1.1.1 R applies to this section subject to the modifications in (2).

(2) This section applies to:
   (a) any firm solely with respect to the activities of:
      (i) carrying out contracts of insurance; or
      (ii) managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's;
   in relation to general insurance contracts and, in either case, including business accepted under reinsurance to close.
   (b) [deleted]

(3) In this section references to:
   (a) an ‘employers' liability register’ are to the employers' liability register referred to in ICOBS 8.4.4R (1)(a);
   (b) a ‘director's certificate’ are to a statement complying with the requirements in SUP 16.23A;
   (c) employers' liability insurance include business accepted under reinsurance to close covering employers' liability insurance (including business that is only included as employers' liability insurance for the purposes of this section);
   (d) a ‘qualified director's certificate’ are to the statement complying with the requirements in SUP 16.23A.5R; and
   (e) a ‘historical policy’ are to a United Kingdom commercial lines employers' liability insurance policy or other evidence of cover issued or renewed before 1 April 2011.

8.4.2 ICOBS 8.4 does not generally apply to activities carried out in relation to a reinsurance contract (see ICOBS 1.1.2 R and ICOBS 1 Annex 1 Part 2 1.1 R) but it does apply to business accepted under reinsurance to close.

Purpose

8.4.3 The purpose of ICOBS 8.4 is to assist individuals with claims arising out of their course of employment in the United Kingdom for employers carrying on, or who carried on, business in the United Kingdom, to identify an insurer or insurers that provided employers' liability insurance (other than certain co-
insurance and excess cover arrangements) by requiring insurers to produce an employers’ liability register and to conduct effective searches for historical policies. In particular it aims to assist ex-employees whose employers no longer exist or who cannot be located.

Principal obligation to produce an employers’ liability register

8.4.4

(1) A firm carrying out contracts of insurance, or a managing agent managing insurance business, including in either case business accepted under reinsurance to close, which includes United Kingdom commercial lines employers’ liability insurance, must:
   (a) produce an employers’ liability register complying with the requirements in (2) and ICOBS 8 Annex 1;
   (b) [deleted]
   (c) [deleted]

(1A) [deleted]

(2) For the purposes of (1)(a) the employers’ liability register is required to:
   (a) include the date upon which the register was produced;
   (b) include a database which:
      (i) reliably stores information required by ICOBS 8 Annex 1;
      (ii) in relation to information required by ICOBS 8 Annex 1 1.1R(1), contains accurate information and, in relation to information required by ICOBS 8 Annex 1 1.1R(2),
contains information which faithfully reproduces the information that the firm has; and

(iii) has an effective search function which allows a person inputting data included on the register relating to a particular employer over a particular period to retrieve information on the register relating to a potential employers' liability claim corresponding to that employer and period;

(c) allow for requests for information or searches relating to a potential claim to be made by:

(i) individuals with the potential claim, or their authorised representative, or

(ii) any employer to whom the potential claim relates; or

(iii) an insurer which is potentially jointly and severally liable with another firm in relation to the potential claim; or

(iv) a relevant insurance intermediary acting for an insurer in (iii);

(d) allow for requests by a tracing office which meets the conditions in ICOBS 8.4.9R relating to the use of information on the firm’s register to the extent that the information is necessary, and used solely, to enable the tracing office to provide comprehensive searching facilities to its users; and

(e) allow for responses to requests or searches in (c) to be provided without delay.

(3) [deleted]

(4) For the purposes of (1):

(a) United Kingdom commercial lines employers’ liability insurance means commercial lines employers’ liability insurance where both the employer’s business was or is carried on, and the employees’ course of employment was or is, in the United Kingdom; and

(b) commercial lines business comprises contracts of insurance carried out in relation to persons whose employers' liability insurance relates to a business or profession they carry on.

8.4.4A R [deleted]

8.4.4B G [deleted]

8.4.4C R [deleted]

8.4.5 G (1) For the purposes of ICOBS 8.4.4R (2)(c) and ICOBS 8.4.4R (2)(d), a firm may put in place appropriate screening on its employers’ liability register to monitor:

(a) requests for information and searches to ensure that they are being made for a legitimate purpose by persons falling into one of the categories in ICOBS 8.4.4R (2)(c); and

(b) requests from tracing offices to ensure that the information is necessary, and will only be used by the tracing office, for the
purposes of providing users of the tracing service with the same information as the firm itself would have provided had the inquirer approached the firm directly.

