



LMA GUIDANCE FOR UK COVERHOLDERS:

INSURANCE DISTRIBUTION DIRECTIVE (IDD)

FEBRUARY 2018

INTRODUCTION

The Insurance Distribution Directive (IDD) will replace the current Insurance Mediation Directive (IMD) and brings with it new requirements for intermediaries and insurers, and a focus on firms acting honestly, fairly, professionally, and in accordance with the best interests of their customers.

This guidance is designed for UK coverholders and is intended to highlight certain important aspects of the IDD. It is not intended to cover every element of the new regime. Please refer to appendix 1 for details on territorial scope.

Coverholders should refer to the FCA Policy Statements and Consultation Papers for full details of their regulatory responsibilities. Links to these documents are provided in appendix 2.

There have been calls for a delay in the implementation of the IDD from market associations across the EU, including the LMA. Subsequently, the European Commission has announced a proposal to allow EU member states to delay the date that firms will be required to comply with the IDD to 1 October 2018. The European Parliament and the Council are still to formally confirm the new application date.

PRODUCT OVERSIGHT AND GOVERNANCE

The FCA has introduced product oversight governance requirements which apply to all insurance products (except for contracts of [large risks](#) and reinsurance) and will be set out in the PROD 4 sourcebook.

Product oversight and governance relates to the systems and controls firms must have in place for the design, approval, distribution and ongoing management of products throughout their lifecycle. Lloyd's requirements for product oversight and governance can be found in [Lloyd's Conduct Risk Minimum Standards](#) (MS11).

In this context, an insurance "product" is one for distribution to customers generally, not an individual contract of insurance being sold or underwritten.

Product manufacture

The FCA's implementation of the IDD introduces some new terminology and definitions, including the terms *manufacture* and *manufacturer*:

<i>manufacturer</i>	A firm which manufactures contracts of insurance for sale to customers
<i>manufacture</i>	Creating, developing, designing and/or underwriting a contract of insurance

Coverholders will be considered manufacturers where an overall analysis of their activity shows that they have a decision making role in designing and developing an insurance product for the market.

A decision-making role would be assumed, in particular, where coverholders autonomously determine 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 underwriter. However, personalisation of, and adaptation of, existing insurance products in the context of insurance distribution activities for individual customers, as well as the design of tailor-made contracts at the request of a single customer, shall not be considered manufacturing.

It is crucial that all parties consider who the manufacturer of a particular insurance product is and that this is agreed and documented upfront. In instances where there is collaboration, respective manufacturing responsibilities will need to be agreed by way of a written agreement and a 'lead' manufacturer assigned. A list of relevant manufacturer responsibilities, which would need agreement where there is collaboration, is provided in appendix 3 and further detail is provided in the following section.

The model Binding Authority Agreement is the obvious vehicle for such agreement and the LMA has issued endorsement LMA5312 to the Model Agreement to assist firms. This is attached as appendix 4. In the event that a broker assumes the role of a manufacturer under a Line slip, language to the same effect as LMA5312 may be inserted under the 'Special Arrangements' section of the Line slip MRC, referencing the broker rather than the coverholder.

Product approval process

Manufacturers are required to maintain, operate and review a process for the approval of each insurance product and significant changes to an existing insurance product prior to it being distributed to customers. The product approval process must be proportionate and appropriate to the nature of the insurance product and the following factors should be taken into account:

1. the complexity of the insurance product;
2. the degree to which publicly available information can be obtained;
3. the nature of the insurance product and the risk of consumer detriment related to it;
4. the characteristics of the target market; and
5. the scale and complexity of the relevant business of the manufacturer or distributor.

The product approval process should be relatively simple for straightforward and non-complex products that are compatible with the needs and characteristics of the mass retail market. On the other hand, in the case of more complex products with a higher risk of customer detriment more exacting measures may be required.

Target market

For each insurance product, the approval process must:

1. specify an identified target market;
2. ensure that all relevant risks to the identified target market are assessed;
3. ensure that the intended distribution strategy is consistent with the identified target market; and
4. require the manufacturer to take reasonable steps to ensure that the insurance product is distributed to the identified target market.

Product testing

Manufacturers must test their insurance products appropriately, including scenario analyses where relevant, before bringing that product to the market or significantly adapting it, or if 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.

