

## **Consultation Paper** **CP26/22\*\***

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# Simplifying the insurance rules

A package of proposals on the scope of  
our rules, disclosure and advice

**June 2026**

## How to respond

We are asking for comments on this Consultation Paper (CP) by **4 September 2026**.

You can send them to us using the form on our [website](#).

Or in writing to:

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- an account of the representations we receive, and
- an account of how we have responded to the representations.

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## Chapter 1

# Summary

### Why we are consulting

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- 1.1** The UK is a global hub for commercial insurance. It provides expertise in underwriting complex and specialty risks, and insuring risks from all over the world. In 2024 the London market handled \$187bn in gross written premium (GWP). Of this, 67% was from contracts with customers outside the UK & Ireland. The UK retail insurance market plays a vital role in providing security and peace of mind for consumers and businesses across the UK economy.
- 1.2** As set out in our 2026 regulatory priorities report for insurance, we want to see a competitive, innovative market that encourages new entrants, rewards high standards, and ensures that innovation has tangible benefits. To achieve this we recognise that our rules need to remain proportionate – delivering UK protections where reasonably expected but not where there is limited connection to the UK; and avoiding prescription where it delivers less benefits and can hinder innovation.
- 1.3** In December 2025 we published PS25/21. This delivered the first phase of our programme of Simplifying the Insurance Rules. We also committed to further simplification in 2026. Feedback from firms and other stakeholders suggests there are further opportunities to reduce complexity in the insurance conduct regime.
- 1.4** The proposals aim to:
- **Simplify, clarify and update the rules:** We want to make the regulatory framework easier to understand and apply, by removing prescriptive, duplicative and outdated requirements. Instead we will focus on using the Consumer Duty (the Duty) and other high-level requirements to deliver clearer good outcomes instead. This should reduce complexity, better support compliance, and reflect different and evolving business models. This should reduce complexity, better support compliance, and reflect different and evolving business models.
  - **Support innovation and competition:** A more proportionate and flexible regulatory framework will give firms more flexibility to design how they deliver their products and services, supporting innovation. It will also promote effective competition in the insurance market in consumers' interests.

**1.5** The changes we are consulting on are:

- **Narrowing the scope of our rules for non-UK business:** Amending the territorial application scope of our Insurance Conduct of Business Sourcebook (ICOBS) and our Product Intervention and Governance Sourcebook chapter 4 (PROD 4). The detailed insurance conduct requirements would apply where there is a clear UK connection, based on the customer's habitual residence and, where relevant, the location of the risk. This would reduce duplication and potential conflict with overseas regulation or where there is no local regulation, it may more closely align with what customers in that jurisdiction may reasonably expect by way of regulatory protection. High-level requirements (such as the Principles (PRIN) (other than the Duty) and the Senior Manager Arrangements, Systems and Controls sourcebook (SYSC) rules) will maintain appropriate consumer protections. Alongside this consultation, we are consulting on the application of the Consumer Duty to business with non-UK customers. The approach we have taken to disapplying ICOBS and PROD 4 is consistent with the approach to disapplying the Duty.
- **Removing unnecessary disclosure requirements:** Removing certain disclosure requirements across ICOBS that are duplicative or do not materially improve customer understanding or support effective decision-making, and therefore no longer deliver meaningful benefits to customers.
- **Increasing flexibility in means of disclosure:** Giving firms greater flexibility in how disclosures are provided to customers, including increased use of digital channels. Firms must still provide required information in a durable medium. This must be appropriate to the customer's needs and way the product is distributed. Firms will continue to be required to provide information on paper at the customer's request.
- **Simplifying rules for advised sales of insurance products:** Simplifying the rules that apply when insurance is sold with advice by removing references to 'advice' that do not involve a personal recommendation. This leaves a clearer distinction between sales involving a personal recommendation and those that do not.
- **Amending rules for professional indemnity insurance (PII):** Amending the currency denomination of minimum PII levels for insurance intermediaries from euros to pounds Sterling at an appropriate conversion rate, without reviewing or changing the underlying minimum levels.

**1.6** These proposals are consistent with our Strategy, including our commitment to supporting competitiveness and growth, and our aim to be a smarter and more proportionate regulator.

**1.7** We considered Guaranteed Asset Protection (GAP) insurance as part of our wider work to simplify the insurance rules in CP25/12. Following our recent market intervention (2024), we are not proposing changes to existing GAP rules in this consultation. We will collect more annual Value Measures data to assess the impact of our intervention before we consider whether there is a need for any future substantive changes.

- 1.8** These changes reflect a changing market and aim to future proof our regulatory framework, relying on the Consumer Duty as much as possible. Most of these proposals are optional, other than the changes to the scope of our rules for non-UK business, and do not require firms to make changes. Some may opt to carry on operating as they are now. We expect firms will adopt the changes where doing so would be beneficial for their business and customers.

## Who this consultation will be of interest to

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- 1.9** This consultation is likely to interest:
- regulated insurers and insurance intermediaries (including those within the Lloyd's market)
  - insurance market trade associations
  - commercial insurance buyers
  - business representatives
  - retail consumers
  - consumer groups
  - consumer representatives

## How the proposals link to our objectives

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### Consumer protection

- 1.10** Our proposals aim to maintain an appropriate level of consumer protection.
- 1.11** We believe that detailed consumer protection requirements for business outside the UK should be determined by local regulators. The Principles (other than the Duty) and other high-level requirements (such as the SYSC rules) continue to apply to business outside the UK.
- 1.12** For UK consumer business, we intend to remove some of the detailed prescriptive rules that currently apply, including those on disclosure, instead relying on the Consumer Duty to ensure that consumers receive good outcomes. In some cases, simplifying our requirements will allow firms to adopt new approaches that may aid consumer understanding and decision-making.

### Competition

- 1.13** Our proposals will promote effective competition in the interest of customers.
- 1.14** Increased flexibility will allow firms to innovate and seek a competitive edge over their rivals by tailoring their approach based on their business models and customers' circumstances, while maintaining appropriate levels of consumer protection. For example, greater flexibility in how disclosures are provided should help firms design more effective customer journeys. It should also help them adopt communication methods that better reflect modern distribution practices.

- 1.15** Increased clarity around the application of the rules should also lower barriers to entry and expansion. This can support competition by making it easier for firms to operate across jurisdictions and business models without disproportionate compliance costs.

## **Secondary international competitiveness and growth objective**

- 1.16** Our proposals aim to strengthen drivers of competitiveness and growth.
- 1.17** More proportionate and clearer regulation, through narrowing the application of rules where there is no clear UK connection and simplifying prescriptive disclosure requirements, should reduce firms' compliance costs. It should also enhance the attractiveness of the UK as a location for insurance business. This includes for internationally active firms operating across multiple jurisdictions.

## **Wider effects of this consultation**

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### **Gibraltar-based firms and *Temporary Permission (TP)* firms**

- 1.18** Where existing rules apply to Gibraltar-based firms or TP firms, our proposed amendments will apply in the same way.

### **The Consumer Duty**

- 1.19** Alongside this consultation, we have published a separate consultation proposing changes to how the Duty applies to business with non-UK customers. The approach we propose for ICOBS and PROD is consistent with the proposed approach for the Duty. This means the Duty, ICOBS and PROD will be either applied or disapplied in full, depending on the location of the customer's habitual residence and the state of the risk.
- 1.20** Our proposals on disclosure and advised sales are consistent with the Duty's aims and objectives. Firms will still need to consider the Duty as they implement the proposed changes.
- 1.21** Under our current Strategy we have set out that we will rely on the Duty as much as possible for consumer protection, rather than making new rules. In this consultation, we are drawing on the greater protections provided by the Duty which allow us to focus on simplifying, and in some cases, removing existing requirements.

### **Environmental, social & governance considerations**

- 1.22** Overall, we do not consider that the proposals are relevant to contributing to the government's net-zero target. We will keep this under review during the consultation and when considering whether to make the final rules.

## Equality and diversity considerations

- 1.23** We do not consider that the proposals materially impact any of the groups with protected characteristics under the Equality Act 2010 (in Northern Ireland, the Equality Act is not enacted but other antidiscrimination legislation applies). We will continue to consider the equality and diversity implications of the proposals during the consultation and will revisit them when making the final rules.

## Measuring the impact of the proposals

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- 1.24** We will monitor this through the sources referred to in the Rule Review Framework (RRF).
- 1.25** We want to understand take-up and benefits realised, without creating additional burden. We intend to run a voluntary survey covering both the simplification changes already implemented and those proposed in this consultation. We will do this once firms have had time to consider and adopt the optional changes. This is likely to be late 2027 or early 2028. The survey will help us understand how firms have implemented the proposals and any benefits realised. We will also assess whether benefits can be quantified, recognising that firms may be more able to provide qualitative feedback than detailed data.
- 1.26** In addition, we will continue to use regular supervisory and policy engagement with industry to help us assess take-up and identify any issues.

## Next steps

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- 1.27** Please send us your comments by 4 September 2026. Annex 1 includes a full list of consultation questions.
- 1.28** We propose that the rule changes will come into force shortly after they are made. Given that these proposals simplify and, in some cases, reduce the prescriptiveness of existing requirements, we are proposing a near immediate implementation date so that firms can make use of the added flexibilities as soon as possible. However, the changes to territorial scope would apply on a forward-looking basis only. Existing contracts will continue to be subject to the rules that applied when they were entered into.

## Chapter 2

# Rules applying to business with customers outside the UK

- 2.1** In this chapter we propose changes to the international application of the conduct rules for non-investment insurance in ICOBS and PROD 4. These changes are intended to provide that detailed UK conduct requirements apply where there is a clear UK connection, but do not apply where doing so risks duplicating local requirements or is unlikely to improve outcomes. We are also consulting separately in [CP26/23](#) on changes to the scope of the Consumer Duty including proposals to limit its application to retail market business where the customer is in the UK. The proposed approach to the Duty is aligned with the approach set out in this consultation for ICOBS and PROD 4 so that these frameworks apply consistently based on the presence of a clear UK connection.