If a firm has any reason to suspect that the information is, or may be, being misused then it may restrict the use of the information provided or request its return.

(2) For the purposes of ICOBS 8.4.4R (2)(e) the FCA expects that, in the ordinary course, a person searching or making an information request will be provided with a response within one business day of the initial request.

(3) In the FCA’s view, commercial lines business does not include employers’ liability insurance provided for retail consumers, for example, in relation to insurance taken out to cover liability in relation to domestic arrangements such as home help.

FCA notification requirements

8.4.6 R A firm must:

(1) notify the FCA, within one month of falling within ICOBS 8.4.1R (2), as to whether or not it, or, if relevant, a member of the syndicates it manages, carries on business falling within ICOBS 8.4.4R (1) and, if it does, include in that notification:

(a) details of the internet address of the firm or tracing office at which the employers’ liability register is made available;

(b) the name of a contact person at the firm and their telephone number or postal address, or both; and

(c) the period over which the firm or syndicate member provided cover under relevant policies or, if still continuing, the date that cover commenced; and

(d) the firm’s Firm Reference Number; and

(2) ensure that the notification in (1):

(a) is approved and signed by a director of the firm; and

(b) contains a statement that to the best of the director’s knowledge the content of the notification is true and accurate.

8.4.6A R A firm with potential liability under an excess policy and which satisfies the requirements in ICOBS 8 Annex 1 1.1B R must notify the FCA before the date upon which it first seeks to rely upon that rule and ensure that the requirements of ICOBS 8.4.6R (2) are satisfied in respect of this notification.

Requirement to make employers’ liability register and supporting documents available

8.4.7 R (1) A firm must make available:

(a) the information on the employers’ liability register either:

(i) on the firm’s website at the address notified to the FCA in ICOBS 8.4.6R (1); or
(ii) by arranging for a tracing office which meets the conditions in ■ ICOBS 8.4.9 R to make the information available on the tracing office’s website; and

(b) the latest director’s certificate prepared in accordance with ■ SUP 16.23A.5R(1) and the latest report prepared by an auditor for the purposes of ■ SUP 16.23A.6R(1), to a tracing office which has obtained information from the firm for the purposes of providing comprehensive tracing information, in accordance with ■ ICOBS 8.4.4R (2)(d), provided that the tracing office has agreed with the firm not to disclose confidential information in the certificate and the report to third parties, save as required by law.

(2) If a firm arranges for a tracing office to make information available for the purposes of (1)(a)(ii) the firm must:

(a) send to the tracing office copies of its latest director’s certificate and report prepared by the firm’s auditor provided that the tracing office has agreed with the firm not to disclose confidential information in the certificate and the report to third parties, save as required by law;

(b) maintain records of all the tracing information and copies of all documents it has provided to the tracing office;

(c) retain all legal rights in relation to the ownership and use of the information and documents provided to the tracing office to enable the firm to provide that information or documentation to another tracing office or to make it available itself; and

(d) send to the tracing office its Firm Reference Number.

For the purposes of ■ ICOBS 8.4.4R (2)(d) and ■ ICOBS 8.4.7R (1)(a)(ii) the existence of published and up-to-date versions of both a certificate from the directors of the tracing office, stating that the tracing office has complied in all material respects with the requirements in ■ ICOBS 8.4.9R (1) to ■ (6), and a report under a reasonable assurance engagement, addressing the accuracy and completeness of the tracing office’s database, may be relied upon as tending to establish that a firm has satisfied the requirement to use a tracing office which meets the conditions in ■ ICOBS 8.4.9R (1) to ■ (6).

Qualifying tracing offices

The conditions referred to in ■ ICOBS 8.4.4R (2)(d) and ■ ICOBS 8.4.7R (1)(a)(ii) are that the tracing office is one which:

(1) maintains a database which:

(a) accurately and reliably stores information submitted to it by firms for the purposes of complying with these rules;

(b) has systems which can adequately keep it up to date in the light of new information provided by firms;

(c) has an effective search function which allows a person inputting data included on the database relating to a particular employer over a particular period to retrieve information on the database relating to a potential employers’ liability claim corresponding to that employer and period;
(2) maintains adequate records of the director’s certificates and reports prepared by an auditor sent to it by firms for the purposes of complying with these rules;

