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To the Chief Executive of all GI firms doing business with
retail customers

2 December 2005

Our Ref:

Your Ref:

Dear Chief Executive

**RESULTS OF OUR REVIEW OF GENERAL INSURANCE DISCLOSURE
DOCUMENTATION**

We are sending this letter to the Chief Executives of all general insurance companies doing business with retail customers. We will publish this letter on our website on 8 December.

Background

As you know, we began regulating the sales of general insurance products when we introduced our Insurance: Conduct of Business Sourcebook (ICOB) on 14 January 2005. As part of our initial priorities for work on this market we have undertaken a review of the extent to which firms are currently complying with our requirements to provide product disclosure documentation for non-investment insurance contracts.

Ensuring customers are provided with clear and understandable information about the products and services that are being offered to them is a key part of our regulatory approach.

Earlier this year we carried out a review of a sample of firms' policy summaries and Key Features Documents (KFDs). We reviewed more than 100 documents from around 30 firms covering a wide range of general insurance products. Our work focused on the quality of the documents issued by insurance firms, to be used by them and intermediaries. A key element of the review was the appropriateness and clarity of significant or unusual exclusions or limitations in policy summaries.

We have set out our detailed findings in the annex to this letter. But here, we outline our key findings.

Key issues

- The vast majority of policy summaries we reviewed omitted one or more significant or unusual exclusions or limitations.
- We found that in a number of cases documents suffered significant quality shortcomings. By this we mean documents which were of excessive length such that it is likely to make it difficult for customers to make effective use of them. In other cases, there were presentational shortcomings such as font size of key information or lay-out and presentation. While apparently being small issues in themselves, in terms of the overall presentation of the document, it meant that it was difficult for consumers to identify the key information.
- Not all firms included all the information required by ICOB rules. In particular, information relating to cross-referencing of exclusions or limitations; and information relating to making claims was frequently omitted.
- We reviewed the documentation for critical illness, income protection and payment protection insurance policies. We found that, in respect of these policies, many were often unclear and too complicated to be meaningful to customers. We regard clarity of documentation as particularly important in respect of these products in light of their potential complexity and the customer needs they seek to meet.

The annex at the end of this letter provides further details.

Next steps

These findings are a cause of concern.

In light of these findings, you should consider whether you need to review your product disclosure documents for non-investment insurance contracts. On our website we will provide, on 8 December, more detailed feedback on our findings. This will help you in reviewing your own documentation. It will include feedback on specific significant or unusual exclusions or limitations that firms have not included in their policy summaries. We will also comment on specific unclear terms that were frequently used but not explained in policy summaries.

We will be carrying out follow-up work on this issue next year to check that standards have improved. Our emphasis at this stage is to work *with* firms, trade bodies and others to improve the quality of these disclosures. If we find continued significant shortcomings in the follow up work, we will consider the use of enforcement action at that stage.

Where your firm was included in our review, your supervisor will give more detailed feedback to you.

If you have any questions about this letter, please raise them with your usual supervisory contact.

Yours sincerely

Annex

Key findings:

Appropriateness of significant or unusual exclusions or limitations

The vast majority of policy summaries reviewed did not include all significant or unusual exclusions or limitations that may have been relevant to the customer.

This is an important issue as it prevents potential customers from knowing whether a particular policy is suitable for them and whether they would be able to claim under it if necessary.

In order to assess whether all significant and unusual exclusions had been included in the policy summaries we looked at each individual policy summary in relation to its policy document and made an assessment as to whether all significant or unusual exclusions had been included.

In addition to failing to provide this important information, most policy summaries also included exclusions or limitations that might not necessarily be significant or unusual. In cases where there were a number of these they could distract the customer from the key exclusions or limitations.

The policy summary should be informative, but it is not intended to communicate the full terms and conditions.

Style, presentation and length of documents

Our review showed that the presentation and style of product disclosure documents did not always meet an adequate standard.