## Background

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- 2.2** Firms have consistently told us that insurance business involving customers or risks outside the UK is overwhelmingly conducted through local firms in the overseas jurisdiction and are subject to local regulatory requirements. However, elements of the insurance conduct rules in ICOBS and PROD 4 can apply to insurance business carried on from the UK, even where the customer and the insured risk are located outside the UK. Applying UK insurance conduct rules alongside those local requirements can lead to duplicative regulation and increased compliance costs without delivering added benefits for customers.
- 2.3** Following feedback from firms, and based on available data, we know that in the overwhelming majority of cases customers are already protected by local regulatory frameworks that reflect local market conditions, consumer expectations and legal requirements in the relevant jurisdiction. We consider it appropriate for UK conduct requirements not to apply in the same way as they do for UK business, having regard to regulatory expectations in the customer's home jurisdiction and the continued application of high-level UK requirements such as PRIN which requires firms to pay due regard to customers' interests and treat them fairly.
- 2.4** We recognise that there may be a small number of cases where customers or risks outside the UK are not subject to local conduct requirements. However, where there is no UK connection, we do not consider that the absence of local requirements should, in itself, determine the application of detailed UK conduct rules. High-level UK requirements would continue to apply.
- 2.5** Membership of the International Association of Insurance Supervisors (IAIS) – a global, standards-setting institution – covers approximately 97% of global insurance premiums. This reflects the wide international reach of insurance regulatory and supervisory frameworks. It spans 6 continents including the Americas, Africa and Europe. In addition, around 61% of international insurance business carried on from the UK involves

customers in jurisdictions such as the United States and Canada, where insurance regulation is often more prescriptive than our own (e.g. price controls and minimum coverage levels). This suggests that a significant proportion of international business is already subject to local regulatory regimes.

- 2.6** Where our requirements apply even where there is little or no UK connection, they can create complexity and uncertainty for firms operating internationally. This is particularly the case in wholesale and London market business. In practice, they may act as a barrier to entry or expansion. This may discourage firms from locating activity in, or offering products from, the UK. There is scope to refine the international application of the rules to make sure they are targeted and proportionate, while maintaining appropriate standards of conduct where UK protections are reasonably expected to apply. In [CP25/12](#) and our engagement on the Consumer Duty, we committed to consulting on whether the international application of the insurance conduct rules remain appropriate. This consultation fulfils our commitment and is being published alongside proposals on the application of the Consumer Duty to business with customers outside the UK.

## Our proposals

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- 2.7** We propose to limit the application of ICOBS and PROD 4 so that the requirements apply only where there is a clear UK connection. We propose to determine the UK connection based on the customer's habitual residence and the *state of the risk*.
- 2.8** For these purposes, habitual residence means the policyholder's residential address or its place of establishment. We are including guidance that customers who give a British Forces Post Office address should be treated as habitually resident in the UK. The state of the risk is usually the same as habitual residence, but it can differ for products such as property insurance where it is the country in which the property is situated.
- 2.9** As ICOBS and PROD apply in different ways, our proposals differ for each regime but adopt the same overarching principles. They use similar concepts to determine when the rules apply, although these are expressed differently to reflect their scope. For example, we use the defined term 'overseas non-investment insurance product' to capture when products fall outside the territorial scope. Whereas in ICOBS, the application of the rules is determined at the level of the individual insurance contract and minimises the need for wider consequential changes to the Handbook. These are set out separately below.

## ICOBS

- 2.10** ICOBS applies primarily at the level of individual insurance contracts and regulates firms' conduct towards the customer entering into each contract.
- 2.11** We propose to disapply all ICOBS requirements where both the customer's habitual residence and the state of the risk (if different) are outside the UK. This disapplication will apply to both insurers and intermediaries throughout the distribution chain.

**2.12** Where either the customer is habitually resident in the UK or the insured risk is in the UK, ICOBS would continue to apply. This approach seeks to make sure UK customers and UK-based risks remain within scope of our detailed conduct requirements. This includes in circumstances where there are mixed UK and non-UK factors.

## PROD

**2.13** PROD applies at product level and is concerned with the design, distribution and monitoring of insurance products generally, rather than individual contracts. The PROD requirements do not focus on individual customer interactions.

**2.14** We propose to disapply PROD 4 based on the approach we took when we introduced the concept of an *overseas non-investment insurance product* into our rules. PROD 4 will be disapplied where:

- an insurance product is only available for distribution to customers (and, if applicable, for risks) outside the UK, and
- for all policies issued or that will be issued under it, all policyholders are resident outside the UK, and, if applicable, the risks are located outside the UK.

**2.15** This means PROD 4 will be disapplied only where a product is exclusively for the non-UK market. This will be the case even if non-UK customers make up the greater proportion of the customer base. This ensures that products distributed to UK customers or covering UK risks remain subject to UK product governance requirements. At the same time, recognising that business through local firms outside the UK will typically be subject to local regulations.

## Alternative options not taken forward

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### A local regulation backstop

**2.16** We considered whether it would be beneficial or necessary to include a local regulation backstop whereby the disapplication of UK conduct requirements would apply only where the product and distribution activities are subject to local regulation. This approach would provide additional consumer protection. However, it would also introduce operational complexity and uncertainty – reducing the impact, clarity and proportionality of the proposed changes. In our view, this is not necessary, as:

- Available data indicates that local regulation applies in most cases involving customers or risks outside the UK (see paragraphs 2.3 – 2.5).
- Other UK requirements, including the Principles (other than the Consumer Duty) and SYSC rules, would continue to apply to activities carried on in the UK.
- The proposed approach maintains an appropriate level of protection for customers outside the UK, taking into account the relevant jurisdiction and the continued application of UK requirements.

**2.17** For these reasons, we do not propose to include an additional requirement based on the existence of local overseas regulation. However, we are seeking respondents' views on this.

### **Other criteria for determining connection to the UK**

**2.18** We considered whether the location of the firm should be part of determining the connection to the UK. However, we have concluded that the customer's habitual residence and the state of the risk are the most appropriate criteria. We are also not proposing any changes to the way our rules currently apply based on where firms are established.

**Question 1:** Do you agree with our proposal to limit the application of ICOBS where the customer is not habitually resident in the UK, and where applicable, the insured risk is located outside the UK? Please explain.

**Question 2:** Do you agree with our proposal to disapply the application of PROD 4 where a non-investment insurance product is only available for distribution to customers outside the UK and, for all policies issued under the product, all policyholders (and where applicable, insured risks) are located outside the UK? Please explain.

**Question 3:** Do you agree that where either customers are habitually resident in the UK or insured risks are located in the UK, the ICOBS and PROD rules should continue to apply? Please explain.

**Question 4:** Do you agree that an additional local regulation *backstop* is not necessary, based on the existence of overseas local regulation and the continued application of relevant UK requirements (including the Principles and SYSC)? Please explain.

## Chapter 3

# Disclosure and record-keeping requirements

- 3.1** In this chapter we propose changes to firm disclosure requirements in ICOBS 4 and ICOBS 4.1A. We focus on what information firms must disclose and how disclosures are delivered. Our aim is to make disclosures more meaningful for consumers, while giving firms greater flexibility to communicate effectively. We are also making a small correction to record-keeping requirements in ICOBS 6B.

## ICOBS 4 – Firm disclosures

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### Background

- 3.2** ICOBS 4 currently requires firms to provide a range of disclosures about the firm, its services and remuneration. General disclosures at firm and service level, such as firm complaint procedures, give customers helpful, actionable information. Similarly, remuneration information such as fee levels, provides clarity on the costs customers will incur, enabling them to make informed decisions.
- 3.3** However, our review of the rules indicates that other disclosures can result in firms providing long pages of compact text. For example, at firm and service level, intermediaries must provide lists of insurers they 'may' place business with. For remuneration, insurers must disclose information about the potential ways employees may be remunerated, without providing figures. These disclosures can obscure more important information or contribute to customer overload. They are also unlikely to help protect consumers or inform decision-making.
- 3.4** Research by Which? found that consumers are unlikely to read or understand long and technical documents. Most consumers skim information and focus on what stands out, rather than reviewing policy documents in any detail.
- 3.5** In PS 25/21 we stated that we would review information disclosure requirements as part of further simplification work. In this consultation we propose to remove certain firm disclosures which provide limited benefit and contribute to information overload, while retaining disclosures that support decision making and customer understanding.
- 3.6** We recognise that developments in AI may increasingly influence how firms design and deliver disclosures, including through more tailored or interactive communications. Our proposals to simplify disclosure requirements and increase flexibility in format may enable greater use of such technologies.

- 3.7** Therefore, we are also interested in views on how these developments may affect consumer engagement with disclosures, and whether our proposals could amplify any benefits or risks in this area.

### General firm and service level information

- 3.8** We propose to remove firm disclosures which risk distracting from more important information or overload the customer. These include:

- **Firm postal address** – Consumers are more likely to use a firm’s contact number, website or email than a postal address. Additionally, this information is typically available through other channels (for example, websites and correspondence) and is easy for consumers to find if needed.
- **Whether a firm is an insurance undertaking or an intermediary** – These terms are not well understood by those outside of the insurance industry and are unlikely to increase customer understanding of the service being provided.
- **Conflicts of interest** – ICOBS 4 includes multiple disclosures about potential conflicts of interest. These include whether an intermediary:
  - Holds (directly or indirectly) 10% or more of the voting rights or capital in an insurance undertaking
  - Is acting on behalf of the customer or on behalf of the insurer
  - Is contractually obliged to place business exclusively with one or more insurance undertakings (and, if so, name them)

Some intermediaries may have relationships with multiple insurers and may be acting for and on behalf of the insurer and consumer at different stages. These disclosures can result in long lists and dense text that consumers are unlikely to read or recognise as conflict of interest information.