Distribution channels and information disclosure to distributors

Manufacturers must carefully select distribution channels that are appropriate for the target market and make available to distributors all appropriate information on the insurance product, product approval process and the identified target market of the product. This information must enable distributors to understand the identified target market and be able to identify any customers for whom the insurance product is not suitable.

Monitoring and review of insurance products

Insurance products must be continuously monitored and regularly reviewed to assess at a minimum whether the insurance product remains consistent with the needs of the identified target market and whether the intended distribution strategy remains appropriate.

The above are summaries of certain aspects of product manufacture. Full details of requirements are set out in FCA PROD 4.

Product distribution

<i>Insurance distribution</i>	The activities of advising on, proposing or carrying out other work preparatory to the conclusion of contracts of insurance, of concluding such contracts, or of assisting in the administration and performance of such contracts, in particular in the event of a claim.
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Coverholders that distribute products which they do not manufacture are required to have in place adequate arrangements to obtain information about the product and the product approval process, and to understand the characteristics of the insurance product and the identified target market.

Full details of requirements are set out in FCA PROD 4.

PRODUCT INFORMATION

Insurance Product Information Document (IPID)

The IDD introduces a new summary document for general insurance products in the form of an Insurance Product Information Document (IPID) which is required to be provided to consumers prior to conclusion of contract. The product manufacturer is required to draw up the IPID and must focus on the key information a consumer needs to make an informed decision about the product.

The IPID is a standardised document as set out in an EU Implementing Regulation which applies directly in EU member states (see appendix 2 for link). The FCA has implemented the directive requirements in the ICOBS 6 sourcebook. There is little scope for varying the appearance or format of the IPID. An example of how an IPID might look is provided in appendix 5.

The LMA has discussed the IPID requirements with the FCA, and a list of Q&As which should assist in their creation is provided in appendix 6.

IDENTIFYING CLIENT NEEDS AND ADVISING

The following applies to coverholders which are in contact with the consumer.

In summary, the IDD makes the following changes to the standards for advised and non-advised sales as set out in the ICOBS 5 sourcebook:

- a new explicit requirement that all contracts proposed must be consistent with the customer's demands and needs. This does not apply to reinsurance.
- a requirement that firms who advise must provide a personalised recommendation explaining why the product recommended best meets the customer's needs.

Demands and needs

Coverholders need to specify the customer's insurance demands and needs based on the information they have obtained from the customer. This statement of demands and needs must be communicated to the customer before the conclusion of the contract. Coverholders must take an active role and ensure that they only offer contracts that are consistent with the customers' demands and needs.

The FCA has produced a useful table of illustrative examples of practices and whether they would/would not likely be compliant with the demands and needs requirements. That table is reproduced as appendix 7.

Advised sales

Where a coverholder provides a personal recommendation then they must, in addition to the statement of demands and needs, provide the customer with a personalised explanation of why a particular contract of insurance would best meet the customer's demands and needs.

INFORMATION ABOUT THE FIRM, ITS SERVICES AND REMUNERATION

General requirements

The following applies to coverholders which are in contact with the consumer.

The ICOBS 4 sourcebook deals with information that coverholders must provide about themselves and their services when arranging non-reinsurance business. This is being updated in light of IDD.

It is important to consider how information is made meaningful to customers and at which point in the sales process the information will be most useful to the customer to enable them to make an informed decision. Coverholders might find the FCA's work on "Smarter Communications" helpful in ensuring the appropriate format and timing of pre-contractual information.

Status disclosure

In addition to the current pre-contractual disclosure requirements, coverholders must state:

1. That they are intermediaries (as opposed to insurers).
2. Whether they provide a personal recommendation in respect of the insurance products offered.
3. Whether they act on behalf of the customer or the insurer. In instances where they act for both they need to explain in what circumstances they act for each party.
4. If they have "10% or more" of the voting rights in an insurer (as opposed to the current "more than 10%).

Scope of service

If a coverholder is under a contractual obligation to distribute exclusively with one or more insurers they must state who those insurers are.

Where a coverholder is not obligated to distribute exclusively with one or more insurer and does not give a personal recommendation on the basis of a fair and personal analysis they must provide the customer with the name of those insurers they may and do conduct business with.

