

## Chapter 4

# Product governance: IDD and pathway investments

## 4.1 General

### 4.1.1

**R**

#### Other requirements under the IDD

This chapter does not affect the application of other requirements in the *FCA Handbook* applying to *firms* in relation to their *insurance distribution activities* including but not limited to:

- (1) disclosure (■ ICOBS 2.2, ■ ICOBS 6.1, ■ COBS 4 and ■ COBS 14.2);
- (2) suitability (■ COBS 9 or ■ COBS 9A);
- (3) appropriateness (■ COBS 10A);
- (4) identification and management of conflicts of interest (■ SYSC 10.1 for intermediaries or ■ SYSC 3.3 for insurers); and
- (5) inducements (■ COBS 2.3A).

[Note: article 25(3) of the *IDD*]

## 4.2 Manufacture of insurance products

### Product governance arrangements

- 4.2.1** **R** A firm which *manufactures* any insurance product must maintain, operate and review a process for the approval of:
- (1) each insurance product; and
  - (2) significant adaptations of an existing insurance product,
- in each case before it is marketed or *distributed to customers*.
- [Note: first subparagraph of article 25(1) of the *IDD*]
- 4.2.2** **R** The product approval process referred to in **■ PROD 4.2.1R** must be proportionate and appropriate to the nature of the insurance product.
- [Note: second subparagraph of article 25(1) of the *IDD*]
- 4.2.3** **G** *Manufacturers* should take into account the following when considering whether the product approval process is proportionate and appropriate:
- (1) the complexity of the insurance product;
  - (2) the degree to which publicly available information can be obtained;
  - (3) the nature of the insurance product and the risk of consumer detriment related to it;
  - (4) the characteristics of the target market; and
  - (5) the scale and complexity of the relevant business of the *manufacturer or distributor*.
- [Note: recital 2 to the *IDD POG Regulation*]
- 4.2.4** **G** For the purposes of **■ PROD 4.2.2R** proportionality means that the product approval process should be relatively simple for straightforward and non-complex products that are compatible with the needs and characteristics of the mass retail market. On the other hand, in the case of more complex products with a higher risk of consumer detriment more exacting measures should be required.
- [Note: recital 2 to the *IDD POG Regulation*]

**Product approval process**

- 4.2.5 **UK** 4(1)Manufacturers shall maintain, operate and review a product approval process for newly developed insurance products and for significant adaptations of existing insurance products. That process shall contain measures and procedures for designing, monitoring, reviewing and distributing insurance products, as well as for corrective action for insurance products that are detrimental to customers. The measures and procedures shall be proportionate to the level of complexity and the risks related to the products as well as the nature, scale and complexity of the relevant business of the manufacturer.  
[Note: article 4(1) of the *IDD POG Regulation*]
- 4.2.6 **UK** 4(2)The product approval process shall be set out in a written document (“product oversight and governance policy”), which shall be made available to the relevant staff.  
[Note: article 4 (2) of the *IDD POG Regulation*]
- 4.2.7 **UK** 9Relevant actions taken by manufacturers in relation to their product approval process shall be duly documented, kept for audit purposes and made available to the Financial Conduct Authority upon request.  
[Note: article 9 of the *IDD POG Regulation*]
- 4.2.8 **UK** 4(3)The product approval process shall
- (a)ensure that the design of insurance products:
    - (i)takes into account the objectives, interests and characteristics of customers;
    - (ii)does not adversely affect customers;
    - (iii)prevents or mitigates customer detriment;
  - (b)support a proper management of conflicts of interest.
- [Note: article 4(3) of the *IDD POG Regulation*]
- 4.2.9 **UK** 4(4)The manufacturers’ body or structure responsible for the manufacturing of insurance products shall:
- (a)endorse and be ultimately responsible for establishing, implementing and reviewing the product approval process;
  - (b)continuously verify internal compliance with that process.
- [Note: article 4(4) of the *IDD POG Regulation*]
- 4.2.10 **UK** 5(4)Manufacturers shall ensure that staff involved in designing and manufacturing insurance products has the necessary skills, knowledge and expertise to properly understand the insurance products sold and the

interests, objectives and characteristics of the customers belonging to the target market.

[Note: article 5(4) of the *IDD POG Regulation*]

4.2.11 **UK** 4(5)Manufacturers designating a third party to design products on their behalf shall remain fully responsible for compliance with the product approval process.

