

# Chapter 6A

## Product specific rules



**6A.1 Guaranteed asset protection (GAP) contracts**

**Application**

**6A.1.1** **R** 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** **G** 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** **G** 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** **R**

- (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 ■ ICOB 6A.1.6R and ■ ICOB 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 ■ ICOB 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 **G** A *firm* must also comply with the *rules* in ■ ICOBS 6 (Product Information).

**Deferred opt-in for GAP contracts**

6A.1.6 **R** 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 **R** 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 **G** 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

6A.2.1

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- (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) An optional additional product is a good, service or right of any description, whether or not financial in nature, that a *customer* may obtain (or not, as the case may be) at his or her election in connection with or alongside a *non-investment insurance contract*.
- (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 G 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 G *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 G *Firms* are reminded that they must ensure that their *appointed representatives* comply with this section ■ ICOBS 6A.2.



## 6A.3 Cross-selling

### Requirements where insurance is the primary product

- 6A.3.1** **R** 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:
    - (1) 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

- 6A.3.2** **R** 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.
- 6A.3.3** **R** ■ 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** **R** 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** **G** 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** **R**

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

- (1) Where one or more circumstances set out in **ICOBS 6A.4.6R** 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.-1R** (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.