- 3.9** We consider that the disclosures referenced above do not materially enhance customer understanding and can contribute to longer, more complex disclosures. Firms have broader obligations in PRIN, SYSC and the Consumer Duty to identify and manage conflicts of interest appropriately and to provide customers with information that supports effective decision-making. Firms will still need to consider whether disclosure is necessary in a given case to meet those obligations.

### Remuneration information

- 3.10** We propose to remove disclosures about the ‘nature and basis’ of remuneration received by intermediaries and the remuneration of employees. Our intended outcome is shorter, clearer disclosures that better support informed decision-making.

- 3.11** We introduced these disclosures regarding remuneration when implementing the Insurance Distribution Directive (IDD). We no longer consider that these requirements are reflective of our regulatory approach. The focus of our rules is on the manufacturer

ensuring fair value of the product rather than disclosing remuneration information and relying on the customer to consider whether the remuneration is fair. This is consistent with research by Which?, showing that customers do not engage with buying insurance in the way they might for other financial products.

- 3.12** In practice, the IDD derived requirements have led to firms providing high-level and categorical descriptions of the potential ways firms and employees may be remunerated. These statements can become overly long and result in information overload.
- 3.13** We propose to remove these contextual remuneration disclosure requirements. Firms would still be expected to make sure that any remuneration they receive is consistent with the provision of fair value and that conflicts of interest are appropriately managed.
- 3.14** Firms would also be expected to comply with their general law obligations. ICOBS 4 currently includes guidance on compliance with the general law in the context of commercial insurance. This may include commission disclosure on request. We propose to amend this guidance so that it is framed more generally, making it clear that an insurance intermediary should consider general law regardless of whether the customer is a retail or commercial customer.

### **Additional changes**

- 3.15 Advice** – We propose changes to the advice disclosures in the next chapter.
- Pure protection** – We propose to align pure protection business with the standard disclosure requirements in ICOBS 4 by removing ICOBS 4.2. ICOBS 4.2 provides more prescriptive safeguards for pure protection business. For example, in non-advised sales firms are required to ensure customers understand that they are responsible for determining whether a policy meets their demands and needs. However, the broader ICOBS disclosure framework has since evolved, with a greater emphasis on ensuring that information is clear, relevant and supports effective customer decision making. Additionally, the Consumer Duty now places a strong, cross cutting obligation on firms to meet the information needs of retail customers and ensure they can make timely and properly informed decisions. In this context, we consider that the prescriptive requirements in ICOBS 4.2 are no longer necessary to achieve the intended policy outcomes.
- 3.16** Except where we explicitly propose deletions or amendments, we are retaining all other disclosure requirements.
- 3.17** These proposals do not affect product-related disclosures in ICOBS 6, or rules linked to issues raised by the Which? super-complaint.

## ICOBS 4.1A – Means of disclosure

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### Background

- 3.18** ICOBS 4.1A sets out the requirements on how information must be provided to customers, reflecting the approach in the IDD. Under this framework, information must be provided in a durable medium and electronic media is only permitted if the 'durable medium' conditions in (1) and (4) of the glossary definition are satisfied. The rules also focus on information being provided in writing. Firms are required to obtain an 'active and informed choice' from customers before providing disclosures in electronic form. This approach was intended to ensure that customers are given a choice over how they receive information and are not defaulted into electronic communications.
- 3.19** However, in practice, these requirements often lead to information being provided on paper and firms may find it difficult to re-engage customers after sale to switch to alternative formats. This is the case even where digital communication may better support engagement.
- 3.20** We want our rules to reflect how consumers buy and engage with insurance today, which is increasingly digital. We also want to align insurance disclosure rules more closely with our approach in other consumer finance sectors such as retail banking. The position in retail banking reflects a more outcomes-focused approach to the format of disclosure. It gives firms greater discretion in how information is presented to consumers while preserving consumer protection.

## Record keeping requirements – minor change to ICOBS 6B

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- 3.21** When we made changes in [Handbook Notice 132](#) to decommission the General Insurance Pricing Attestation, we omitted to make a connected change to the related record-keeping requirement in ICOBS 6B.2.57. We are taking the opportunity to rectify this by removing the reference to the person responsible for the attestation. We want to make clear that firms should consider the context of the business conducted between the firm and the customer and deliver disclosures in a durable medium that is appropriate in the circumstances. For example, where a customer buys a policy online, it will usually be appropriate to provide disclosures digitally, unless the customer asks for paper. This reflects customer expectations as they are more likely to receive disclosures in a format that is consistent with the purchasing journey.

### Our proposals

- 3.22** We propose to change the disclosure rules so that disclosures do not default to paper delivery.

- 3.23** Our proposed amendments can reduce costs for firms. This is because requirements will emphasise that firms have flexibility to communicate with customers through different channels where they support understanding and engagement. This will improve innovation, enabling firms to use methods such as pictorial and generative AI to deliver messages.
- 3.24** We do not intend to make customers paperless where that would be inappropriate. Consistent with the Consumer Duty, firms should consider customers' needs and characteristics of vulnerability when deciding how to communicate. Paper may remain the most effective way to make communication accessible. Importantly, firms must provide paper disclosures free of charge where a customer requests it.
- 3.25** Firms will be expected to make the option of requesting paper format clear and easily accessible for consumers, in line with consumer support obligations linked to the Consumer Duty. For example, where a consumer purchases a product through a website, we would expect the option to request paper documents to be available on that website (such as through a tick box or link they can click to make the request). An example of poor practice would be where the consumer purchases the product online but is required to use a different contact method (such as via phone) to request paper documents.
- 3.26** The Duty continues to apply. Firms must meet the information needs of retail customers and equip them to make decisions that are effective, timely and properly informed. Firms must also continue to comply with their obligations under the Equality Act.
- 3.27** We also propose minor additional changes to simplify the rules. We propose to remove the option for firms to make disclosures by means of a website (which meets the website conditions) but does not constitute a durable medium. We invite firms to feedback on whether this requirement is ever used in practice, and examples of the mediums used. We also propose to simplify the existing language requirement for disclosure, with one more consistent with other parts of our Handbook, that also reflects market practices. So we propose that disclosure must be provided in English or any other language agreed by the parties.

**Question 5:** Do you agree with our proposed removal of certain general and firm level disclosure requirements? If not, please specify.

**Question 6:** Do you agree with our proposed removal of certain remuneration disclosure requirements? If not, please specify.

**Question 7:** Do you agree with our proposed changes that firms can determine the appropriate disclosure format based on the circumstances of the transaction, subject to consumers being able to easily request paper format? If not, please explain why.

**Question 8:** In the context of our proposals to simplify disclosure requirements and allow greater flexibility in how information is provided, what role do you expect AI to play in how firms communicate with customers? Are there any implications for consumer understanding or outcomes we should consider?

**Question 9:** Do you agree with our proposed minor changes to simplify the means of disclosure rules in ICOBS 4.1A? In particular, are there any circumstances where firms make disclosures by means of a website (which satisfies the website conditions) where it does not constitute a durable medium?

## Chapter 4

# Standards for advised sales

- 4.1** In this section we propose changes to the standards for advised sales of non-investment insurance contracts. These changes are intended to simplify the requirements for firms providing advice.

## Background

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- 4.2** Most consumer non-investment (general) insurance contracts are sold without advice. Advice is more common for commercial insurance, although sales to SME commercial customers are typically non-advised. Advice is most commonly provided for large commercial insurance transactions. These are excluded from our detailed ICOBS rules as the parties do not require the same regulatory protections.
- 4.3** Our ICOBS rules impose different requirements for advised and non-advised sales. Where no advice is given, firms are required to:
- Make sure any contracts they propose to the customer are consistent with the customer's demands and needs.
  - Provide information about the product to help the customer make an informed decision.
- 4.4** If firms do provide advice, they must make sure it is suitable. However, several additional rules apply depending on whether the advice amounts to a *personal recommendation* and whether it is offered on the basis of a fair (or in some cases a fair and personal) analysis of the market. For example, firms giving a *personal recommendation* must provide a written explanation as to why the product best meets the customer's needs. This requirement does not apply to other advice. These distinctions mean the rules create multiple different categories of advised sale, each with slightly different requirements.
- 4.5** Our engagements with industry have shown that the distinction between regulated advice and other activities is not always clear. This is especially so where a firm may be providing multiple services of which arranging insurance is just a part. Many have said using the term 'advice' risks the referred to above rules being applied too broadly.

## Our proposals

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- 4.6** We propose to simplify the requirements for advised sales. Our aim is to have 2 categories of sale – advised and non-advised.

## Advised sales

- 4.7** Currently the rules distinguish between a *personal recommendation* as defined in Article 53 of the Regulated Activities Order (RAO) and other things which may amount to 'advice' but would not be a personal recommendation.
- 4.8** We propose to remove the latter category. This would mean a firm would only be subject to the advice rules if they are providing a *personal recommendation* for the insurance arrangements they are selling. This will simplify the requirements on firms by creating a clearer boundary between advised and non-advised sales. It will limit the additional rules for advised sales purely to situations where the firm is providing advice as defined by the RAO. This will mean that some sales currently classed as advised will cease to be so, although we think these situations are rare in practice.
- 4.9** We also propose to remove the requirement for firms to disclose whether they are giving a *personal recommendation* or advice on the basis of a fair (and personal) analysis of the market. In our view, this is not required to help customers understand the proposed arrangements.
- 4.10** We also propose to remove existing guidance in ICOBS 4 about the use of panels to determine whether a fair analysis of the market is being undertaken. Under our proposed changes, the guidance is no longer necessary.

**Question 10:** Do you agree with our proposals to limit rules on advised sales to sales involving a *personal recommendation*? Please explain your answer.

