

## Chapter 4

# Product governance: IDD and pathway investments

## 4.6 Application of PROD 4.2 and 4.3 for legacy non-investment insurance products

### Application

- 4.6.1 **R** ■ PROD 4.6 applies to:
- (1) the *manufacturer* of a *legacy non-investment insurance product*, which includes:
    - (a) an *insurance intermediary* which has a decision-making role (in whole or in part) in relation to the *manufacture* of a *legacy non-investment insurance product*;
    - (b) an *insurer* that is responsible for the *manufacture* of a *legacy non-investment insurance product* including whoever currently underwrites the *legacy non-investment insurance product*; and
  - (2) a *firm* that *distributes* (including the renewal of an existing *policy*) a *legacy non-investment insurance product*.

- 4.6.2 **R** For a product falling within (2)(b) of the definition of a *legacy non-investment insurance product*, any reference to distribution or renewal is to be treated as including the ongoing collection of premiums in relation to a *policy* that remains in force.

### Purpose

- 4.6.3 **G** The purpose of this section is to set out the product governance distribution arrangements for, and how ■ PROD 4 applies to, *legacy non-investment insurance products*.

### Manufacturers of legacy non-investment insurance products

- 4.6.4 **R** A *manufacturer* of a *legacy non-investment insurance product* must apply the product approval process in ■ PROD 4.2 to that insurance product.
- 4.6.5 **G** For the purposes of ■ PROD 4.6.4R a *manufacturer* will need to demonstrate it has arrangements to meet the following:
- (1) general product approval process requirements (■ PROD 4.2.5R to ■ PROD 4.2.14R);
  - (2) fair value assessment (■ PROD 4.2.14AR to ■ PROD 4.2.14SR);

- (3) target market requirements (■ PROD 4.2.15R to ■ PROD 4.2.21AG);
- (4) product testing (■ PROD 4.2.22R to ■ PROD 4.2.26G);
- (5) distribution channels and information disclosure to distributors requirements (■ PROD 4.2.27R to ■ PROD 4.2.32DG); and
- (6) monitoring and review of insurance products (■ PROD 4.2.33R to ■ PROD 4.2.39AR).

**4.6.6**

**G**

*Firms* should take into account all relevant factors, including those in ■ PROD 4.2.3G and ■ PROD 4.2.3AG, when identifying the necessary product approval process and arrangements including, in particular:

- (a) previous product governance arrangements including reviews which the *firm* (or another person) has undertaken and the extent to which these would or would not have complied with *PROD* requirements; and
- (b) the potential level of harm which could result from the product in question.

*Firms* should ensure the product approval process has the necessary measures to identify whether the insurance product is, or remains, appropriate to be marketed or *distributed to customers*.

**4.6.7**

**R**

- (1) A *firm* must determine whether the *legacy non-investment insurance product* should continue to be marketed and *distributed* (including renewals for existing *customers*).
- (2) Where a *firm* does not approve the continued marketing and distribution of the product, including where the *firm* has been unable to identify that the product, or where relevant, the package provides fair value for the purposes of ■ PROD 4.2.14AR or, where relevant, ■ 4.2.14BR, it must immediately:
  - (a) cease marketing or distributing the product or package (whether directly or indirectly), including any renewal for an existing *customer*; and/or
  - (b) make such changes as are necessary for the product or package to provide fair value.

**Distributors of legacy non-investment insurance products**

**4.6.8**

**R**

- (1) A *firm* which *distributes*, or will distribute, a *legacy non-investment insurance product* must meet the requirements in ■ PROD 4.3 in relation to that insurance product.
- (2) A *firm* must put in place the necessary arrangements for the purposes of (1), including for:
  - (a) obtaining any necessary information from the *manufacturer*;
  - (b) providing any necessary or relevant information to the *manufacturer*;
  - (c) understanding the product, identified target market and value assessment;

- (d) ensuring adequate oversight, including the ability to obtain necessary or relevant information, of any other persons involved in the distribution with whom the distributor has a direct relationship; and
- (e) the regular review of the product distribution arrangements including to take appropriate action in order to avert the risk of consumer detriment.