In respect of the current requirement to state to a consumer whether it is giving a personal recommendation or information this has been amended so that a coverholder will also have to state whether it is giving a personal recommendation but not on the basis of a fair and personal analysis; or other advice on the basis of a fair analysis of the market; or other advice not on the basis of a fair analysis of the market; or just information.

Remuneration disclosure

The IDD introduces new requirements for the pre-contract disclosure of information about an insurance distributor's remuneration. Coverholders will be required to disclose to their customer the nature and basis of the remuneration they receive in relation to the insurance contract.

In terms of "nature and basis", the FCA views:

- 'nature' as requiring intermediaries to disclose the type of remuneration they will receive or pay. This could be a basic commission, bonus, profit commission or other financial incentive.
- 'basis' as requiring intermediaries to disclose the source of the remuneration they receive.

If a coverholder collects a fee from a customer, the coverholder must still disclose the exact amount of that fee (not an estimate or range). If the exact amount is not known, then the method of calculation must be provided. This requirement also applies to all post-contract fees, e.g. mid-term adjustments, etc.

The FCA has produced a useful table of examples of wordings which would indicate compliance/non-compliance. That table is reproduced as appendix 8.

Means of communication to customers

Coverholders are able to provide information through the means of a durable medium other than paper where it is appropriate and the customer has made an active and informed choice and given consent. In such instances, they must also send the customer a paper copy, free of charge, when requested to do so.

Coverholders can rely on the customer's existing choice or consent to receive the information by means of a medium other than paper, when renewing a policy. However, they must take steps to inform the customer of the option to receive the information in a different form (for example, by including this in the renewal notice).

This requirement is referenced throughout the applicable areas of the FCA sourcebooks.

OTHER REQUIREMENTS

Customer's best interest rule

There is a new requirement introduced in the ICOBS 2 sourcebook whereby a firm must act honestly, fairly and professionally in accordance with the best interests of its customer.

Conflicts of interest

The FCA has built upon the conflict of interest requirements in the SYSC 10 sourcebook for insurance intermediaries carrying out insurance distribution activities.

The types of conflicts of interest that arise or may arise are to be formally assessed according to set criteria. A record is to be kept and updated of conflicts which have arisen or may arise and must be reported to management at least annually.

In respect of disclosure of conflicts to customers this should be viewed as a measure of last resort and only used when the arrangements established to manage conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interest of the customer will be prevented.

An insurance intermediary must establish and maintain an effective conflicts of interest policy. There are specific rules around the content, procedures and measure to be contained within the policy.

Remuneration arrangements

Remuneration and performance management practices are prohibited where they conflict with the duty to act in the customer's best interest. A coverholder must not make any arrangements by way of remuneration, sales target or otherwise that could provide an incentive to itself or its employees to recommend a particular contract of insurance to a customer when they could offer a different insurance contract which would better meet the customer's needs.

Knowledge, competence and good repute

The IDD requires all insurance distributors and their employees to be of good repute and have the appropriate knowledge and ability to perform their roles. This must be supported by a minimum of 15 hours of continuing professional training or development (CPD) in each 12 months.

The FCA have introduced additional requirements in the SYSC 28 sourcebook to address the knowledge and competence requirements for those not subject to the TC sourcebook and apply the existing good repute requirements to all re/insurance distributors.

Relevant employees are employees or other persons including contractors, appointed representatives or those performing services under an arrangement between the firm and a third party who are:

1. directly involved in the carrying on of insurance distribution activities; or
2. within the management structure responsible for insurance distribution activities; or
3. responsible for the supervision of a relevant employee acting in the capacity as set out in (1).

There is a list of areas of knowledge and competence requirements for general insurance and what constitutes good repute. The required CPD can encompass various types of facilitated learning including courses, e-learning and mentoring. Appropriate records must be kept to demonstrate compliance with SYSC 28 including each relevant employee is up to date CPD.

Organisational requirements

The current minimum levels of professional indemnity insurance (or a comparable guarantee) per year required by a UK insurance intermediary will be increased in line with IDD to:

- €1,250,000 applying per claim,
- €1,850,000 per year in aggregate for all claims; and
- an amount equivalent to 10% of annual income (subject to a maximum of €30m).

