

Policy Statement

PS23/18

Smarter Regulatory Framework:
The Insurance Distribution Directive
Feedback to CP23/19 and Final Rules

December 2023

This relates to

Consultation Paper 23/19
which is available on our website at
www.fca.org.uk/publications

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Chapter 1

Summary

In CP23/19, we consulted on proposed changes to various sourcebooks intended to replace the provisions of the retained EU law (REUL) listed in paragraph 1.2 of the consultation, being repealed as part of the Treasury's Smarter Regulatory Framework (SRF) review (previously called Future Regulatory Framework Review).

In this paper, we summarise the feedback we received on our proposals and our response.

Commencement date

- 1.1** The changes we consulted on are currently intended to come into force on 5 April 2024 to align with the Treasury's repeal timetable.

Who this affects

- 1.2** This consultation is relevant to all firms involved in insurance activities.

The wider context of this policy statement

Our consultation

- 1.3** The UK fully implemented the Insurance Distribution Directive (IDD) in 2018. Most of this was done through changes to our rules, but some of the requirements were contained in EU delegated regulations which were, at the time, directly applicable. These delegated regulations provide important detailed requirements on firms, which supplement the obligations from the IDD itself, and are part of retained EU law (REUL) following the UK's exit from the European Union (EU). These delegated acts include:

- Commission Implementing Regulation (EU) 2017/1469 of 11 August 2017 laying down a standardised presentation format for the insurance product information document ('IPID Regulation')
- Commission Delegated Regulation (EU) 2017/2358 of 21 September 2017, with regard to product oversight and governance requirements for insurance undertakings and insurance distributors ('IDD POG Regulation')
- Commission Delegated Regulation (EU) 2017/2359 of 21 September 2017, with regard to information requirements and conduct of business rules applicable to the distribution of insurance-based investment products ('IDD IBIPs Regulation')

- 1.4** The Treasury's SRF review includes the repeal of these IDD delegated acts, leaving it to the FCA to decide whether to include the requirements of the IDD IBIPs Regulation, IDD POG Regulation and IPID Regulation within our Handbook, or to repeal them.
- 1.5** In September 2023 in CP23/19, we consulted on changes to various sourcebooks needed to maintain requirements which currently apply to firms, whether directly under the Insurance Distribution Directive (IDD) delegated acts or where we apply them through rules and guidance, once the relevant part of REUL is repealed. We intend to provide continuity of the regulatory regime applying to insurance related activities. As such, the amendments to the rules and guidance are not intended to change the regulatory requirements on firms.
- 1.6** We proposed to replace the replicated provisions with rules and guidance. In most cases, these were straight copies of what was in the 'UK' provisions, into rules and guidance. Where appropriate, we also made minor amendments to the replicated provisions to ensure the wording, style and cross-referencing follows Handbook style drafting (HSD). These changes included:
- Where terms defined within the Handbook Glossary are used in existing related rules, we proposed to use those defined terms in the new rules and guidance as well. This is to promote consistency and avoid any potential ambiguity. We also amended some glossary terms and deleted those that were no longer needed.
 - We adjusted some of the language to make it consistent with Handbook style. For example, the word 'shall' is generally replaced with the word 'must'.
 - Some of the legislative provisions cross-refer to others. For example, some provisions say 'As required by Article X...'. We proposed to replace these with cross-references to the relevant rule.
 - In some places we proposed to split legislative provisions into two. We did this where we considered a part of the provision is more appropriately classified as guidance rather than a rule. We also added clarificatory guidance where we felt this would be beneficial.
- 1.7** Our proposals should be read alongside the Treasury's draft statutory instruments.

How it links to our objectives

- 1.8** Our proposals are primarily intended to advance our operational objective of ensuring an appropriate degree of consumer protection. They are also relevant to our objective to protect and enhance the integrity of the UK financial system.
- 1.9** We consider these proposals are compatible with our strategic objective of ensuring that the relevant markets function well because they are intended to maintain consistency of the regulatory regime. The proposals will ensure consumers continue to be protected in the way they are currently. Maintaining the regulatory regime as it is now will also support the integrity of the insurance market.
- 1.10** We consider these proposals are compatible with our secondary international competitiveness and growth objective. The proposals do not introduce new requirements on firms, nor remove existing requirements. This provides continuity of the regulatory regime applying to insurance activities in the UK that will maintain

a proportionate regulatory regime and ensure stability. The proposed consequential amendments and drafting style edits will ensure clarity and consistency with the wider Handbook.

What we are changing

- 1.11** We received 13 responses in total to CP23/19. Two of these responses were irrelevant to the content of our consultation. The remaining 11 respondents broadly agreed with the proposed changes. A few respondents raised issues which we have clarified in Chapter 3 of this policy statement. However, based on the overall positive feedback, we are making the instrument, without any material changes from what we consulted on.
- 1.12** We intend these changes to come in force on the same date that Parliament repeals the REUL.

Outcome we are seeking

- 1.13** Our intention is to provide continuity of the regulatory regime applying to insurance related activities. As such, we expect firms to continue to maintain current regulatory standards.
- 1.14** The Derivation and Changes Table at Annex 4 sets out a rule-by-rule description of the Retained EU Law derivation of new or amended handbook provisions. It also briefly explains the changes made to the handbook and sets out which provisions are not transferred or revoked without restatement.

Measuring success

- 1.15** As part of our ongoing supervision of firms, we will monitor intelligence, feedback, and complaints to us about how the rules are being implemented, including from consumers.

Next steps

- 1.16** The changes we consulted on will come into force on 5 April 2024.

Chapter 2

The wider context

- 2.1** As noted above, the IDD delegated regulations provide important detailed requirements on firms. Once these parts of the REUL are repealed, these requirements will cease to apply directly to firms. Our aim is to maintain these requirements by including them as rules in our Handbook. We want to ensure the regulatory regime remains as it is now. So, we are neither introducing new requirements nor removing existing requirements. We consider this approach is the most appropriate way to maintain consumer protection and regulatory standards.
- 2.2** As confirmed in CP23/19, we are considering whether further, more substantial changes are required to our rules in order to deliver an appropriate regulatory regime in the future. Most respondents welcomed this, and a few respondents suggested areas that we might consider changing. Whilst we have not addressed these issues under this policy statement, in which we are only making the changes we consulted on, we have taken note of respondents' comments.

Equality and diversity considerations

- 2.3** We considered the equality and diversity issues that may arise from the proposals in CP23/19, and concluded that, overall, we do not consider that the proposals materially impact any of the groups with protected characteristics under the Equality Act 2010 (and equivalent legislation in the Northern Ireland,). None of the respondents to our consultation disagreed with our conclusion.

Environmental, social & governance considerations

- 2.4** In CP23/19, we considered the environmental, social and governance implications of our proposals and our duty under ss. 1B(5) and 3B(c) of FSMA to have regard to contributing towards the Secretary of State achieving compliance with the net-zero emissions target under section 1 of the Climate Change Act 2008 and environmental targets under s. 5 of the Environment Act 2021. We concluded that our proposals are not relevant to contributing to those targets. Respondents did not disagree with our conclusions.

Chapter 3

Transferring the retained IDD Regulations into our rules

3.1 Our consultation proposed changes to the Handbook glossary as well as to the following sourcebooks:

- the Senior Management Arrangements, Systems and Controls sourcebook (SYSC)
- the Conduct of Business sourcebook (COBS)
- the Insurance: Conduct of Business sourcebook (ICOBS)
- the Product Intervention and Product Governance Sourcebook (PROD)

3.2 In this chapter, we set out the feedback received and our response.

Senior Management Arrangements, Systems and Controls sourcebook

3.3 We proposed the following changes to SYSC 3, 9 and 10:

- replace the provisions of the UK version of Commission Delegated Regulation (EU) 2017/2359 applicable to IBIPs with rules and guidance
- replace references to customers with the existing defined term client.
- replace the undefined term remuneration with the defined term remuneration.
- rely on the existing glossary term of 'relevant person' when setting the requirements for identifying (and managing) actual or potential conflicts
- other minor consequential changes

We asked:

Q1: *Do you agree with our proposed changes to SYSC? If not, please explain why.*

3.4 11 respondents broadly agreed with our proposals. A very small number of respondents raised the following issues:

- One respondent questioned (in relation to all sections) whether we should be referencing the IDD and other European regulations in the 'notes' under the rules, as this could confuse readers.
- One respondent recommended using the IDD clause 3 of the definition of 'remuneration' for SYSC 3.3 and 10.1A, rather than clause 1. They felt that clause 3 is specifically adapted to insurance distribution activity and aligns with PROD and other parts of our Handbook. They also questioned our proposal in paragraph 3.9 of CP23/19 to use the glossary term 'client' from our Handbook as a substitute for the undefined term customer, in parts of SYSC.

Our response:

Given the overall support to our proposed rule changes, we are making the rules and guidance as they were in the consultation without any changes.

In response to the above comments from respondents:

- The notes in the Handbook provide informative, but non-legislative, material. The notes referring to the IDD regulations are included as a reference to the original source of the rules/guidance.
- We do not consider the definition of 'remuneration' as proposed would lead to any conflict with other parts of our Handbook such as PROD. We believe the part of the definition of remuneration that would now be relevant to SYSC 3 and 10.1A is consistent with the IDD definition of remuneration as both are non-exhaustive and require firms to consider any relevant form of remuneration. In the particular context in which it is being used in these SYSC chapter, it provides a clearer idea of certain employee level remuneration that firms will need to take into account.
- We consider the use of the term 'client', instead of 'customer' is consistent with the current translation table in SYSC 3.3.3R and terminology already used in SYSC 10.1. This approach is also consistent with terminology deriving from MiFID II and used in COBS, with which firms would already be familiar.

Conduct of Business sourcebook

- 3.5** We proposed to replace the Commission Delegated Regulation (EU) 2017/2359 in relation to IBIPs as currently replicated in COBS Chapters 2.3A, 9A, 10A and 16A, with rules along with other consequential changes.

We asked:

Q2: *Do you agree with our proposed changes to COBS? If not, please explain why.*

- 3.6** All respondents to this question agreed with these proposals or did not address them.

Our response:

Given the overall agreement from respondents, we will make the rules/guidance in line with our consultation.

Insurance: Conduct of Business sourcebook

- 3.7** We proposed to replace the provisions within ICOBS replicating the UK version of IPID Regulation (EU) 2017/1469, with rules and guidance. We split the UK provision at paragraph 3.8R by adding guidance under ICOBS 6 Annex 3 paragraph 3.8AG, and reminding firms that the IPID forms a part of the appropriate information about a policy a firm must give a consumer.

We asked:

Q3: *Do you agree with our proposed changes to ICOBS? If not, please explain why.*

- 3.8** All respondents broadly agreed with the proposed changes. However, one respondent requested clarification on whether the new guidance proposed under ICOBS 6 Annex 3 3.8AG meant that an IPID alone might not be sufficient product information to provide to a consumer. They requested that we consider providing additional guidance that 'appropriate information' might include the full policy wording in some cases.

Our response:

Given the overall agreement from respondents, we will make the proposed changes as consulted on.

As confirmed above and in our consultation, our intention is to replace the replicated provisions in the REUL with rules and guidance with minimal changes, without adding or removing current regulatory requirements on firms.

The guidance to paragraph 3.8R in ICOBS 6 Annex 3 proposed under paragraph 3.8AG is a reminder of the appropriate information rule in ICOBS 6.1.5R. We already have rules and guidance in ICOBS 6.1 about the provision of product information to customers. We expect firms to take these into consideration when deciding what information to provide to customers. As such, we do not propose to provide additional guidance on whether appropriate information could include the full policy wording.

Product Intervention and Product Governance Sourcebook

- 3.9** We proposed to replace PROD 1.4 and PROD 4, which implements the requirements of IDD and Commission Delegated Regulation (EU) 2017/2359 for insurance product manufacturers and distributors, with rules and guidance. We also proposed other minor consequential amendments.

We asked:

Q4: *Q4: Do you agree with our proposed changes to PROD? If not, please explain why.*

3.10 All respondents to this question agreed with the proposed changes or did not address them.

Our response:

Given the overall agreement from respondents, we will make the rules/guidance in line with our consultation.

Rights of action

3.11 In the consultation, we clarified that the effect of section 138D of FSMA may enable persons to bring an action for damages where an authorised firm breaches the rules unless this right has been disapplied. We confirmed that our proposed changes would follow the current approach for the relevant areas of the FCA handbook where we were adding new rules and we are not proposing to change this. We did not receive any comments on this from respondents, and our position remains unchanged.

Annex 1

Cost benefit analysis

- 1.** In the consultation, we concluded that we do not consider there will be any increase in ongoing compliance costs to firms above those which exist currently, as the rule changes we were proposing essentially maintain existing requirements already applicable to firms. We recognised that firms may incur some one-off costs in familiarising themselves with the proposed changes. However, we concluded these would be of minimal significance and proportionate to the outcome we are looking to achieve.
- 2.** None of the respondents disagreed with our conclusion.

Annex 2

List of respondents

We are obliged to include a list of the names of respondents to our consultation who have consented to the publication of their name. That list is as follows:

Andrew Carrick of BBPS Ltd (Hedron Network)

CIExpert Ltd

Age Partnership Limited

The APCC

Forester Life Limited

Annex 3

Abbreviations used in this paper

Abbreviation	Description
CBA	Cost benefit analysis
COBS	Conduct of Business sourcebook
EU	European Union
FSMA	Financial Services and Markets Act 2000
HMT	HM Treasury
HSD	Handbook style drafting
IBIP	Insurance-based investment product
ICOBS	Insurance: Conduct of Business sourcebook
IDD	Insurance Distribution Directive
IPID	Insurance product information document
MiFID II	Markets in Financial Instruments Directive
PROD	Product Intervention and Product Governance Sourcebook
REUL	Retained EU law
SYSC	Senior Management Arrangements, Systems and Controls sourcebook

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Annex 4

Derivation and Changes Table

Source of provision	Handbook Reference	Subject matter	Policy change/ Handbook style drafting/ other comment
The UK version of Commission Implementing Regulation (EU) 2017/1469 of 11 August 2017 laying down a standardised presentation format for the insurance product information document, which is part of UK law by virtue of the EUWA, as amended by the Technical Standards (Insurance Distribution Directive) (EU Exit) Instrument 2019 (FCA 2019/43):			
Article -1	Not transferred	Application	Not transferred as part of these changes. ICOBS 1.1.1R and application for ICOBS 6 Annex 3 already covers this.
Article 1(1)	ICOBS 6 Annex 3 paragraph 2.4R	Insurance product information document (IPID) information requirements: Name and company logo of manufacturer	Transferred to FCA Handbook with handbook style-drafting changes
Article 1(2)	ICOBS 6 Annex 3 paragraph 2.5G	IPID information requirements: Name and company logo of manufacturer	Transferred to FCA Handbook with handbook style-drafting changes
Article 2	ICOBS 6 Annex 3 paragraph 2.6R	IPID information requirements: Reference to complete pre-contractual and contractual information	Transferred to FCA Handbook with handbook style-drafting changes
Article 3	ICOBS 6 Annex 3 paragraph 3.2R	IPID information requirements: How must the IPID be presented and formatted?	Transferred to FCA Handbook with handbook style-drafting changes
Article 4(1)	ICOBS 6 Annex 3 paragraph 3.3R and	IPID information requirements: Presentation and order of content	Transferred to FCA Handbook with handbook style-drafting changes
Article 4(2)	ICOBS 6 Annex 3 paragraphs 3.4G and 3.4AR	IPID information requirements: Presentation and order of content	Transferred to FCA Handbook with handbook style-drafting changes
Article 4(3)	ICOBS 6 Annex 3 paragraph 3.5G	IPID information requirements: Presentation and order of content	Transferred to FCA Handbook with handbook style-drafting changes

Source of provision	Handbook Reference	Subject matter	Policy change/ Handbook style drafting/ other comment
Article 4(4)	ICOB 6 Annex 3 paragraph 3.6R	IPID information requirements: Presentation and order of content	Transferred to FCA Handbook with handbook style-drafting changes
Article 4(5)	ICOB 6 Annex 3 paragraph 3.7R	IPID information requirements: Presentation and order of content	Transferred to FCA Handbook with handbook style-drafting changes
Article 5	ICOB 6 Annex 3 paragraphs 3.8R and 3.8AG	IPID information requirements: Plain language	Transferred to FCA Handbook with handbook style-drafting changes
Article 6(1)	ICOB 6 Annex 3 paragraph 3.9	IPID information requirements: Headings and information thereunder	Transferred to FCA Handbook with handbook style-drafting changes
Article 6(2)	ICOB 6 Annex 3 paragraph 3.9AR	IPID information requirements: Headings and information thereunder	Transferred to FCA Handbook with no changes
Article 7(1)	ICOB 6 Annex 3 paragraph 3.10R	IPID information requirements: Use of icons	Transferred to FCA Handbook with handbook style-drafting changes
Article 7(2)	ICOB 6 Annex 3 3.11R	IPID information requirements: Use of icons	Transferred to FCA Handbook with handbook style-drafting changes
Article 7(3)	ICOB 6 Annex 3 3.12G	IPID information requirements: Use of icons	Transferred to FCA Handbook with handbook style-drafting changes
Article 8	Not transferred	Entry into force of the Regulation	Deleted
Annex	ICOB 6 Annex 3 paragraph 3.13R	IPID information requirements: Template for the standardised presentation format	Transferred to FCA Handbook with no changes