**Question 11:** Do you agree with our proposal to remove the distinction between advised sales which do and do not involve a fair (and personal) analysis of the market? Please explain your answer.

## Non-advised sales

- 4.11** We will retain the requirement to inform the customer whether the firm is providing a personal recommendation or just information.
- 4.12** Our other standards for non-advised sales will remain the same. Sales which currently involve advice not amounting to a personal recommendation will be subject to these standards. This includes the requirement that all contracts proposed must be consistent with the customer's demands and needs.

## Chapter 5

# Professional indemnity insurance

## Background

- 5.1** MIPRU 3 sets out the minimum professional indemnity insurance (PII) requirements for firms carrying out specified insurance, home finance or Mortgage Credit Directive (MCD) article 3(1)(b) credit intermediation activities, subject to certain exceptions as set out in MIPRU 3.1.1R.
- 5.2** Minimum indemnity limits vary by activity. MIPRU 3.2.7R sets fixed amounts for insurance distribution activity with an alternative aggregate amount calculated by reference to 10% of a firm's annual income (subject to a £30 million cap). MIPRU 3.2.9BR sets separate fixed amounts for MCD credit intermediation activity. The proposals in this chapter relate to these specific amounts which are currently denominated in euros.
- 5.3** IPRU-INV 13 sets minimum PII requirements for personal investment firms, including those which are IDD insurance intermediaries. IPRU-INV 13.1.10R sets the minimum limits of indemnity, denominated in euros, at the same amounts as MIPRU 3.2.7R for those personal investment firms that are also insurance intermediaries.
- 5.4** These limits originate from EU legislation: the Insurance Mediation Directive (IMD), Insurance Distribution Directive (IDD) for insurance intermediaries, and the Mortgage Credit Directive (MCD) for home finance intermediaries.
- 5.5** Table 2 sets out the current minimum limits of indemnity under MIPRU 3 for insurance intermediaries and MCD article 3(1)(b) credit intermediaries and IPRU-INV 13 for IDD insurance intermediaries.

**Table 1: Current minimum limits of indemnity**

Applicable firms	Rule	Limit of indemnity	Current amount
Firms carrying on insurance distribution activity	MIPRU 3.2.7R and IPRU-INV 13.1.10R	For a single claim	€1,300,380
		In aggregate	€1,924,560*
Firms carrying on MCD article 3(1)(b) credit intermediation activity	MIPRU 3.2.9BR	For a single claim	€460,000
		In aggregate	€750,000

\* The aggregate limit for insurance intermediaries under MIPRU 3.2.7R applies as the higher of the stated amount and 10% of annual income, subject to a £30 million cap. This cap does not apply to firms subject to IPRU-INV13.1.10R.

## Why we are proposing this change

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- 5.6** Our proposal is to convert the euro-denominated minimum limits of indemnity into sterling to remove the dependency on GBP/EUR exchange rate movements and align the denomination of the requirement with the currency in which most UK firms transact and hold PII policies.
- 5.7** Under MIPRU 3, insurance intermediaries and MCD article 3(1)(b) credit intermediaries along with IDD insurance intermediaries under IPRU-INV 13 are required to maintain PII cover that satisfies the minimum limits of indemnity at all times. Where a firm's PII policy is denominated in a currency other than euros, MIPRU 3.2.8R and IPRU-INV 13.1.15R require firms to take reasonable steps to verify that their cover is at least equivalent to the euro minimum when the policy is effected and at each renewal.
- 5.8** As a result, firms are exposed to risks of non-compliance and uncertainty in assessing whether their PII cover remains sufficient over time. Because the limits are expressed in euros, a sterling-denominated policy that satisfied the requirement at inception may fall below the required sterling equivalent before renewal if sterling weakens against the euro during the intervening period, without any change to the policy terms.
- 5.9** Moving to sterling rather than euro-denominated minimums would mean that a sterling-denominated policy would satisfy the requirement at inception and would remain compliant regardless of subsequent exchange rate movements. For firms holding sterling-denominated PII policies, expressing the limits of indemnity in sterling removes the need for the equivalence check under MIPRU 3.2.8R and IPRU-INV 13.1.15R, which removes an additional burden on firms and their compliance costs.
- 5.10** Furthermore, there is no longer any basis in UK law that requires them minimum amounts to be denominated in euros. The minimum limits of indemnity in MIPRU 3 and IPRU-INV 13 are expressed in euros yet operate as domestic requirements for FCA-authorized firms.
- 5.11** Some firms hold PII policies denominated in currencies other than sterling, for example, those placed in the Lloyd's market or with international insurers, which may arise where firms use insurers permitted under MIPRU 3.2.1R, MIPRU 3.2.3R and IPRU-INV 13.1.5R. In these cases, we would retain the equivalence check at policy inception and at each renewal, but we would compare their cover against a fixed sterling, rather than a euro, amount.
- 5.12** This proposal is not a review of the adequacy of the minimum limits of indemnity, or an assessment of the current calibration against the claims experience or market practice in the intermediary sector, nor a comparison with PII standards in other jurisdictions. Our sole objective is to express the existing requirements in sterling at a technically appropriate exchange rate so that the effective minimum level of protection provided to consumers and counterparties does not change as a result of the conversion.

## Our conversion methodology

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- 5.13** Our approach was to derive a central rate from a multi-year average of official exchange rate data, round the converted amounts to a level of precision supported by the inherent variability of the rate, and cross-check the results against the current spot rate.
- 5.14** To determine sterling equivalents for the 4 limits of indemnity in Table 2, we used daily spot exchange rate data published by the Bank of England under series designation XUDLERS. The daily spot exchange rate is quoted as the number of euros per pound sterling and sourced from the Bank of England's Statistical Interactive Database.
- 5.15** This series records the number of euros per pound sterling on each business day; a euro amount is therefore converted to sterling by dividing by this rate. We applied a five-year lookback window, drawing on 1,262 business day observations spanning 4 May 2021 to 1 May 2026.
- 5.16** We selected a 5-year window because it captures a broad and representative range of macroeconomic conditions without extending into the period of pronounced structural depreciation of sterling that followed the 2016 referendum.
- 5.17** The window spans multiple interest rate cycles and encompasses the:
- appreciation of sterling in 2021 and early 2022,
  - sharp depreciation episode of September 2022, and
  - more gradual sterling softening through 2025.
- 5.18** Taken together, this range of conditions supports a central rate that is well-grounded and not materially skewed by any single macroeconomic event.
- 5.19** As the central rate for the conversion, we used the 95% trimmed mean of daily observations over the 5-year window. The 95% trimmed mean is the arithmetic mean computed after excluding the most extreme 2.5% of observations at each tail of the distribution. This estimator moderates the influence of the most extreme individual daily rates without requiring subjective judgements about which observations to treat as exceptional. The resulting central rate is 1.1674 euros per pound. The simple arithmetic mean over the same period is 1.1673. This represents a negligible difference confirming that no individual observations materially affect the central estimate.
- 5.20** The converted amounts are expressed to the nearest £10,000. To assess whether this level of precision is appropriate, we considered how much the sterling equivalent of each limit would naturally fluctuate over the course of a year as a result of normal day-to-day movements in the GBP/EUR exchange rate, without any change to the underlying euro amount. This natural fluctuation ranges from approximately £22,000 to £91,000 across the 4 limits of indemnity. Since this range of natural variation is substantially larger than £10,000 for every limit, rounding to the nearest £10,000 does not overstate the accuracy of the converted amounts. It is consistent with the degree of certainty that the exchange rate data can reasonably support. We round midpoint amounts upward.

**5.21** As a further cross-check, we compared the proposed amounts against the GBP/EUR spot rate prevailing on 1 May 2026, which was 1.1577. This is approximately 0.8% below the 5-year trimmed mean, reflecting a period of modest sterling weakness relative to the recent average. Applying this spot rate produces rounded sterling equivalents that are €10,000 higher for each of the 4 limits of indemnity – a difference of one rounding step. This means that even if a different but equally defensible rate had been used, the proposed rounded amounts would change by at most one €10,000 step. This represents a difference that falls well within the natural annual variability of the rate described.

**5.22** Figure 1 illustrates the GBP/EUR daily spot exchange rate over the 5-year analysis period, showing the 95% trimmed mean used as the central conversion rate alongside the 5th and 95th percentile bounds and the  $\pm 1$  standard deviation annual volatility band.

**Figure 1: GBP/EUR daily spot rate, five-year window (4 May 2021 – 1 May 2026)**



Source: Bank of England Statistical Interactive Database, series XUDLERS (spot exchange rate, euro into sterling). Data cover the period 4 May 2021 to 1 May 2026.

## Our proposed sterling amounts

**5.23** Table 2 sets out the proposed sterling equivalents for the minimum fixed limits of indemnity in MIPRU 3 and the corresponding limits in IPRU-INV 13.

**Table 2: Proposed sterling equivalents for minimum limits of indemnity**

Applicable firms	Rule	Limit of indemnity	Current amount	Proposed sterling amount
Firms carrying on insurance distribution activity	MIPRU 3.2.7R and IPRU-INV 13.1.10R	For a single claim	€1,300,380	£1,110,000
		In aggregate*	€1,924,560	£1,650,000
Firms carrying on MCD article 3(1)(b) credit intermediation activity	MIPRU 3.2.9BR	For a single claim	€460,000	£390,000
		In aggregate	€750,000	£640,000

\* The aggregate limit for insurance intermediaries under MIPRU 3.2.7R applies as the higher of the stated amount and 10% of annual income, subject to a €30 million cap. This cap does not apply to firms subject to IPRU-INV13.1.10R.