These amounts will be reviewed by EIOPA every five years, to take account of changes in the European index of consumer prices.

The current client money requirements will be made mandatory for reinsurance distribution.

Complaints

In addition to complying with the current Lloyd's and FCA DISP rules, both insurers and coverholders will need processes in place to deal with complaints from non-eligible complainants. Managing agents will be required to respond to all such complaints and processes for dealing with such complaints should be agreed directly between the coverholder and managing agent.

For non-eligible complainants, there is no requirement to follow Lloyd's complaints handling rules, or the FCA's DISP rules.

APPENDIX 1 - TERRITORIAL SCOPE

Regarding the application of IDD rules to their internal operations (e.g. CPD requirements, etc.), coverholders would normally be expected to comply with the relevant rules of their home regulator. Regarding documentation provision, coverholders would normally be expected to comply with the relevant rules of the host state regulator (i.e. the regulator where the customer is located).

Lloyd's will update Crystal with information regarding member state implementation of IDD, to the extent that this affects the interaction between managing agents and coverholders, once it has sight of the final legislation in each member state.

Application of document requirements

Coverholder Location	Policyholder Location	IPID required (Y/N)?	Implementation Regime
UK	UK	Y	UK
UK	EEA state, (e.g. Germany)	Y	EEA state, (e.g. Germany)
UK	Outside EEA	N	N/A
EEA	UK	Y	UK
EEA	Outside EEA	N	N/A
Outside EEA	UK	Y	UK
Outside EEA	EEA state (e.g. Germany)	Y	EEA state, (e.g. Germany)
Outside EEA	Outside EEA	N	N/A

Please note that the above table is based on current understanding of the IDD requirements. The table has been shared with the FCA.

APPENDIX 2 - RELEVANT REGULATIONS

FCA Policy Statements	Areas Covered
PS17/21 - Feedback to CP17/7 and near-final rules	Application
	Professional and Organisational Requirements
	Complaints
	Conduct of Business Requirements
	Ancillary Insurance Intermediaries
PS17/27 - Insurance Distribution Directive implementation - Feedback to CP17/23 and near-final rules	Conflicts of Interest
	Product Oversight and Governance
	Client Money Requirements
	Professional Requirements
	IPIDs
PS18/1 - Feedback and near-final rules for CP17/23, CP17/32, CP17/33, CP17/39 and near-final rules for CP17/07	Approach
	Conflicts of Interest
	Product Oversight and Governance
	Perimeter Guidance
	Regulatory Processes
	Additional Changes

Other Publications
Insurance Distribution Directive
IPID Implementing Regulation
POG Implementing Regulation
FCA Consultation Paper 1 - CP17/7
FCA Consultation Paper 2 - CP17/23
FCA Consultation Paper 3 - CP17/33

APPENDIX 3 - MANUFACTURER RESPONSIBILITIES

Under IDD, it will be necessary for insurers and coverholders to agree who is the manufacturer of the product and therefore who is required to:

Role	Requirements
Product Approval Process	Maintain, operate and review a product approval process for new products, and for existing products to which significant adaptations have been made, before such products are marketed or distributed.
	Ensure staff involved in product design and manufacture have the necessary skills, knowledge and expertise for their role.
Target Market	Specify a target market for each product including, where relevant, identifying groups of customers for whom the product is generally not compatible.
	Design products to be compatible with the needs, characteristics and objectives of the target market.
Product Testing	Test the product before bringing it to the market.
Distribution Channels	Select distribution channels that are consistent with the target market provide all appropriate information on products and the product approval process to distributors.
	Take reasonable steps to ensure the product is distributed to the target market.
Product Monitoring and Review	Monitor and regularly review products, at least to ensure the product remains consistent with the needs of the target market and the distribution strategy remains appropriate.
IPID Development	Create the Insurance Product Information Document and add their name as manufacturer. Where this is the coverholder, it is likely that the insurer will wish to approve the document. (see page 18 of Lloyd's Conduct Risk Minimum Standards)

The LMA Endorsement LMA5312 has been designed to address these requirements. Further information and requirements can be found in the relevant [Delegated Regulation](#) published by the European Commission.

Note that a coverholder which is not the manufacturer of the insurance product is required to have adequate arrangements in place to obtain information about the product and the product approval process, and to understand the identified target market.