Some policy summaries we reviewed were the equivalent of 14 A4 pages long. We do not, and do not intend to, prescribe in detail the appropriate length for such documents, but we expect firms to review their documentation carefully to ensure that it conveys the key information customers need in a clear and concise way.

Clarity and readability are key to the customer understanding the product. We reviewed a number of documents where a series of individually minor presentational issues (such as poor appearance, use of excessively small fonts for some information, lay-outs which cramped key information making it difficult for customers to find the key data) collectively resulted in documents which were uninviting and which threaten to make it difficult for customers to assimilate key information.

Findings on the mandatory content of policy summaries and KFDs

Our rules prescribe that certain mandatory information should be included in policy summaries, as well as in KFDs. This includes, but is not limited to: the Key Facts logo, cross-referencing of exclusions or limitations; and a claim notification address or number. Many firms did not provide this information in these documents.

The Key Facts logo was displayed in its correct proportions in the great majority of the policy summaries we reviewed. However, it was not in always in a prominent position. The logo should either be in a prominent position at the top of the policy summary or, if the policy summary is part of another document, in a prominent position at the top of the relevant section. This is part of our approach of clearly signalling the nature of this document and the reliance customers should place on it.

A significant proportion of the policy summaries that we reviewed did not refer the customer to the relevant section of the policy document for full details of the terms of the exclusion. Cross-references from the exclusions or limitations contained in the policy summaries should be helpful enough for the customer to find the specific exclusion in the policy document. We frequently found cross-references that made it difficult to locate the relevant exclusion.

The policy summary should also indicate whether or not the customer has the right to cancel the policy. And it must state how long the statutory cancellation period lasts. In most cases, while there was clear reference to the right to cancel, we found that the period of cancellation was omitted from the policy summary. This was an issue across the range of product types that we reviewed.

Products of specific concern

We found that critical illness and income protection insurance policies were not being satisfactorily explained. A significant number of the KFDs for critical illness policies did not make it clear to customers in simple everyday language that many illnesses that a customer is likely to regard as critical are not covered by the policy, for example "early stages of cancer" or "cancer that has not spread". We found that the KFDs relating to income protection products were frequently very complicated and difficult to understand. The products were often not described in a way that would be clear and meaningful to the customer. We found the descriptions were particularly confusing when the products were combined with other covers, as was frequently the case.

In documentation for payment protection insurance policies, it was often difficult to assess fully from the information given in the policy summary what cover was being offered. This was because the documents were too general and lacked important detail. Examples of this included lack of explanation of waiting periods before a claim can be made and the length of benefit periods. At the same time they frequently included other unnecessary information. In many cases, these policy summaries did not include exclusions that may have been significant or unusual to the cover being offered. We also found the presentation of these documents was particularly poor, due to the cramped text and poor lay-out of documents.

General Insurance Disclosure Documentation: Review of policy summaries and key features documents

Background

A key part of the general insurance regime is disclosure, which aims to protect customers by providing them with simple, clear and understandable information. We have identified as a priority the need to ensure that insurance firms are adhering to the new ICOB disclosure requirements. So we recently undertook some work to establish how firms adhere to the product disclosure requirements under ICOB.

Firms are required to give customers product disclosure documents when interacting with them about non-investment insurance contracts. The purpose of these documents is to ensure that customers have the necessary information to make an informed choice about whether to buy a specific contract and whether that contract meets their needs. These documents include the policy summary and the key features document (KFD) which are the subject of this review.

ICOB 5.5 specifies the policy summary's form and content. **The policy summary should be an informative document that properly describes the contract but does not overload the customer with detail.** A firm may, if it wishes, provide key features as an alternative to a policy summary.

To assess the quality of the policy summaries and KFDs firms were issuing, we carried out a desk-based review on the content and format of a sample of these disclosure documents. The sample was made up of 20 term assurance and critical illness policies, 15 income protection, 17 private medical insurance policies, 12 motor insurance policies, 14 household insurance policies, 15 travel insurance policies and 19 payment protection insurance policies.