The UK version of Commission Delegated Regulation (EU) 2017/2358 of 21 September 2017, supplementing the IDD of the European Parliament and of the Council with regard to product oversight and governance requirements for insurance undertakings and insurance distributors, which is part of UK law by virtue of the EUWA, as amended by The Insurance Distribution (Amendment) (EU Exit) Regulations 2019 (SI 2019/663)

Article 1	Not transferred	Subject	Deleted
Article 2	Not transferred	Scope - application of regulation	Deleted. Not transferred as part of these changes as PROD application followed

Source of provision	Handbook Reference	Subject matter	Policy change/ Handbook style drafting/ other comment
Article 2A	Not transferred	Definitions	Deleted. Existing FCA glossary terms have been relied upon and rules cross references are included in particular rules
Article 3(1)	PROD 1.4.4R(1)	When an intermediary may be considered to be manufacturing	Transferred to FCA Handbook with handbook style-drafting changes
Article 3(2)	PROD 1.4.4R(2)	When an intermediary may be considered to be manufacturing	Transferred to FCA Handbook with handbook style-drafting changes
Article 3(3)	PROD 1.4.4R(3)	When an intermediary may be considered to be manufacturing	Transferred to FCA Handbook with handbook style-drafting changes
Article 3(4)	PROD 4.2.13R	Need for written agreement where more than one manufacturer	Transferred to FCA Handbook with handbook style-drafting changes
Article 4(1)	PROD 4.2.5R	Product approval process	Transferred to FCA Handbook with handbook style-drafting changes
Article 4(2)	PROD 4.2.6R	Product approval process – written document	Transferred to FCA Handbook with handbook style-drafting changes
Article 4(3)	PROD 4.2.8R	Product approval process – high level outcomes	Transferred to FCA Handbook with handbook style-drafting changes
Article 4(4)	PROD 4.2.9R	Internal governance for Product approval process	Transferred to FCA Handbook with handbook style-drafting changes
Article 4(5)	PROD 4.2.11R	Product approval process – responsibility when using third parties	Transferred to FCA Handbook with handbook style-drafting changes
Article 4(6)	PROD 4.2.12R	Product approval process – review of process	Transferred to FCA Handbook with handbook style-drafting changes
Article 5(1)	PROD 4.2.16R	Target market identification	Transferred to FCA Handbook with handbook style-drafting changes

Source of provision	Handbook Reference	Subject matter	Policy change/ Handbook style drafting/ other comment
Article 5(2)	PROD 4.2.17R	Target market – identifying customers for whom product is not compatible	Transferred to FCA Handbook with handbook style-drafting changes
Article 5(3)	PROD 4.2.18R	Insurance products compatibility with target market	Transferred to FCA Handbook with handbook style-drafting changes
Article 5(4)	PROD 4.2.10R	Target market – knowledge and competence of staff	Transferred to FCA Handbook with handbook style-drafting changes
Article 5(5)	Not transferred	Meaning on insurance-based investment product for target market	Deleted. Reliance on existing FCA Handbook Glossary terms
Article 5(6)	Not transferred	Meaning on insurance-based investment product for target market	Deleted. Reliance on existing FCA Handbook Glossary terms
Article 6(1)	PROD 4.2.22R	Product testing	Transferred to FCA Handbook with handbook style-drafting changes
Article 6(2)	PROD 4.2.24R	Product testing	Transferred to FCA Handbook with handbook style-drafting changes
Article 7(1)	PROD 4.2.35R.	Monitoring and review of insurance products	Transferred to FCA Handbook with handbook style-drafting changes
Article 7(2)	PROD 4.2.36R	Monitoring and review – intervals for review	Transferred to FCA Handbook with handbook style-drafting changes
Article 7(3)	PROD 4.2.37R	Monitoring and review – requirement to take mitigating action	Transferred to FCA Handbook with handbook style-drafting changes
Article 8(1)	PROD 4.2.27R	Distribution channels – selecting appropriate channels	Transferred to FCA Handbook with handbook style-drafting changes
Article 8(2)	PROD 4.2.30R	Distribution channels - information disclosure to distributors	Transferred to FCA Handbook with handbook style-drafting changes

Source of provision	Handbook Reference	Subject matter	Policy change/ Handbook style drafting/ other comment
Article 8(3)	PROD 4.2.31R	Distribution channels – purpose of information disclosure to distributors	Transferred to FCA Handbook with handbook style-drafting changes
Article 8(4)	PROD 4.2.38R	Distribution channels - Monitoring distribution	Transferred to FCA Handbook with handbook style-drafting changes
Article 8(5)	PROD 4.2.39R	Distribution channels – remedial action	Transferred to FCA Handbook with handbook style-drafting changes
Article 9	PROD 4.2.7R	Product approval process – record keeping	Transferred to FCA Handbook with handbook style-drafting changes
Article 10(1) first sub-paragraph	PROD 4.3.5R	Product distribution arrangements for distributors	Transferred to FCA Handbook with handbook style-drafting changes
Article 10(1) second sub-paragraph	PROD 4.3.14R	Product distribution arrangements – written document	Transferred to FCA Handbook with handbook style-drafting changes
Article 10(2)	PROD 4.3.6R	Product distribution arrangements – high level outcomes	Transferred to FCA Handbook with handbook style-drafting changes
Article 10(3)	PROD 4.3.7R	Product distribution arrangements – obtaining information from manufacturers	Transferred to FCA Handbook with handbook style-drafting changes
Article 10(4)	PROD 4.3.8R	Product distribution arrangements – alignment of distribution strategies	Transferred to FCA Handbook with handbook style-drafting changes
Article 10(5)	PROD 4.3.9R	Product distribution arrangements – internal governance	Transferred to FCA Handbook with handbook style-drafting changes
Article 10(6)	PROD 4.3.10R	Product distribution arrangements – review of distribution arrangements	Transferred to FCA Handbook with handbook style-drafting changes
Article 11	PROD 4.3.11R	Notifying manufacturer and amending distribution strategy	Transferred to FCA Handbook with handbook style-drafting changes

Source of provision	Handbook Reference	Subject matter	Policy change/ Handbook style drafting/ other comment
Article 12	PROD 4.3.13R	Product distribution arrangements – record keeping	Transferred to FCA Handbook with handbook style-drafting changes
Article 12A	Not transferred	Directive functions transferred to the Treasury	Deleted
Article 12B	Not transferred	Directive functions for making technical standards regarding the IPID transferred to the Financial Conduct Authority (FCA).	Deleted. FSMA rule making powers relied upon FCA to make changes proposed here (and any changes in future)
Article 13	Not transferred	Entry into force and application	Deleted

The UK version of Commission Delegated Regulation (EU) 2017/2359 of 21 September 2017, supplementing the IDD of the European Parliament and of the Council with regard to information requirements and conduct of business rules applicable to the distribution of insurance-based investment products, which is part of UK law by virtue of the EUWA, as amended by the Insurance Distribution (Amendment) (EU Exit) Regulations 2019 (SI 2019/663):

Article 1	Not transferred	Scope - application of regulation	Deleted. Existing application of relevant COBS and SYSC chapters/ sections relied upon.
Article 2(1)	Not transferred	Definition of relevant person	Deleted. Already included in the FCA Handbook Glossary
Article 2(2)	COBS 2.3A.9AR(4) (a)	Assessment of inducements – definition of inducement	Transferred to FCA Handbook with handbook style-drafting changes
Article 2(3)	COBS 2.3A.9AR(4) (b)	Assessment of inducements – definition of inducement scheme	Transferred to FCA Handbook with handbook style-drafting changes
Article 2(4) – (7)	Not transferred	Definitions	Deleted. Already included in the FCA Handbook Glossary
Article 3(1)	SYSC 3.3.6R, SYSC 10.1A.2R(1) and 10.1A.2R(2)	Identification of conflicts of interest	Transferred to FCA Handbook with handbook style-drafting changes
Article 3(2)	SYSC 3.3.7R and SYSC 10.1A.2R(3)	Identification of conflicts of interest	Transferred to FCA Handbook with handbook style-drafting changes

Source of provision	Handbook Reference	Subject matter	Policy change/ Handbook style drafting/ other comment
Article 4(1)	SYSC 3.3.10R and SYSC 10.1A.3R	Conflicts policy - establishing, implementing and maintaining an effective policy	Transferred to FCA Handbook with handbook style-drafting changes
Article 4(2)	SYSC 3.3.11R and SYSC 10.1A.4R	Conflicts policy - contents	Transferred to FCA Handbook with handbook style-drafting changes
Article 5	SYSC 3.3.12R and SYSC 10.1A.5R	Conflicts policy – required procedures and measures	Transferred to FCA Handbook with handbook style-drafting changes
Article 6	SYSC 3.3.14R and SYSC 10.1A.6R	Conflicts policy - Disclosure	Transferred to FCA Handbook with handbook style-drafting changes
Article 7(1)	SYSC 3.3.15R and SYSC 10.1A.7R	Conflicts policy - Review of policy	Transferred to FCA Handbook with handbook style-drafting changes
Article 7(2)	SYSC 3.3.16R and SYSC 10.1A.8R	Conflicts policy - Record keeping	Transferred to FCA Handbook with handbook style-drafting changes
Article 8	COBS 2.3A.9AR	Assessment of inducements – assessment and meaning of detrimental impact	Transferred to FCA Handbook with handbook style-drafting changes
Article 9(1)	COBS 9A.2.4AR(1)	Suitability assessment – determining extent of the information required	Transferred to FCA Handbook with handbook style-drafting changes
Article 9(2)	COBS 9A.2.4AR(2)	Suitability assessment – obtaining information from customers	Transferred to FCA Handbook with handbook style-drafting changes
Article 9(3)	COBS 9A.2.7AR	Suitability assessment – Obtaining information about financial situation	Transferred to FCA Handbook with handbook style-drafting changes
Article 9(4)	COBS 9A.2.8AR	Suitability assessment – Obtaining information about investment objectives	Transferred to FCA Handbook with handbook style-drafting changes
Article 9(5)	COBS 9A.2.13AR	Suitability assessment – Insufficient information	Transferred to FCA Handbook with handbook style-drafting changes

Source of provision	Handbook Reference	Subject matter	Policy change/ Handbook style drafting/ other comment
Article 9(6)	COBS 9A.2.20AR	Suitability assessment – Unsuitability	Transferred to FCA Handbook with handbook style-drafting changes
Article 9(7)	COBS 9A.2.18AR	Suitability assessment – Switching between underlying investment asset	Transferred to FCA Handbook with handbook style-drafting changes
Article 10	COBS 9A.2.9AR	Suitability assessment – Reliability of information	Transferred to FCA Handbook with handbook style-drafting changes
Article 11	COBS 9A.3.1AR	Suitability assessment – Explaining the reasons for assessing suitability	Transferred to FCA Handbook with handbook style-drafting changes
Article 12	COBS 9A.2.24G	Suitability assessment – Automated or semi-automated systems	Transferred to FCA Handbook with handbook style-drafting changes
Article 13	COBS 9A.2.15AR	Suitability assessment – Identifying the subject of assessment for group insurance	Transferred to FCA Handbook with handbook style-drafting changes
Article 14(1) to (3)	COBS 9A.3.3AR	Suitability assessment – Providing a suitability report	Transferred to FCA Handbook with handbook style-drafting changes
Article 14(4)	COBS 9A.3.10R	Suitability assessment – Periodic assessments	Transferred to FCA Handbook with handbook style-drafting changes
Article 15	COBS 10A.2.3AR	Appropriateness assessment - Assessing a client's knowledge and experience	Transferred to FCA Handbook with handbook style-drafting changes
Article 16	COBS 10A.4.3R	Appropriateness assessment - non-complex insurance-based investment products	Transferred to FCA Handbook with handbook style-drafting changes
Article 17(1)	COBS 9A.2.6AR	Suitability assessment - Obtaining information about knowledge and experience	Transferred to FCA Handbook with handbook style-drafting changes
	COBS 10A.2.4AR(1)	Appropriateness assessment - Obtaining information about knowledge and experience	

Source of provision	Handbook Reference	Subject matter	Policy change/ Handbook style drafting/ other comment
Article 17(2)	COBS 9A.2.11AR	Suitability assessment - - Discouraging the provision of information	Transferred to FCA Handbook with handbook style-drafting changes
	COBS 10A.2.5AR	Appropriateness assessment - Discouraging the provision of information	
Article 17(3)	COBS 9A.2.4AR(3)	Suitability assessment – information already held by the firm	Transferred to FCA Handbook with handbook style-drafting changes
	COBS 10A.2.4AR(2)	Appropriateness assessment - information already held by the firm	
Article 17(4)	COBS 9A.2.12AR	Suitability assessment – Reliance on information	Transferred to FCA Handbook with handbook style-drafting changes
	COBS 10A.2.6AR	Appropriateness assessment - Reliance on information	
Article 18	COBS 16A.4.2AR	Periodic report – content and frequency	Transferred to FCA Handbook with handbook style-drafting changes
Article 19(1)	COBS 9A.4.3R	Suitability assessment - Retention of records	Transferred to FCA Handbook with handbook style-drafting changes
	COBS 10A.7.2AR	Appropriateness assessment - Retention of records	
Article 19(2)	COBS 9A.4.4R	Suitability assessment - Record-keeping obligations	Transferred to FCA Handbook with handbook style-drafting changes
Article 19(3)	COBS 10A.7.2AR	Appropriateness assessment - Record-keeping	Transferred to FCA Handbook with handbook style-drafting changes
Article 19(4)	SYSC 3.3.19R and SYSC 9.1.2CR.	Retention of conflicts records	Transferred to FCA Handbook with handbook style-drafting changes
Article 19A	Not transferred	Directive functions transferred to the Treasury	Deleted

Source of provision	Handbook Reference	Subject matter	Policy change/ Handbook style drafting/ other comment
Article 20	Not transferred	Entry into force and application	Deleted
COMMISSION DELEGATED REGULATION (EU) 2019/1935 of 13 May 2019 amending Directive (EU) 2016/97 of the European Parliament and of the Council with regard to regulatory technical standards adapting the base euro amounts for professional indemnity insurance and for financial capacity of insurance and reinsurance intermediaries			
Entire text	Not transferred	Makes amendments to the Insurance Distribution Directive ((EU) 2016/97). Adapting the base euro amounts for professional indemnity and for financial capacity of insurance and reinsurance intermediaries.	Deleted. Substantive provisions relating to minimum levels of PII cover already appear in MIPRU 3.2.7R and IPRU-INV 9.2.5R/ IPRU INV 13.1.10R ¹ .

¹ Amended by FCA 21/30 the Insurance Distribution (Professional Indemnity Insurance (Limits of Indemnity)) Instrument 2021

Appendix 1

Made rules (legal instrument)

**INSURANCE DISTRIBUTION DIRECTIVE DELEGATED ACTS: SMARTER
REGULATORY FRAMEWORK INSTRUMENT 2023**

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 137A (The FCA’s general rules);
 - (b) section 137T (General supplementary powers);
 - (c) section 138D (Actions for damages); and
 - (d) section 139A (Power of the FCA to give guidance); and
 - (2) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 5 April 2024.

Amendments to the Handbook¹

- D. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex B
Conduct of Business sourcebook (COBS)	Annex C
Insurance: Conduct of Business sourcebook (ICOBS)	Annex D
Product Intervention and Product Governance sourcebook (PROD)	Annex E

Notes

- E. In the Annexes to this instrument, the notes (indicated by “**Note:**” or “*Editor’s Note:*”) are included for the convenience of readers but do not form part of the legislative text.

¹ The instrument includes material adapted from the European Institutions © European Union, and re-used and adapted under the terms of the Commission Decision 2011/833/EU.

Citation

- F. This instrument may be cited as the Insurance Distribution Directive Delegated Acts: Smarter Regulatory Framework Instrument 2023.