APPENDIX 4 - BA ENDORSEMENT (LMA5312)

INSURANCE DISTRIBUTION DIRECTIVE ENDORSEMENT (For attachment to LMA Model Binding Authority Agreements)

By this endorsement the Binding Authority Agreement is amended by appending with the following:

INSURANCE DISTRIBUTION DIRECTIVE ROLES & REQUIREMENTS OF THE MANUFACTURER:

For the purposes of the Insurance Distribution Directive, the Coverholder and the Underwriters fulfil the activities as defined below:

Manufacturer: **[The Underwriters / The Coverholder / Both]**

Where both the Coverholder and the Underwriters are defined as a Manufacturer, they shall apportion the activities as Manufacturer (as defined under the Commission Delegated Regulation (EU) 2017/2358) as below:

#	Activity	Party Responsible [Delete as appropriate]
1	Product Approval Process	The Underwriters / The Coverholder
2	Target Market	The Underwriters / The Coverholder
3	Product Testing	The Underwriters / The Coverholder
4	Product Monitoring & Review	The Underwriters / The Coverholder
5	Distribution Channels	The Underwriters / The Coverholder
6	IPID Development	The Underwriters / The Coverholder

Where the Underwriters have delegated authority to a lead syndicate under a subscription arrangement, the name of that lead syndicate is: **[Insert Syndicate Pseudonym and Number here]**

LMA5312
26 February 2018

APPENDIX 5 - EXAMPLE IPID

Home Insurance Insurance Product Information Document

[Manufacturer Logo]

This insurance is provided by [name of manufacturer] which is registered in the UK. [Name of manufacturer] is [authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority OR authorised and regulated by the Financial Conduct Authority]. Reference number: [XXXXXX].

The following summary does not contain the full terms and conditions of the contract which can be found in your policy documentation. The agreed sums insured are specified in your policy schedule.

What is this type of insurance?

This is a household insurance policy.

 What is insured?	 What is not insured?
Buildings	Buildings
✓ Loss or damage to your home, plus: loss of rent and temporary accommodation costs.	✗ Loss or damage while the home is insufficiently furnished for day to day living, or unoccupied for more than 30 consecutive days.
✓ Architect's and surveyor's fees and debris removal.	✗ Loss or damage to domestic fixed fuel tanks in the open, swimming pools, tennis courts, drives, patios and terraces, gates and fences caused by storm, flood or weight of snow.
✓ Increased domestic metered water charges following an escape of water.	✗ Accidental damage caused by infestation, corrosion, damp, wet or dry rot, mould or frost and for the cost of general maintenance.
✓ The cost of finding the source of an escape of water following loss or damage.	
✓ Your legal liability as owner.	
Contents	Contents
✓ Loss or damage to the contents of your home, plus property in the open.	✗ Motor vehicles (other than garden machinery) caravans, trailers or watercraft or their accessories.
✓ Temporary removal to other premises in the United Kingdom.	✗ Any living creature.
✓ Accidental damage to televisions, audio and video equipment.	✗ Any part of the buildings.
✓ Breakage of ceramic hobs, mirrors, fixed glass in furniture, double glazing and sanitary ware.	✗ Any property held or used for business purposes.
✓ Rent you have to pay or temporary accommodation costs.	✗ Any property insured under any other insurance.
✓ Fatal injury to you at the premises caused by fire or physical violence by intruders.	
✓ Replacement of locks following theft or loss of keys.	