(3) has effective arrangements for information security, information back up and business continuity and to prevent the misuse of data;

(4) accepts search requests in relation to information in (1) relating to a potential claim from:
   (a) individuals with the potential claim, or their authorised representative; or
   (b) the employer to whom the potential claim relates; or
   (c) an insurer which is potentially jointly and severally liable with another firm in relation to the potential claim; or
   (d) a relevant insurance intermediary acting for an insurer in (c);

(5) provides responses to requests in (4) without delay;

(6) has adequate arrangements for providing to a firm, upon request and without delay, a full copy of the information on the database that the firm has provided to it;

(7) includes in its published annual report:
   (a) a certificate from the directors of the tracing office stating whether the tracing office has complied with the requirements in (1) to (6) in relation to the period covered by the annual report; and
   (b) an independent report commissioned under a reasonable assurance engagement satisfying the requirement in ■ ICOBS 8.4.9A R, addressing the accuracy and completeness of the database, prepared by an auditor satisfying the requirements of ■ SUP 3.4 and ■ SUP 3.8.5 R to ■ SUP 3.8.6 R, and addressed to the directors of the tracing office; and

(8) provides to a firm making use of the tracing office for the purposes of ■ ICOBS 8.4.7R (1)(a)(ii):
   (a) a copy of its annual report promptly after publication; and
   (b) upon request and without delay a full copy of the information on the database that the firm has provided to it.

8.4.9A ■ The requirement referred to in ■ ICOBS 8.4.9R (7)(b) is that the report must include an opinion from the auditor confirming whether, in all material respects, the tracing office maintains a database which accurately and reliably stores information submitted to it by firms for the purpose of complying with relevant requirements in ■ ICOBS 8.4 and that it has systems which can adequately keep it up to date in the light of new information provided by firms.

8.4.10 ■ (1) ■ ICOBS 8.4.4R (2)(b) and ■ ICOBS 8.4.9R (1) require a firm, or a tracing office used by a firm, to have an effective search function in relation to the employers’ liability register database. In the FCA’s view an
effective search function is one which finds all matches in the register to any specified whole word.

(2) For the purposes of ICOBS 8.4.9R (5) the term 'without delay' should have the same meaning as in ICOBS 8.4.5G (2).

(3) In order to assist firms with their obligations under these rules the FCA has agreed to publish on its website at www.fca.org.uk/consumers/employers-liability-insurance a list of persons providing tracing office facilities which have published the directors' certificate and independent assurance report referred to in ICOBS 8.4.9R (7).

### Updating and verification requirements

8.4.11 R

1. A firm must notify the FCA:

   a. of any information provided to the FCA under ICOBS 8.4.6 R or ICOBS 8.4.6A R which ceases to be true or accurate; and

   b. of the new position, in accordance with the notification requirements in ICOBS 8.4.6 R;

   within one month of the change.

2. A firm producing an employers' liability register must:

   a. update the register with any new or more accurate information falling within ICOBS 8 Annex 1:

      i. by virtue of the entry into or renewal of, or of a claim made in relation to, a policy, as required by ICOBS 8 Annex 1 Part 1; and

      ii. in all other cases, by virtue of the firm having received that new or more accurate information;

   b. make the updated information in (a) available, in accordance with ICOBS 8.4.7 R, no later than:

      i. in relation to new or more accurate information arising out of the entry into or renewal of, or a claim made in relation to, a policy, three months from the date of entry, renewal or the date upon which the claim was made; and

      ii. in all other cases, three months from the date upon which the firm received the new or more accurate information;

   c. update the register, no less frequently than once every three months, and include the date that the register was updated and a statement that the register may be relied on as up-to-date as at a date three months prior to the date upon which the register was updated, or such later date as applicable to the firm;

8.4.12 G

For the purposes of ICOBS 8.4.11R (2)(c) a firm is required to include the date at which it updates the register. However, depending on the firm's processes for making information available for the purposes of ICOBS 8.4.11R (2)(b), the register may only be relied upon as being up-to-date as at a date three months prior to the date on which the firm has updated the register, or such lesser period as applicable to the firm as is consistent with the firm's processes. ICOBS 8.4.11R (2)(c) requires the firm to include a statement as to the date at which the register may be relied upon as containing up-to-date
information which can be no earlier than three months prior to the new date on the register, but may be later depending on the firm’s circumstances.

