

ICOBs at a glance – highlights of the new rules

Rules (R) and guidance (G) – applies to all firms, all products, and both consumers and commercial customers unless otherwise stated.

Other rules apply to protection products in addition to or instead of these rules – see overleaf.

Status disclosure	<p>(R) An insurance intermediary must at least provide the customer with specified details about itself and its complaints procedure (IMD information). This can be given in a durable medium or, in certain circumstances orally, or limited information can be given according to the DMD telephone sale rules. If the information is provided orally, written information must be provided immediately after the conclusion of the contract. An IDD may be used to satisfy status disclosure if it is used in accordance with its notes and provided to the customer at the correct time.</p> <p>(R) Insurers and intermediaries must disclose fees.</p>
Suitability	<p>(R) Based on Principle 9 - A firm must take reasonable care to ensure the suitability of its advice for any customer who is entitled to rely on its judgement.</p>
Eligibility & disclosure of material facts	<p>(G) A firm should take reasonable steps to ensure a customer only buys a policy under which he is eligible to claim benefits. A firm should tell the customer, if it finds out at any time while arranging a policy, that parts of the cover do not apply.</p> <p>(G) Guidance is set out outlining ways a firm can ensure a customer knows what he should disclose as regards material facts.</p>
Product Disclosure	<p>(R) A firm must take reasonable steps to ensure a customer is given appropriate information about a policy in good time and in a comprehensible form so that the customer can make an informed decision about the arrangements proposed.</p> <p>(G) The information required will vary and, for example, depend on:</p> <ul style="list-style-type: none"> • the knowledge, experience and ability of a typical customer; • the policy terms, including main benefits, exclusions and limitations, conditions and duration; • the policy's overall complexity; • whether the policy is bought in connection with other goods and services; • distance communications information requirements; and • whether the same information has been provided to the customer previously and, if so, when. <p>(G) A policy summary is optional.</p>
Price disclosure	<p>(G) The high level product disclosure rule also applies to disclosing the price of the policy.</p> <p>(R) Separate price disclosure of the premium and whether buying the policy is compulsory is required for all secondary sales.</p>
Cancellation	<p>(R) Consumers have a right, with some exceptions, to cancel a general insurance policy within 14 days (for PPI – see overleaf) for any reason and without penalty. However, the firm can retain an amount for the service already provided in accordance with the contract.</p>
Claims Handling	<p>(R) Insurers must:</p> <ul style="list-style-type: none"> • handle claims promptly and fairly; • provide reasonable guidance to help policyholders make a claim; • not unreasonably reject a claim; and • settle claims promptly once settlement terms are agreed. <p>(R) Insurers should not reject a claim by a consumer if the claim is due to:</p> <ul style="list-style-type: none"> • non-disclosure of a fact material to the risk which the policyholder could not reasonably have been expected to have disclosed; • non-negligent misrepresentation of a fact material to the risk; or • a breach of a warranty or condition unrelated to the claim

Note: This is a summary of the main requirements within ICOBS but it does not include the totality of the requirements for all firms. Firms must refer to the FSA Handbook to ensure that they are aware of and in compliance with all the rules applicable to them. There are variations to the requirements and timing of information for sales by telephone and internet. In addition, different provisions may apply depending on the type of customer with whom a firm is dealing.

ICOBs at a glance – highlights (continued)

Requirements for protection products - pure protection contracts and payment protection policies (PPI) – or, where indicated, solely for PPI.

These apply in addition to or instead of the requirements overleaf.

Status disclosure	<p>(R) All firms - in a non-advised sale, a firm must take steps to ensure the customer understands that he is responsible for deciding if a policy meets his demands and needs. If a firm provides information orally on a main characteristic of a policy, it must take reasonable steps to explain the customer's responsibility orally.</p> <p>(R) Insurers - must disclose at least the name of the regulator, whose policies they offer, and whether they are providing a personal recommendation or information.</p> <p>(R) Intermediaries – same as overleaf</p> <p>(R) All firms - if part of the status information is delivered orally, all elements must be delivered orally.</p>
Suitability	<p>(G) In an advised sale, a firm should obtain relevant information to determine demands and needs and take into account existing cover, the level of cover provided by the policy, cost, relevant exclusions and conditions. It should tell the customer of any demands and needs not met. In a non-advised sale the firm would also need to give a customer a record of all his demands and needs that have been discussed and provide a key features document.</p>
Eligibility	<p>(R) A firm arranging a PPI policy must take reasonable steps to ensure a customer only buys a policy under which he is eligible to claim benefits. The firm must tell the customer, if it finds out when arranging the policy, that parts of the cover do not apply.</p>
Product Disclosure	<p>(R) If a firm provides any information orally to a customer on a main characteristic of a policy, it must do so for all of the policy's main characteristics.</p> <p>(R) A firm must take reasonable steps to ensure the information provided orally is sufficient to enable the customer to take an informed decision without overloading the customer or obscuring other parts of the information.</p> <p>(R) A policy summary is required in good time before the conclusion of the contract.</p> <p>(R) A firm must draw a consumer's attention to reading PPI documentation before the end of the cancellation period to check it is suitable. This information must be given orally if a firm provides information orally on a main characteristic of the policy.</p>
Price disclosure	<p>(R) A firm must provide price information in a way calculated to enable the customer to relate it to a regular budget.</p> <p>(G) Price information is considered a main characteristic of the policy, so must be provided orally if another main characteristic is disclosed orally.</p> <p>(R) Premiums paid using a non-revolving credit agreement, e.g. single premium PPI, must be disclosed in a way calculated to enable the customer to understand the total cost of the policy and the additional repayments that relate to the purchase of the policy.</p> <p>(G) Price information for policies sold with revolving credit should enable a typical customer to understand the typical cumulative cost of the policy.</p>
Cancellation	<p>(R) Consumers have a right to cancel pure protection contracts and all PPI contracts (not just those with a life insurance element) within 30 days for any reason and without penalty. They can obtain a full refund of premium for pure protection contracts. They can obtain a full refund for PPI contracts unless a claim has been made within the cancellation period and settlement terms are subsequently agreed.</p>
Claims Handling	<p>No additional requirements.</p>

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