

Chapter 19F

Remuneration and performance management



19F.2 IDD remuneration incentives

Application

19F.2.1 **R** This section applies to *insurance distributors* carrying on *insurance distribution activities* from an establishment maintained by it, or its *appointed representative*, in the *United Kingdom*.

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

19F.2.1A **R** This section does not apply to an *authorised professional firm* with respect to its *non-mainstream regulated activities* if:

- (1) the *firm's designated professional body* has made rules which implemented article 17(3) of the *IDD*;
- (2) those rules have been approved by the *FCA* under section 332(5) of the *Act*; and
- (3) the *firm* is subject to the rules in the form in which they were approved.

Remuneration and the customer's best interests

19F.2.2 **R**

- (1) *Insurance distributors* must not:
 - (a) be *remunerated*; or
 - (b) *remunerate* or assess the performance of their *employees*, in a way that conflicts with their duty to comply with the customer's best interests rules (■ *ICOBs 2.5.-1R*, in relation to a *non-investment insurance contract*, or ■ *COBS 2.1.1R*, in relation to a *life policy*).
- (2) In particular, an *insurance distributor* must not make any arrangements by way of *remuneration*, sales target or otherwise that could provide an incentive to itself or its *employees* to recommend a particular *contract of insurance* to a *customer* when the *insurance distributor* could offer a different *insurance contract* which would better meet the *customer's* needs.

[Note: article 17(3) of the *IDD*]

Retail premium finance

19F.2.3 **R** The requirement in **■ SYSC 19F.2.2R** applies to *remuneration an insurance distributor receives in relation to retail premium finance.*

19F.2.4 **G** **■ ICOBS 6A.5** includes further *guidance* on remuneration in relation to *retail premium finance.*