A key focus of the review work has been on the appropriateness and clarity of significant or unusual exclusions (SUEs) in policy summaries given the potential for consumer detriment in this area. What follows are our general findings and recommendations.

Contents

- **Part 1** – Policy summaries: significant or unusual exclusions (SUEs) and unnecessary exclusions (including product-specific SUEs and unnecessary exclusions)
- **Part 2** – Style, presentation and length of the documents
- **Part 3** – Mandatory contents of policy summaries and KFDs
- **Part 4** – Products of specific concern

Part 1: Policy summaries: significant or unusual exclusions (SUEs) and unnecessary exclusions (including product-specific SUEs and unnecessary exclusions)

SUE requirements explained

The rules require the significant benefits and characteristics of the policy to be included in the policy summary as well as significant or unusual exclusions (SUEs) – although there is no fixed list of these.

SUEs are those exclusions or limitations which would

- **(in the case of "significant") affect a customer's decision to buy and would be likely to dramatically reduce the cover, or**
- **(in the case of "unusual") are exclusions not normally found in comparable contracts.**

SUEs relates to the significant features and benefits and could depend upon the way the benefits of the policy are described or marketed.

Something could also be considered to be significant or unusual where an insurer intends to place heavy reliance on it (for example, due to a common customer misunderstanding).

The rules require SUEs to be included in the policy summary and to be disclosed in a clear, fair and not misleading way. This was not the case in the majority of policy summaries we reviewed.

For the review, we looked at each policy document individually and then reviewed the corresponding policy summary in light of the terms and conditions contained in the policy document. **What amounts to a SUE depends on the terms of any particular policy and therefore our findings on SUEs may not be applicable depending on a firm's policy.**

While some disclosures are important enough to be made clear to the customer before the sale, they may not be suitable for the policy summary. A policy summary is intended to be a generic document but firms may personalise the required information if they wish. If the policy summary is a generic one, as is often the case, it might not be appropriate for the firm to include all the exclusions that are capable of being significant in the policy summary. For example motor policies may contain customer specific endorsements such as mileage restrictions or restrictions regarding the use of an antique or classic car. It would not necessarily be appropriate for the firm to include these in the policy summary; however the firm would still need to disclose such exclusions to the customer when it sells the policy. For household policies, if a customer's house has been burgled several times in the past the insurer may impose more

onerous security requirements than normal. Again, while it might not be appropriate for the firm to include these in the policy summary, they would still need to disclose such exclusions to the customer at the time of sale.

Findings and feedback on SUEs

The vast majority of policy summaries that we reviewed omitted what we would consider to be significant or unusual exclusions. Conversely, we also saw examples of policy summaries which contained numbers of exclusions that were not significant or unusual.

We give the details of some of the exclusions that were omitted and that we would have expected to be included in the policy summaries in the product-specific findings towards the end of this part of the report. **The details given are examples based on the findings of our review and are not an exhaustive list of SUEs that should be included in policy summaries.**

We identified some types of exclusions that were problematic across the range of products that were reviewed. Further details of these are in the product-specific findings in part 4.

- **Eligibility criteria:** We found that some of the eligibility criteria relating to a customer's access to insurance cover were not always visible in the policy summaries. **Making this type of exclusion or limitation prominent is important so that potential customers know when they buy the policy whether they will be able to claim under it.** For example, in several of the policy types that we reviewed the age limitations were not always highlighted in the policy summaries.
- **Unclear terms:** Some terms have a different meaning for customers compared with how the insurance industry interprets them. Using a particular term as an 'exclusion' to the policy would not be clear to the customer or make them aware of what is actually covered and not covered. For example, the terms 'pre-existing conditions' and 'chronic conditions' are frequently used, but they – or how the exclusions operate – may not be clear to the customer without further explanation. **Firms should always consider whether these terms are clear to the customer. Firms should also consider whether there is a clear and full explanation of the exclusion in the policy summary.** Where the policy document would be available to customers before the contract is concluded, firms could consider including a summary explanation of the exclusion, with a reference to the full explanation in the policy document.
- **Limitations/scope of cover:** These restrictions can stop policyholders making a claim under the policy if the conditions are not satisfied. For example, private medical insurance policies may specify which hospitals policyholders must use.