[Note: article 4(5) of the *IDD POG Regulation*]

4.2.12 **UK** 4(6)Manufacturers shall regularly review their product approval process to ensure that that process is still valid and up to date. They shall amend the product approval process where necessary

[Note: article 4(6) of the *IDD POG Regulation*]

**Manufacture by more than one firm**

4.2.13 **UK** 3(4)An insurance intermediary and an insurance undertaking that are both manufacturers within the meaning of Article 2 of this Delegated Regulation, shall sign a written agreement which specifies their collaboration to comply with the requirements for manufacturers referred to in [■ PROD 4.2.1R, ■ PROD 4.2.2R, ■ PROD 4.2.29R, ■ PROD 4.2.33R and ■ PROD 4.2.34R] the procedures through which they shall agree on the identification of the target market and their respective roles in the product approval process.

[Note: article 3(4) of the *IDD POG Regulation*]

4.2.14 **R** In circumstances other than ■ PROD 4.2.13UK, when *firms* collaborate to *manufacture* an insurance product, they must outline their mutual responsibilities in a written agreement.

**Target market**

4.2.15 **R** For each insurance product the product approval process must:

- (1) specify an identified target market;
- (2) ensure that all relevant risks to the identified target market are assessed;
- (3) ensure that the intended distribution strategy is consistent with the identified target market; and
- (4) require the *manufacturer* to take reasonable steps to ensure that the insurance product is *distributed* to the identified target market.

[Note: third subparagraph of article 25(1) of the *IDD*]

4.2.16 **UK** 5(1)The product approval process shall for each insurance product identify the target market and the group of compatible customers. The target market shall be identified at a sufficiently granular level, taking into account

- the characteristics, risk profile, complexity and nature of the insurance product.  
[Note: article 5(1) of the *IDD POG Regulation*]
- 4.2.17 **UK** 5(2)Manufacturers may, in particular with regard to insurance-based investment products, identify groups of customers for whose needs, characteristics and objectives the insurance product is generally not compatible.  
[Note: article 5(2) of the *IDD POG Regulation*]
- 4.2.18 **UK** 5(3)Manufacturers shall only design and market insurance products that are compatible with the needs, characteristics and objectives of the customers belonging to the target market. When assessing whether an insurance product is compatible with a target market, manufacturers shall take into account the level of information available to the customers belonging to that target market and their financial literacy.  
[Note: article 5(3) of the *IDD POG Regulation*]
- 4.2.19 **G** The identification of the target market by the *manufacturer* should be understood as describing a group of *customers* sharing common characteristics at an abstract and generalised level in order to enable the *manufacturer* to adapt the features of the product to the needs, characteristics and objectives of that group of *customers*.
- 4.2.20 **G** The identification of the target market should be distinguished from the individual assessment at the point of sale to determine whether a product meets the demands and needs and, where applicable, whether an *insurance-based investment product* is suitable or appropriate for the individual *customer*.  
[Note: recital 5 to the *IDD POG Regulation*]
- 4.2.21 **G** The level of granularity of the target market and the criteria used to define the target market and determine the appropriate distribution strategy should be relevant for the product and should make it possible to assess which *customers* fall within the target market. For simpler, more common products, the target market should be identified with less detail while for more complicated products or less common products, the target market should be identified with more detail taking into account the increased risk of consumer detriment associated with such products.  
[Note: recital 6 to the *IDD POG Regulation*]
- Product testing**.....
- 4.2.22 **UK** 6(1)Manufacturers shall test their insurance products appropriately, including scenario analyses where relevant, before bringing that product to the market or significantly adapting it, or in case the target market has significantly changed. That product testing shall assess whether the insurance product over its lifetime meets the identified needs, objectives and characteristics of the target market. Manufacturers shall test their insurance products in a

qualitative manner and, depending on the type and nature of the insurance product and the related risk of detriment to customers, quantitative manner.

[Note: article 6(1) of the *IDD POG Regulation*]

**4.2.23** **G** For the purposes of **■ PROD 4.2.22UK**, *manufacturers* should include assessments of the performance and risk/reward profile of their insurance product where appropriate.

[Note: recital 8 to the *IDD POG Regulation*]

**4.2.24** **UK** 6(2)Manufacturers shall not bring insurance products to the market if the results of the product testing show that the products do not meet the identified needs, objectives and characteristics of the target market.

