

# Chapter 1

## Application



## Application (see ICOBS 1.1.2 R)

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## Part 1: Who?

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

1	Third party processors	
1.1	R	<p>(1) This <i>rule</i> applies where a <i>firm</i> (or its <i>appointed representative</i>) ("A") has out-sourced <i>insurance distribution activities</i> to a <i>third party processor</i>.</p> <p>(2) Any <i>rule</i> in this sourcebook which requires the <i>third party processor</i>, when acting as such, to disclose its identity to a <i>customer</i> must be read as applying to the <i>third party processor</i> only to the extent that it applies to A and as requiring disclosure of A's identity.</p>
1.2	G	<p>(1) The disclosure required of the <i>third party processor</i> under <a href="#">ICOBS 4.3.-7R</a> can be made without having to disclose the identity of the <i>third party processor</i> to the <i>customer</i> and therefore without breaching paragraph 1.1R(2) above.</p>
2	Managing agents	
2.1	R	<p>(1) References to an <i>insurer</i> (including within the reference to <i>insurance distributor</i>) apply equally to a <i>managing agent</i> unless the context requires otherwise.</p> <p>(2) A <i>managing agent</i> must give effect to the policy that a <i>consumer</i> must, where required by this sourcebook, be offered cancellation rights.</p> <p>(3) References to <i>managing agents</i> in this sourcebook relate to their functions in managing the obligations of a <i>member</i> in his capacity as such.</p>
3	Authorised professional firms	
3.1	R	<p>This sourcebook (except for <a href="#">ICOBS 4.6</a>) does not apply to an <i>authorised professional firm</i> with respect to its <i>non-mainstream regulated activities</i> except for:</p> <p>(1) the provisions on communications to <i>clients</i> and <i>financial promotions</i> (see <a href="#">ICOBS 2.2</a>);</p> <p>(2) the e-commerce provisions (<a href="#">ICOBS 3.2</a>);</p> <p>(3) general information disclosure requirements in relation to complaints procedures (see <a href="#">ICOBS 4.1</a>); and</p> <p>(4) the <i>UK</i> provisions which implemented articles 1(4), 17, 18, 19, 20, 23, and 24 of the <i>IDD</i> (see <a href="#">ICOBS 2.2.2R</a> (communication to customers and financial promotions), <a href="#">ICOBS 2.2.2AR</a> (marketing communications), <a href="#">ICOBS 2.5.-1R</a> (the customer's best interests rule), <a href="#">ICOBS 2.6</a> (Distribution of connected contracts through exempt persons), <a href="#">ICOBS 4.1</a> (Information about the firm, its services and remuneration), <a href="#">ICOBS 4.1A</a> (Means of communicating to customers), <a href="#">ICOBS 4.3</a> (remuneration disclosure), <a href="#">ICOBS 5.2</a> (Demands and needs), <a href="#">ICOBS 5.3.3R</a> (Advice on the basis of a fair analysis), <a href="#">ICOBS 5.3.4R</a> (Personalised explanation), <a href="#">ICOBS 6A.1.4R</a> (Ensuring the customer can make an informed decision) and <a href="#">ICOBS 6A.3</a> (Cross-selling)), except to the extent that the <i>firm</i> is subject to equivalent rules of its <i>designated professional body</i> approved by the <i>FCA</i>.</p>
3.2	G	Compliance with the <i>UK</i> provisions which implemented the <i>Distance Marketing Directive</i> is dealt with in the Professional Firms sourcebook (see <a href="#">PROF 5.4</a> ).
4	Appointed representatives	
4.1	R	<p>(1) An <i>insurer</i> must ensure that its <i>appointed representative</i> complies with this sourcebook as it applies to an <i>insurance intermediary</i>.</p>