		General	
✓	Increased domestic metered water charges following an escape of water.	✗	Loss or damage caused by: nuclear reaction, nuclear radiation or radioactive contamination war.
✓	Your legal liability as occupier.	✗	Computer viruses, erasure or corruption of electronic data or the failure of any equipment to correctly recognise the date or change of date.
✓	Your legal liability for accidents to domestic staff.	✗	Biological or chemical contamination arising from i) terrorism, ii) steps taken to prevent terrorism.
✓	Your legal liability as a tenant for loss or damage to the buildings.	✗	Wear and tear or any other gradually operating cause.
		✗	Existing or deliberate damage.
		✗	Any loss or damage that is not directly associated with the incident that caused you to claim, unless expressly stated in this contract of insurance.
		✗	Any reduction in value of the property insured following repair or replacement.
	Are there any restrictions on cover?		
	Endorsements may apply to your policy. These will be shown in your policy documents.		
	Where am I covered?		
✓	This insurance covers the UK property named in the schedule.		
	What are my obligations?		
-	You must take all reasonable steps to prevent loss, damage or an accident and keep the buildings in a good state of repair.		
-	You must tell your broker: Within fourteen (14) days of you becoming aware about any changes in the information you have provided to us which happens before or during any period of insurance. At least fourteen (14) days before you start any conversions, extensions or other structural work to the buildings.		
-	When we are notified of a change or of any planned structural work we will tell you if this affects your policy. For example we may amend the terms of your policy or require you to pay an additional premium. In certain circumstances we may cancel your policy in accordance with the "Cancelling This Insurance" section of the policy document. If you do not inform us about a change it may affect any claim you make or could result in your insurance being invalid.		
	When and how do I pay?		
-	For full details of when and how to pay, you should contact your broker.		
	When does the cover start and end?		
-	This insurance covers a 12 month period and the dates of cover are specified in your policy schedule.		
	How do I cancel the contract?		
-	You can cancel this insurance at any time by contacting your broker. After the cooling off period, provided you have not made a claim, you will be entitled to a refund of any premium paid, subject to a deduction for any time for which you have been covered.		

APPENDIX 6

Insurance Product Insurance Document (IPID) Q&A

Question	Answer
Who should receive an IPID?	An IPID should be provided to all consumers ¹ . Although there is no requirement to provide an IPID to other insureds (e.g. micro-enterprises), it is not prohibited.
When should the IPID be provided?	Prior to conclusion of contract or if a sale is being conducted over the phone it is permissible to provide the IPID immediately after the sale has been concluded in line with the distance communication timing requirements.
Who is responsible for creating the IPID?	The manufacturer. This should be set out in the Binding Authority Agreement (or an endorsement). (or, in the case of an open market placement, the slip).
Who is responsible for providing the IPID to the consumer?	The firm in direct contact with the consumer. Often this will be the coverholder.
Question	Answer
When will we need to start providing IPIDs?	IPIDs must be provided from the date of implementation onwards.
What if we want to start using IPIDs from the original implementation date of 23 February?	IPIDs can be used from 23 February, but they must meet all requirements. (Not be a work in progress).
How long can the IPID be?	It should be no more than two sides of A4 paper, but can extend to three if the manufacturer can demonstrate this is necessary.
But what about add-ons and policies with multiple sections?	There should normally only be one IPID per policy document. Add-ons with separate policies can have their own IPIDs. Where different sections of one policy are underwritten by different underwriters, they may issue separate IPIDs.
Whose name goes at the top of the IPID?	The manufacturer or in the case of multiple manufacturers a lead manufacturer will need to be agreed. This will be set out in the Binding Authority Agreement (or endorsement, or as above).
Can we include our company logo?	Yes, that can go at the top, to the right of the name of the manufacturer.
What about multiple underwriters?	If the insurer(s) is/are the manufacturer(s), it should be the name of the lead insurer.

¹ Contracts of [large risks](#) are excluded. However, the FCA expects all customers to receive fair treatment.

<p>If the information provided by the proposer changes between quotation and inception (go live), do you need to issue a new IPID?</p>	<p>The requirement is to provide one IPID.</p>
<p>What if there are mid-term adjustments?</p>	<p>There is no requirement to provide an additional IPID unless the change results in a new contract.</p>
<p>What about renewals?</p>	<p>As each renewal is a new contract, a new IPID is required. However, this would not normally apply to short term contracts which renew on a weekly, or monthly, basis. There would be an expectation that a new IPID is provided periodically to renewing short term contracts.</p>
<p>There doesn't appear to be any place for the policyholder's name or reference number. Are these to be added?</p>	<p>There is no requirement to add these. However, distributors can add them if they wish.</p>
<p>There is bespoke information required in the IPID (policy period dates and sums insured). How do we add these?</p>	<p>The FCA believes that referring to bespoke information in other documents is consistent with the purpose of the IPID. Therefore the IPID could refer to a policy schedule.</p>
<p>We are the manufacturer but we have no control over how or when an insured pays. How do we complete the "When and how do I pay" section?</p>	<p>It is acceptable to advise the policyholder that this is set out by a different party (e.g. their broker).</p>
<p>What does the FCA expect to be included under "Are there any restrictions on cover" versus "What is not covered"?</p>	<p>The implementing regulation refers to the former as "The main exclusions where claims cannot be made".</p>
<p>Now there is an IPID, what happens to the Policy Summary or old Key Facts Document (KFD).</p>	<p>The Policy Summary (or KFD) has not been abolished. It is still required to be sent in respect of pure protection contracts and can be used for commercial customers. An IPID must be provided to general insurance consumers and the Key Facts Logo must not be used for such consumers when IPIDs are introduced.</p>
<p>But if we no longer issue KFDs, how do we advise of the FOS, FSCS, etc.?</p>	<p>They should <u>not</u> be put in the IPID. As long as the information is provided prominently in other documentation, there is no need to provide a separate KFD.</p>