## Consequential amendments

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- 5.24** Implementation of the sterling limits will require amendments to MIPRU 3.2.7R, MIPRU 3.2.9BR and IPRU-INV 13.1.10R, which will be updated to replace euro amounts with the sterling equivalents in Table 3. There will be no change to the income-based component or £30 million aggregate cap.
- 5.25** MIPRU 3.2.8R and IPRU-INV 13.1.15R, which currently require firms with non-euro denominated policies to verify equivalence to euro minimum limits at inception and renewal, will be updated rather than removed to require verification against the sterling minimum. This is a simpler and more certain reference point.
- 5.26** The new sterling limits would apply from the date the amending instrument comes into force. We recognise that some firms may hold policies at that date that were arranged on the basis of euro limits and have not yet fallen due for renewal. We therefore propose a transitional provision for such firms. Under the transitional, firms may rely on their existing cover without needing to check the amount against the revised rule in line with MIPRU 3.2.8R or IPRU-INV 13.1.15R until the next renewal or extension of their policy following the effective date. In any event, firms must comply with the new sterling limits no later than 12 months after the instrument comes into force, unless they plan to adhere to MIPRU 3.2.8R or IPRU-INV 13.1.15R as relevant. We invite views in Q14 on whether this approach is appropriate.
- 5.27** We also propose to update Section E (Professional Indemnity Insurance) of the Retail Mediation Activities Return (RMAR) in SUP 16 Annex 18A and the accompanying guidance notes in SUP 16 Annex 18B, which currently reference euro denomination, so that firms report their limits of indemnity in sterling. Firms holding policies denominated in a currency other than sterling should report the sterling equivalent.

**Question 12:** Do you agree with our proposal to express the minimum PII limits of indemnity in MIPRU 3 and IPRU-INV 13 in sterling rather than euros? If you do not agree, please explain why.

**Question 13:** Do you agree with the methodology we have used to determine the sterling equivalents, including the use of a five-year trimmed-mean exchange rate rounded to the nearest £10,000? If you do not agree, please explain what alternative approach you would consider appropriate.

**Question 14:** We propose that firms should be permitted to rely on their existing PII cover until the next renewal or extension of their policy following the effective date of the new sterling limits, subject to a longstop of 12 months from the date the instrument comes into force. Do you agree with this approach? Please explain your view.

## Annex 1

### Questions in this paper

- Question 1:** Do you agree with our proposal to limit the application of ICOBS where the customer is not habitually resident in the UK, and where applicable, the insured risk is located outside the UK? Please explain.
- Question 2:** Do you agree with our proposal to disapply the application of PROD 4 where a non-investment insurance product is only available for distribution to customers outside the UK and, for all policies issued under the product, all policyholders (and where applicable, insured risks) are located outside the UK? Please explain.
- Question 3:** Do you agree that where either customers are habitually resident in the UK or insured risks are located in the UK, the ICOBS and PROD rules should continue to apply? Please explain.
- Question 4:** Do you agree that an additional local regulation backstop is not necessary, based on the existence of overseas local regulation and the continued application of relevant UK requirements (including the Principles and SYSC)? Please explain.
- Question 5:** Do you agree with our proposed removal of certain general and firm level disclosure requirements? If not, please specify.
- Question 6:** Do you agree with our proposed removal of certain remuneration disclosure requirements? If not, please specify.
- Question 7:** Do you agree with our proposed changes that firms can determine the appropriate disclosure format based on the circumstances of the transaction, subject to consumers being able to easily request paper format? If not, please explain why.
- Question 8:** In the context of our proposals to simplify disclosure requirements and allow greater flexibility in how information is provided, what role do you expect AI to play in how firms communicate with customers? Are there any implications for consumer understanding or outcomes we should consider?

- Question 9:** Do you agree with our proposed minor changes to simplify the means of disclosure rules in ICOBS 4.1A? In particular, are there any circumstances where firms make disclosures by means of a website (which satisfies the website conditions) where it does not constitute a durable medium?
- Question 10:** Do you agree with our proposals to limit rules on advised sales to sales involving a *personal recommendation*? Please explain your answer.
- Question 11:** Do you agree with our proposal to remove the distinction between advised sales which do and do not involve a fair (and personal) analysis of the market? Please explain your answer.
- Question 12:** Do you agree with our proposal to express the minimum PII limits of indemnity in MIPRU 3 and IPRU-INV 13 in sterling rather than euros? If you do not agree, please explain why.
- Question 13:** Do you agree with the methodology we have used to determine the sterling equivalents, including the use of a five-year trimmed-mean exchange rate rounded to the nearest £10,000? If you do not agree, please explain what alternative approach you would consider appropriate.
- Question 14:** We propose that firms should be permitted to rely on their existing PII cover until the next renewal or extension of their policy following the effective date of the new sterling limits, subject to a longstop of 12 months from the date the instrument comes into force. Do you agree with this approach? Please explain your view.
- Question 15:** Do you agree with our cost benefit analysis? If not, please explain why and provide supporting data.

## Annex 2

# Cost benefit analysis

## Executive Summary

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1. The proposals in this CP are intended to simplify the rules for insurance businesses, reducing their compliance costs whilst maintaining appropriate protections for consumers. The changes will potentially impact all firms in the UK insurance market, although the impacts are likely to vary by firm depending on the type of business firms are involved in. For example, firms who have significant business with customers outside the UK are likely to be impacted more than those whose business is entirely focus on the UK.
2. Overall, the changes are intended to be deregulatory as they remove or simplify existing requirements rather than introduce new ones. Firms are not required to change their approach where it already meets the standards under the existing rules. Because of this, any changes to systems or processes, and the associated impacts, are expected to be optional and limited.
3. This analysis applies a Rebalancing Risk approach, explicitly assessing the trade-offs between risks of harm and expected benefits. Rather than seeking to eliminate all risks, we consider whether a more proportionate level of risk-taking could deliver improved outcomes, while ensuring that any resulting harm remains within tolerable limits.
4. Aside from familiarisation costs, we do not expect firms to face new direct costs as a result of the proposals. Any other costs incurred, and all benefits, are indirect and will depend on how firms respond to the reduced prescriptiveness of the rules. Firms that choose to make changes may reduce their compliance burden and achieve some cost savings over time, for example by simplifying disclosures or internal processes. We consider these changes to be aligned with a more proportionate regulatory approach, in which risks of harm remain within acceptable bounds and are mitigated by existing safeguards.
5. We expect that firms may adjust how they meet the regulatory standards under the revised rules, in response to the reduced prescriptiveness of the requirements.

## Introduction

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6. The Financial Services and Markets Act (2000) requires us to publish a cost benefit analysis (CBA) of our proposed rules. Specifically, section 138I requires us to publish a CBA of proposed rules, defined as 'an analysis of the costs, together with an analysis of the benefits that will arise if the proposed rules are made'.

7. In this CBA, we assess the impact of our proposed changes to our insurance conduct rules. We provide monetary values for the impacts where we believe it is reasonably practicable to do so. Where not, we provide a qualitative explanation of their impacts.

## The Market

8. The UK insurance market is large and diverse, covering both retail and commercial lines and includes a wide range of business models and distribution chains. The prevalence of long and complex distribution chains, particularly in commercial and wholesale insurance, means that they can involve insurers, Lloyd’s managing agents, managing general agents (MGAs) and multiple layers of intermediaries.
9. London has historically been a key centre of insurance activity and the London Market (and umbrella term for the specialist commercial (re)insurance broking and underwriting communities in London) has a significant international dimension. A substantial proportion of business written in the UK is for customers who are not habitually resident in the UK or for risks located outside the UK. This international activity is an important source of revenue and competitiveness for the UK insurance sector and is especially relevant for the proposals relating to the international application of ICOBS and PROD.
10. Changes to conduct requirements typically have effects across several different types of firm. The diversity of the market means our proposed changes have the potential to affect the entire insurance market, including; insurers, Lloyd’s managing agents, MGAs and insurance intermediaries operating within the UK market. Our estimate of the number total number of firms in the insurance market, and thereby affected by this proposal, is listed in Table 1. This is based on FCA regulatory data.

**Table 1: Regulated insurance firms by type**

Firm type	Firm numbers
Life Insurers	129
Lloyd’s and London Market Intermediaries	343
Lloyd’s Managing Agents and London Market (Re) Insurers	204
Personal and Commercial Lines Insurance Intermediaries	3327
Personal and Commercial Lines Insurers	191
Price Comparison websites	11
<b>Total</b>	<b>4,205</b>

11. Using our Standardised Costs Model (SCM), we separate these firms by size to assess the differing impacts of the proposals. Firms are categorised by size based on their annual fee paid to the FCA. Our estimated numbers by firm size is provided in Table 2.

**Table 2: Regulated insurance firms by size**

Firm size	Firm numbers
Large	57
Medium	251
Small	3,897
<b>Total</b>	<b>4,205</b>

**12.** To note that whilst our proposals on disclosure and advice standards have the potential to impact the entire insurance sector, in practice, the number of impacted firms will likely be lower for several reasons:

- Firstly, some firms only conduct business for larger commercial customers or specialist risks, to which our disclosure and advice rules do not apply. There is no available data from which we could reliably determine which firms deal exclusively with large/specialist risks. However, our knowledge of the market suggests the number is likely to be low as most firms deal with a broader range of customers and products.
- Secondly, some firms do not provide personal recommendations and so will not be impacted by the changes to our advice rules. There is no available data from which we could estimate this.
- Thirdly, our proposals to disapply ICOBS and PROD rules for business with non-UK customers will only impact those firms who conduct such business. We do not have data on every insurer, managing agent and intermediary who conducts business for non-UK customers to accurately estimate the exact number of affected firms. However, we know that international business is predominantly conducted either through Lloyd's or by other firms operating in the London Market. These firms are represented by a range of trade associations, such as the International Underwriting Association (IUA), the Lloyd's Market Association (LMA) and the London & International Insurance Brokers' Association (LIIBA). We have therefore estimated the number of impacted firms based on membership of these organisations. Whilst there could be other UK firms undertaking business with customers outside the UK, we consider that this provides a reasonable basis for estimating the number of impacted firms. Based on this, we estimate the changes will impact 139 underwriters (either insurers or Lloyd's managing agents) and 166 intermediaries. We do not have any data which would allow us to categorise these into small, medium and large firms.
- Lastly, the proposal to amend the professional indemnity insurance requirements will impact all 3,681 insurance intermediaries but will not impact insurers.