By order of the Board
14 December 2023

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Amend the following definitions as shown.

<i>control</i>	(1) ... (2) (in <u>SYSC 3</u> , SYSC 8 and SYSC 10):
<i>IDD Regulation</i>	the UK version of Commission Delegated Regulation (EU) 2017/2359 of 21 September 2017, supplementing the <i>IDD</i> of the European Parliament and of the Council with regard to information requirements and conduct of business rules applicable to the distribution of insurance-based investment products, which is part of UK law by virtue of the EUWA.
<i>IDD POG Regulation</i>	the UK version of Commission Delegated Regulation (EU) 2017/2358 of 21 September 2017, supplementing the <i>IDD</i> of the European Parliament and of the Council with regard to product oversight and governance requirements for insurance undertakings and insurance distributors, which is part of UK law by virtue of the EUWA.
<i>insurance product information document</i>	the standardised presentation format as specified in the <i>IDD IPID Regulation</i> and in <i>ICOBS 6</i> Annex 3R paragraph 1.1R.
<i>IPID information</i>	(in <i>ICOBS</i>) the IDD information to be included in the <i>IPID</i> as required by <i>ICOBS 6</i> Annex 3R, paragraph 2.1R.

Delete the following definition. The text is not shown struck through.

<i>IDD IPID Regulation</i>	the <i>UK</i> version of Commission Implementing Regulation (EU) 2017/1469 of 11 August laying down a standardised presentation format for the insurance product information document, which is part of <i>UK</i> law by virtue of the <i>EUWA</i> .
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Annex B

Amendments to the Senior Management Arrangements, Systems and Controls sourcebook (SYSC)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

[*Editor's note:* Where UK legislation paragraph numbers are struck through in this Annex, and where these are not replaced by a rule or guidance number, the text is moved one column to the left as relevant. These column changes are not shown.]

[*Editor's note:* The shading shown in the 'Insurance Distribution Directive Instrument 2018' (FCA 2018/25) and reflected as relevant in the 'Exiting the European Union: High Level Standards (Amendments) Instrument' (FCA 2019/20) for certain provisions in SYSC 3.3, SYSC 9.1 and SYSC 10.1A below is removed. This change is not shown.]

1 Application and purpose

...

1 Annex Detailed application of SYSC

1

...

Part 2	Application of the common platform requirements (SYSC 4 to 10)		
...			
	What?		
...			
2.8A	R	...	
		(5)	The requirements in article 72 of the <i>MiFID Org Regulation</i> do not apply to a <i>firm</i> to the extent that article 19 of the <i>IDD Regulation</i> <u>SYSC 9.1.2CR</u> applies to the <i>firm</i> .
		(6)	<i>SYSC 1 Annex 1 2.8AR(1A)</i> does not apply to a <i>firm</i> to the extent that articles 3—7 of the <i>IDD Regulation</i> <u>SYSC 10A</u> applies to the <i>firm</i> (see <i>SYSC 1 Annex 1 3.1AG</i>).
...			

Part 3	Tables summarising the application of the common platform requirements to different types of firm
---------------	--

...		
3.1A	G	The <i>IDD Regulation</i> applies to a firm when carrying on <i>insurance distribution in relation to insurance-based investment products</i> . Articles 3 to 7 of the <i>IDD Regulation</i> are reproduced in SYSC 10.1A for information for these firms. [deleted]
...		

Table A: Application of the common platform requirements in SYSC 4 to SYSC 10

...

Provision SYSC 9	COLUMN A Application to a common platform firm other than to a UCITS investment firm	COLUMN A+ Application to a UCITS management company	COLUMN A++ Application to a full-scope UK AIFM of an authorised AIF	COLUMN B Application to all other firms apart from insurers, UK ISPVs, managing agents, the Society, full-scope UK AIFMs of unauthorised AIFs, MiFID optional exemption firms and third country firms
...				
SYSC 9.1.2CUK <u>SYSC 9.1.2CR</u>	<u>Applicable Rule</u> applicable to a firm carrying on <i>insurance distribution in relation to insurance-based investment products</i>	<u>Applicable Rule</u> applicable to a firm carrying on <i>insurance distribution in relation to insurance-based investment products</i>	<u>Applicable Rule</u> applicable to a firm carrying on <i>insurance distribution in relation to insurance-based investment products</i>	<u>Applicable Rule</u> applicable to a firm carrying on <i>insurance distribution in relation to insurance-based investment products</i>

SYSC 9.1.2DR	Rule	Rule	Rule	Rule
...				

Provision SYSC 10	COLUMN A Application to a common platform firm other than to a UCITS investment firm	COLUMN A+ Application to a UCITS management company	COLUMN A++ Application to a full-scope UK AIFM of an authorised AIF	Column B Application to all other firms apart from insurers, UK ISPVs, managing agents, the Society, full-scope UK AIFMs of unauthorised AIFs, MiFID optional exemption firms and third country firms
...				
SYSC 10.1A	UK R <u>Applicable Rules</u> applicable to a firm carrying on insurance distribution in relation to insurance-based investment products	UK R <u>Applicable Rules</u> applicable to a firm carrying on insurance distribution in relation to insurance-based investment products	UK R <u>Applicable Rules</u> applicable to a firm carrying on insurance distribution in relation to insurance-based investment products	UK R <u>Applicable Rules</u> applicable to a firm carrying on insurance distribution in relation to insurance-based investment products
...				

Table B: Application of the common platform requirements in SYSC 4 to 10 to MiFID optional exemption firms and third country firms

Provision	COLUMN A	COLUMN B
------------------	-----------------	-----------------

	MiFID optional exemption firms	Third country firms
...		

SYSC 9		
...		
SYSC 9.1.2CUK <u>SYSC 9.1.2CR</u>	UK Applicable Rule applicable to a firm carrying on insurance distribution in relation to insurance-based investment products	UK Applicable Rule applicable to a firm carrying on insurance distribution in relation to insurance-based investment products
SYSC 9.1.2DR	Rule in relation to insurance distribution activities	Rule in relation to insurance distribution activities
...		

SYSC 10		
...		
SYSC 10.1A	UK <u>R</u> Applicable Rule applicable to a firm carrying on insurance distribution in relation to insurance-based investment products	UK <u>R</u> Applicable Rule applicable to a firm carrying on insurance distribution in relation to insurance-based investment products
...		

...

3 Systems and controls

...

3.3 Additional requirements for insurance distribution

Application

3.3.1 R SYSC 3.3 applies to an *insurer* in the course of it carrying on any *insurance distribution activities*.

Effect of provisions marked “EU”

3.3.2 G ~~The *IDD Regulation* applies directly to an *insurer* when carrying on *insurance distribution* in relation to *insurance-based investment products*. Some of the articles of the *IDD Regulation* (see the provisions marked with the status letters “UK”) are reproduced in this section for those *insurers* for information only. [deleted]~~

3.3.3 R (1) ~~To the extent that the *IDD Regulation* does not apply, provisions in this section marked with the status letters “UK” apply to the *insurer* as if they were *rules*.~~

(2) ~~References in Column (1) to a word or phrase used in the *IDD Regulation* have, for the purpose of SYSC 3.3.3R(1) above, the meaning indicated in Column (2) of the table below: [deleted]~~

(1)	(2)
“customer”	<i>Client</i>
“insurance-based investment products”	<i>Policies</i>
“insurance distribution activities”	<i>insurance distribution activities</i>
“insurance intermediary”	<i>insurance intermediary</i>
“insurance undertakings”	<i>Insurer</i>
“relevant person”	any of the following:
	(a) a director, partner or equivalent, or manager of the <i>insurance intermediary</i> or <i>insurer</i> ;
	(b) an employee of the <i>insurance intermediary</i> or <i>insurer</i> , as well as any other natural person whose services are placed at the disposal and under the control of the <i>insurance intermediary</i> or <i>insurer</i> and who is involved in the <i>insurance distribution activities</i> ; and
	(c) a natural person who is directly involved in the provision of

		services to the <i>insurance intermediary</i> or <i>insurer</i> under an outsourcing agreement for the purpose of the carrying on by the <i>insurance intermediary</i> or <i>insurer</i> of <i>insurance distribution activities</i> .
“remuneration”		<i>Remuneration</i>
“shall”		Must

- 3.3.4 G The effect of SYSC 3.3.3R is that: ~~[deleted]~~
- (1) the provisions marked “UK” apply as ~~rules~~ to an *insurer* when ~~carrying on insurance distribution activities other than insurance distribution in relation to insurance-based investment products;~~
 - (2) where SYSC 3.3.3R applies, an *insurer* is required to read the provisions marked “UK” as though the application of those provisions is not limited to the distribution of *insurance-based investment products*; and
 - (3) the scope of the application of the *IDD Regulation* is extended from *insurance distribution* to *insurance distribution activities*.

Identifying conflicts

- 3.3.5 R A *firm* must take all appropriate steps to identify conflicts of interest that arise between:
- (1) the *firm*, including its managers, employees and *appointed representatives* (or where applicable, *tied agents*), or any *person* directly or indirectly linked to ~~them~~ it by *control*, and a *client* of the *firm*; or
 - (2) one *client* of the *firm* and another *client*.
- [Note: article 28(1) of the *IDD*]
- 3.3.6 UK R 3(1) For the purposes of identifying, in accordance with [~~SYSC 3.3.5R, and SYSC 3.3.13R, SYSC 10.1.3R and SYSC 10.1.8R~~], in so far as ~~those rules apply to the insurance-based investment products~~, the types of conflicts of interest that arise in the course of carrying out any ~~insurance distribution activities~~ *insurance distribution activities* related to ~~insurance-based investment products~~ *policies* and which entail a risk of damage to the interests of a ~~customer~~ *client*, ~~insurance intermediaries and insurance undertakings~~ shall a *firm* must assess whether ~~they~~ it, a ~~relevant person~~ *relevant person* or any ~~person~~ *person* directly or indirectly linked to ~~them~~ it by

- 3.3.10 UK 4(1) For the purposes of [~~SYSC 3.3.8R, and SYSC 3.3.9R, SYSC~~
R (1) ~~10.1.3R, SYSC 10.1.7R and SYSC 10.1.7AR~~], in so far as those
~~rules apply to insurance-based investment products, insurance~~
~~intermediaries and insurance undertakings shall be expected to a~~
firm must establish, implement and maintain an effective conflicts
of interest policy set out in writing and appropriate to ~~their~~ its size
and organisation and the nature, scale and complexity of ~~their~~ its
business.
- (2) Where the ~~insurance intermediary or insurance undertaking~~ firm is
a member of a group, the policy ~~shall~~ must also take into account
any circumstances, of which the ~~insurance intermediary or~~
~~insurance undertaking~~ firm is or should be aware, which may give
rise to a conflict of interest arising as a result of the structure and
business activities of other members of the group.

[**Note:** article 4(1) of the *IDD Regulation*]

Contents of policy

- 3.3.11 UK 4(2) The conflicts of interest policy ~~established~~ required in accordance
R with ~~paragraph 1 shall~~ SYSC 3.3.10R must include the following
content:
- (a) with reference to the specific ~~insurance distribution activities~~
(1) insurance distribution activities carried out, the
circumstances which constitute or may give rise to a conflict
of interest entailing a risk of damage to the interests of one
or more ~~customers~~ clients;
- (b) procedures to be followed and measures to be adopted in
(2) order to manage such conflicts and prevent them from
damaging the interests of the ~~customer~~ client.

[**Note:** article 4(2) of the *IDD Regulation*]

- 3.3.12 UK 5(1) The procedures and measures ~~referred to in Article 4(2)(b) shall~~
R (1) required in SYSC 3.3.11R(2) must be appropriate to the size and
activities of the ~~insurance intermediary or insurance undertaking~~
firm and of the group to which ~~they~~ it may belong, and to the risk
of damage to the interests of the ~~customer~~ client.
- (2) The procedures to be followed and measures ~~to be adopted in~~
~~accordance with Article 4(2)(b) shall~~ required in SYSC 3.3.11R(2)
must include, where appropriate, the following:
- (a) effective procedures to prevent or control the exchange of
information between ~~relevant persons~~ relevant persons
engaged in activities involving a risk of conflict of interest
where the exchange of that information may damage the
interests of one or more ~~customers~~ clients;

- (b) the separate supervision of ~~relevant persons~~ relevant persons whose principal functions involve carrying out activities on behalf of, or providing services, to ~~eustomers~~ clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the ~~insurance intermediary or insurance undertaking~~ firm;
- (c) the removal of any direct link between payments, including ~~remuneration~~ remuneration, to ~~relevant persons~~ relevant persons engaged in one activity and payments, including ~~remuneration~~ remuneration, to different ~~relevant persons~~ relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities;
- (d) measures to prevent or limit any ~~person~~ person from exercising inappropriate influence over the way in which ~~insurance distribution activities~~ insurance distribution activities are carried out by the ~~insurance intermediary or insurance undertaking~~ firm or ~~their~~ its managers or employees or any ~~person~~ person directly or indirectly linked to ~~them~~ it by ~~control~~ control;
- (e) measures to prevent or control the simultaneous or sequential involvement of a ~~relevant person~~ relevant person in separate ~~insurance distribution activities~~ insurance distribution activities where such involvement may impair the proper management of conflicts of interest;
- (f) a gifts and benefits policy which determines clearly under which conditions gifts and benefits can be accepted or granted and which steps are to be taken when accepting and granting gifts and benefits.

5(2) Where ~~insurance intermediaries and insurance undertakings~~ the
 (3) firm can demonstrate that the measures and procedures referred to in ~~paragraph 1~~ (1) and (2) are not appropriate to ensure that the ~~insurance distribution activities~~ insurance distribution activities are carried out in accordance with the best interest of the ~~eustomer~~ client and are not biased due to conflicting interests of the ~~insurance intermediary firm, the insurance undertaking~~ an insurance intermediary or another ~~eustomer~~ client, ~~insurance intermediaries and insurance undertakings shall~~ the firm must adopt adequate alternative measures and procedures for that purpose.

[**Note:** article 5 of the *IDD Regulation*]

Disclosure of conflicts

...

- 3.3.14 UK 6(1) ~~Insurance intermediaries and insurance undertakings shall~~ A firm
R (1) must avoid over-reliance on disclosure to ensure that disclosure to
~~customers~~ clients, pursuant to ~~[under SYSC 3.3.13R] and [SYSC~~
~~10.1.8R]~~, in so far as those rules apply to insurance-based
~~investment products~~, is a measure of last resort that can be used
only where the effective organisational and administrative
arrangements established by the ~~insurance intermediary or~~
~~insurance undertaking~~ firm to prevent or manage conflicts of
interest in accordance with ~~{SYSC 3.3.8R, and SYSC 3.3.9R,~~
~~SYSC 10.1.3R, SYSC 10.1.7R, SYSC 10.1.7AR}~~, in so far as these
rules apply to insurance-based investment products are not
sufficient to ensure, with reasonable confidence, that risks of
damage to the interests of the ~~customer~~ client will be prevented.
- 6(2) For the purposes of a disclosure of conflicts of interest ~~insurance~~
(2) ~~intermediaries and insurance undertakings shall do all of the~~
~~following~~ a firm must:
- (a) provide a specific description of the conflict of interest in question;
 - (b) explain the general nature and sources of the conflict of interest;
 - (c) explain the risks to the ~~consumer~~ client that arise as a result of the conflict of interest and the steps undertaken to mitigate those risks;
 - (d) clearly state that the organisational and administrative arrangements established by the ~~insurance intermediary or~~
~~insurance undertaking~~ firm to prevent or manage the conflict of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the ~~customer~~ client will be prevented.

[**Note:** article 6 of the *IDD Regulation*]

Review of conflicts policy

- 3.3.15 UK 7(1) For the purposes of 3.3.8, ~~[SYSC 3.3.9R, SYSC 10.1.3R, SYSC~~
R ~~10.1.7R and SYSC 10.1.7AR]~~, in so far as those rules apply to
~~insurance-based investment products~~ SYSC 3.3.8R, ~~insurance~~
~~intermediaries and insurance undertakings shall~~ a firm must assess
and periodically review, on an at least annual basis, the conflicts
of interest policy established in accordance with ~~Article 4 SYSC~~
~~3.3.10R~~ and take all appropriate measures to address any
deficiencies.

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

Record keeping

- 3.3.16 UK 7(2) ~~Insurance intermediaries and insurance undertakings shall~~ A firm
 R (1) must keep and regularly update a record of the situations in which a conflict of interest entailing a risk of damage to the interests of a ~~customer~~ client has arisen or, in the case of an ongoing service or activity may arise.
- (2) ~~Senior management of the insurance intermediary or insurance undertaking shall receive~~ A firm must ensure its senior management receives on a frequent basis, and at least annually, written reports on the situations referred to in ~~the first subparagraph~~ (1).