Part 1: Who?		
Modifications to the general application rule according to type of firm		
	(2)	However, if the <i>appointed representative</i> is acting as the <i>insurer's third party processor</i> then: <ul style="list-style-type: none"> <li>(a) this <i>rule</i> is subject to the <i>third party processors rule</i> (see paragraph 1.1R); and</li> <li>(b) the <i>insurer</i> is not required to ensure that the <i>appointed representative</i> complies with the <i>rules</i> in this sourcebook on commission disclosure (see <a href="#">ICOBS 4.4</a>).</li> </ul>
4.2	G	The cancellation requirements in chapter 7 do not apply to a <i>distance contract</i> entered into by an <i>appointed representative</i> to provide distribution services. Regulations 9 (Right to cancel) to 13 (Payment for services provided before cancellation) of the <i>Distance Marketing Regulations</i> apply instead.
5	Service companies	
5.1	R	This sourcebook does not apply to a <i>service company</i> , except for the provisions on communications to <i>clients</i> and <i>financial promotions</i> (see <a href="#">ICOBS 2.2</a> ).
6	Lloyd's	
	This sourcebook does not apply to the <i>Society</i> .	
7	Gibraltar-based firms and TP firms	
7.1	R	(1) In addition to the general application rule in <a href="#">ICOBS 1.1.1R</a> , the provisions in (2) also apply to: <ul style="list-style-type: none"> <li>(a) <i>TP firms</i> and <i>Gibraltar-based firms</i> which carry on business from an establishment in the <i>United Kingdom</i>; or</li> <li>(b) (i) <i>TP firms</i> and <i>Gibraltar-based firms</i> that provide services from an establishment outside the <i>United Kingdom</i>; or firms operating from an establishment overseas; and</li> <li>(ii) with a <i>customer</i> in the <i>United Kingdom</i>.</li> </ul>
	(2)	The provisions specified for the purposes of (1) are: <ul style="list-style-type: none"> <li>(a) <a href="#">ICOBS 6.1.7-AG</a>, <a href="#">ICOBS 6.5.1AG</a> and <a href="#">ICOBS 6A.4</a> (Travel insurance and medical conditions) (except for <i>TP firms</i> or <i>Gibraltar-based firms</i> in (1)(b)(i) where the state of the risk is an <i>EEA State</i> or Gibraltar, and to the extent that the <i>EEA State</i> in question or Gibraltar imposes measures of like effect); and</li> <li>(b) <a href="#">ICOBS 6A.5</a> (Retail premium finance: disclosure and remuneration).</li> <li>(c) <a href="#">ICOBS 5.1.3CR(1A)</a>, <a href="#">ICOBS 6.2.6R</a>, <a href="#">ICOBS 6.2.7G</a>, <a href="#">ICOBS 6.5.1R(3)(d)</a> and <a href="#">ICOBS 6A.6</a> (Cancellation of automatic renewal);</li> <li>(d) <a href="#">ICOBS 6B</a> (Home and motor insurance pricing); and</li> <li>(e) <a href="#">ICOBS 6A.7</a> (Disclosure requirements for multi-occupancy buildings insurance).</li> </ul>

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 <i>reinsurance contract</i> .

## Part 2: What?

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

[Note: recital 51 to the IDD]

## 2 Contracts of large risks

## 2.1 R Subject to Part 3 of this Annex:

- (1) this sourcebook does not apply to a *firm* distributing a *contract of large risks* where the risk is located outside the *United Kingdom*;
- (2) only ICOBS 2 (General matters), ICOBS 6A.3 (Cross-selling) and ICOBS 6A.7 (Disclosure requirements for multi-occupancy buildings insurance) apply to a *firm* distributing a *contract of large risks* for a *commercial customer* where the risk is located within the *United Kingdom*; and
- (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*.

[Note: article 22(1) of the IDD]

2.2 G *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*.2.3 R ICOBS 6.2.3 R does not apply to *contracts of large risks*.

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

## 3 Pure protection contracts: election to apply COBS rules

- 3.1 R
- (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.
  - (2) Within the scope of such an election, a *firm* must:
    - (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
    - (b) if applicable, also comply with ICOBS 4.6.
  - (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.

## 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]

[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]
2	Exemption for insurers: business with non-UK customers via non-UK intermediaries
2.1	<div>R      This sourcebook does not apply to an <i>insurer</i> if:<div><div>(1)      the intermediary (whether or not an <i>insurance intermediary</i>) in contact with the <i>customer</i> is not established in the <i>United Kingdom</i>; and</div><div>(2)      the <i>customer</i> is not <i>habitually resident</i> in, and, if applicable, the <i>State of the risk</i> is outside the <i>United Kingdom</i>.</div></div></div>
3	Exemption for insurers: business with non-UK EEA customers [deleted]
Part 4: Guidance [deleted]	