[Note: article 6(2) of the *IDD POG Regulation*]

**4.2.25** **R** *Manufacturers* must consider the charging structure proposed for each insurance product, including examination of the following:

- (1) whether the costs and charges of the insurance product are compatible with the needs, objectives and characteristics of the target market;
- (2) where relevant, whether the charging structure of the insurance product is appropriately transparent for the target market, such as that it does not disguise charges or is too complex to understand; and
- (3) where relevant, whether the charges undermine the return expectations of the insurance product, such as where the costs or charges equal, exceed or remove almost all the expected tax advantages linked to a *life policy*.

**4.2.26** **G** (1) **■ PROD 4.2.25R** does not affect the *manufacturer's* freedom to set *premiums*.

(2) In relation to a *non-investment insurance contract* a *firm* should consider whether, as a result of the charging structure it has put in place, the overall cost for the *customer* is consistent with its obligations under the *Principles* and *ICOBS*.

(3) **■ PROD 4.2.25R** should be read in light of a *firm's* wider obligations under the *Handbook* which impose specific restrictions or requirements around what costs and charges may be permissible. For example, the *rules* in **■ COBS 20.2** govern what may be charged to a *with-profits policy* when considering its charging structure under **■ PROD 4.2.25R**.

**Distribution channels and information disclosure to distributors**

- 4.2.27 **UK** 8(1)Manufacturers shall carefully select distribution channels that are appropriate for the target market, thereby taking into account the particular characteristics of the relevant insurance products.  
[Note: article 8(1) of the *IDD POG Regulation*]
- 4.2.28 **G** To ensure appropriate information for *customers*, *manufacturers* should select *distributors* that have the necessary knowledge, expertise and competence to understand the features of an insurance product and the identified target market.  
[Note: recital 9 to the *IDD POG Regulation*]
- 4.2.29 **R** A *firm* which *manufactures* an insurance product, must make available to a *distributor*:
- (1) all appropriate information on the insurance product
  - (2) all appropriate information on the product approval process; and
  - (3) the identified target market of the insurance product.
- [Note: fifth subparagraph of article 25(1) of the *IDD*]
- 4.2.30 **UK** 8(2)Manufacturers shall provide insurance distributors with all appropriate information on the insurance products, the identified target market and the suggested distribution strategy, including information on the main features and characteristics of the insurance products, their risks and costs, including implicit costs, and any circumstances which might cause a conflict of interest to the detriment of the customer. That information shall be clear, complete and up to date.  
[Note: article 8(2) of the *IDD POG Regulation*]
- 4.2.31 **UK** 8(3)The information referred to in paragraph 2 shall enable the insurance distributors to:
- (a) understand the insurance products;
  - (b) comprehend the identified target market for the insurance products;
  - (c) identify any customers for whom the insurance product is not compatible with their needs, characteristics and objectives;
  - (d) carry out distribution activities for the relevant insurance products in accordance with the best interests of their customers as prescribed in [■ *ICOBS 2.5-1R* and ■ *COBS 2.1.1R*].
- [Note: article 8(3) of the *IDD POG Regulation*]



4.2.32 **R** A *manufacturer* must make available to any *distributor* information about the target market assessment.

The information made available under (1) must be of an adequate standard to enable *distributors* to:

comprehend the identified target market for the insurance products; and

be able to identify any customers for whom the insurance product is not compatible with their needs, characteristics and objectives.

A *manufacturer* is not required to disclose specific information objectively considered to be commercially sensitive if the information it does make available would still allow *distributors* to meet (2)(a) and (b).

### Monitoring and review of insurance products

4.2.33 **R** A *firm* must understand the insurance products it offers or markets.

[Note: fourth subparagraph of article 25(1) of the *IDD*]

4.2.34 **R** A *firm* must regularly review the insurance products it offers or markets taking into account any event that could materially affect the potential risk to the identified target market. In doing so, the *firm* must assess at least the following:

(1) whether the insurance product remains consistent with the needs of the identified target market; and

(2) whether the intended distribution strategy remains appropriate.

[Note: fourth subparagraph of article 25(1) of the *IDD*]

4.2.35 **UK** 7(1)Manufacturers shall continuously monitor and regularly review insurance products they have brought to the market, to identify events that could materially affect the main features, the risk coverage or the guarantees of those products. They shall assess whether the insurance products remain consistent with the needs, characteristics and objectives of the identified target market and whether those products are distributed to the target market or is reaching customers outside the target market.

[Note: article 7(1) of the *IDD POG Regulation*]

4.2.36 **UK** 7(2)Manufacturers shall determine the appropriate intervals for the regular review of their insurance products, thereby taking into account the size, scale, contractual duration and complexity of those insurance products, their respective distribution channels, and any relevant external factors such as changes to the applicable legal rules, technological developments, or changes to the market situation.