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

...

- 3.3.18 G (1) *COBS 9A.4* and *COBS 10A.7* (record keeping and retention periods for suitability and appropriateness records) ~~reproduce certain~~ contain record keeping requirements of the ~~IDD Regulation~~ (and apply these requirements to firms not in scope of the *IDD Regulation*). They ~~that~~ specify information which should be recorded by ~~firms carrying on insurance distribution~~ in relation to ~~insurance-based investment products~~ and for how long the records must be retained.
- (2) For the purposes of SYSC 3.3.17R, a *firm* will need to consider whether the requirement in ~~article 19 of the *IDD Regulation* (or in *COBS 9A.4.3UK* or *10A.7.2UK*)~~ *COBS 9A.4.3R* or *COBS 10A.7.2AR* for any *firm* to whom the *IDD Regulation* does not apply) means that a record needs to be retained for longer than five years.

- 3.3.19 UK 19(4)
 R (1) The records ~~shall~~ required under *COBS 9A.4* and *COBS 10A.7* must be retained in a medium that allows the storage of information in a way accessible for future reference by the ~~FCA~~ FCA. ~~The FCA shall be able to access them readily, to reconstitute each element in a clear and accurate manner and to identify easily any changes, corrections or other amendments, and the contents of the records prior to such modifications.~~
- (2) The FCA must be able to access the records in (1) readily, to reconstitute each element in a clear and accurate manner and to identify easily any changes, corrections or other amendments, and the contents of the records prior to such modifications.

[Note: article 19(4) of the *IDD Regulation*]

...

9 Record-keeping

9.1 General rules on record-keeping

Application to a common platform firm

9.1.-2 G For a *common platform firm*:

- (1) the *MiFID Org Regulation* applies, as summarised in *SYSC 1 Annex 1 3.2G*, *SYSC 1 Annex 1 3.2-AR* and *SYSC 1 Annex 1 3.2-BR*; and
- (2) the *rules and guidance* apply as set out in the table below:

Subject	Applicable rule or guidance
General requirements	<i>SYSC 9.1.1AR</i>
Specific requirements for insurance distribution	<i>SYSC 9.1.2AR</i> , <i>SYSC 9.1.2DR</i> <u><i>SYSC 9.1.2CR</i></u>
Guidance on record-keeping	<i>SYSC 9.1.2BG</i> , <i>SYSC 9.1.4G</i> , <i>SYSC 9.1.5G</i> , <i>SYSC 9.1.6G</i> , <i>SYSC 9.1.6AG</i>

...

Specific requirements for the distribution of insurance-based investment products

...

- 9.1.2B G (1) *COBS 9A.4* and *COBS 10A.7* (record keeping and retention periods for suitability and appropriateness records) ~~reproduce set certain~~ record keeping requirements of the *IDD Regulation* (and ~~apply these requirements to firms not in scope of the *IDD Regulation*). They~~ that specify information which should be recorded by *firms* carrying on ~~*insurance distribution*~~ *insurance distribution activities* in relation to *insurance-based investment products* and for how long the records must be retained.
- (2) For the purposes of *SYSC 9.1.2AR*, a *firm* will need to consider whether the requirement in ~~article 19 of the *IDD Regulation* (or in *COBS 9A.4.3UK* or *COBS 10A.7.2UK*~~ *COBS 9A.4.3R* or *COBS 10A.7.2AR* for any *firm* to whom the *IDD Regulation* does not apply) means that a record needs to be retained for longer than five years.
- 9.1.2C UK R (1) The records ~~shall~~ required by *COBS 9A.4* or *COBS 10A.7* must be retained in a medium that allows the storage of information in a way accessible for future reference by the ~~Financial Conduct~~

~~Authority *FCA*. The Financial Conduct Authority shall be able to access them readily, to reconstitute each element in a clear and accurate manner and to identify easily any changes, corrections or other amendments, and the contents of the records prior to such modifications.~~

- (2) For the purposes of (1), the *FCA* must be able to access the records readily, to reconstitute each element in a clear and accurate manner and to identify easily any changes, corrections or other amendments, and the contents of the records prior to such modifications.

[**Note:** article 19(4) of the *IDD Regulation*]

- 9.1.2D R (1) ~~*SYSC 9.1.2CUK* applies as if it was a *rule* to firms doing insurance distribution activities to which the *IDD Regulation* does not apply, in relation to the records for an insurance-based investment product required in *COBS 9A.4* and *COBS 10A.7*. [deleted]~~

...

10 Conflicts of interest

10.1 Application

...

Application to insurance intermediaries

- 10.1.-4 G (1) Subject to *SYSC 10.1.-3R*, this section applies to a *firm* carrying on *insurance distribution activities* in accordance with the tables in Part 3 of *SYSC 1 Annex 1*. Certain *rules* are disapplied where the *firm* is subject to the provisions in ~~the *IDD Regulation*~~ *SYSC 10.1A* (see *SYSC 10.1.-3R*).

...

- 10.1.-3 R The *rules* and *guidance* in the table below do not apply to a *firm* when carrying on *insurance distribution* in relation to *insurance-based investment products* (see where the *rules* in *SYSC 10.1A* for the provisions of the ~~*IDD Regulation*~~ on conflicts of interest) apply instead.

...

10.1A ~~IDD Regulation~~ Insurance-based investment products – Conflicts of interest

Application

- 10.1A.1 G ~~The *IDD Regulation*~~ This section applies directly, in addition to *rules* in *SYSC 10.1*, to a *firm* when carrying on *insurance distribution* in relation to *insurance-based investment products*. The relevant articles relating to

~~conflicts of interest are set out in this section for information only. Where a firm carries on other insurance distribution activities in relation to a life policy or non-investment insurance contract, the requirements in SYSC 10.1 will apply.~~

Identifying conflicts

- 10.1A. ~~UK~~ 3(1) For the purposes of identifying, in accordance with ~~[SYSC 3.3.5R, SYSC 3.3.13R, SYSC 10.1.3R and SYSC 10.1.8R]~~, in so far as those rules apply to the insurance-based investment products, the types of conflicts of interest that arise in the course of carrying out any ~~insurance distribution activities~~ insurance distribution activities related to ~~insurance-based investment products~~ insurance-based investment products and which entail a risk of damage to the interests of a ~~customer~~ client, ~~insurance intermediaries and insurance undertakings shall~~ a firm must assess whether ~~they~~ it, a ~~relevant person~~ relevant person or any ~~person~~ person directly or indirectly linked to ~~them~~ it by ~~control~~ control, ~~have~~ has an interest in the outcome of the ~~insurance distribution activities~~ insurance distribution activities, which meets the following criteria:
- 2 ~~R~~ (1) ~~Insurance intermediaries and insurance undertakings shall~~ A firm must proceed in the same way for the purposes of identifying conflicts of interest between one ~~customer~~ client and another.
- 3(2) For the purposes of the assessment pursuant to paragraph 1 in (1), ~~insurance intermediaries and insurance undertakings shall~~ a firm ~~must~~ take into account, by way of minimum criteria, the following situations:
- (3) (a) the ~~insurance intermediary or insurance undertaking~~ firm, a ~~relevant person~~ relevant person or any ~~person~~ person directly or indirectly linked to ~~them~~ it by ~~control~~ control is likely to make a financial gain, or avoid a financial loss, to the potential detriment of the ~~customer~~ client;
- (b) the ~~insurance intermediary or insurance undertaking~~ firm, a ~~relevant person~~ relevant person or any ~~person~~ person directly or indirectly linked to ~~them~~ it by ~~control~~ control has a financial or other incentive to favour the interest of another ~~customer~~ client or group of ~~customers~~ clients over the interest of the ~~customer~~ client;

- (c) the ~~insurance intermediary or insurance undertaking~~ *firm*, a ~~relevant person~~ *relevant person* or any ~~person~~ *person* directly or indirectly linked by ~~control~~ *control* to an ~~insurance intermediary or an insurance undertaking~~ *the firm* is substantially involved in the management or development of ~~insurance-based investment products~~ *insurance-based investment products*, in particular where such a ~~person~~ *person* has an influence on the pricing of those ~~products~~ *policies* or their distribution costs.

[**Note:** article 3 of the *IDD Regulation*]

Conflicts policy

- 10.1A. UK 4(1) For the purposes of [~~SYSC 3.3.8R, SYSC 3.3.9R, SYSC 10.1.3R,~~
3 R (1) *SYSC 10.1.7R and SYSC 10.1.7AR*], in so far as those ~~rules~~ *rules* apply to ~~insurance-based investment products~~ *insurance-based investment products*, ~~insurance intermediaries and insurance undertakings shall be expected to~~ *a firm must* establish, implement and maintain an effective conflicts of interest policy set out in writing and appropriate to ~~their~~ *its* size and organisation and the nature, scale and complexity of ~~their~~ *its* business.
- (2) Where the ~~insurance intermediary or insurance undertaking~~ *firm* is a member of a group, the policy ~~shall~~ *must* also take into account any circumstances, of which the ~~insurance intermediary or insurance undertaking~~ *firm* is or should be aware, which may give rise to a conflict of interest arising as a result of the structure and business activities of other members of the group.

[**Note:** article 4(1) of the *IDD Regulation*]

Contents of policy

- 10.1A. UK 4(2) The conflicts of interest policy ~~established~~ *required* in accordance
4 R (1) ~~with paragraph 1 shall~~ *SYSC 10.1A.3R must* include the following content:
- (a) with reference to the specific ~~insurance distribution activities~~
(1) *insurance distribution activities* carried out, the circumstances which constitute or may give rise to a conflict of interest entailing a risk of damage to the interests of one or more ~~customers~~ *clients*;
- (b) procedures to be followed and measures to be adopted in
(2) order to manage such conflicts and prevent them from damaging the interests of the ~~customer~~ *client*.

[**Note:** article 4(2) of the *IDD Regulation*]

- 10.1A. UK 5(1) The procedures and measures ~~referred to in Article 4(2)(b) shall~~
5 R (1) required in SYSC 10.1A.4R(2) must be appropriate to the size and activities of the ~~insurance intermediary or insurance undertaking~~ firm and of the group to which ~~they~~ it may belong, and to the risk of damage to the interests of the ~~customer~~ client.
- (2) The procedures to be followed and measures ~~to be adopted in accordance with Article 4(2)(b) shall~~ required in SYSC 10.1A.4R(2) must include, where appropriate, the following:
- (a) effective procedures to prevent or control the exchange of information between ~~relevant persons~~ relevant persons engaged in activities involving a risk of conflict of interest where the exchange of that information may damage the interests of one or more ~~customers~~ clients;
 - (b) the separate supervision of ~~relevant persons~~ relevant persons whose principal functions involve carrying out activities on behalf of, or providing services, to ~~customers~~ clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the ~~insurance intermediary or insurance undertaking~~ firm;
 - (c) the removal of any direct link between payments, including ~~remuneration~~ remuneration, to ~~relevant persons~~ relevant persons engaged in one activity and payments, including ~~remuneration~~ remuneration, to different ~~relevant persons~~ relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities;
 - (d) measures to prevent or limit any ~~person~~ person from exercising inappropriate influence over the way in which ~~insurance distribution activities~~ insurance distribution activities are carried out by the ~~insurance intermediary or insurance undertaking~~ firm or ~~their~~ its managers or employees or any ~~person~~ person directly or indirectly linked to ~~them~~ it by ~~control~~ control;
 - (e) measures to prevent or control the simultaneous or sequential involvement of a ~~relevant person~~ relevant person in separate ~~insurance distribution activities~~ insurance distribution activities where such involvement may impair the proper management of conflicts of interest;
 - (f) a gifts and benefits policy which determines clearly under which conditions gifts and benefits can be accepted or granted and which steps are to be taken when accepting and granting gifts and benefits.

- ~~5(2)~~ Where ~~insurance intermediaries and insurance undertakings~~ the firm can demonstrate that the measures and procedures referred to in ~~paragraph 1 (1) and (2)~~ are not appropriate to ensure that the ~~insurance distribution activities~~ insurance distribution activities are carried out in accordance with the best interest of the ~~customer~~ client and are not biased due to conflicting interests of the ~~insurance intermediary firm, the insurance undertaking~~ an insurance undertaking or another ~~customer~~ client, ~~insurance intermediaries and insurance undertakings shall~~ the firm must adopt adequate alternative measures and procedures for that purpose.

[**Note:** article 5 of the *IDD Regulation*]

Disclosure of conflicts

- 10.1A. ~~UK~~ R ~~6(1)~~ (1) ~~Insurance intermediaries and insurance undertakings shall~~ A firm must avoid over-reliance on disclosure to ensure that disclosure to ~~customers~~ clients, pursuant to ~~[SYSC 3.3.13R and under SYSC 10.1.8R]~~, in so far as those ~~rules~~ rules apply to ~~insurance-based investment products~~ insurance-based investment products, is a measure of last resort that can be used only where the effective organisational and administrative arrangements established by the ~~insurance intermediary or insurance undertaking~~ firm to prevent or manage conflicts of interest in accordance with ~~[SYSC 3.3.8R, SYSC 3.3.9R, SYSC 10.1.3R, SYSC 10.1.7R, and SYSC 10.1.7AR]~~, in so far as those ~~rules~~ rules apply to ~~insurance-based investment products~~ insurance-based investment products are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the ~~customer~~ client will be prevented.
- ~~6(2)~~ (2) For the purposes of a disclosure of conflicts of interest ~~insurance intermediaries and insurance undertakings shall do all of the following~~ a firm must:
- (a) provide a specific description of the conflict of interest in question;
 - (b) explain the general nature and sources of the conflict of interest;
 - (c) explain the risks to the ~~consumer~~ client that arise as a result of the conflict of interest and the steps undertaken to mitigate those risks;
 - (d) clearly state that the organisational and administrative arrangements established by the ~~insurance intermediary or insurance undertaking~~ firm to prevent or manage the conflict of interest are not sufficient to ensure, with reasonable

confidence, that risks of damage to the interests of the ~~customer~~ *client* will be prevented.

[**Note:** article 6 of the *IDD Regulation*]

Review of conflicts policy

- 10.1A. UK 7(1) For the purposes of [~~SYSC 3.3.8R, SYSC 3.3.9R, SYSC 10.1.3R,~~
7 R ~~SYSC 10.1.7R and SYSC 10.1.7AR~~], in so far as those rules apply
to ~~insurance-based investment products, insurance intermediaries~~
~~and insurance undertakings~~ shall a firm must assess and
periodically review, on an at least annual basis, the conflicts of
interest policy established in accordance with ~~Article 4 SYSC~~
10.1A.3R and take all appropriate measures to address any
deficiencies.

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

Record keeping

- 10.1A. UK 7(2) ~~Insurance intermediaries and insurance undertakings shall~~ A firm
8 R (1) must keep and regularly update a record of the situations in which
a conflict of interest entailing a risk of damage to the interests of a
~~customer~~ *client* has arisen or, in the case of an ongoing service or
activity may arise.
- (2) ~~Senior management of the insurance intermediary or insurance~~
~~undertaking shall receive~~ A firm must ensure its senior
management receives on a frequent basis, and at least annually,
written reports on the situations referred to in ~~the first~~
~~subparagraph~~ (1).

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

...

Sch 1 Record keeping requirements

...

Sch 1.2 G

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
...				
<u>SYSC 9.1.2AR</u> , SYSC 3.3.6R <u>SYSC 3.3.16R</u>	Suitability or appropriateness in relation to an <i>insurance-based investment product</i>			
...				

Annex C

Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise indicated.

[*Editor's note:* Where UK legislation paragraph numbers are struck through in this Annex, and where these are not replaced by a rule or guidance number, the text is moved one column to the left as relevant. These column changes are not shown.]

[*Editor's note:* The shading shown in the 'Insurance Distribution Directive Instrument 2018' (FCA 2018/25) and reflected as relevant in the 'Exiting the European Union: Business Standards (Amendments) Instrument' (FCA 2019/23) for certain provisions in COBS 2.3A, COBS 9A, COBS 10A and COBS 16A below is removed. This change is not shown.]

1 Application

...

