Chapter 4

Information about the firm, its services and remuneration

4

4.3 Remuneration disclosure

Remuneration disclosure: insurance intermediaries

4.3.-7 R 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

4.3.-6 R 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

4.3.-5 R The *remuneration* referred to in this section includes *remuneration* that is not guaranteed or which is contingent on meeting certain targets.

4.3.-4 G The information required to be disclosed by ICOBS 4.3.-7R and ICOBS 4.3.-6R 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*.

4.3.-3 G When considering what information to provide about the *remuneration*, a *firm* should include all *remuneration* which the *insurance intermediary* or the *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, overriders or other enhanced commissions.

4

4.3.-2 R 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 G Examples of the type of payments made are those for mid-term adjustments, administration fees and cancellation fees.

Fee disclosure: additional requirements

4.3.1 R (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 R 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*]