[Note: article 7(2) of the *IDD POG Regulation*]

- 4.2.37 **UK** 7(3)Manufacturers that identify during the lifetime of an insurance product any circumstances related to the insurance product that may adversely affect the customer of that product shall take appropriate action to mitigate the situation and prevent further occurrences of the detrimental event. Manufacturers shall promptly inform concerned insurance distributors and customers about the remedial action taken.  
[Note: article 7(3) of the *IDD POG Regulation*]
- 4.2.38 **UK** 8(4)Manufacturers shall take appropriate steps to monitor that insurance distributors act in accordance with the objectives of the manufacturers' product approval process. They shall in particular verify on a regular basis whether the insurance products are distributed on the identified target market. That monitoring obligation shall not extend to the general regulatory requirements with which insurance distributors have to comply when carrying out insurance distribution activities for individual customers. The monitoring activities shall be reasonable, taking into consideration the characteristics and the legal framework of the respective distribution channels.  
[Note: article 8(4) of the *IDD POG Regulation*]
- 4.2.39 **UK** 8(5)Manufacturers considering that the distribution of their insurance products is not in accordance with the objectives of their product approval process shall take appropriate remedial action.  
[Note: article 8(5) of the *IDD POG Regulation*]

## 4.3 Distribution of insurance products

- 4.3.1** **R** Where a *firm distributes* insurance products which it does not *manufacture* it must have in place adequate arrangements to obtain the information in ■ PROD 4.2.29R from the *manufacturer*.  
[Note: sixth sub-paragraph of article 25(1) of the *IDD*]
- 4.3.2** **R** Where a *firm distributes* insurance products which it does not *manufacture*, it must have in place adequate arrangements to understand:
- (1) the characteristics of each insurance product; and
  - (2) the identified target market of each insurance product.
- [Note: sixth sub-paragraph of article 25(1) of the *IDD*]
- 4.3.3** **R** A *distributor* must take all reasonable steps to obtain the information in ■ PROD 4.2.29R when *distributing* insurance products *manufactured* by any *person* to which product governance requirements in ■ PROD 4.2 requirements of the *IDD POG Regulation* do not apply.
- 4.3.4** **G** To comply with ■ PROD 4.3.2R, *distributors* should put in place effective arrangements to ensure that they obtain sufficient, adequate and reliable information from the *manufacturer* about the insurance products to ensure that they will be *distributed* in accordance with the characteristics, objectives and needs of the target market.
- 4.3.5** **UK** 10(1) Insurance distributors shall have in place product distribution arrangements containing appropriate measures and procedures to obtain from the manufacturer all appropriate information on the insurance products they intend to offer to their customers and to fully comprehend those insurance products, taking into account the level of complexity and the risks related to the products as well as the nature, scale and complexity of the relevant business of the distributor.  
[Note: first sub-paragraph of article 10(1) of the *IDD POG Regulation*]
- 4.3.6** **UK** EU10(2) The product distribution arrangements shall:
- (a) aim to prevent and mitigate customer detriment;
  - (b) support a proper management of conflicts of interest;

		(c)ensure that the objectives, interests and characteristics of customers are duly taken into account.
		[Note: article 10(2) of the <i>IDD POG Regulation</i> ]
4.3.7	UK	10(3)The product distribution arrangements shall ensure that the insurance distributors obtain from the manufacturer the information to be communicated under Article 8(2).
		[Note: article 10(3) of the <i>IDD POG Regulation</i> ]
4.3.8	UK	10(4)Any specific distribution strategy set up or applied by insurance distributors shall be in accordance with the distribution strategy set up and the target market identified by the manufacturer.
		[Note: article 10(4) of the <i>IDD POG Regulation</i> ]
4.3.9	UK	10(5)The insurance distributors' body or structure responsible for insurance distribution shall endorse and be ultimately responsible for establishing, implementing and reviewing the product distribution arrangements and continuously verify internal compliance with those arrangements.
		[Note: article 10(5) of the <i>IDD POG Regulation</i> ]
4.3.10	UK	10(6)Insurance distributors shall regularly review their product distribution arrangements to ensure that those arrangements are still valid and up to date. They shall amend product distribution arrangements where appropriate. Insurance distributors that have set up or apply a specific distribution strategy shall, where appropriate, amend that strategy in view of the outcome of the review of the product distribution arrangements. When reviewing their product distribution arrangements, insurance distributors shall verify that the insurance products are distributed to the identified target market.
		Insurance distributors shall determine the appropriate intervals for the regular review of their product distribution arrangements, thereby taking into account the size, scale and complexity of the different insurance products involved. To support product reviews carried out by manufacturers, insurance distributors shall upon request provide manufacturers with relevant sales information, including, where appropriate, information on the regular reviews of the product distribution arrangements.
		[Note: article 10(6) of the <i>IDD POG Regulation</i> ]
4.3.11	UK	11Insurance distributors becoming aware that an insurance product is not in line with the interests, objectives and characteristics of its identified target market or becoming aware of other product-related circumstances that may adversely affect the customer shall promptly inform the manufacturer and, where appropriate, amend their distribution strategy for that insurance product.
		[Note: article 11 of the <i>IDD POG Regulation</i> ]
4.3.12	G	<i>Manufacturers and distributors</i> should take appropriate action in order to avert the risk of consumer detriment when they consider that the insurance