**13.** Further, not all of our proposals will impact firms in the same way. The impact will depend on factors such as whether a firm does business with customers outside the UK, the extent to which it is affected by the disclosure proposals, and whether it provides personal recommendations. The proposals may have a significant impact on some firms whilst others may not be impacted at all. Given the breadth of the UK insurance market and the role of intermediated distribution and cross-border business, our proposals on disclosure, advice standards and scope have the potential to affect many firms across different size categories.

## Problem and rationale for intervention

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- 14.** We have identified instances where aspects of the current regulatory framework may no longer operate in a proportionate way, given changes in the market and the development of our wider framework including the Consumer Duty. In some cases, firms incur regulatory costs that do not deliver commensurate benefits to consumers or markets. Aspects of the current framework can lead to inefficient outcomes, where firms undertake compliance activities that do not improve consumer protection.
- 15.** These inefficiencies can increase firms' operating costs, which may be passed on to consumers through higher prices or reduced product value. In some cases, they may also reduce product availability where it becomes commercially unviable to serve certain customer groups.
- 16.** There are also instances of regulatory duplication and over-complexity which can deter entry and product development, limiting the range of products and services available to consumers. For internationally active firms, duplication between UK and overseas regulatory requirements may also reduce the attractiveness of the UK as a place to do business.
- 17.** We set out more details of the resulting harms below.

## Increased compliance costs arising from over-complexity and duplication

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- 18.** Following feedback from industry from a series of roundtables and in response to [CP25/12](#), we have identified areas where our rules may lead to duplicative processes and increased compliance costs for firms. This is because firms must comply with local regulation as well as the Duty even when the customers they are serving are outside of the UK.
- 19.** In addition, we have heard that the complexity and length of disclosure requirements, and the current default position of information being provided on paper, can increase firms' operating costs. Over time, these costs may be passed on to customers through higher prices, although the evidence on the extent to which this happens is limited.
- 20.** We have also heard from industry that an increased regulatory burden can reduce access for some customers. This is most likely to arise where specialist providers such as MGAs may face barriers to develop products for customers not routinely well-served by providers in the mainstream market (such as those with complex medical conditions or previous convictions). These firms may have fewer compliance resources compared to larger firms and may also be dealing with a higher proportion of vulnerable customers. Firms have told us that this can deter innovation by increasing the cost and risk associated with developing, launching and marketing new products. These challenges may act to reduce the overall attractiveness of London as a place to do business, impacting the growth and competitiveness of the UK economy.

21. This evidence suggests that currently the Duty may be applied in a more risk-averse way than necessary, ultimately leading to disproportionate costs relative to the reduction in harm. This suggests that there is scope for a more proportionate rebalancing of risk.
22. The scope of application of the insurance conduct rules in ICOBS and PROD 4 is currently determined primarily by where activities are carried out, rather than where the customer or the insured risk is located. This can result in simultaneous application of UK and overseas conduct requirements to the same international insurance business.
23. Industry has told us that the vast majority of international insurance business is conducted through local firms and is subject to local regulation in the relevant jurisdiction. Data from the London Market Group (LMG) shows that 67% of business written through the London market (by gross written premium) involves customer or risks located outside the UK and Ireland. Applying UK conduct rules alongside these overseas regimes can lead to duplicative regulatory requirements, increasing complexity, compliance costs and uncertainty without necessarily improving customer outcomes.
24. The intended outcomes of these changes are to reduce regulatory duplication and uncertainty for firms operating internationally. This will address the harms we have identified by lowering costs and promoting innovation in the industry.

### **Unnecessary disclosure requirements adding complexity to consumer decision making**

25. The insurance conduct rules include a range of prescriptive disclosure requirements intended to address information asymmetries and support informed consumer decision-making. However, in some cases, both the volume of information required and the prescriptive way in which it must be provided can reduce the effectiveness of disclosures and contribute to information overload for consumers. Research conducted by Which? shows the factors that consumers consider when selecting insurance. The most significant factors identified were price, whether the cover was 'comprehensive' and the excess. Other factors were related to things like the firm's reputation and the consumer's previous experiences. The changes we are proposing relate to specific disclosure requirements that are not central to these decision factors. For example, intermediaries are currently required to provide names of insurers they may place business with, which results in long lists consumers are unlikely to understand as conflict of interest information. Firms are also required to include high-level descriptions of the potential ways employees may be remunerated, which provides limited value without additional context. Stakeholders have told us that certain disclosure requirements can add complexity to customer journeys without materially improving customer understanding or outcomes. This can be exacerbated where firms have limited flexibility over the format or medium of disclosure, limiting their ability to present information in ways that reflect how customers engage with insurance in practice. In some instances, these requirements may increase compliance costs for firms, particularly where disclosures duplicate information required under other rules.

## Overly complex standards for advised sales

26. The rules for advised sales are intended to ensure that customers receive suitable advice and that firms act in customers' interests. However, we have identified that the current framework includes multiple categories of sale, with slightly different requirements applying to each. In practice, these distinctions can overlap and add complexity without clearly improving customer outcomes. Firms have told us that this complexity can increase compliance costs and regulatory uncertainty, particularly where similar risks are addressed through multiple, closely related requirements. This can divert resources away from supporting customers effectively.

## Options

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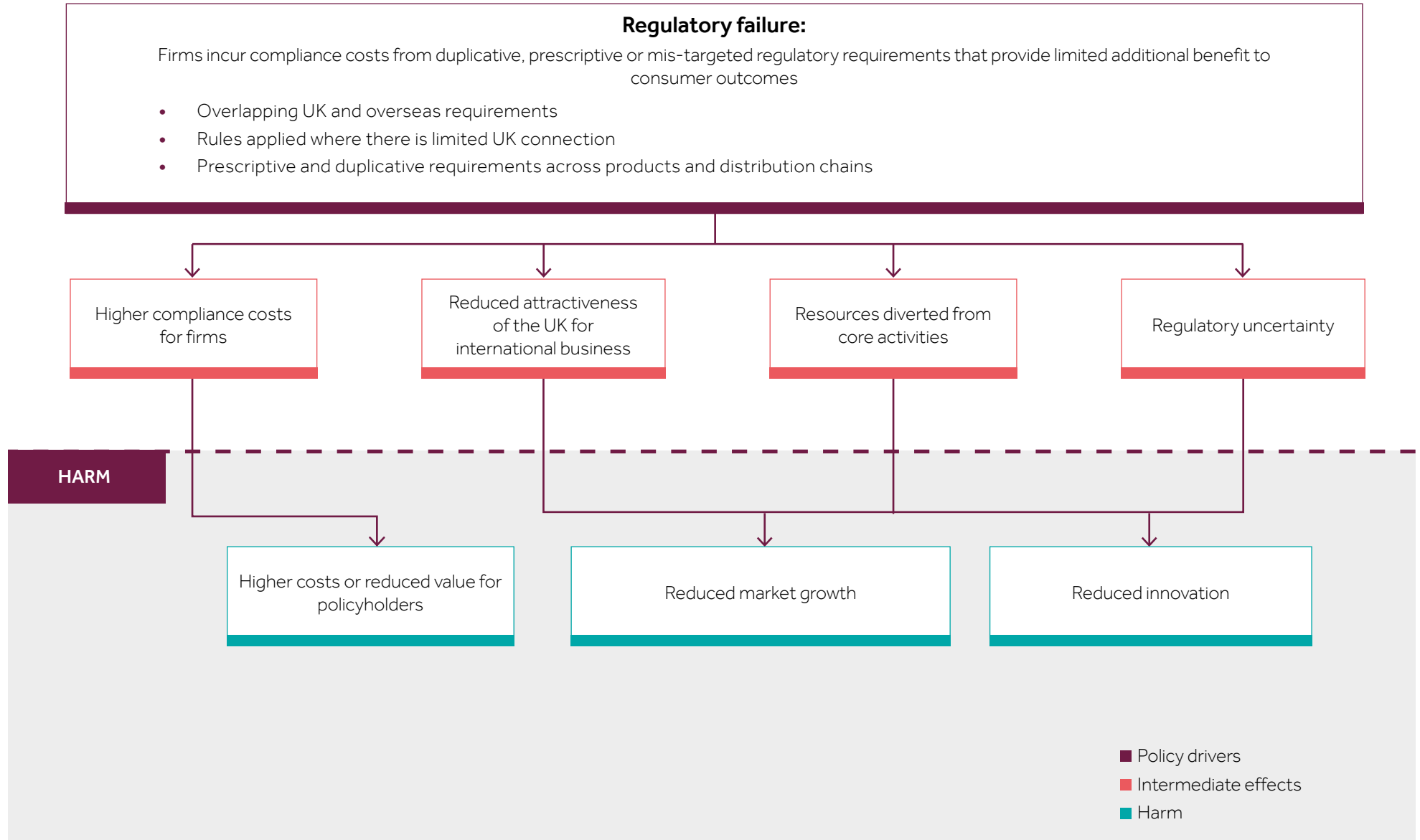
27. In designing our proposals, we considered the 'do nothing' option. However, this was discounted because it would allow the issues highlighted above to continue unchanged and would therefore not address the underlying concerns identified.
28. We also considered whether a regulatory *backstop* was required which would mean rules would only be disapplied for UK business where local conduct regulations applied to protect consumers. We discounted this because we considered it unnecessary and it would conflict with our aims of reducing burden on firms.