Unnecessary exclusions explained

Conversely, if the policy summary also includes exclusions that are neither significant nor unusual then, depending on how many of these there are, they may distract the customer away from the key exclusions. As mentioned earlier, an exclusion could be considered significant or unusual where an insurer intends to place heavy reliance on it. This needs to be taken into account when considering our findings below.

Generally, an exclusion or limitation may not be significant or unusual

- **if it is common sense to customers (i.e. the average consumer would expect it to apply);**
- **if it is unlikely to affect the customer's decision to buy; or**
- **it occurs only infrequently.**

There is no fixed list of unnecessary exclusions.

Sometimes there is a correlation between how clearly the cover is described and whether any particular exclusion is common sense to a customer. Firms should consider whether they are explaining the cover in a clear way when including these exclusions. Generally, the clearer and more accurate the initial descriptions of the product, the fewer of these exclusions are needed in the policy summary to accurately reflect the extent of the cover being offered.

Findings and feedback on unnecessary exclusions

We saw examples of policy summaries that included many exclusions which the average consumer would expect to apply; were unlikely to affect the customer's decision to buy; or would occur very infrequently and so may have been unnecessary. **Firms should consider whether including such exclusions distracts the customer from reading the SUEs and affects the document's overall readability and clarity.** However, we recognise that insurers may still wish to include some exclusions that are not significant or unusual if they rely heavily on them, or because, in their experience, policyholders commonly misunderstand such exclusions.

Details of some of the specific exclusions that were found to be included in policy summaries despite not necessarily being significant or unusual are set out later. The details given are examples based on the findings of our review. They are not an exhaustive list of exclusions that firms should not generally include in policy summaries.

SUEs in relation to specific products

In order to assess whether all significant and unusual exclusions had been included in the policy summaries we looked at each individual policy summary in relation to its policy document. In each individual case we made an assessment as to whether all SUEs had been included which would:

- affect a customer's decision to buy
- be likely to dramatically reduce the cover; or
- are exclusions not normally found in comparable contracts

Below are indicative examples of some of the exclusions we would consider to be SUEs but were not included in some policy summaries. What amounts to a SUE depends on the terms of any particular policy and therefore our findings below may not be applicable depending on a firm's policy. Firms should consider, where relevant, whether the following amount to significant or unusual exclusions to the cover being offered:

Household Insurance

- Cover does not extend to all damage caused by subsidence.
- Loss incurred when the property was unoccupied for more than a specified period (usually 30 or 60 days).
- Loss incurred to contents being used by students while living away from home.

Payment Protection Insurance

- UK residency requirements.
- Age requirements.
- Minimum hours of work requirements.
- Minimum period of employment requirements.
- Waiting periods applicable before making a claim.
- Reference to or clear description of 'chronic disease'.
- Reference to or clear description of 'self-employed'.
- Reference to or clear description of 'permanent total disability'.
- Reference to or clear description of 'pre-existing condition'
- In relation to single premium policy summaries, a clear and understandable explanation of how much of the premium will be refunded if the customer cancels after the statutory cancellation period.

Private Medical Insurance

- Reference to or clear description of 'chronic disease'
- Reference to or clear description of 'pre-existing condition'

Motor Insurance

- Age requirements.
- Where they were marketed as a benefit, replacement cars only being provided subject to availability and not being guaranteed.

- Where marketed, the terms relating to foreign cover.

Travel Insurance

- Age requirements.
- Reference to or clear description of 'pre-existing condition'

Unnecessary exclusions for specific products

In order to assess whether any unnecessary exclusions had been included in the policy summaries we looked at each individual policy summary in relation to its policy document. In each individual case we made an assessment as to whether all SUEs which had been included were:

- common sense to customers (i.e. the average consumer would expect it to apply);
- unlikely to affect the customer's decision to buy;
- only likely to occur infrequently.