product is not, or is no longer, aligned with the interests, objectives and characteristics of the identified target market.

[Note: recital 12 to the *IDD POG Regulation*]

**4.3.13** **UK** 12Relevant actions taken by insurance distributors in relation to their product distribution arrangements shall be duly documented, kept for audit purposes and made available to the Financial Conduct Authority upon request.

[Note: article 12 of the *IDD POG Regulation*]

**4.3.14** **UK** 10(1)Insurance distributors shall set out the product distribution arrangements in a written document and make it available to their relevant staff.

[Note: second sub-paragraph of article 10(1) of the *IDD POG Regulation*]

## 4.4 Additional expectations for manufacturers and distributors of insurance products

- 4.4.1** **G** In addition to ■ PROD 4.1, ■ PROD 4.2 and ■ PROD 4.3, *firms* should also consider what needs to be done to comply with obligations found elsewhere in the *FCA Handbook*, including under the *Principles* and in *SYSC*. In considering this *firms* should consider any relevant *guidance*.
- 4.4.2** **G** ■ PROD 1.4.10G provides that, where ■ PROD 4 applies, a *firm* need not apply the *guidance* in *RPPD* for matters covered by *PROD*, if that *firm* has complied with ■ PROD 4. However, ■ PROD 4 and the *IDD POG Regulation* does not cover all parts of the *RPPD* or wider obligations in the *FCA Handbook* and the following *guidance*, some of which is reproduced from the *RPPD*, remains relevant.
- 4.4.3** **G** *Manufacturers* should consider whether the design of an insurance product is driven by features that benefit the *customer* and not by a business model which relies on poor *customer* outcomes to be profitable.
- 4.4.4** **G** When providing information to *distributors*, a *manufacturer* should:
- (1) make it clear if that information is not intended for *customer* use;
  - (2) ensure the information is sufficient, appropriate and comprehensible in substance and form, including considering whether it will enable *distributors* to understand it enough to give suitable advice (where advice is given) and to extract any relevant information and communicate it to the end *customer*. As part of meeting this standard, the *manufacturer* may wish to consider, with regard to each *distribution* channel or type of *distributor* what information *distributors* of that type already have, their likely level of knowledge and understanding, their information needs and what form or medium would best meet those needs (which could include discussions, written material or training as appropriate).
- 4.4.5** **G** When reviewing the insurance products it *manufactures*, a *firm* should communicate to the *customer* and/or *distributor* contractual “breakpoints” such as the end of a long tie-in period that may have a material impact on a *customer* that the *customer* cannot reasonably be expected to recall or know about already.

**4.4.6** **G** *Manufacturers* should act fairly and promptly when handling claims or when paying out on an insurance product that has been surrendered or reached maturity. In doing this, the *manufacturer* should meet any reasonable *customer* expectations that it may have created with regard to the outcomes or how the process would be handled.

**4.4.7** **G** In ensuring that they have obtained sufficient information about the insurance products they *distribute* and in ensuring they understand the insurance products *distributed, distributors*:

- (1) should consider whether they understand the materials provided by the *manufacturer or distributor* earlier in the sales chain;
- (2) should ask the *manufacturer* to supply additional information or training where this seems necessary to understand the insurance product adequately;
- (3) should not *distribute* the insurance product if they do not understand it sufficiently; and
- (4) when providing information to another *distributor* in a distribution chain, should consider how the further *distributor* will use the information, such as whether it will be given to *customers*. *Firms* should consider what information the further *distributor* requires and the likely level of knowledge and understanding of the further *distributor* and what medium may suit it best for the transmission of information.

