

December 2007

07 / 24

newsletter



This newsletter provides a summary of PS07/24. Please see 'Who should read this paper?' below to see if PS07/24 is relevant to you.

Financial Services Authority

Insurance selling and administration

Feedback on CP07/11 and final rules

Why are we publishing the Policy Statement?

The Policy Statement (PS) reports on the responses to our consultation on amending the Insurance: Conduct of Business sourcebook (ICOB) and the decisions we have made in the light of those responses. The final rules, which make up our Insurance: New Conduct of Business sourcebook – ICOBS – are in Appendix 1.

As proposed in the CP, the rules differentiate between 'protection products' (term, critical illness, income protection and payment protection insurance (PPI)) and 'other' products (all general insurance except PPI).

Who should read the paper?

We think consumers, firms and trade bodies will be interested in the paper.

Is the PS of interest to consumers?

Much of the PS will be of interest to consumers who buy insurance products and to consumer groups. Of particular interest will be:

- confirmation of our general approach, including the differentiation between protection products and ‘other’ products (Chapter 2);
- the removal of most detailed rules not required by directives for ‘other’ insurance products and their replacement by high-level standards (Chapter 3); and
- the additional detailed rules for all ‘protection products’ (Chapter 4) and those for PPI (Chapter 5).

What is the background to this?

In June 2007 we published Consultation Paper (CP) 07/11, which set out our proposals for amendments to ICOB. This followed publication of a report in March 2007, which summarised the results of our analysis of the effectiveness of ICOB in achieving the target outcomes for our general insurance regime.

How is the paper set out?

The PS:

- gives feedback on the responses we received to the CP; and
- summarises the implications for firms of our new rules.

Annex 4 – cost benefit analysis – includes a summary of developments since we issued the CP in June. It:

- summarises the results of consumer research carried out on our proposals for protection products;
- summarises new cost evidence we have obtained from firms; and
- notes the results of the third phase of the thematic work on payment protection insurance (PPI), published in September, which we have taken into account in finalising our rules.

We received some very helpful comments on the detail of the draft rules. Our response to these comments is summarised in Annex 3.

What happens next?

The transitional period for compliance with the new rules is six months, as proposed in the CP. The rules come into force on 6 January 2008, so the transitional period will end on 5 July 2008. The only exception is for a small change to the Initial Disclosure Document (see paragraph 18 of Annex 3), for which we are allowing a 12-month period, so that firms do not have to reprint their documents before they would normally do so.

There are no new requirements for firms that sell 'other' products and that already comply with the Principles and the current ICOB rules. The overall standard remains the same. So if these firms wish to take advantage of the flexibility permitted by our new principles-based approach, they can change their practices at any time rather than within a set period. But firms will need to comply with the additional rules for protection products by 6 July 2008.

We describe other new transitionals at the end of Chapter 5.

This Policy Statement reports on the main issues arising from Consultation Paper 07/11 (*Insurance selling and administration – proposed amendments to the Insurance: Conduct of Business sourcebook*) and publishes final rules.

Please address any comments or enquiries to:

Peter Edmonds
General Insurance Policy
Retail Policy and Themes Division
Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

Telephone: 020 7066 5600
Fax: 020 7066 5601
E-mail: cp07_11@fsa.gov.uk

How can I get the full paper?

You can download the full Policy Statement from:

www.fsa.gov.uk/pages/Library/Policy/Policy/2007/07_24.shtml

Or you can order hard copies of the paper:

Phone our helpline on **0845 608 2372**, quoting reference **PS07/24**

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The Financial Services Authority 25 The North Colonnade Canary Wharf London E14 5HS
Main switchboard: 020 7066 1000 Fax: 020 7066 1099