Note, an exclusion could be considered significant or unusual where an insurer intends to place heavy reliance on it. This needs to be taken into account when considering our findings below.

Firms should consider whether including the following exclusions may affect the overall clarity and readability of the policy summary, or on the intended purpose of the summary:

Payment Protection Insurance

- Claims as a result of self-inflicted injury
- Claims as a result of a normal pregnancy
- Claims as a result of misuse of drugs or alcohol

Private Medical Insurance

- Treatment required as a result of self-inflicted injury
- Treatment required as a result of misuse of drugs or alcohol
- Treatment required as a result of war

Travel Insurance

- Loss as a result of self-inflicted injury
- Loss as a result of suicide
- Loss as a result of the outbreak of war
- Loss as a result of known strike action
- Loss as a result of misuse of drugs or alcohol
- Loss incurred but where the insured has failed to obtain a report
- Loss arising as a result of failing to allow sufficient time to reach departure point, or due to traffic congestion

Household Insurance

- Theft of unattended and unsecured pedal cycles
- Loss or damage caused by malicious or deliberate acts by the policyholder or their family

Part 2: Style, presentation and length of documents

The clarity and readability of the policy summary and KFDs is key to the customer being able to gain the necessary understanding of the product that they are buying. The quality and presentation of these documents should not deter the customer from reading them. We found that many documents did not encourage the customer to read them fully. The following findings explain factors that contributed to that.

Findings and feedback

- **Presentation:** In some cases the size of the text was too small and the documents appeared to be too cramped and uninviting to the reader. In particular, household policies and payment protection insurance (PPI) policies were poor on this. Those policy summaries that were concise, clearer and more readable tended to use clear headings and were well spread out. They were frequently, although not exclusively, only two or three A4 pages long. Using different fonts and clear section headings also helped to make documents more readable.
- **Inclusion of 'other' information:** The documents often tended to be far longer than was necessary because firms included other information that the rules do not allow, or require. Examples included marketing information, information about governing law and jurisdiction and introductory text about the activities of the firm. A policy summary should be a snapshot of the policy document. The content should only cover what is allowed by the rules. It should properly describe the contract but should not be overloaded with detail. We saw examples of policy summaries stretching to 13 or 14 A4 pages and KFDs stretching to 15 or 16 A4 pages. In general, we found these were less clear and readable.
- **More complex products:** We found that the disclosure documents of the more complex products – for example, critical illness, income protection and PPI policies – were the most difficult to read, particularly where combinations of cover were offered. For example, the income protection policies that were reviewed often combined several different types of cover e.g. life cover, critical illness and mortgage protection. Firms frequently dealt with these different covers in combination and it was not always easy to single out the sections dealing with each individual form of insurance. This made the KFDs difficult to read and understand.

Part 3: Mandatory content of policy summaries and KFDs

Our rules prescribe that certain mandatory information should be included in policy summaries and in KFDs.

Findings and feedback on policy summaries

We found that many firms are not providing all the information required by ICOB 5, within their policy summaries. The following types of mandatory information were those that were most frequently omitted or were unclear.