## Our proposed intervention

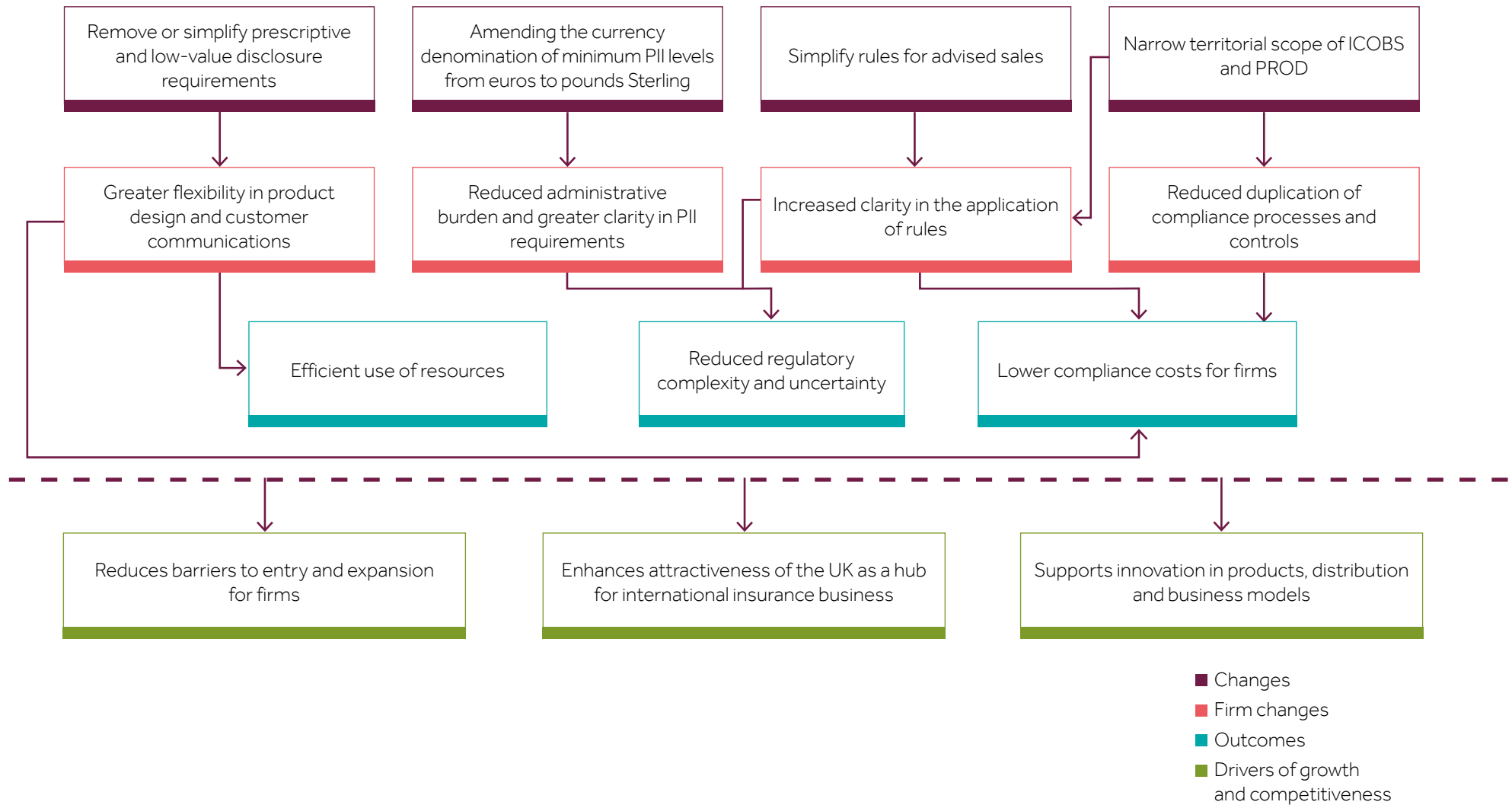
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29. Our proposed intervention is to amend the rules, reducing burden on firms whilst maintaining appropriate consumer protections. These changes are:
- Disapplying the insurance conduct rules for business with customers outside the UK, defined as being where the customer's residence and (if applicable) the state of the risk are not the UK.
  - Removing some disclosure requirements relating to the firm and the scope of its services, which provide limited benefit to consumers.
  - Simplifying the rules on advised sales so that they only apply where a firm is providing a personal recommendation, and removing different requirements depending on whether advice involves a fair (and personal) analysis of the market.
  - Changing the currency denomination of professional indemnity insurance limits from euros to Sterling.
30. The intervention rebalances the application of risk within the Consumer Duty by clarifying its scope and supporting a more proportionate approach in the insurance market. This is intended to reduce unnecessary compliance activity and allow firms to deploy resources more efficiently, while maintaining risks of harm within tolerable limits. Consistent with a Rebalancing Risk approach, we have considered whether the proposed changes could cause risks of harm to exceed those limits. We consider this unlikely.

**Figure 1: Causal chain: Regulatory Failure**



**Figure 2: Causal chain: Impact of insurance rules simplification package**



- 31.** The causal chain illustrates how our proposed intervention will address the harm and drivers of harm. We have set out the key steps that need to happen between our intervention and the final outcomes for our proposals to be successful.

### **Disapplying rules to business with customers outside the UK**

- 32.** We propose to amend the application of ICOBS and PROD 4 so that UK insurance conduct requirements only apply where there is a clear UK connection. For ICOBS, this would be based on where the customer is habitually resident and if the insured risks are in the UK. For PROD 4, this would be based on whether products are made available or distributed to UK customers. For international business outside these circumstances, the relevant requirement would be disapplied.

### **Changes to disclosure requirements**

- 33.** We propose to amend or remove selected disclosure requirements where they provide limited additional benefit to customers in practice, while retaining disclosures that are important for consumer understanding and consumer protection. We also propose to introduce greater flexibility in how disclosures are provided allowing electronic disclosure to be the default where appropriate to the business context, whilst ensuring customers can request paper or alternative formats where needed.

### **Changes to standards for advised sales**

- 34.** We propose to rationalise the existing advice framework by simplifying it into two clear categories: sales involving a personal recommendation and non-advised sales. The intended outcome is to provide greater clarity for firms and customers about when advice is being given, while ensuring that sales involving a personal recommendation continue to be subject to appropriate safeguards and suitability requirements, so that consumer protections remain in place for those who rely on regulated advice.

### **Professional indemnity insurance limits for intermediaries**

- 35.** All insurance intermediaries are required to hold PI insurance. The minimum cover levels are currently denominated in euros. We proposed to amend this so they are denominated in Sterling. We will maintain the cover levels as they are using a suitable conversation rate.

### **Baseline and key assumptions**

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- 36.** Our baseline assumes that, in the absence of the proposals, current rules and guidance continue to apply and the market continues to operate largely as it does now, with all of the associated harms.

## Key assumptions

- 37.** The analysis in this chapter is based on a number of key assumptions which are set out below:
- We estimate the impact of our proposals over a 10-year appraisal period to acknowledge that costs and benefits continue past the year of implementation.
  - We discount costs and benefits at 3.5% per year (in accordance with our CBA guidance) to determine the present value of the stream of costs and benefits expected in future years.
  - As all insurers, Lloyd's managing agents and intermediaries affected by our proposals are subject to our regulation, we have assumed they already have in place the necessary systems, controls and processes to comply with our rules in ICOBS, PROD, SYSC, TC and the Consumer Duty.
  - As our proposals will provide firms with greater flexibility on the application of our rules, we assume that our intervention will not affect the whole population of firms we identified to the same extent. We do not have any reliable data to identify which firms will be impacted to a greater or lesser extent.
  - The impact will be dependent on whether or not firms decide to apply the new rules, so the benefits will be indirect. The rules are permissive and firms will be able to continue operating as they are now if that suits their business model. We assume that firms will only act on the flexibility if they decide it is beneficial to their business. It is likely firms will need time to review the proposals and determine what, if any changes, they wish to adopt. Any changes may also be implemented incrementally. For that reason, we cannot accurately assess how many firms will adopt the changes, and to what extent.
  - Any costs or benefits associated with guidance reflect those assessed under the original Consumer Duty policy, as the guidance clarifies existing expectations and does not introduce new obligations. Costs and benefits arising from rule changes are treated as new, reflecting the removal of existing regulatory obligations.
- 38.** We have not quantified the potential impacts on competition in detail. Whilst we have heard that the regulatory burden may currently be having some negative impacts on competition, it is not practical to quantify what the impact on competition would be from this proposed deregulation, especially as our proposals are permissive in nature. We are therefore unable to quantify industry wide benefits.

## Summary of Impacts

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- 39.** The following table details a summary of the costs and benefits we expect firms to incur. We expect firms to incur one-off direct familiarisation costs of £0.9m in aggregate.
- 40.** As our proposals are all permissive firms will only incur further indirect costs should they choose to make changes to their operating models, which we expect they will do only where it is beneficial following the introduction of these proposals.
- 41.** If all firms choose to make changes, we estimate they could incur costs of up to £0.6m for gap analysis. We also estimate firms may incur aggregate indirect IT costs for changes to disclosure requirements of up to £2.2m.
- 42.** We also estimate annual quantified benefits to firms of £36k – £130k per firm should they take advantage of these proposals. This includes compliance costs savings and a reduction in the amount of paper documents firms must send out to consumers. In addition, we consider there will be a range of unquantified benefits.
- 43.** Although firms would not be required to make any changes, we have estimated (present value) net direct cost to business in Table 3 below. Due to the permissive nature of our proposals, any benefits firms realise are indirect and therefore are not included in this estimate.
- 44.** Although we have not quantified total benefits, we consider the proposals likely to be net beneficial to firms, as the one-off direct and indirect costs are expected to be outweighed by ongoing, recurring savings over time from lower compliance costs. We therefore include break-even analysis at the end of the costs section to illustrate the scale of benefits required for the proposals to break even.