8.4.12A

(1) For the purposes of ■ ICOBS 8.4.11R (2)(a), ■ 8.4.11R (2)(b) and ■ ICOBS 8 Annex 1 a claim is deemed to be made in relation to a policy at the date on which the firm establishes, or otherwise accepts, that it has provided relevant cover under the policy, and is therefore potentially liable subject to the terms of the policy.

(2) A firm must use reasonable endeavours to establish whether it has provided relevant cover:

(a) within three months of being notified of a potential claim; or

(b) if that is not possible, as soon as is reasonably practicable thereafter.

Transfers of insurance business

8.4.13

The transferor in an insurance business transfer scheme must provide the transferee with the information and documents the transferor holds in compliance with ■ ICOBS 8 in respect of the insurance business transferred.

Requirement to conduct effective searches for historical policies

8.4.14

A firm with actual or potential liability for United Kingdom commercial lines employers’ liability insurance claims must take reasonable steps to conduct effective searches of their records when they receive a request to carry out a search for a historical policy from persons falling into one of the categories in ■ ICOBS 8.4.4R (2)(c) or a tracing office which meets the conditions in ■ ICOBS 8.4.9 R.

8.4.15

A firm must put in place a written policy for complying with ■ ICOBS 8.4.14 R and operate in accordance with it. The policy must cover at least the following matters:

(1) details of where the firm’s historical policies are held or are likely to be held (including details of records which are archived or stored off site);

(2) details of the different types of records to be searched by the firm, such as electronic files, paper files, and microfiche; and

(3) details of how the searches will be carried out, including a description of how and in what circumstances the firm may decide not to conduct a search.

8.4.16

(1) When a firm receives a request under ■ ICOBS 8.4.14 R, from a qualifying tracing office, it must provide a response, in writing, to the requestor within one month of receiving the request.

(2) This rule does not apply when the firm has conducted a search but no historical policies have been found.
(3) When a firm receives a request under ICOBS 8.4.14 R, other than from a qualifying tracing office, it must provide a response, in writing, to the requestor within two months of receiving the request in accordance with ICOBS 8.4.17 R.

(1) Where a firm has established that a historical policy does exist, the response should confirm what cover was provided and set out any available information that is relevant to the request received.

(2) Where there is evidence to suggest that a historical policy does exist, but the firm is unable to confirm what cover was provided, the response should set out any information relevant to the request and describe the next steps (if any) the firm will take to continue the search.

(3) Subject to ICOBS 8.4.16R (2), where the firm has conducted a search, but no historical policies have been found, the response should set this out clearly and explain that reasonable steps were taken to conduct an effective search.
Employers’ liability register

See ICOBS 8.4.4R (1)(a).

Part 1 In relation to information to be included in the employers’ liability register

1.1 R A firm must:

(1) for each policy it enters into or renews on or after 1 April 2011, include, in relation to that policy, all the information required by the form in 1.2R, in accordance with the notes;

(2) for each policy not falling in (1) and in relation to which a claim is made on or after 1 April 2011, include, in relation to that policy, all the information required by the form in 1.2R that the firm holds, in accordance with the notes; and

(3) in relation to (1) and (2) include the notes set out in 1.2R.

1.1A R A firm is not required to include information required by 1.1R(1) and (2) to the extent that it relates to the firm’s potential liability as a co-insurer, other than as the lead insurer, under a co-insurance arrangement satisfying the following conditions:

(1) the risk is covered by a single contract at an overall premium and for the same period by two or more insurers each for its own part;

(2) one of the insurers is the lead insurer who is treated as if it were the insurer covering the whole risk;

(3) the lead insurer fully assumes the leader’s role in co-insurance practice and in particular determines the terms and conditions of insurance and rating;

(4) the firm has entered into and maintains with the lead insurer up-to-date written agreements identifying the policies in relation to which the firm is a co-insurer of the lead insurer and the proportions of the risk for which the co-insurer is responsible; and

(5) the firm is satisfied that the lead insurer complies with the requirements in 1.1R(1) and (2) in relation to the co-insured policies.

1.1B R A firm is not required to include information required by 1.1R(1) and (2) to the extent that it relates solely to the firm’s potential liability under an excess policy where another insurer has principal liability for the risk, and the following conditions are satisfied:

(1) the principal insurer’s maximum liability under the primary policy covering the risk is for no less than £5,000,000 in relation to a single event;

(2) the firm has no liability to potential claimants until those claimants have exhausted their remedies against the principal insurer; and

(3) the firm has adequate arrangements for identifying and recording the policies in relation to which the firm provides excess cover under an excess policy.