- **The Key Facts logo:** The logo should either be in a prominent position at the top of the policy summary or, if the policy summary is part of another document, in a prominent position at the top of the relevant section. The logo was displayed in its correct proportions in most of the policy summaries reviewed. However, it was not in a prominent position in a large number of the documents that we saw. In particular, private medical insurance policies were the worst in this respect, with around a third of the documents that we reviewed failing to display the logo in a prominent position. An example of how a logo may not be positioned prominently at the top is where there is a competing heading adjacent or immediately above it.
- **The right to cancel:** The policy summary must indicate whether the customer has – or has not – the right to cancel the policy and give the duration of the statutory cancellation period. In most cases, while there was clear reference to the right to cancellation, we found that the period of cancellation was quite frequently omitted from the policy summary. This was an issue across the range of product types that we reviewed.
- **The duration of the contract:** The policy summary should state how long the contract will last. This was often not clear and statements of the need to review and update cover periodically to ensure that it remains adequate were often not included. Where relevant for the product concerned, if the contract is more than one year in length the policy summary should contain a statement informing customers to review and update their cover periodically to ensure it remains adequate.
- **Cross-referencing of exclusions:** Cross-references from the exclusions in the policy summaries should helpfully refer the customer to the relevant section of the policy document for full details. A significant proportion of the policy summaries that we reviewed did not refer the customer to the relevant section of the policy document for full details of the terms of the exclusion. Private medical insurance policies were the worst in this respect, with over half of them failing to do this. These cross references should be helpful enough for the customer to find the specific exclusion in the policy document. We frequently found cross-references that made it difficult to locate the relevant exclusion.

Findings and feedback on Key Features Documents

Under ICOB a firm may provide key features that meet the requirements of COB 6 on the content of the key features, instead of providing a policy summary. However, the key features must include certain ICOB required information; these are discussed below. So we reviewed the KFDs against the relevant ICOB and COB requirements.

- **The Key Facts logo:** The logo was displayed in its correct proportions in all the KFDs reviewed and was in a prominent position in all but one of them. **The logo should either be in a prominent position at the top of the KFD or, if the KFD is part of another document, in a prominent position at the top of the relevant section.** If the KFD is presented as a booklet, the Key Facts logo should feature on the front cover of the booklet in order to be compliant.
- **Cross-referencing of exclusions:** As with policy summaries, **cross-references in the exclusions sections of the KFD should helpfully refer the customer to the relevant section of the policy document for full details of the terms of the exclusion.** A significant proportion of the KFDs that we reviewed did not do this. Income protection policies were particularly poor in this respect, with very few fully satisfying this requirement. The cross references should be helpful enough for the customer to find the specific clause in the policy document. As with policy summaries, we frequently found cross-references that made it difficult to locate the relevant exclusion.

Part 4: Products of specific concern

Critical illness: We found that the KFDs relating to critical illness products were frequently too complicated and difficult to read, particularly when combined with term assurance as is frequently the case. We are not confident that the cover is being satisfactorily explained in many of these policies. A significant number of the KFDs that we saw did not make it clear to customers in simple everyday language that many illnesses that a customer is likely to regard as critical are not covered by the policy, for example "early stages of cancer" or "cancer that has not spread".

We found some of the statements and terms used in the KFDs were unclear – for example 'Permanent Total Disablement' was often simply listed as a critical illness without further explanation. Also, the need to undertake 'Activities of Daily Life', was sometimes referred to without definition in the KFD, with firms relying instead on referring to either the policy document or other guides and leaflets.

In many cases the KFDs did not make it clear that the benefit is payable in a lump sum. Also there was often no mention that special terms may be applied which could result in some illnesses not being covered.

Income protection: We found that the KFDs relating to these products were frequently very complicated and difficult to read. The products were often not described in a way that would be clear and meaningful to the customer. We found the descriptions were particularly confusing when the products were combined with other covers, as was frequently the case. Different covers – e.g. life cover, critical illness and mortgage protection – were often dealt with in combination and it was not easy to single out the sections dealing with each individual form of insurance. The exclusions listed were mostly common sense and so would not make the covers clearer to the customer. Most worrying was that exclusions were frequently not cross-referenced to the full exclusions in the policy document.

On the positive side, firms usually explained the triggers to being able to claim in a way which could be understood. And most documents explained the different options for earnings and how these apply. All the documents reviewed covered the results of receiving payments from elsewhere and the effect on state benefits.