## 4.5 Additional expectations for manufacturers and distributors in relation to value measures data

### Application and definitions

4.5.1 **R** ■ PROD 4.5 applies to a *firm* which *manufactures* or *distributes* a *general insurance contract* product which is the subject of a reporting requirement within ■ SUP 16.27 (General insurance value measures reporting).

4.5.2 **R** In this section:

“value measures product” means	a product which is the subject of a reporting requirement within SUP 16.27, regardless of when that product was first <i>manufactured</i> .
“value measures information” means	both the individual value measures data reported to the <i>FCA</i> by a <i>firm</i> as well as the value measures data relating to other <i>firms</i> published by the <i>FCA</i> , including that based on value measures data reported to it under SUP 16.27.

### Manufacturers of value measures products

4.5.3 **R** A *firm* which *manufactures* (in whole or in part) a value measures product must comply with the requirements in ■ PROD 4.5.4R.

4.5.4 **R** The requirements on *manufacturers* referred to in ■ PROD 4.5.3R are:

- (1) that in relation to existing value measures products the *firm* has effective procedures in place to ensure that, on a continuing basis, the product offers fair value to *customers* in the target market, taking into account, among other things:
  - (a) the needs of the target market;
  - (b) the *firm’s* reasonable assessment of the value expectations of *customers* in the target market;
  - (c) the value measures information, within a reasonable period;
  - (d) any particular features of the product or the terms and conditions that may give rise to concerns about poor value;



- (e) appropriate product testing including scenario analysis and testing on *consumers*; and
- (f) the charging structure of the product including examination of whether the costs and charges are compatible with how useful the product is to *consumers* and the transparency of costs and charges.

[**Note:** The requirement in ■ PROD 4.5.4R(1)(c) applies from 1 July 2021, when ■ SUP 16.2 will be in force.]

- (2) that in relation to new products and significant adaptations to existing products, the *firm's* product approval process in ■ PROD 4.2.1R, product testing in ■ PROD 4.2.22UK including considerations in ■ PROD 4.2.25R and the review of products in ■ PROD 4.2.34R also incorporate the procedures and considerations in (1) above.
- (3) *manufacturers* that identify any aspects of a product that may mean the product does not offer fair value, must:
  - (a) take appropriate action to mitigate the situation and/or prevent further occurrences of any possible detriment to customers;
  - (b) inform any relevant distributors promptly about remedial action being taken; and
  - (c) where relevant, not bring new products to market or make any proposed changes.
- (4) *manufacturers* must regularly review the products it offers or markets to ensure they continue to offer fair value taking into account any event that could materially affect whether this remains the case.
- (5) where the *firm* is required to submit a value measures report by ■ SUP 16.27.7R, that the *firm* takes all reasonable steps to set up arrangements with *firms* entering into *contracts of insurance* as principal in relation to those products, to enable it to obtain the value measures data required to be included in the value measures report.
- (6) where there is more than one *manufacturer* they must all outline in writing their mutual responsibilities arising under ■ PROD 4.5.3R and ■ 4.5.4R.

4.5.5 **G** ■ PROD 4.5.4R(1)(f) does not affect the *manufacturers'* freedom to set premiums.

**Distributors of value measures products**

4.5.6 **R** Where a *firm* distributes a value measures product that it does not manufacture it must comply with the requirements in ■ PROD 4.5.7R.

4.5.7 **R** The requirements on *distributors* referred to in ■ PROD 4.5.6R are:

- (1) that in relation to existing products it distributes, and any new products it proposes to distribute, the *firm* has procedures in place to consider, on a continuing basis, whether the product offers fair value

to *customers* in the target market, taking into account the factors in  
■ PROD 4.5.4R(1)(a) to (f);

- (2) where the *firm* is required to submit a value measures report by  
■ SUP 16.27.7R, that the *firm* takes all reasonable steps to have  
arrangements with the *manufacturer* of the value measures products  
and/or *firms* or persons entering into *contracts of insurance* as  
principal in relation to those products, to enable it to obtain the  
value measures data required to be included in the value measures  
report;
- (3) *distributors* that identify any aspects of a product that may mean the  
product does not offer fair value, must:
  - (a) take appropriate action to mitigate the situation and/or prevent  
further occurrences of any possible detriment to *customers*,  
including, where appropriate, amending their distribution  
strategy for that product; and
  - (b) inform any relevant *manufacturers* promptly about any concerns  
they have and any action the *distributor* is taking.