1.1C R A firm is not required to include the employer reference number (ERN) required by 1.1R(1) and (2) if the following conditions are met:

(1) the firm has not been able to obtain that information solely due to failures by parties outside the firm’s control; and
the firm has used and continues to use its best endeavours to obtain the information, other than refusing to provide cover to an employer solely because it has not provided the information requested.

1.1D (1) To help to demonstrate that it has used its best endeavours, a firm should consider:

(a) appointing an approved person with appropriate seniority within the firm to be responsible for agreeing and signing off the firm’s approach to obtaining employee reference numbers;

(b) establishing an appropriate framework for collecting employee reference numbers and monitoring of compliance with ICOBS 8.4.4 R. The framework should be documented and should include the following matters (this is not an exhaustive list):

(i) collection procedures which are subject to regular reviews;

(ii) appropriate compliance monitoring, and production and review of management information;

(iii) regular meetings between those responsible for operational collection;

(iv) escalation of compliance issues on a timely basis; and

(v) appropriate use of internal and external communication to promote the importance of ERN compliance;

(c) implementing and maintaining appropriate:

(i) internal audit measures to ensure ERN collection procedures are being followed internally and by the firm’s intermediary partners; and

(ii) controls to ensure any issues identified through the audit process are followed up and corrected within appropriate timescales;

(d) updating terms of business agreements to cover ERN collection.

1.2 FORM

Part 2 In relation to information not required to be included

2.1 R A firm carrying out contracts of insurance, in relation to which information is not required to be included in the register under FCA rules, must, beneath the form in 1.2R, state the following, where applicable, tailored as necessary to the firm’s circumstances:

“We have potential liability for policies under which UK commercial lines employers’ liability cover has been provided to employers and which commenced or were renewed before 1 April 2011 and in respect of which no claims were made on or after 1 April 2011. However, we are not required to make details of those policies available in this register under FCA rules. Enquiries may be made about these policies by individual claimants, their authorised representatives, or insurers or their insurance intermediaries, with potential claims, by contacting [insert contact details]”

2.1A R A firm with potential liability as a co-insurer and which satisfies the requirements of 1.1AR must tailor the statement in 2.1R to include reference to the following:

(1) that the firm has potential liability for policies under which UK commercial lines employers’ liability cover has been provided to employers for which the firm was co-insurer, but not lead insurer, but that the firm is not
required to make details of those policies available in the register under FCA rules; and

(2) responsibility for making information available in relation to policies to which (1) applies is with the lead insurer.

2.1B R

A firm with potential liability under an excess policy and which satisfies the requirements of 1.1BR must tailor the statement in 2.1R to include reference to the following:

(1) that the firm has potential liability for policies under which UK commercial lines employers' liability cover has been provided to employers for which it provides cover only in excess of that provided by another insurer (and where the principal cover is for £5m or more) but that the firm is not required to make details of those policies available in the register under FCA rules; and

(2) responsibility for making information available in relation to the policy providing the principal cover is with the principal insurer.

2.2 G

The purpose of 2.1R, 2.1AR and 2.1BR is to inform users of the register that the firm may be potentially liable in relation to policies other than those on the register. However, a firm may include policies additional to those entered into, renewed, or in relation to which a claim was made, after April 2011, in the register. If it does, the statement in 2.1R, 2.1AR or 2.1BR may be amended as necessary to refer to the policies that are not included.
Insurance: Conduct of Business

ICOBS TP 1
Transitional Provisions

Consolidated Motor Insurance Directive

1 R In relation to a claim by an injured party received by a motor vehicle liability insurer or its claims representative on or before 10 June 2007, the motor vehicle liability claims handling rules (see ICOBS 8.2.6 R to ICOBS 8.2.11 G) only apply if the claim results from an accident occurring in an EEA State other than the injured party's EEA State of residence which was caused by the use of a vehicle insured through an establishment in, and normally based in, an EEA State other than the injured party's EEA State of residence.

Initial disclosure document

2 Expired
3 Expired
4 Expired
5 Expired

Series of events

6 R If, for a connected travel insurance intermediary, the application of any provision in this sourcebook is dependent on the occurrence of a series of events, the provision applies with respect to the events that occur on or after 1 January 2009.