A specific issue that we identified in relation to critical illness, income protection policies and term assurance was reviewable premiums. Most KFDs stated that if the premiums were reviewable then there was the possibility of increased premiums. However, there was generally no upper limit to the increases and no upper age limit to the reviews. Instead, the information provided was not very clear about when the reviews would take place. A great deal of information was included about the reasons for any premium increases. However, the majority of KFDs did not mention that policyholders should regularly review the cover provided to ensure it continued to meet their needs. Firms should refer to our publication on Fairness of

Payment Protection Insurance: In keeping with other pieces of work we found significant issues with this product. It was often difficult to assess from the information given in the policy summary what cover was being offered. This was because the documents were too general and lacked important detail, while including other unnecessary information. In many cases, these summaries did not include exclusions that may have been significant or unusual to the cover being offered. The previous section on SUEs in relation to specific products provides examples of these. The presentation of many of these documents was also particularly poor.

Centipede Insurance

keyfacts

About Centipede Loan Payment Protection Policy Summary

The policy summary should be clear, fair and not misleading to the customer. This applies to the appearance and readability of the document.

This policy summary does not contain the full terms and conditions of the contract. Full terms and conditions can be found in the policy document.

Who is the insurer?

The insurer of this policy Centipede Insurance Ltd.

Describe the type of insurance and cover.

What is Centipede Loan Payment Protection?

We will cover the costs of payments for your loan if you become unable to work as a result of sickness, accident or unemployment, or if you die.

Eligibility criteria that are significant exclusions/limitations should be stated.

To be eligible for this policy you must at the start date:

- be over 18 years old and not reach the age of 70 during the term of the loan;
- have been in continuous paid work (including self-employed work carrying on a business in the UK, see the full definition in the policy document, but not temporary work) for at least 16 hours a week for the last six months; and
- be resident and work in the UK.

The 'Keyfacts' logo is not displayed in a prominent position at the top of the policy summary.

The official version of the 'Keyfacts' logo (with its correct proportions) must be used. Position it prominently at the top of the policy summary. If the policy summary is included in another document, the logo must be in a prominent position at the top of the relevant section of the document.

You must include a statement that the *policy summary* does not contain the full terms and conditions of the contract and that these may be found in the *policy document*.

Include the name of the insurance undertaking.

This is an illustration of a policy summary based on typical policies available. It is neither a precedent nor an endorsement of any text and firms may not rely on it as guidance.

What are the benefits and features of Loan Payment Protection Insurance?

State any significant features and benefits.

Protecting your loan repayments: By signing up to the Loan Payment Protection contract you will be taking care of your loan repayments if you become unable to work as a result of sickness, accident or unemployment, or if you die.

You cover at different ages is:

	Unemployment claim	Sickness claim	Life claim
Under 65 and working at least 16 hours per week	Yes	Yes	Yes
65 or over and under 70, working at least 16 hours a week	No	Yes	No
Under 70, not working	No	No	Yes

Significant limitations should be stated if included in the description of the features and benefits.

If you are unable to work for more than a continuous period of 30 days we will pay 1/30th of your monthly repayments for your loan for every day you are unable to work:

- for up to a maximum of 12 months if claiming for unemployment benefits; or
- up to the term of the loan if you are claiming for sickness.

If you die during your loan and before your 70th birthday, we will pay the outstanding balance of your loan at the date of your death up to a maximum of £25,000.

For full details of the benefits and features of the cover, please refer to section B of the policy document.

What am I NOT covered for under Centipede Loan Payment Protection?

Significant or unusual exclusions or limitations should be stated.

There are some situations that you are not covered for. These generally involve anything you already know about or that is caused by deliberate or illegal acts on your part. **Full details of these are in the policy document and a list of exclusions are set out in section C of the policy document.**

Cross referencing of significant or unusual exclusions or limitations to the related sections of the policy document is required by the rules.

This is an illustration of a policy summary based on typical policies available. It is neither a precedent nor an endorsement of any text and firms may not rely on it as guidance.

