

Chapter 4

Information about the firm, its
services and remuneration

4.1 General requirements for insurance intermediaries and insurers

Application: who?

- 4.1.1 **R** 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

- 4.1.1A **G** 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

- 4.1.2 **R** 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

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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

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- (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.

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