1.3 Insurance distribution

~~References in COBS to the IDD Regulation~~ [deleted]

- 1.3.1 G (1) ~~This sourcebook contains a number of provisions which transposed the *IDD*.~~
- (2) ~~In order to help *firms* which are subject to those requirements which implemented the *IDD* to understand the full extent of those requirements, this sourcebook also reproduces a number of provisions of the *IDD Regulation*, marked with the status letters "UK".~~
- (3) ~~This sourcebook does not reproduce the *IDD Regulation* in its entirety. A *firm* to which provisions of the *IDD Regulation* applies should refer to Commission Delegated Regulation (EU) 2017/2359 as published in the electronic version of the Official Journal of the European Union and as amended by the [Insurance Distribution (Amendment) (EU Exit) Regulations 2019].~~ [deleted]
- 1.3.2 G ~~In some cases, this sourcebook applies provisions of the *IDD Regulation* to *firms* as if those provisions were *rules*.~~ [deleted]
- 1.3.3 R (1) ~~Where this sourcebook applies provisions of the *IDD Regulation* as if they were *rules*, (2) applies to enable *firms* to correctly interpret and understand the application of those provisions.~~
- (2) ~~In this sourcebook, a word or phrase found in a provision marked "UK" and referred to in column (1) of the table below~~

has the meaning indicated in the corresponding row of column (2) of the table.

(1)	(2)
“advice”	<i>personal recommendation</i>
“competent authority”	<i>FCA</i>
“customer” and “potential customer”	<i>Client</i>
“durable medium”	<i>durable medium</i>
“financial instrument”	<i>financial instrument</i> and (if the context requires) <i>designated investment and structured deposit</i>
“insurance-based investment product”	<i>insurance-based investment product</i>
“insurance distribution”	<i>insurance distribution activities</i>
“insurance intermediary” and “intermediary”	<i>insurance intermediary</i>
“insurance product”	<i>life policy</i>
“insurance undertaking” and “undertaking”	<i>Insurer</i>
“shall”	Must

(3) In this sourcebook, where a reproduced provision of an article of the *IDD Regulation* refers to another part of the *IDD Regulation*, that other provision must also be read with reference to the table in (2). [deleted]

1.3.4 G ~~*Firms* to which provisions of the *IDD Regulation* are applied as if they were *rules* should use the text of any preamble to the relevant provision marked “UK” to assist in interpreting any such references or cross-references. [deleted]~~

Interpretation – “in good time”

1.3.5 G (1) Certain provisions in this sourcebook which implemented *IDD* require *firms* to provide *clients* with information “in good time”.

~~There are also other provisions in this sourcebook which require information to be provided “in good time”, for example, COBS 6.1ZA.19AR.~~

- (2) In determining what constitutes the provision of information “in good time”, a *firm* should take into account, having regard to the urgency of the situation, the *client’s* need for sufficient time to read and understand the information before taking an investment decision.
- (3) A *client* is likely to require more time to review information given on a complex or unfamiliar product or service, or a product or service a *client* has no experience with, than a *client* considering a simpler or more familiar product or service, or where the *client* has relevant prior experience.

...

2 Conduct of business obligations

...

2.3A Inducements relating to MiFID, equivalent third country or optional exemption business and insurance-based investment products

...

Rules on inducements

...

2.3A.6 R (1) COBS 2.3A.5R does not apply to:

- (a) a fee, commission or non-monetary benefit which:
 - (i) is designed to enhance the quality of the relevant service to the *client* (see COBS 2.3A.8R and, also for an *insurance-based investment product*, ~~COBS 2.3A.9AUK~~ COBS 2.3A.9AR); and

...

...

...

...

Additional requirements for the assessment of inducements: insurance-based investment products

- 2.3A.9A UK 8(1) An inducement or inducement scheme ~~shall be considered to will~~ have a detrimental impact on the quality of the relevant service to the ~~customer~~ client where it is of such a nature and scale that it provides an incentive to carry out ~~insurance distribution activities~~ insurance distribution activities in a way that is not in compliance with the obligation to act honestly, fairly and professionally in accordance with the best interests of the ~~customer~~ client.
- R (1)
- 8(2) For the purposes of assessing whether an inducement or inducement scheme has a detrimental impact on the quality of the relevant service to the ~~customer~~ client, ~~insurance intermediaries and insurance undertakings shall~~ an insurance intermediary or an insurer must perform an overall analysis taking into account all relevant factors which may increase or decrease the risk of detrimental impact on the quality of the relevant service to the ~~customer~~ client, and any organisational measures taken by the ~~insurance intermediary or insurance undertaking firm~~ carrying out ~~distribution activities~~ insurance distribution activities to prevent the risk of detrimental impact. ~~They shall, in particular, consider the following criteria:~~
- (2)
- (3) A firm must, in particular, consider the following criteria:
- (a) whether the inducement or inducement scheme could provide an incentive to the ~~insurance intermediary or insurance undertaking firm~~ to offer or recommend a particular ~~insurance product~~ insurance-based investment product or a particular service to the ~~customer~~ client despite the fact that the ~~insurance intermediary or insurance undertaking firm~~ would be able to offer a different ~~insurance product~~ insurance-based investment product or service which would better meet the ~~customer's~~ client's needs;
 - (b) whether the inducement or inducement scheme is solely or predominantly based on quantitative commercial criteria or whether it takes into account appropriate qualitative criteria, reflecting compliance with applicable ~~regulations~~ legal requirements, the quality of services provided to ~~customers~~ clients and ~~customer~~ client satisfaction;
 - (c) the value of the inducement paid or received in relation to the value of the ~~product~~ insurance-based investment product and the services provided;
 - (d) whether the inducement is entirely or mainly paid at the moment of the conclusion of the ~~insurance contract~~ policy or extends over the whole term of that contract;

- (e) the existence of an appropriate mechanism for reclaiming the inducement in case the ~~product~~ *insurance-based investment product* lapses or is surrendered at an early stage or in case the interests of the ~~customer~~ *client* have been harmed;
- (f) the existence of any form of variable or contingent threshold or any other kind of value accelerator which is unlocked by attaining a target based on volume or value of sales.

(4) For the purposes of (1) to (3):

- 2(2) (a) ‘inducement’ means any fee, commission, or any non-monetary benefit provided by or to ~~such an intermediary or undertaking~~ *insurance intermediary or insurer* in connection with the distribution of an ~~insurance-based investment product~~ *insurance-based investment product*, to or by any party except the ~~customer~~ *client* involved in the transaction in question or a ~~person~~ *person* acting on behalf of that ~~customer~~ *client*;
- 2(3) (b) ‘inducement scheme’ means a set of rules governing the payment of inducements, including the conditions under which the inducements are paid.

[Note: articles 2(2), 2(3) and 8 of the *IDD Regulation*]

2.3A.9B R ~~COBS 2.3A.9AUK applies as if it was a rule to firms in relation to insurance distribution activities to which the IDD Regulation does not apply. [deleted]~~

...

6 Information about the firm, its services and remuneration

...

6.1ZA Information about the firm and compensation information (MiFID and insurance distribution provisions)

...

Information about a firm and its services: insurance distribution

6.1ZA.7 R A firm carrying on *insurance distribution activities* must provide a *retail client* with the following general information, if relevant:

...

- (6) (a) a description, which may be provided in summary form, of (as applicable) the *conflicts of interest policy*, ~~SYSC~~

3.3.1UK (applied by SYSC 3.3.3R) or the policy required by article 4(1) of the *IDD Regulation* SYSC 3.3.10R (for *insurers*) or SYSC 10.1A.3R (for *insurance intermediaries in relation to insurance-based investment products*); and

...

...

...

9A Suitability (MiFID and insurance-based investment products provisions)

9A.1 Application and purpose

...

Effect of provisions marked “UK” for the firms distributing insurance-based investment products

9A.1.4 R Provisions in this chapter marked “UK” and including a Note (“**Note:**”) referring to the *IDD Regulation* apply as if they were *rules in relation to insurance distribution activities to which the IDD Regulation does not apply*. [deleted]

9A.2 Assessing suitability: the obligations

...

Assessing the extent of the information required: insurance-based investment products

9A.2.4A UK 9(1) For the purposes of providing advice a personal recommendation on an insurance-based investment product insurance-based investment product in accordance with [COBS 9A.2.1R and COBS 9A.2.16R], insurance intermediaries or insurance undertakings shall a firm must determine the extent of the information to be collected from the customer or potential customer client in light of all the features of the advice to be provided to the customer or potential customer client.

R (1)

9(2) Without prejudice to the fact that, in accordance with [COBS 9A.2.3AR, COBS 9A.3.2R and COBS 9A.3.2AR], any contract insurance-based investment product proposed shall must be consistent with the customer’s client’s demands and needs, insurance intermediaries or insurance undertakings shall a firm must obtain from customers or potential customers the client such information as is necessary for them the firm to understand the essential facts about the customer or potential customer client and to have a reasonable basis for determining that their its personal recommendation personal recommendation to the

~~customer or potential customer~~ *client* satisfies all of the following criteria:

- (a) it meets the ~~customer's or potential customer's~~ *client's* investment objectives, including that person's risk tolerance;
- (b) it meets the ~~customer's or potential customer's~~ *client's* financial situation, including that person's ability to bear losses;
- (c) it is such that the ~~customer or potential customer~~ *client* has the necessary knowledge and experience in the investment field relevant to the specific type of ~~product~~ *insurance-based investment product* or service.

~~17(3)~~ (3) Where information required for the purposes of [~~COBS 9A.2.1R, and COBS 9A.2.16R, COBS 10A.2.1R and COBS 10A.2.2R~~] has already been obtained pursuant to [~~COBS 9A.2.3AR, COBS 9A.3.2R and COBS 9A.3.2AR~~], ~~insurance intermediaries and insurance undertakings shall~~ a firm must not request ~~it~~ information it already has anew from the ~~customer~~ *client*.

[**Note:** articles 9(1) and (2) and 17(3) of the *IDD Regulation*]

...

Obtaining information about knowledge and experience: insurance-based investment products

- 9A.2.6A ~~UK~~ R 17(1) For the purposes of [~~COBS 9A.2.1R, and COBS 9A.2.16R, COBS 10A.2.1R and COBS 10A.2.2R~~] in relation to an *insurance-based investment product*, the necessary information to be obtained by ~~insurance intermediaries and insurance undertakings~~ a firm with regard to the ~~customer's or potential customer's~~ *client's* knowledge and experience in the relevant investment field ~~shall~~ must include, where relevant, the following, to the extent appropriate to the nature of the ~~customer~~ *client*, and the nature and type of ~~product~~ *insurance-based investment product* or service offered or demanded, including their complexity and the risks involved:
- ~~(a)~~ (1) the types of service, transaction, ~~insurance-based investment product~~ *insurance-based investment product* or ~~financial instrument~~ *financial instrument* with which the ~~customer or potential customer~~ *client* is familiar;
 - ~~(b)~~ (2) the nature, number, value and frequency of the ~~customer's or potential customer's~~ *client's* transactions in ~~insurance-based investment products~~ *insurance-based investment products*

~~investment products or financial instruments~~ financial instruments and the period over which they have been carried out;

- (e) the level of education, and profession or relevant former
(3) profession of the ~~customer or potential customer~~ client.

[Note: article 17(1) of the *IDD Regulation*]

...

Obtaining information about a client's financial situation: insurance-based investment products

- 9A.2.7A ~~UK~~ R ~~9(3)~~ (1) ~~The~~ In relation to an *insurance-based investment product*, the information regarding the ~~customer's or potential customer's~~ client's financial situation, including that person's ability to bear losses, ~~shall~~ must include, where relevant, information on the source and extent of the ~~customer's or potential customer's~~ client's regular income, assets, including liquid assets, investments and real property and the regular financial commitments. ~~The level of information gathered shall be appropriate to the specific type of product or service being considered.~~
- (2) The level of information gathered must be appropriate to the specific type of *insurance-based investment product* or service being considered.

[Note: article 9(3) of the *IDD Regulation*]

...

Obtaining information about a client's investment objectives: insurance-based investment products

- 9A.2.8A ~~UK~~ R ~~9(4)~~ (1) ~~The~~ In relation to an *insurance-based investment product*, the information regarding the ~~customer's or potential customer's~~ client's investment objectives, including that person's risk tolerance, ~~shall~~ must include, where relevant, information on the length of time for which the ~~customer or potential customer~~ client wishes to hold the investment, that person's preferences regarding risk taking, the risk profile, and the purposes of the investment. ~~The level of information gathered shall be appropriate to the specific type of product or service being considered.~~
- (2) The level of information gathered must be appropriate to the specific type of *insurance-based investment product* or service being considered.

[**Note:** article 9(4) of the *IDD Regulation*]

...

Reliability of information: insurance-based investment products

- 9A.2.9A UK R 40 (1) ~~Insurance intermediaries and insurance undertakings shall~~ In relation to an *insurance-based investment product*, a firm must take reasonable steps to ensure that the information collected about ~~customers and potential customers~~ *the client* for the purposes of the assessment of suitability is reliable. ~~Such steps shall include, but shall not be limited to, the following:~~
- (2) The steps in (1) must include, but not be limited to, the following:
- (a) ensuring that ~~customers are~~ *the client* is aware of the importance of providing accurate and up-to-date information;
 - (b) ensuring that all tools, such as risk assessment profiling tools or tools to assess a ~~customer's~~ *client's* knowledge and experience, employed in the suitability assessment process are fit-for-purpose and are appropriately designed for use with ~~their customers~~ *its clients*, with any limitations identified and actively mitigated through the suitability assessment process;
 - (c) ensuring that questions used in the process are likely to be understood by the ~~customers~~ *client* and to capture an accurate reflection of the ~~customer's~~ *client's* objectives and needs and the information necessary to undertake the suitability assessment;
 - (d) taking steps, as appropriate, to ensure the consistency of ~~customer~~ *client* information, such as considering whether there are obvious inaccuracies in the information provided by the ~~customer~~ *client*.

[**Note:** article 10 of the *IDD Regulation*]

...

Discouraging the provision of information: insurance-based investment products

- 9A.2.11 UK R 17(2) ~~The insurance intermediary or insurance undertaking shall~~ In relation to *insurance-based investment products*, a firm must not discourage a ~~customer or potential customer~~ *client* from providing information required for the purposes of [*COBS 9A.2.1R*, and *COBS 9A.2.16R*, ~~*COBS 10A.2.1R* and *COBS 10A.2.2R*~~].

[**Note:** article 17(2) of the *IDD Regulation*]

...

Reliance on information: insurance-based investment products

9A.2.12 UK 17(4) ~~The insurance intermediary or insurance undertaking shall be entitled to~~ For the purposes of assessing suitability in relation to an insurance-based investment product, a firm may rely on the information provided by its ~~customers or potential customers~~ clients unless it is aware or ought to be aware that the information is manifestly out of date, inaccurate or incomplete.

A

~~UK~~
R

[**Note:** article 17(4) of the *IDD Regulation*]

...

Insufficient information: insurance-based investment products

9A.2.13 UK 9(5) ~~Where the insurance intermediary or insurance undertaking a~~ firm does not obtain the information required under ~~{COBS 9A.2.1R and COBS 9A.2.16R}~~, ~~the insurance intermediary or insurance undertaking shall~~ the firm must not provide advice a personal recommendation on ~~insurance-based investment products~~ insurance-based investment products to the ~~customer or potential customer~~ client.

A

~~UK~~
R

[**Note:** article 9(5) of the *IDD Regulation*]

...

Identifying the subject of a suitability assessment: insurance-based investment products

9A.2.15 UK 13 (1) ~~With regard to group insurance the insurance intermediary or insurance undertaking shall~~ a firm must establish and implement a policy as to who ~~shall~~ will be subject to the suitability assessment ~~in case where~~ an ~~insurance contract~~ insurance-based investment product is concluded on behalf of a group of members and each individual member cannot take an individual decision to join. ~~Such a policy shall also contain rules on how that assessment will be done in practice, including from whom information about knowledge and experience, financial situation and investment objectives shall be collected.~~

A

~~UK~~
R

(2) The policy established under (1) must also contain rules on how that assessment will be done in practice, including from whom information about knowledge and experience, financial situation and investment objectives will be collected.

- (3) ~~The insurance intermediary or insurance undertaking shall~~ A firm must record the policy established ~~pursuant to the first paragraph~~ under (1).

[Note: article 13 of the *IDD Regulation*]

...

Switching: insurance-based investment products

- 9A.2.18 UK 9(7) When providing ~~advice~~ a *personal recommendation* in relation to an *insurance-based investment product* that involves switching between underlying investment assets, ~~insurance intermediaries and insurance undertakings shall~~ a firm must also collect the necessary information on the ~~customer's~~ client's existing underlying investment assets and the recommended new investment assets and ~~shall~~ must undertake an analysis of the expected costs and benefits of the switch, such that ~~they are~~ it is reasonably able to demonstrate that the benefits of switching are expected to be greater than the costs.

[Note: article 9(7) of the *IDD Regulation*]

...