The most significant exclusions of this policy are set out here. But for the full explanation of terms and the exclusions please refer to section A and section C of the policy document. There may be other exclusions that are significant to you, so you need to check the policy document for full details.

- Disability or critical illness resulting from pre-existing medical conditions, chronic conditions are not covered (see section A and section C(i) of the policy document), and
- We will not pay claims for back complaints and related conditions or psychiatric and other mental illnesses, stress or stress related conditions unless the condition is diagnosed by a consultant (see section A and section C(i) of the policy document).
- Unemployment benefits will only be paid if you were in continuous employment for at least six months immediately before the date of your claim. (see section A and C(ii) of the policy document).
- Unemployment after a fixed term contract comes to an end will not be covered unless certain conditions are met - for example, you were working continuously for the same employer for at least 24 months. For full details see section C(ii) of the policy document.
- If you are self-employed you will need to prove that you cannot find enough work to cover your reasonable business and living expenses. (See section C(ii) of the policy document.)
- We will not pay claims for intentionally self-inflicted injury. (See section A and C(i) of the policy document).

Please ask for a copy of the policy document so you can check the cover and exclusions in detail.

Exclusions or limitations that are not significant or unusual need not be included in the policy summary. Firms should consider whether including such material has a damaging effect on the summary as such, or on its intended purpose.

(1) In this example, firms should consider whether the meaning of the terms 'chronic conditions' and 'pre-existing medical conditions' are clear to the customer.

(2) Firms should consider whether there is a clear and full explanation of the exclusion in the policy summary. If the policy document is available to the customer before the contract is concluded, firms could consider including in the policy summary a summary of the explanation of the exclusion and refer to the policy document for the full explanation of the exclusion.

This is an illustration of a policy summary based on typical policies available. It is neither a precedent nor an endorsement of any text and firms may not rely on it as guidance.

How long does my Loan Payment Protection contract run for?

Cover starts on the date we agree with you and will continue until your loan is repaid, or if you die. The policy is designed to cover your monthly loan repayments, so you do not need to review your level of cover.

State the duration of the contract. If the contract lasts more than one year, then, if relevant, state that the customer may need to review and update his cover periodically to ensure it remains adequate.

What happens if I take out cover and then change my mind or repay my loan early?

We hope you are happy with the cover this policy provides. If you are unhappy with your policy you have a right to cancel the policy within 30 days of receiving your policy and get your full premium back.

If you repay your loan early your policy must be cancelled. If you repay your loan early or cancel after 30 days of receiving your policy, any refund of premium will reduce throughout the term of the loan.

You must state whether the customer has the right to cancel or not and, if applicable, how long they have to cancel.

How do I make a claim under Loan Payment Protection?

Please ring our Claims Centre on 0123 456 7890 to notify us of your claim.

Include the number or address the customer should contact to make a claim.

How do I make a complaint about Centipede and my Loan Payment Protection Insurance?

If you have any problems with the service you receive, you can write to our dedicated complaints team at Box PO 9009, Centipede Insurance, Any town.

We will confirm we have received your complaint within five working days and we will do our best to resolve the problem within four weeks. If we are unable to do so, we will let you know when you can expect the answer. If we have not resolved the problem within eight weeks - or if you are dissatisfied with our final response - and we will give you information about referring your complaint to the Financial Ombudsman Service (if this applies to you).

Information on how to complain to the insurance undertaking and that complaints may subsequently be referred to the FOS or any other named complaints scheme should be included.

If there is a single premium payment for the cover, firms should consider whether the refund policy is clear to the customer as it could be a significant limitation. If a complicated calculation applies which cannot be easily explained to the customer, firms should consider including clear examples of the refunds that would be provided.

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Would I receive compensation if Centipede were unable to meet its liabilities?

We are covered by the Financial Services Compensation Scheme. You may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim.

Include Information about the FSCS or any other named compensation scheme or state that there is no compensation scheme.

This is an illustration of a policy summary based on typical policies available. It is neither a precedent nor an endorsement of any text and firms may not rely on it as guidance.