Employers' liability insurance: disclosure by insurers

7 Expired
8 Expired
8A Expired
8B R Expired
8C G Expired
9 Expired
9A R Expired
9B G Expired
10 G Expired
11 Expired
12 Expired
13 R For the purposes of ICOBS 8.4.11R (2)(a), ICOBS 8.4.11R (2)(b), ICOBS 8.4.12A R, ICOBS 8 Annex 1, TP 8, TP 8B and TP 9, in relation to references to claims made in relation to policies:
(1) for claims received by a firm prior to 1 April 2011 which have not been settled as at 1 April 2011, those claims must be treated, for the purposes of the above rules, as having been made on or after 1 April 2011, and for the purposes of the above rules, the firm must include information in the form in ICOBS 8 Annex 1.1.2 R, in accordance with and including the notes, held by the firm (with the exception of information within TP 8R(1)(d) until 1 April 2012) within three months of the date upon which the claim was settled, on or after 1 April 2011; and

(2) if, as at 1 April 2011, a firm’s systems record claims by reference to the date the claim was created in the firm’s systems or the date upon which it was settled, then, notwithstanding ICOBS 8.4.12A R, that firm may treat references to the date that a claim was made as a reference to the date that the claim was created in the firm’s systems, or if applicable to the firm, the date that the claim was settled.

TP 13R(2) applies until 1 April 2013.
**ICOBS TP 2**

**Other Transitional Provisions**

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<td>1</td>
<td>ICOBS 4.5.1 G</td>
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<td>R</td>
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<td>2</td>
<td>ICOBS 4.5</td>
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<td>Expired</td>
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<td>3</td>
<td>ICOBS 6A.2.1R(1) to (3)</td>
<td>A firm need not comply with ICOBS 6A.2.1R(1) to (3) in relation to an automatic renewal of an agreement for an optional additional product which was entered into on or before 31 March 2016 provided:</td>
<td>From 1 April 2016</td>
<td>From 1 January 2022</td>
<td>On 1 January 2022</td>
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<td>(1) the automatic renewal of the agreement is on substantially the same terms. The phrase “on substantially the same terms” is to be interpreted in the same way as in ICOBS 6A.2.1R(10)(b) and (c).</td>
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<td>From 1 January 2022 to 1 April 2022</td>
<td>On 1 January 2022</td>
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<td>(2) on the occasion of the first automatic renewal on or after 1 April 2016, the firm takes reasonable steps to ensure that the customer is informed:</td>
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<td>From 1 January 2022 to 1 April 2022</td>
<td>On 1 January 2022</td>
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<td>(a) that the renewal of the agreement is optional;</td>
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<td>From 1 January 2022 to 1 April 2022</td>
<td>On 1 January 2022</td>
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<td>(b) that the customer may elect not to renew the agreement; and</td>
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<td>From 1 January 2022 to 1 April 2022</td>
<td>On 1 January 2022</td>
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<td>(c) of the effect of the non-renewal of the agreement, if any, on the non-investment insurance contract; and</td>
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<td>From 1 January 2022 to 1 April 2022</td>
<td>On 1 January 2022</td>
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<td>(3) the procedure to be used by customers for electing not to renew the agreement pays due regard to the interests of customers and treats them fairly.</td>
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<td>From 1 January 2022 to 1 April 2022</td>
<td>On 1 January 2022</td>
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<td>4</td>
<td>ICOBS 2.5.2AR</td>
<td>An insurer need not comply with ICOBS 2.5.2AR for contracts entered into or variations agreed before 1 August 2017.</td>
<td>From 1 August 2017</td>
<td>From 1 January 2022</td>
<td>On 1 January 2022</td>
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<td>5</td>
<td>ICOBS 6A.6</td>
<td>A firm need not comply with ICOBS 6A.6 for contracts entered into before 1 January 2022.</td>
<td>From 1 January 2022</td>
<td>From 1 January 2022</td>
<td>On 1 January 2022</td>
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<td>6</td>
<td>ICOBS 6B.2.60R</td>
<td>This transitional rule applies to a firm which is required to provide an attestation under ICOBS 6B.2.60R. The first attestation must be submitted on or before 31 March 2022.</td>
<td>From 1 January 2022</td>
<td>From 1 January 2022</td>
<td>On 1 January 2022</td>
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<td>7</td>
<td>ICOBS 6B R</td>
<td>(1)</td>
<td>This transitional rule applies to a firm which is required to comply with ICOBS 6B.</td>
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<td>(2)</td>
<td>Where a firm so elects, it need not implement the rules in ICOBS 6B by 1 January 2022, but the firm must:</td>
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<td>(a)</td>
<td>implement the rules by 17 January 2022; and</td>
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<td>(b)</td>
<td>comply with paragraphs (3) and (4).</td>
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<td>(3)</td>
<td>(a) This paragraph applies to all home insurance and motor insurance renewal notices prepared between 1 January 2022 and 16 January 2022 inclusive.</td>
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<td>(b)</td>
<td>A firm must by 28 February 2022 calculate the equivalent new business price in accordance with ICOBS 6B for all renewal notices that this paragraph applies to which were accepted by the customer.</td>
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<td></td>
<td></td>
<td>(c)</td>
<td>Where the equivalent new business price is lower than the price the customer was offered to renew their product, the firm must automatically repay the difference between what the customer actually paid and what the customer should have paid to the customer, using, wherever practical, the same method as the customer used to pay for the policy.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(4)</td>
<td>The first attestation provided by a firm under ICOBS 6B.2.60R and ICOBS TP.2.6R must include the following:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(a)</td>
<td>a statement of whether the firm made the election in this transitional rule;</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(b)</td>
<td>if the firm made the election, a statement that the firm has made all repayments required by this transitional rule; and</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(c)</td>
<td>if the firm made the election, the number of customers affected and total amount of repayments made.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>ICOBS 6.2.6R and ICOBS 6.5.1R.</td>
<td>(1)</td>
<td>This transitional rule applies to a firm which is required to comply with ICOBS 6.2.6R or ICOBS 6.5.1R.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
(2) Where a firm so elects, it need not comply with the rules in ICOBS 6.2.6R or ICOBS 6.5.1R by 1 January 2022, but the firm must:

(a) implement the rules by 17 January 2022; and

(b) comply with paragraph (3).

(3) (a) This paragraph applies to all communications sent to customers between 1 January 2022 and 16 January 2022 inclusive, except communications sent in connection with private health or medical insurance and pet insurance.

(b) A firm must, by 28 February 2022, provide the information required by ICOBS 6.2.6R and ICOBS 6.5.1R to all customers of the firm who hold a current policy with the firm but who did not receive the required information because the firm made the election under paragraph (2).

(c) The information must be provided in writing or another durable medium.
Insurance: Conduct of Business

Schedule 1
Record keeping requirements

Sch 1 G

Notes
1 The aim of the guidance in the following table is to give the reader a quick overall view of the relevant record keeping requirements.
2 It is not a complete statement of those requirements and should not be relied on as if it were.

<table>
<thead>
<tr>
<th>Handbook reference</th>
<th>Subject of record</th>
<th>Contents of record</th>
<th>When record must be made</th>
<th>Retention period</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICOBS 1 Annex 1 G, Part 2 3.1R(3)</td>
<td>Record of election to comply with COBS rules for pure protection policies (including amendment or reversal)</td>
<td>Date of election and precise description of parts of the firm’s business that will comply with COBS provisions</td>
<td>Not specified</td>
<td>Indefinitely</td>
</tr>
<tr>
<td>ICOBS 5.1.3B R</td>
<td>Eligibility</td>
<td>Details of whether the customer is eligible to claim each of the benefits under each policy included in the packaged bank account</td>
<td>Date of eligibility assessment</td>
<td>3 years</td>
</tr>
<tr>
<td>ICOBS 5.3.2B R</td>
<td>Suitability and recommendation given</td>
<td>Details of whether each policy included in the packaged bank account is suitable for the customer’s demand and needs, the recommendation given and the reasons for the recommendation</td>
<td>Date of recommendation</td>
<td>3 years</td>
</tr>
<tr>
<td>Handbook reference</td>
<td>Subject of record</td>
<td>Contents of record</td>
<td>When record must be made</td>
<td>Retention period</td>
</tr>
<tr>
<td>--------------------</td>
<td>-------------------</td>
<td>-------------------</td>
<td>--------------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>ICOBS 6B.2.51R, ICOBS 6B.2.52R</td>
<td>Record of compliance with non-discrimination requirements and treatment of existing customer requirements</td>
<td>Details of the firm’s assessments and controls that ensure that the firm is not systematically discriminating against customers of longer tenure and that its treatment of existing customers is in their best interests</td>
<td>Not specified</td>
<td>Not specified</td>
</tr>
</tbody>
</table>
## Insurance: Conduct of Business