Unsuitability: insurance-based investment products

- 9A.2.20 UK 9(6) When providing ~~advice~~ a *personal recommendation* on an *insurance-based investment product* in accordance with [*COBS* 9A.2.1R and *COBS* 9A.2.16R], ~~an insurance intermediary or insurance undertaking shall~~ a firm must not make a recommendation where none of the ~~products~~ *insurance-based investment products* are suitable for the ~~customer or potential customer~~ client.

[Note: article 9(6) of the *IDD Regulation*]

...

Automated or semi-automated systems: insurance-based investment products

- 9A.2.24 UK 12 ~~The insurance intermediary's or insurance undertaking's~~ For the avoidance of doubt, a firm's responsibility to perform the suitability assessment in accordance with [*COBS* 9A.2.1R and *COBS* 9A.2.16R] ~~shall~~ is not be reduced ~~due to the fact that~~ advice where a *personal recommendation* on ~~insurance-based investment products~~ *insurance-based investment products* is provided in whole or in part through an automated or semi-automated system.

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

9A.3 Information to be provided to the client

...

Explaining the reasons for assessing suitability: insurance-based investment products

- 9A.3.1A UK ~~11~~ (1) ~~Insurance intermediaries and insurance undertakings shall~~ A firm must not create any ambiguity or confusion about ~~their~~ its responsibilities in the process of assessing the suitability of ~~insurance-based investment products~~ insurance-based investment products in accordance with [*COBS* 9A.2.1R and *COBS* 9A.2.16R]. ~~Insurance intermediaries and insurance undertakings shall inform customers, clearly and simply, that the reason for assessing suitability is to enable them to act in the customer's best interest.~~
- (2) A firm must inform the client, clearly and simply, that the reason for assessing suitability is to enable it to act in the client's best interest.

[**Note:** article 11 of the *IDD Regulation*]

...

Providing a suitability report: insurance-based investment products

- 9A.3.3A UK ~~14~~(1) (1) When providing ~~advice~~ a personal recommendation on the suitability of an ~~insurance-based investment product~~ insurance-based investment product in accordance with [*COBS* 9A.2.1R and *COBS* 9A.2.16R], ~~insurance intermediaries and insurance undertakings shall~~ a firm must provide a statement to the ~~customer~~ client (suitability statement) that includes the following:
- (a) an outline of the ~~advice~~ personal recommendation given;
 - (b) information on how the recommendation provided is suitable for the ~~customer~~ client, in particular how it meets:
 - (i) the ~~customer's~~ client's investment objectives, including that person's risk tolerance;
 - (ii) the ~~customer's~~ client's financial situation, including that person's ability to bear losses;
 - (iii) the ~~customer's~~ client's knowledge and experience.

14(2) ~~Insurance intermediaries and insurance undertakings shall~~ A
 (2) firm must draw ~~customers' the~~ client's attention to, and ~~shall~~
~~must~~ include in the suitability statement, information on
 whether ~~the any~~ recommended ~~insurance-based investment~~
~~products are~~ insurance-based investment product is likely to
 require the ~~customer~~ client to seek a periodic review of their
 arrangements.

14(3) ~~Where an insurance intermediary or insurance undertaking a~~
 (3) firm has informed the ~~customer~~ client that it will carry out a
 periodic assessment of suitability, the subsequent statements
 after the initial service is established may be limited to changes
 in the services or underlying investment assets, and/or the
 circumstances of the ~~customer~~ client without repeating all the
 details contained in the first statement.

[Note: article 14(1) to (3) of the *IDD Regulation*]

...

Periodic assessments: insurance-based investment products

9A.3.10 UK 14(4) ~~Insurance intermediaries and insurance undertakings~~ A firm
 R (1) providing a periodic assessment of suitability ~~shall~~ must
 review, in accordance with the best interests of ~~their customers~~
~~its~~ client, the suitability of the recommended ~~insurance-based~~
~~investment products~~ insurance-based investment products at
 least annually. ~~The frequency of this assessment shall be~~
~~increased depending on the characteristics of the customer,~~
~~such as the risk tolerance, and the nature of the recommended~~
~~insurance-based investment product.~~

(2) The frequency of a periodic assessment must be increased
depending on the characteristics of the client, such as the risk
tolerance, and the nature of the recommended insurance-based
investment product.

[Note: article 14(4) of the *IDD Regulation*]

9A.4 Record keeping and retention periods for suitability records

...

Retention of records: insurance-based investment products

9A.4.3 UK 19(1) Without prejudice to the application of ~~Regulation (EU)~~
 R (1) ~~2016/679 of the European Parliament and of the Council~~ the
General data protection regulation, ~~insurance intermediaries~~
~~and insurance undertakings shall~~ a firm must maintain records
 of the assessment of suitability ~~or appropriateness in relation to~~
insurance-based investment products undertaken in accordance

with [~~COBS 9A.2.1R, and COBS 9A.2.16R, COBS 10A.2.1R and COBS 10A.2.2R~~]. The records shall include the information obtained from the customer and any documents agreed with the customer, including documents that set out the rights of the parties and the other terms on which the insurance intermediary or insurance undertaking will provide services to the customer. Such records shall be retained for at least the duration of the relationship between the insurance intermediary or insurance undertaking and the customer.

- (2) The records maintained under (1) must include the information obtained from the *client* and any documents agreed with the *client*, including documents that set out the rights of the parties and the other terms on which the *firm* will provide services to the *client*.
- (3) The records must be retained for at least the duration of the relationship between the *firm* and the *client*.

[**Note:** article 19(1) of the *IDD Regulation*]

Record-keeping obligations for the assessment of suitability: insurance-based investment products

- 9A.4.4 UK R 19(2) In the case of an assessment of suitability undertaken in accordance with [~~COBS 9A.2.1R and COBS 9A.2.16R~~] in relation to *insurance-based investment products*, the record shall further maintained under COBS 9A.4.3R must include the following:
- (a) the result of the suitability assessment;
(1)
 - (b) the recommendation made to the ~~customer~~ *client* and the statement provided in accordance with ~~Article 14(1) of this Regulation~~ COBS 9A.3.3AR;
(2)
 - (c) any changes made by the ~~insurance intermediary or insurance undertaking~~ *firm* with regard to the suitability assessment, in particular any change to the ~~customer's~~ *client's* risk tolerance;
(3)
 - (d) any changes to the underlying investment assets.
(4)

[**Note:** article 19(2) of the *IDD Regulation*]

...

10A Appropriateness (for non-advised services) (MiFID and insurance-based investment products provisions)

10A.1 Application

...

Effect of provisions marked “UK”

...

- 10A.1.4 R Provisions in this chapter marked “UK” and including a Note (“**Note:**”) referring to the *IDD Regulation* apply as if they were *rules to firms*, to whom the *IDD Regulation* does not apply, when doing *insurance distribution*. ~~[deleted]~~

10A.2 Assessing appropriateness: the obligations

...

Assessing a client’s knowledge and experience: insurance-based investment product

- 10A.2.3 UK 15 Without prejudice to the fact that, in accordance with [~~COBS 9A.2.3AR, COBS 9A.3.2R and COBS 9A.3.2AR~~] COBS 7.3.4R, any ~~contract~~ insurance-based investment product proposed shall ~~must~~ be consistent with the ~~customer’s~~ client’s demands and needs, ~~insurance intermediaries or insurance undertakings shall~~ a firm must determine whether the ~~customer~~ client has the necessary knowledge and experience in order to understand the risks involved in relation to the service or ~~product~~ insurance-based investment product proposed or demanded when assessing whether an insurance service or ~~product~~ insurance-based investment product distributed in accordance with [~~COBS 10A.2.1R and COBS 10A.2.2R~~] is appropriate for the ~~customer~~ client.

[**Note:** article 15 of the *IDD Regulation*]

...

Information regarding a client’s knowledge and experience: insurance-based investment products

- 10A.2.4 UK 17(1) For the purposes of [~~COBS 9A.2.1R, COBS 9A.2.16R, COBS 10A.2.1R and COBS 10A.2.2R~~] in relation to insurance-based investment products, the necessary information to be obtained by ~~insurance intermediaries and insurance undertakings~~ a firm with regard to the ~~customer’s or potential customer’s~~ client’s knowledge and experience in the relevant investment field shall ~~shall~~ must include, where relevant, the following, to the extent appropriate to the nature of the ~~customer~~ client, and the nature and type of ~~product~~ insurance-based investment product or

service offered or demanded, including their complexity and the risks involved:

- (a) the types of service, transaction, ~~insurance-based investment product~~ insurance-based investment product or ~~financial instrument~~ financial instrument with which the ~~customer or potential customer~~ client is familiar;
- (b) the nature, number, value and frequency of the ~~customer's or potential customer's~~ client's transactions in ~~insurance-based investment products~~ insurance-based investment products or ~~financial instruments~~ financial instruments and the period over which they have been carried out;
- (c) the level of education, and profession or relevant former profession of the ~~customer or potential customer~~ client.

~~17(3)~~ (2) Where information required for the purposes of [~~COBS 9A.2.1R, COBS 9A.2.16R, COBS 10A.2.1R and COBS 10A.2.2R~~] has already been obtained pursuant to [~~COBS 9A.2.3AR, COBS 9A.3.2R and COBS 9A.3.2AR~~] for the purposes of COBS 7.3.4R, ~~insurance intermediaries and insurance undertakings shall~~ a firm must not request it information it already has anew from the ~~customer~~ client.

[**Note:** article 17(1) and (3) of the *IDD Regulation*]

...

Discouraging the provision of information: insurance-based investment products

10A.2.5 A	UK R	17(2)	The insurance intermediary or insurance undertaking shall <u>In relation to an insurance-based investment product, a firm must</u> not discourage a customer or potential customer <u>client</u> from providing information required for the purposes of [COBS 9A.2.1R, COBS 9A.2.16R, COBS 10A.2.1R and COBS 10A.2.2R].
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[**Note:** article 17(2) of the *IDD Regulation*]

...

Reliance on information: insurance-based investment products

10A.2.6 A	UK R	17(4)	The insurance intermediary or insurance undertaking shall be entitled to <u>In relation to an insurance-based investment product, a firm may</u> rely on the information provided by its customers or potential customers <u>the client</u> unless it is aware or ought to be
--------------	---------	-------	---

aware that the information is manifestly out of date, inaccurate or incomplete.

[**Note:** article 17(4) of the *IDD Regulation*]

...

10A.4 Assessing appropriateness: when it need not be done due to type of investment

...

Other non-complex insurance-based investment products

- 10A.4.3 ~~UK~~ 16 ~~R~~ An ~~insurance-based investment product shall~~ *insurance-based investment product* may be considered as non-complex for the purposes of [~~COBS 10A.4.1R~~] where it satisfies all of the following criteria:
- (~~a~~) it includes a contractually guaranteed minimum maturity value which is at least the amount paid by the ~~customer~~ *client* after deduction of legitimate costs;
 - (~~b~~) it does not incorporate a clause, condition or trigger that allows the insurance undertaking to materially alter the nature, risk, or pay-out profile of the ~~insurance-based investment product~~ *insurance-based investment product*;
 - (~~c~~) it provides options to surrender or otherwise realise the ~~insurance-based investment product~~ *insurance-based investment product* at a value that is available to the ~~customer~~ *client*;
 - (~~d~~) it does not include any explicit or implicit charges which have the effect that, even though there are technically options to surrender or otherwise realise the ~~insurance-based investment product~~ *insurance-based investment product*, doing so may cause unreasonable detriment to the ~~customer~~ *client* because the charges are disproportionate to the cost to the insurance undertaking;
 - (~~e~~) it does not in any other way incorporate a structure which makes it difficult for the ~~customer~~ *client* to understand the risks involved.

[**Note:** article 16 of the *IDD Regulation*]

...

10A.7 Record keeping and retention periods for appropriateness records

...

Record keeping: insurance-based investment products

- 10A.7.2 UK 19(1) Without prejudice to the application of Regulation (EU) 2016/679 of the European Parliament and of the Council the General data protection regulation, ~~insurance intermediaries and insurance undertakings shall~~ a firm must maintain records of the assessment of ~~suitability or appropriateness~~ undertaken in accordance with [~~COBS 9A.2.1R, COBS 9A.2.16R, COBS 10A.2.1R and COBS 10A.2.2R~~] in relation to an insurance-based investment product. The records shall include the information obtained from the customer and any documents agreed with the customer, including documents that set out the rights of the parties and the other terms on which the insurance intermediary or insurance undertaking will provide services to the customer. Such records shall be retained for at least the duration of the relationship between the insurance intermediary or insurance undertaking and the customer.
- A R (1)
- (2) The records maintained under (1) must include the information obtained from the *client* and any documents agreed with the *client*, including documents that set out the rights of the parties and the other terms on which the *firm* will provide services to the *client*.
- (3) The records in (1) must be retained for at least the duration of the relationship between the *firm* and the *client*.
- ~~19(3)~~ In the case of an assessment of appropriateness undertaken in accordance with [~~COBS 10A.2.1R and COBS 10A.2.2R~~], the The record shall further in (1) must also include the following:
- (4)
- (a) the result of the appropriateness assessment;
- (b) any warning given to the ~~eustomer~~ *client* where the ~~insurance-based investment product~~ *insurance-based investment product* was assessed as potentially inappropriate for the ~~eustomer~~ *client*, whether the ~~eustomer~~ *client* asked to proceed with concluding the ~~contract~~ *policy* despite the warning and, where applicable, whether the ~~insurance intermediary or insurance undertaking~~ *firm* accepted the ~~eustomer's~~ *client's* request to proceed with concluding the ~~contract~~ *policy*;
- (c) any warning given to the ~~eustomer~~ *client* where the ~~eustomer~~ *client* did not provide sufficient information to enable the ~~insurance intermediary or insurance undertaking~~ *firm* to assess the appropriateness of the ~~insurance-based investment product~~ *insurance-based investment product*, whether the ~~eustomer~~ *client* asked to proceed with concluding the ~~contract~~ *policy* despite the warning and, where applicable, whether the ~~insurance~~

~~intermediary or insurance undertaking~~ *firm* accepted the customer's *client's* request to proceed with concluding the ~~contract~~ *policy*.

[**Note:** article 19(1) and (3) of the *IDD Regulation*]

...

16A Reporting information to clients (MiFID and insurance-based investment products provisions)

16A.1 Application

...

~~Effect of provisions marked "UK" for firms distributing insurance-based investment products~~

- 16A.1.3 R Provisions in this chapter marked "UK" and including a Note (**Note:**) referring to the *IDD Regulation* apply as if they were *rules* to *firms* to whom the *IDD Regulation* does not apply, when doing *insurance distribution*. ~~[deleted]~~

...

16A.4 Periodic reporting

...

Provision by a firm and contents: insurance-based investment products

- 16A.4.2 UK 18(1) Without prejudice to [~~COBS 13.1.2R, COBS 13.3.2R, COBS~~
A R (1) 14.2.11R, ~~COBS 14.2.5R, COBS 14.2.7R, COBS 16.6.3R, COBS~~
16.6.3AR and ~~COBS 20.4.7R, and COBS 13 Annexes 1 and 2~~],
~~the insurance intermediary or insurance undertaking shall in~~
relation to an insurance-based investment product, a firm must
provide the ~~customer~~ *client* with a periodic report, on a ~~durable~~
~~medium~~ *durable medium*, of the services provided to and
transactions undertaken on behalf of the ~~customer~~ *client*.
- ~~18(2)~~ (2) The periodic report required under ~~paragraph 1 shall~~ (1) must
provide a fair and balanced review of the services provided to
and transactions undertaken on behalf of that ~~customer~~ *client*
during the reporting period and ~~shall~~ must include, where
relevant, the total costs associated with these services and
transactions, and the value of each underlying investment asset.
- ~~18(3)~~ (3) The periodic report required under ~~paragraph 1 shall~~ (1) must be
provided at least annually.

[**Note:** article 18 of the *IDD Regulation*]

...

Sch 1 Record keeping requirements

...

Sch 1.3 G

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
...				
COBS 9A.4.3UK <u>COBS 9A.4.3R</u>	Suitability (insurance-based investment products)	<i>Client</i> information for <i>suitability report</i> - details in COBS 9A.4.3UK <u>COBS 9A.4.3R</u> and COBS 9A.4.4UK <u>COBS 9A.4.4R</u>	From date of <i>suitability report</i>	For whichever is the longer of 5 years or the duration of the relationship with the <i>client</i>
...				
COBS 10A.7.2AUK <u>COBS 10A.7.2AR</u>	Appropriateness (insurance-based investment products)	Records of appropriateness assessments including the results of such assessments and any warnings given to <i>clients</i> - details in COBS 10A.7.2A <u>COBS 10A.7.2AR</u>	Date of assessment	For whichever is the longer of 5 years or the duration of the relationship with the <i>client</i>
...				
COBS 16A.4.2UK <u>COBS 16A.4.2AR</u>	<i>Periodic statements</i> (insurance-based)	A copy of a <i>periodic statement</i> sent to a <i>client</i>	From date of despatch to <i>client</i>	At least 5 years

	investment products)			
...				

