

## 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

any qualifying requirements to claim each of the benefits under each *policy*; and

- (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 **R** 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 **R**

- (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.
- (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 **G** 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.