### Schedule 2

#### Notification requirements

<table>
<thead>
<tr>
<th>Sch 2.1 G</th>
<th>Matters to be notified</th>
<th>Contents of notification</th>
<th>Trigger event</th>
<th>Time allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICOBS 8.4.6 R</td>
<td>Whether or not business falling within ICOBS 8.4.4 R (1) is being carried out</td>
<td>Statement by director that, to the best of the director's knowledge, content is true and accurate, and if relevant details of the internet address at which the employers' liability register is made available, the firm's contact details and the period over which the firm or syndicate member provided cover under relevant policies</td>
<td>Firms or syndicate members carry out contracts of insurance which are general insurance contracts</td>
<td>One month</td>
</tr>
<tr>
<td>ICOBS 8.4.6A R</td>
<td>That the firm has potential liability under an excess policy and satisfies the requirements and relies on the provisions in ICOBS 8 Annex 1.1.1BR</td>
<td>A statement that the firm has potential liability under an excess policy; satisfies the requirements and relies on the provisions in ICOBS 8 Annex 1.1.1BR</td>
<td>Firm relies on ICOBS 8 Annex 1.1.1BR</td>
<td>Prior to reliance on ICOBS 8 Annex 1.1.1BR</td>
</tr>
<tr>
<td>ICOBS 8.4.11 R</td>
<td>Changes to the accuracy of the contents of the notification in ICOBS 8.4.6 R (1) or ICOBS 8.4.6A R</td>
<td>Details of the change and of the new position</td>
<td>Changes to the accuracy of a notification made under ICOBS 8.4.6 R or ICOBS 8.4.6A R</td>
<td>Within one month of the change</td>
</tr>
</tbody>
</table>
Insurance: Conduct of Business

Schedule 3
Fees and other required payments requirements

Sch 3.1 G
There are no requirements for fees or other payments in ICOBS.
Insurance: Conduct of Business

Schedule 4
Powers exercised

Sch 4.1 G
[deleted]

Sch 4.2 G
[deleted]
Insurance: Conduct of Business

Schedule 5
Rights of action for damages

Sch 5.1 G
The table below sets out the rules in ICOBS contravention of which by an authorised person may be actionable under Section 138D of the Act (Actions for damages) by a person who suffers loss as a result of the contravention.

Sch 5.2 G
If a "Yes" appears in the column headed "For private person?", the rule may be actionable by a private person under Section 138D (or, in certain circumstances, his fiduciary or representative; see article 6(2) and (3)(c) of the Financial Services and Markets Act 2000 (Rights of Action) Regulations 2001 (SI 2001/2256)). A "Yes" in the column headed "Removed" indicates that the FCA has removed the right of action under section 138D(3) of the Act. If so, a reference to the rule in which it is removed is also given.

Sch 5.3 G
The column headed "For other person?" indicates whether the rule may be actionable by a person other than a private person (or his fiduciary or representative) under article 6(2) and (3) of those Regulations. If so, an indication of the type of person by whom the rule may be actionable is given.

Sch 5.4 G

<table>
<thead>
<tr>
<th>Rule</th>
<th>Right of action under Section 138D</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>For private person?</td>
</tr>
<tr>
<td>All rules in ICOBS with the status letter &quot;E&quot;</td>
<td>No</td>
</tr>
<tr>
<td>Any rule in ICOBS which prohibits an authorised person from seeking to make provision excluding or restricting any duty or liability</td>
<td>Yes</td>
</tr>
<tr>
<td>ICOBS 8.2.9 R</td>
<td>Yes</td>
</tr>
<tr>
<td>All other rules in ICOBS</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Insurance: Conduct of Business

Schedule 6
Rules that can be waived

Sch 6.1 G
As a result of section 138A of the Act (Modification or waiver of rules) the FCA has power to waive all its rules, other than rules made under section 137O (Threshold condition code), section 247 (Trust scheme rules), section 248 (Scheme particular rules), section 261I (Contractual scheme rules) or section 261J (Contractual scheme particulars rules) of the Act.