Annex D

Amendments to the Insurance: Conduct of Business sourcebook (ICOBS)

In this Annex, underlining indicates new text and striking through indicates deleted text.

[*Editor's note:* Where UK legislation paragraph numbers are struck through in this Annex, and where these are not replaced by a rule or guidance number, the text is moved one column to the left as relevant. These column changes are not shown.]

6 Product Information

...

6 Annex 3R Providing product information by way of a standardised insurance information document:

~~[Note: the *IDD IPID Regulation* is applicable to *IDD insurance intermediaries*, *IDD insurance undertakings* and *IDD ancillary insurance intermediaries*.]~~

This annex belongs to *ICOBS* 6.1.10AR.

1	Effect of provisions marked 'UK' [deleted]		
1.1	R	(1)	Provisions in this section marked "UK" apply in relation to a firm to which the <i>IDD IPID Regulation</i> is not directly applicable, as if they were <i>rules</i> .
		(2)	In this annex, a word or phrase found in a provision marked "UK" and referred to in column (1) of the table below has the meaning indicated in the corresponding row of column (2) of the table.
		(1)	(2)
		"Directive (EU) 2016/97"	<i>IDD</i>
		"durable medium"	<i>durable medium</i>
		"insurance product"	<i>a policy (other than a pure protection contract)</i>
		"manufacturer"	<i>manufacturer</i>
		"non life insurance product"	<i>a policy (other than a pure protection contract)</i>
		"shall"	<i>must</i>
2	What information needs to be contained in the IPID?		

...		
2.3	G	...
2.3A	G	<u>Firms are reminded that the IPID must be provided for each individual policy (see ICOBS 6.1.10AR). This is regardless of whether that policy is sold on its own, in connection with another policy or in connection with other goods and services.</u>
...		

[Editor's note: The shading shown in the 'Insurance Distribution Directive Instrument 2018' (FCA 2018/25) and reflected as relevant in the 'Exiting the European Union: Business Standards (Amendments) Instrument' (FCA 2019/23), at ICOBS 6 Annex 3R 2.4R to 2.6R below, is removed. This change is not shown.]

			Name and company logo of the manufacturer
2.4	UK <u>R</u>	1(1)	The name of the manufacturer <u>manufacturer</u> of the non-life insurance product <u>non-investment insurance product</u> , its regulatory status, and, where relevant, its authorisation number shall <u>firm's reference number (FRN) must</u> immediately follow the title 'insurance product information document' at the top of the first page.
2.5	UK <u>G</u>	1(2)	The manufacturer <u>manufacturer</u> may insert its company logo to the right of the title <u>referred to in ICOBS 6 Annex 3R paragraph 2.4R</u> .
			[<u>Note: article 1 of the IDD IPID Regulation Commission Implementing Regulation (EU) 2017/1469 of 11 August 2017 laying down a standardised presentation format for the insurance product information document</u>]
			Reference to complete pre-contractual and contractual information
2.6	UK <u>R</u>	2	The insurance product information document shall <u>IPID must</u> state prominently that complete pre-contractual and contractual information about the non-life insurance product <u>policy</u> is provided to the customer <u>consumer</u> in other documents. That statement shall <u>must</u> be placed immediately below the name of the manufacturer <u>manufacturer</u> of the non-life insurance product <u>insurance product</u> .
			[<u>Note: article 2 of the IDD IPID Regulation Commission Implementing Regulation (EU) 2017/1469 of 11 August 2017 laying down a standardised presentation format for the insurance product information document</u>]

3	How must the IPID be presented and formatted?
...	

[*Editor's note:* The shading shown in the 'Insurance Distribution Directive Instrument 2018' (FCA 2018/25) and reflected as relevant in the 'Exiting the European Union: Business Standards (amendments) instrument' (FCA 2019/23) at ICOBS 6 Annex 3R paragraphs 3.2R to 3.12G is removed. This change is not shown.]

Length			
3.2	UK <u>R</u>	3	The insurance product information document shall <u>IPID</u> must be set out on two sides of A4-sized paper when printed. Exceptionally, if more space is needed, the insurance product information document <u>IPID</u> may be set out on a maximum of three sides of A4-sized paper when printed. Where a manufacturer <u>manufacturer</u> uses three sides of A4-sized paper, it shall <u>must</u> , upon request by the Financial Conduct Authority <u>FCA</u> , be able to demonstrate that more space was needed.
			[<u>Note: article 3 of the IDD-IPID-Regulation Commission Implementing Regulation (EU) 2017/1469 of 11 August 2017 laying down a standardised presentation format for the insurance product information document</u>]
Presentation and order of content			
3.3	UK <u>R</u>	4(1)	The information of the insurance product information document listed in Article 20(8) of Directive (EU) 2016/97 shall <u>IPID information</u> must be presented in different sections and in accordance with the structure, lay-out, headings and sequence as set out in the standardised presentation format in the Annex to this Regulation <u>ICOBS 6 Annex 3R paragraph 3.13R below</u> , using a font size with an x-height of at least 1,2 <u>1.2</u> mm.
3.4	UK <u>G</u>	4(2)	The length of the sections <u>referred to in ICOBS 6 Annex 3R paragraph 3.3R</u> may vary, depending on the amount of information that is to be included in each section. Information about add-ons and optional covers shall not be preceded by ticks, crosses or exclamation marks.
3.4A	<u>R</u>		<u>Any information about optional covers must not be preceded by ticks, crosses or exclamation marks.</u>
3.5	UK <u>G</u>	4(3)	Where the insurance product information document <u>IPID</u> is presented using a durable medium <u>durable medium</u> other than paper, the size of the components in the layout may be

			changed, provided that the layout, headings and sequence of the standardised presentation format, as well as the relative prominence and size of the different elements, are retained.
3.6	<u>UK</u> <u>R</u>	4(4)	Where the dimensions of the durable medium <u>durable medium</u> other than paper are such that a layout using two columns is not feasible, a presentation using a single column may be used, provided that the sequence of the sections is as follows:
			(a) (1) ‘What is this type of insurance?’
			(b) (2) ‘What is insured?’
			(c) (3) ‘What is not insured?’
			(d) (4) ‘Are there any restrictions on cover?’
			(e) (5) ‘Where am I covered?’
			(f) (6) ‘What are my obligations?’
			(g) (7) ‘When I how do I pay?’
			(h) (8) ‘When does the cover start and end?’
			(i) (9) ‘How do I cancel the contract?’
3.7	<u>UK</u> <u>R</u>	4(5)	The use of digital tools, including layering and pop-ups shall be <u>is</u> permitted, provided that all the information referred to in Article 20(8) of Directive (EU) 2016/97 <u>IPID information</u> is provided in the main body of the insurance product information document <u>IPID</u> and that the use of such tools does not distract the customer’s <u>consumer’s</u> attention from the content of the main document. Information provided through layering and pop-ups shall <u>must</u> not include marketing or advertising material.
			[Note: article 4 of the IDD-IPID-Regulation <u>Commission Implementing Regulation (EU) 2017/1469 of 11 August 2017</u>

			<u>laying down a standardised presentation format for the insurance product information document]</u>
			Plain language
3.8	<u>UK</u> <u>R</u>	5	The insurance product information document shall <u>IPID must be drafted in plain language, avoiding jargon and facilitating the customer's consumer's understanding of the content of that document, and shall focus on key information which the customer needs to make an informed decision. Jargon shall be avoided.</u>
			[<u>Note: article 5 of the IDD IPID Regulation Commission Implementing Regulation (EU) 2017/1469 of 11 August 2017 laying down a standardised presentation format for the insurance product information document]</u>
3.8A	<u>G</u>		<u>Firms are reminded that the IPID forms a part of the appropriate information about a policy a firm must give a consumer so that the consumer can make an informed decision about the arrangements proposed (see ICOBS 6.1.5R). The IPID only focuses on the key information that the consumer will always need to make an informed decision.</u>
			[<u>Note: article 5 of the IDD IPID Regulation Commission Implementing Regulation (EU) 2017/1469 of 11 August 2017 laying down a standardised presentation format for the insurance product information document]</u>
			Headings and information thereunder
3.9	<u>UK</u> <u>R</u>	6(1)	The sections of the insurance product information document shall have the following <u>IPID must set out the IPID information (see ICOBS 6 Annex 3R paragraph 2.1R) under the specified headings and the following information thereunder as follows:</u>
			(a) (1) the information on the type of insurance referred to in Article 20(8)(a) of Directive (EU) 2016/97 shall <u>must be included under the heading 'What is this type of insurance?', at the top of the document;</u>
			(b) (2) the information on the main risks insured referred to in Article 20(8)(b) of Directive (EU) 2016/97 shall <u>must be included under the heading 'What is insured?'. Each piece of information listed in this section shall must be preceded by a green 'tick' symbol;</u>
			(c) (3) the information on the insured sum referred to in Article 20(8)(b) of Directive (EU) 2016/97 shall

			<u>must</u> be included under the heading ‘What is insured?’;
		(d) (4)	the information on geographical scope, where applicable, referred to in Article 20(8)(b) of Directive (EU) 2016/97 shall <u>must</u> be included under the heading ‘Where am I covered?’. Each piece of information listed in this section shall <u>must</u> be preceded by a blue ‘tick’ symbol;
		(e) (5)	the information on a summary of the excluded risks referred to in Article 20(8)(b) of Directive (EU) 2016/97 shall <u>must</u> be included under the heading ‘What is not insured?’. Each piece of information in this section shall <u>must</u> be preceded by a red ‘X’ symbol;
		(f) (6)	the information on the main exclusions referred to in Article 20(8)(d) of Directive (EU) 2016/97 shall <u>must</u> be included under the heading ‘Are there any restrictions on cover?’. Each piece of information listed in this section shall <u>must</u> be preceded by an orange exclamation mark symbol;
		(g) (7)	the information on the relevant obligations referred to in points (e), (f) and (g) of Article 20(8) of Directive (EU) 2016/97 shall <u>must</u> be included under the heading ‘What are my obligations?’;
		(h) (8)	the information on the means and duration of payment of premiums referred to in Article 20(8)(c) of Directive (EU) 2016/97 shall <u>must</u> be included under the heading ‘When and how do I pay?’;
		(i) (9)	the information on the term of the contract referred to in Article 20(8)(h) of Directive (EU) 2016/97 shall <u>must</u> be included under the heading ‘When does the cover start and end?’;
		(j) (10)	the information on the means of terminating the contract referred to in Article 20(8)(i) of Directive (EU) 2016/97 shall <u>must</u> be included under the heading ‘How do I cancel the contract?’.
3.9A	<u>R</u>	6(2)	The use of sub-headings is permitted, where necessary.
			[Note: article 6 of the <i>IDD-IPID-Regulation Commission Implementing Regulation (EU) 2017/1469 of 11 August 2017 laying down a standardised presentation format for the insurance product information document</i>]

		Use of icons	
3.10	UK R	7(1)	Each section shall further <u>of the IPID, referred to in ICOPS 6 Annex 3R paragraph 3.9R, must also</u> be headed by icons that visually represent the content of the respective section heading <u>headings</u> , as follows:
			(a) (1) the information on the main risks insured referred to in Article 20(8)(b) of Directive (EU) 2016/97 shall <u>must</u> be headed by an icon of an umbrella, which shall <u>must</u> be white on a green background or green on a white background;
			(b) (2) the information on the geographical scope of the insurance cover referred to in Article 20(8)(b) of Directive (EU) 2016/97 shall <u>must</u> be headed by an icon of a globe, which shall <u>must</u> be white on a blue background or blue on a white background;
			(c) (3) the information on excluded risks referred to in Article 20(8)(b) of Directive (EU) 2016/97 shall <u>must</u> be headed by an icon of an X symbol within a triangle, which shall <u>must</u> be white on a red background or red on a white background;
			(d) (4) the information on the main exclusions referred to in Article 20(8)(d) of Directive (EU) 2016/97 shall <u>must</u> be headed by an exclamation mark (!) within a triangle, which shall <u>must</u> be white on an orange background or orange on a white background;
			(e) (5) the information on the obligations at the start of the contract, during the term of the contract and in the event that a claim is made, referred to in points (e), (f) and (g) of 20(8) of Directive (EU) 2016/97, respectively, shall <u>must</u> be headed by an icon of a handshake, which shall <u>must</u> be white on a green background or green on a white background;
			(f) (6) the information on the means and duration of payments referred to in Article 20(8)(e) of Directive (EU) 2016/97 shall <u>must</u> be headed by an icon of coins, which shall <u>must</u> be white on a yellow background or yellow on a white background;
			(g) (7) the information on the term of the contract referred to in Article 20(8)(h) of Directive (EU) 2016/97 shall <u>must</u> be headed by an icon of an hourglass, which shall <u>must</u> be white on a blue background or blue on a white background;

			(h) (8)	the information on the means of terminating the contract referred to in Article 20(8)(i) of Directive (EU) 2016/97 shall <u>must</u> be headed by an icon of a hand with an open palm on a shield, which shall <u>must</u> be white on a black background, or black on a white background.
3.11	UK <u>R</u>	7(2)		All icons shall <u>must</u> be displayed in a manner consistent with the standardised presentation format in the Annex <u>ICOB 6 Annex 3R paragraph 3.13R</u> .
3.12	UK <u>G</u>	7(3)		The icons referred to in paragraphs 1 and 2 <u>ICOB 6 Annex 3R paragraphs 3.10R and 3.11R</u> may be presented in black and white where the insurance product information document is printed or photocopied in black and white.
				[<u>Note: article 7 of the IDD IPID Regulation Commission Implementing Regulation (EU) 2017/1469 of 11 August 2017 laying down a standardised presentation format for the insurance product information document</u>]
				Template for the standardised presentation format

[Editor's note: The shading, shown in the 'Insurance Distribution Directive Instrument 2018' (FCA 2018/25) at ICOB 6 Annex 3R paragraph 3.13R below is removed. This change is not shown.]

3.13	EU <u>R</u>	ANNEX		
------	---------------------------	-------	--	--

Xxxxx Insurance

Insurance Product Information Document

Company: <Name> Insurance Company

Product: <Name> Policy

[Statement that complete pre-contractual and contractual information on the product is provided in other documents]

What is this type of insurance?

[Description of Insurance]



What is insured?

- ✓ Xxxxx
- ✓ Xxxxx
- ✓ Xxxxx
- ✓ Xxxxx
- ✓ Xxxxx
- ✓ Xxxxx
- ✓ Xxxxx
- ✓ Xxxxx
- ✓ Xxxxx
- ✓ Xxxxx
- ✓ Xxxxx
- ✓ Xxxxx
- ✓ Xxxxx
- ✓ Xxxxx



What is not insured?

- ✗ Xxxxx
- ✗ Xxxxx
- ✗ Xxxxx
- ✗ Xxxxx
- ✗ Xxxxx



Are there any restrictions on cover?

- ! Xxxxx
- ! Xxxxx
- ! Xxxxx
- ! Xxxxx
- ! Xxxxx



Where am I covered?

- ✓ Xxxxxx



What are my obligations?

- Xxxxxx
- Xxxxxx
- Xxxxxx
- Xxxxxx



When and how do I pay?

Xxxxxx



When does the cover start and end?

Xxxxxx



How do I cancel the contract?

Xxxxxx

[**Note:** Annex to the *IDD-IPID Regulation* Commission Implementing Regulation (EU) 2017/1469 of 11 August 2017 laying down a standardised presentation format for the insurance product information document]

Annex E

Amendments to the Product Intervention and Product Governance sourcebook (PROD)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

[*Editor's note:* Where UK legislation paragraph numbers are struck through in this Annex, and where these are not replaced by a rule or guidance number, the text is moved one column to the left as relevant. These column changes are not shown.]

[*Editor's note:* The shading shown in the 'Insurance Distribution Directive Instrument 2018' (FCA 2018/25) and reflected as relevant in the 'Exiting the European Union: Business Standards (Amendments) Instrument' (FCA 2019/23) for certain provisions in PROD 1.4, PROD 4.2 and PROD 4.3 is removed. This change is not shown.]

1 Product Intervention and Product Governance Sourcebook (PROD)

...

1.4 Application of PROD 4

...

Manufacturing and distributing pathway investments and default options

...

1.4.3B R Where a *firm*:

...