APPENDIX 7

Illustrative examples concerning insurance demands and needs

Scenario	Likely compliant?	Comments
The customer is concerned about their cat falling ill. The firm offers only those pet insurance products which cover all vets' bills.	Yes	This is likely to be compliant as the firm has identified the customer's demands and needs, and offered only products which meet them.
The customer is concerned about their cat falling ill. The firm offers all their pet insurance products, including <i>accident only</i> cover.	No	This is unlikely to be compliant as the firm has proposed contracts which are not consistent with the customer's basic need.
The customer is concerned about their car not starting on a cold morning. The firm offers only breakdown insurance which offers cover at the home address.	Yes	This is likely to be compliant as the firm has identified the customer's demands and needs, and offered only products which meet them.
The customer is concerned about their car not starting on a cold morning. The firm offers all its breakdown policies, including those which only cover >¼ mile from home.	No	This is unlikely to be compliant as the firm has proposed contracts which are not consistent with the customer's basic need.
The firm offers the customer all their available products, and provides a generic statement with each product about the type of needs the product will meet.	No	This is unlikely to be compliant. Providing a generic statement may be sufficient to state the customer's demands and needs, but the firm has taken no steps to identify the needs of the specific customer or ensure the products are consistent with those demands and needs.
Offering the customer only motor policies which meet their demands and needs, but then offering add-ons to all customers regardless of whether these add-ons are consistent with those demands and needs.	Yes (motor) No (add-ons)	This is likely to be compliant for the motor policy but not for the add-ons. This is because the firm has taken no steps to identify the needs of the customer or ensure the add-on products are consistent with those demands and needs.

The above table is reproduced from page 26 of [FCA CP17/7](#).

Appendix 8

Illustrative examples concerning remuneration disclosure

Scenario	Likely compliant?	Comments
We arrange the policy with the insurer on your behalf. You do not pay us a fee for doing this. We receive commission from the insurer which is a percentage of the total annual premium.	Yes	This gives a disclosure of the type of remuneration the intermediary received. It also explains the source of the remuneration.
We receive commission from the insurer for selling this policy.	No	This does not state that the source of the commission is that it is included within the premium.
When you take out a policy with us we charge you a fee of £50. In addition, the insurer pays us a percentage of the annual premium 14 days after the policy starts.	Yes	This provides the amount of the fee payable by the customer, and also gives an explanation of the other remuneration.
Insurers pay us commission to sell policies on their behalf. They also provide us with periodic incentives (such as bonus payments) if we meet certain sales targets.	No	This does not state that the source of the commission is that it is included within the premium.
When we sell you a policy the insurer pays us a percentage commission from the total premium. If the type of policy we sell reaches specific profit targets the insurer also pays us an additional bonus.	Yes	This gives an explanation of both types of remuneration the firm receives (or may receive).
The insurer pays us a flat fee per policy to deal with claims on their behalf.	Yes	This gives an explanation of the type of remuneration and who pays it. However, it would be insufficient if the firm received more remuneration than just the flat fee.
The insurer pays us a flat fee per policy to deal with claims on their behalf. Every month the insurer calculates the profit made on policies we administer. If this is above a certain amount they also pay us a share of this.	Yes	This gives an explanation of both types of remuneration the firm receives (or may receive).

The above table is reproduced from page 22 of [FCA CP17/7](#).

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