- (2) is not otherwise within the scope of the *rules or onshored regulations* in PROD in relation to that *manufacturing or distribution* activity, then PROD 4, ~~PROD 1.4.4UK~~ PROD 1.4.4R and PROD 1.4.10G, apply with respect to that *manufacturing or distribution* activity.

...

When an intermediary may be considered to be manufacturing

1.4.4 ~~UK~~ R ~~3(1)~~ (1) For the purposes of [~~PROD 4.2.1R, PROD 4.2.2R, PROD 4.2.29R, PROD 4.2.34R, PROD 4.3.1R and PROD 4.3.2R~~] PROD 4, ~~insurance intermediaries shall~~ an insurance intermediary will be considered ~~manufacturers~~ a manufacturer where an overall analysis of their activity shows that ~~they have~~ it has a decision-making role in designing and developing an insurance product for the market.

- 3(2) ~~A~~ For the purposes of (1), a decision-making role ~~shall~~ must be assumed, in particular, where ~~insurance intermediaries~~ an insurance intermediary autonomously ~~determine~~ determines the essential features and main elements of an insurance product, including its coverage, price, costs, risk, target market and compensation and guarantee rights, which are not substantially modified by the ~~insurance undertaking~~ insurance undertaking providing coverage for the insurance product.
- 3(3) ~~Personalisation of and adaptation of~~ an existing insurance products ~~product~~ in the context of ~~insurance distribution activities~~ insurance distribution activities for ~~an individual customers~~ customer, as well as the design of tailor-made contracts at the request of a single ~~customer~~ customer, ~~shall~~ will not be considered ~~manufacturing~~ manufacturing.

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

- 1.4.5 G The effect of ~~PROD 1.4.4UK~~ PROD 1.4.4R and *PROD 1.4.6R* is that an *insurance intermediary* needs to consider if it is *manufacturing* an insurance product or if it would be a *manufacturer* for a *legacy non-investment insurance product* for *PROD 4.6*, and, if so, should comply with *PROD 4.2* (Manufacture of insurance products).

...

~~Effect of provisions marked “UK” for certain manufacturers and distributors of insurance products [deleted]~~

- 1.4.6 R (1) Subject to (2) and ~~PROD 1.4.3R~~, provisions in this section and in *PROD 4* marked “UK” apply to *firms*:
- (a) ~~manufacturing or distributing insurance products, but to whom the *IDD POG Regulation* does not apply;~~
 - (b) ~~in relation to product governance and distribution arrangements for *legacy non-investment insurance products*,~~
as if they were *rules*.
- (2) For the purposes of (1), a word or phrase used in the *IDD POG Regulation* and referred to in column (A) has the meaning indicated in Column (B) of the table below:

(a)	(b)
“Article 8(2)”	<i>PROD 4.2.30UK</i>
“customer” and “potential customer”	<i>customer</i>

“insurance based investment products”	<i>insurance based investment products</i>
“insurance distribution activities” and “distribution activities”	<i>insurance distribution activities</i>
“insurance distributor”	<i>distributor</i>
“insurance intermediary”	<i>insurance intermediary</i>
“insurance undertaking”	<i>insurer</i>
“manufacturer” and “manufacturers within the meaning of Article 2 of this Delegated Regulation”	<i>manufacturer</i>
“manufacturing”	<i>manufacturing</i>
“shall”	<i>must</i>

- (3) ~~In this sourcebook, where a reproduced provision of an article of the *IDD POG Regulation* refers to another part of the *IDD POG Regulation*, that other provision must also be read with reference to the table in (2).~~
- (4) ~~In relation to a *legacy non investment insurance product*, the reproduced provisions of an article of the *IDD POG Regulation* must be read to be consistent with the application of product governance and distribution requirements in *PROD 4.2* and *PROD 4.3* to a *legacy non investment insurance product*. [deleted]~~

Effect and interpretation of PROD 1.4 and PROD 4 for certain manufacturers and distributors of pathway investments

1.4.6A R A *firm* to which *PROD 1.4.3BR* applies must:

- (1) ~~comply with provisions marked “UK” in *PROD 1.4* and *PROD 4* as if they were *rules*; and [deleted]~~
- (2) ...

This table belongs to PROD 1.4.6AR(2)(a).

(1)	(2)
“<i>ICOBS 2.5.1R</i> and <i>COBS 2.1.1R</i>”	<i>COBS 2.1.1R</i>

“ <i>ICOB</i> S”	relevant conduct of business obligations
“ <i>PROD</i> 4.2 requirements of the IDD POG Regulation)”	<i>PROD</i> 4.2
...	...
“insurance distributor”	<i>distributor</i>
“insurance distribution activities”	<i>distribution activities</i>
“insurance intermediary and an insurance undertaking”	<i>firms</i>
...	...
“‘manufacturer’ and ‘manufacturers’ within the meaning of Article 2 of this Delegated Regulation”	<i>manufacturer</i>
“manufacturing”	<i>manufacturing</i>
...	...
“shall”	must

...

4 Product governance: IDD and pathway investments

4.1 General

Other requirements ~~under the IDD~~ for insurance distribution activities

...

4.2 Manufacture of insurance products

...

Product approval process

- 4.2.5 ~~UK~~ 4(1) ~~Manufacturers shall~~ A *manufacturer* must 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~~
- ~~R~~ (1)

~~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.~~

(2) The process in (1) must 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*.

(3) The measures and procedures must 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~~ required under *PROD 4.2.1R* must be set out in a written document (“product oversight and governance policy”), which ~~shall~~ must be made available to the relevant staff.
R

[**Note:** article 4 (2) of the *IDD POG Regulation*]

4.2.7 UK 9 Relevant actions taken by ~~manufacturers~~ a *manufacturer* in relation to ~~their~~ its product approval process ~~shall~~ must be duly documented, kept for audit purposes and made available to the ~~Financial Conduct Authority~~ *FCA* upon request.
R

[**Note:** article 9 of the *IDD POG Regulation*]

4.2.8 UK 4(3) The product approval process ~~shall~~ must:
R

- (a) ensure that the design of insurance products:
 - (1)
 - (i) takes into account the objectives, interests and characteristics of ~~eustomers~~ *customers*;
 - (ii) does not adversely affect ~~eustomers~~ *customers*;
 - (iii) prevents or mitigates ~~eustomer~~ *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~~ A manufacturer's governing body responsible for the ~~manufacturing~~ manufacturing of insurance products ~~shall~~ must:
- (a) endorse and be ultimately responsible for establishing,
 - (1) implementing and reviewing the product approval process;
 - (b) continuously verify internal compliance with that process.
 - (2)

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

- 4.2.10 UK 5(4) ~~Manufacturers shall~~ A manufacturer must ensure that staff involved in designing and manufacturing insurance products ~~has~~ have the necessary skills, knowledge and expertise to properly understand the insurance products sold and the interests, objectives and characteristics of the ~~customers~~ customers belonging to the target market.

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

- 4.2.11 UK 4(5) ~~Manufacturers~~ A manufacturer designating a third party to design products on ~~their~~ its behalf ~~shall remain~~ remains 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~~ A manufacturer must regularly review ~~their~~ its product approval process to ensure ~~that that process~~ it is still valid and up to date. ~~They shall~~ A manufacturer must 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. Where there is more than one firm involved in the manufacture of an insurance product, the firms must have a written agreement which specifies:~~

- (1) their collaboration to comply with the requirements for *manufacturers* referred to in *PROD 4.2*, including in particular *PROD 4.2.1R*, *PROD 4.2.2R*, *PROD 4.2.29R*, *PROD 4.2.33R* and *PROD 4.2.34R*;
- (2) the procedures through which they will agree on the identification of the target market; and
- (3) 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*~~ *PROD 4.2.13R*, when *firms* collaborate to *manufacture* an insurance product, they must outline their mutual responsibilities in a written agreement.

...

Fair value for non-investment insurance products: relevance through the product approval process

4.2.14D R A *firm* must consider the value considerations in *PROD 4.2.14AR* and, where relevant, *PROD 4.2.14BR* throughout every stage of the product approval process in *PROD 4* including, in particular, when:

...

- (2) undertaking product testing (~~*PROD 4.2.22UK*~~ *PROD 4.2.22R* to *PROD 4.2.26G*); and
- (3) selecting any distribution channel (~~*PROD 4.2.27UK*~~ *PROD 4.2.27R* to *PROD 4.2.32DR*).

...

Target market

...

4.2.16 ~~UK~~ ~~5(1)~~ ~~The A *firm*'s product approval process shall~~ must, for each insurance product, identify the target market and the group of compatible ~~customers~~ *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.~~

R (1)

- (2) The target market in (1) must 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~~ A manufacturer may, in particular with regard to ~~insurance-based investment products~~ insurance-based investment products, identify groups of ~~eustomers~~ 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~~ A manufacturer must only design and market insurance products that are compatible with the needs, characteristics and objectives of the ~~eustomers~~ 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.~~

- (2) When assessing whether an insurance product is compatible with a target market, a manufacturer must 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*]

...

Product testing

- 4.2.22 UK 6(1) ~~Manufacturers shall~~ A manufacturer must test ~~their~~ its 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.~~

- (2) The product testing in (1) must assess whether the insurance product over its lifetime meets the identified needs, objectives and characteristics of the target market.

- (3) A manufacturer must test its 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~~ PROD 4.2.22R, *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~~ R ~~6(2)~~ ~~Manufacturers shall~~ A manufacturer must 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*]

...

Distribution channels and information disclosure to distributors

- 4.2.27 ~~UK~~ R ~~8(1)~~ ~~Manufacturers shall~~ A manufacturer must 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*]

...

- 4.2.30 ~~UK~~ R ~~8(2)~~ ~~Manufacturers shall~~ A manufacturer must provide insurance ~~distributors~~ a distributor 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~~ customer. ~~That information shall be clear, complete and up to date.~~

(2) The information in (1) must be clear, complete and up to date.

[**Note:** article 8(2) of the *IDD POG Regulation*]

- 4.2.31 ~~UK~~ R ~~8(3)~~ The information ~~referred to in paragraph 2 shall~~ required under PROD 4.2.30R must enable the ~~insurance distributors~~ distributor to:

~~(a)~~ (1) understand the insurance products;

(1)

~~(b)~~ (2) comprehend the identified target market for the insurance products;

- (e) identify any ~~customers~~ customers for whom the insurance product is not compatible with their needs, characteristics and objectives;
- (3) ~~carry out distribution activities~~ insurance distribution activities for the relevant insurance products in accordance with the best interests of their ~~customers~~ customers as prescribed in [~~ICOB~~ 2.5-1R ~~and or~~ COBS 2.1.1R] (as relevant).

[**Note:** article 8(3) of the *IDD POG Regulation*]

...

Monitoring and review of insurance products

...

- 4.2.35 ~~UK~~ 7(1) ~~Manufacturers shall~~ A manufacturer must continuously monitor and regularly review insurance products ~~they have~~ it has 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.~~
- R (1)
- (2) A manufacturer must 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 are reaching customers outside the target market.

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

...

- 4.2.36 ~~UK~~ 7(2) ~~Manufacturers shall~~ A manufacturer must 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~~ its respective distribution channels, and any relevant external factors such as changes to the applicable legal rules, technological developments, or changes to the market situation.
- R

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

...

4.2.36B R For the purposes of showing the requirements in *PROD* 4.2.1R and ~~*PROD* 4.2.5UK *PROD* 4.2.5R~~ are met, where a *firm* makes a change to a *non-investment insurance product* it must make and retain a record of:

...

4.2.37 ~~UK~~ 7(3) ~~Manufacturers that identify~~ Where a *manufacturer* identifies during the lifetime of an insurance product any circumstances related to the insurance product that may adversely affect the ~~customer~~ *customer* of that product ~~shall, the *manufacturer* must~~ take appropriate action to mitigate the situation and prevent further occurrences of the detrimental event. ~~Manufacturers shall~~ A *manufacturer* must promptly inform concerned ~~insurance distributors~~ *distributors* and ~~customers~~ *customers* about the remedial action taken.

[**Note:** article 7(3) of the *IDD POG Regulation*]

...

4.2.38 ~~UK~~ 8(4) ~~Manufacturers shall~~ A *manufacturer* must take appropriate steps to monitor that ~~insurance distributors~~ *distributors* act in accordance with the objectives of the ~~manufacturers'~~ *manufacturer's* 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.~~

(2) A *manufacturer* must in particular verify on a regular basis whether the insurance products are distributed on the identified target market. However, this monitoring obligation does not extend to the general regulatory requirements with which *distributors* have to comply when carrying out *insurance distribution activities* for individual *customers*.

(3) The monitoring activities in (1) must 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~~ Where a *manufacturer* considers that the distribution of ~~their~~ its insurance products is not in accordance with the objectives of ~~their~~ its product approval process ~~shall it~~ must take appropriate remedial action.

[**Note:** article 8(5) of the *IDD POG Regulation*]

...

4.3 Distribution of insurance products

...

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* ~~or requirements of the *IDD POG Regulation*~~ do not apply.

...

4.3.5 ~~UK~~ R ~~10(1)~~ Insurance distributors shall A firm must have in place product distribution arrangements containing appropriate measures and procedures to obtain from the ~~manufacturer~~ manufacturer all appropriate information on the insurance products ~~they intend~~ it intends to offer to ~~their customers~~ its 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~~ firm.

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

4.3.6 ~~UK~~ R ~~10(2)~~ The product distribution arrangements ~~shall~~ required under *PROD 4.3.5R* must:

- (a) aim to prevent and mitigate ~~customer~~ customer detriment;
(1)
- (b) support a proper management of conflicts of interest;
(2)
- (c) ensure that the objectives, interests and characteristics of ~~customers~~ customers are duly taken into account.
(3)

[**Note:** article 10(2) of the *IDD POG Regulation*]

...

4.3.7 ~~UK~~ R ~~10(3)~~ The A firm must ensure that its product distribution arrangements ~~shall ensure that the insurance distributors contain the necessary measures to obtain from the manufacturer~~ manufacturer the information to be communicated under ~~Article 8(2) *PROD 4.2.30R*~~.

[**Note:** article 10(3) of the *IDD POG Regulation*]

4.3.8 ~~UK~~ R ~~10(4)~~ Any specific distribution strategy set up or applied by ~~insurance distributors shall~~ a firm must be in accordance with the distribution

strategy set up and the target market identified by the ~~manufacturer~~
manufacturer.

[**Note:** article 10(4) of the *IDD POG Regulation*]

- 4.3.9 ~~UK~~ 10(5) The ~~insurance distributors' body or structure~~ *firm's governing body*
R responsible for ~~insurance distribution~~ shall *insurance distribution*
activities must 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 *IDD POG Regulation*]

- 4.3.10 ~~UK~~ 10(6) ~~Insurance distributors shall~~ A firm must regularly review ~~their~~ its
R (1) product distribution arrangements to ensure that those
arrangements are still valid and up to date. ~~They shall~~ The firm
must 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.~~

(2) A firm that has set up or applies a specific distribution strategy
must, where appropriate, amend that strategy in view of the
outcome of the review of the product distribution arrangements.
When reviewing its product distribution arrangements, a firm must
verify that the insurance products are distributed to the identified
target market.

(3) ~~Insurance distributors shall~~ A firm must determine the appropriate
intervals for the regular review of ~~their~~ its 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.~~

(4) To support product reviews carried out by manufacturers, a firm
must, 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 *IDD POG Regulation*]

...

4.3.10B R For the purposes of ~~PROD 4.3.10UK~~ PROD 4.3.10R, a *distributor* must provide on request to a *manufacturer* of a *non-investment insurance product*:

...

4.3.11 ~~UK~~ 11 ~~R~~ ~~Insurance distributors~~ A firm 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~~ customer must promptly inform the ~~manufacturer~~ manufacturer and, where appropriate, amend their distribution strategy for that insurance product.

[**Note:** article 11 of the *IDD POG Regulation*]

...

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

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

4.3.14 ~~UK~~ 10(1) ~~R~~ ~~Insurance distributors shall~~ A firm must set out the product distribution arrangements in a written document and make it available to ~~their~~ its 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**

...

4.4.2 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.

...

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

...

Manufacturers of value measures products

...

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

...

- (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~~ *PROD* 4.2.22R 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.

...

...

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

...

Manufacturers of legacy non-investment insurance products

...

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* 4.2.5UK~~ *PROD* 4.2.5R to *PROD* 4.2.14R);
- ...
- (4) product testing (~~*PROD* 4.2.22UK~~ *PROD* 4.2.22R to *PROD* 4.2.26G);
- (5) distribution channels and information disclosure to distributors requirements (~~*PROD* 4.2.27UK~~ *PROD* 4.2.27R to *PROD* 4.2.32DG); and

...

...