**Table 3: Summary table of benefits and costs**

Group affected	Item description		Benefits (£)		Costs (£)	
			One off	Ongoing	One off	Ongoing
<b>Direct Costs and benefits</b>						
Firms	Familiarisation costs				£0.9m	
<b>Indirect Costs and Benefits</b>						
Firms	Gap Analysis				£0.6m	
<b>Disapplying ICOBS and PROD for non-UK business</b>						
Firms	Potential general costs saving			£35k – £120k per firm from reduced compliance costs. Unquantified benefits in promoting innovation.	None expected	
Consumers	Greater innovation and competition	Unquantified	None expected			

Group affected	Item description			Benefits (£)		Costs (£)	
				One off	Ongoing	One off	Ongoing
<b>Changes to disclosure requirements</b>							
Firms	Reduction in amount of information disclosed			None expected	£1k – £10k per firm		None expected
Firms	IT Costs					£2.2m	
Firms	Reduction in paper documents			None expected	Partially quantified (per document savings only)	None expected	None expected
Consumers	Reduction in amount of information disclosed	Unquantified benefits from improving quality and focus of disclosures on key information	None expected	None expected			
<b>Changes to rules on advised sales</b>							
Firms	Potential general costs saving			Unquantified as likely minimal savings from firm not having to comply with current requirements.		None expected	
Consumers	Greater clarity on scope of services offered			Unquantified – minimal if at all			
<b>Changes to PI levels for insurance intermediaries</b>							
Firms	General costs & benefits			Unquantified as likely minimal savings	None expected	None expected	
Consumers				None expected			

45. In Table 4 below, we have estimated present value direct costs to business, and the Equivalent Annual Net Direct Cost to Business (EANDCB).

**Table 4: Net direct costs to firms**

	Total (Present Value) Net Direct Cost to Business (10 yrs)	EANDCB
<b>Total net direct cost to business (costs to businesses – benefits to businesses)</b>	£0.9m	£0.1m

## Benefits

46. We expect benefits to arise from reduced compliance activity, allowing firms to adopt a more risk-based approach. The proposals are therefore expected to increase net benefits by reducing unnecessary costs without a corresponding increase in harm.

### Disapplying ICOBS and PROD for non-UK business

47. Based on available data and our assumptions, we estimate that the proposed changes could affect approximately:
- 139 underwriters (either insurers or Lloyd’s managing agents), and
  - 166 intermediaries.

### Benefits to firms

48. We expect firms that choose to adopt the revised application of ICOBS and PROD 4 will benefit from reduced compliance costs arising from no longer having to comply with overlapping UK and overseas conduct requirements for the same international insurance business. These benefits are expected to be ongoing and primarily indirect, reflecting a reduction in duplicative compliance processes.
49. In CP 22/26 we estimated ongoing annual benefits to firms per year from reduced compliance costs of between **£35k and £120k** (adjusted for inflation). We use this as an indicative estimate of benefits firms may realise should they choose to make changes following our proposals. These figures are based on a limited sample of firms who responded to a voluntary request for information in 2022. We have not been able to obtain more recent data. There is a significant difference between the higher and lower estimates because the impact on firms will depend on how much non-UK business they undertake. Firms whose business is primarily focused on the UK are likely to receive significantly less benefit than firms whose business is entirely outside the UK. It is also likely that smaller firms will save less than larger firms.

50. As our proposals are permissive, we are unable to estimate industry wide benefits as this will depend on how firms react to our proposals and how they adapt their operating models as a result. However, we estimate any realised benefits by firms will be on the lower-end of our scale. This is because we understand most impacted firms do both UK and non-UK business, so they will still need to have the same structures in place for their UK business as rules will continue to apply as they do now. Only firms doing no UK business will benefit at the higher level, and our understanding is that is very few firms.

### ***Benefits to consumers***

51. Consumer protections will continue to apply where UK conduct rules are reasonably expected to do so, including for UK residents and UK-based risks. Consumers may benefit from greater innovation and competition in the insurance market as reduced compliance burden encourages new entrants into the market. We are unable to quantify this as it depends on firms' dynamic responses to the proposals and evolving market conditions.
52. It is possible consumers may benefit from cost savings being passed on to them in lower prices. However, there is limited available evidence as to whether this will happen and it is likely to depend on a range of other factors outside our control (such as competitive dynamics in the local insurance market).

### **Changes to disclosure requirements and standards for advised sales**

53. Based on available data, we estimate that the proposed changes on disclosure requirements and standards for advised sales have the potential to affect a maximum number of 4,205 firms.

### ***Benefits to firms***

54. We expect firms who adopt the proposed changes to disclosure requirements and standards for advised sales to benefit from reduced compliance burdens associated with producing, maintaining and delivering prescriptive or low-value disclosures, as well as from reduced complexity in categorising and applying advice requirements.
55. These savings are expected to arise from reductions in staff time spent preparing, reviewing and updating disclosure documents, as well as reduced system and process costs associated with maintaining prescriptive requirements. These estimates are based on qualitative evidence and should be seen as indicative.
56. For disclosure requirements, we estimate that firms could realise ongoing cost savings between **£1k and £10k** per firm per year, with this range reflecting differences in firm size, business models and current approaches to disclosure (e.g volume and complexity of information produced). These figures are based on cost estimates (adjusted for inflation) provided to us when the rules were introduced. As we are removing the rules, rather than amending or replacing them with others, we consider this an appropriate measure of the benefits firms will receive.

- 57.** Increased flexibility in the means of disclosure is also expected to generate additional cost savings from reduced reliance on paper-based communications. We estimate these savings to be approximately **£1.80 – £4.74** per document sent electronically, depending on volume, although these estimates may vary depending on firms' existing distribution channels and customer preferences. The broad range reflects differing costs firms may incur depending on the weight of documents sent, production costs and the class of delivery service used.
- 58.** We cannot quantify aggregate savings because there is no available data on the amount of disclosure documents currently being provided in paper form or on the extent to which firms are likely to adopt the greater flexibility to provide information digitally. However, we expect the overall benefit to firms to be most significant where firms distribute a large volume of customer communications, especially if they currently provide most of these on paper.
- 59.** For changes to standards for advised sales, we expect any cost savings to be indirect, and likely to be modest, arising from reduced compliance complexity where firms no longer need to apply multiple overlapping advice categories, leading to reduced staff time spent categorising and evidencing advice processes.

### ***Benefits to consumers***

- 60.** We anticipate that consumers will benefit from clearer, more focused disclosures that reduce information overload and support better engagement and decision-making. Greater clarity around advised and non-advised sales is also expected to help customers better understand the nature of the service they are receiving, without reducing existing consumer protections. However, we are unable to quantify this as it depends on how consumers respond to the changes in information provided.

### **Changes to PI limits for insurance intermediaries**

- 61.** This change will impact 3,679 insurance intermediaries. We do not expect the change to have any material benefits for either firms or consumers because we are maintaining the levels of PI cover required. The only change is to the currency denomination of those levels.

## **Costs**

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### **Direct Costs to firms**

#### ***Familiarisation costs***

- 62.** To ensure firms are compliant we expect them to familiarise themselves with any new rules. This costs reflects the transition required by firms to move to a more proportionate risk position.

- 63.** This estimate is based on the overall population of firms potentially in scope of our proposals comprising 57 large firms, 251 medium firms and 3,897 small firms.
- 64.** The firm population are used to derive the total cost estimates using our standardised cost model. This CP contains 23 pages of policy documentation for firms to familiarise themselves with. We estimate the cost of this based on the length of the consultation paper and the legal appendix, and how many staff we expect will need to read and analyse them.
- 65.** It is estimated a team of 20 compliance staff at large firms, 5 at medium firms, and 2 at small firms will need to read the consultation paper. We have estimated this to be 30 pages long, taking 1.5 hours for each person to read.
- 66.** The CP also includes 40 pages of legal instrument. A further 4 legal staff at large firms, 2 at medium firms, and 1 at small firms will need to read this, taking each team member at a large firm 28 hours to review the document, 21 hours at a medium firm and 7 hours at a small firm.
- 67.** The costs by firm size we expect will be:
- Large: £2,200
  - Medium: £500
  - Small: £200
- 68.** We therefore expect total one-off familiarisation costs to firms of £0.9m. We think this represents an upper bound estimate, as it assumes that all firms within the relevant populations undertake a full review of the proposals. In practice, not all firms will incur the same costs, especially where the proposals are not relevant to their business model or activities.

## Indirect Costs

### *Gap analysis costs to firms*

- 69.** Due to the permissive nature of these proposals, once firms have familiarised themselves with them, they can choose to make changes to their operating model. We expect firms to do so only where doing so supports a more efficient allocation of risk and resources, resulting in a net benefit over time. Firms who choose to do this may incur indirect costs associated with these changes.
- 70.** For these firms we would expect them to perform gap analysis to understand the difference in current practices against the new rules. We have estimated the cost to firms of this using our standardised cost model assuming 2 members of a legal or compliance team at a large firm would conduct the gap analysis, 1.5 at a medium firm and 1 at a small firm, and it would take 2 days per team member at a large firm to review 50 pages of legal text, 1 day at a medium sized firm and half a day at a small firm.
- 71.** We therefore estimate total one-off indirect cost to firms for gap analysis of £0.6m.

## ***Disapplying ICOBS and PROD for non-UK business***

### ***Indirect cost to firms***

- 72.** For our proposal on disapplying ICOBS and PROD for non-UK business we do not expect firms to incur significant one-off or ongoing indirect costs. This is because the proposals simplify existing requirements rather than introduce new obligations, and firms are not required to make any changes to adopt the revised scope.
- 73.** While firms may choose to update internal documentation or systems to reflect the revised scope, such changes are optional and expected to be limited given that the proposals simplify, rather than increase, regulatory requirements.

### ***Indirect cost to consumers***

- 74.** We do not consider there will be any costs to customers from this intervention.

## ***Changes to disclosure requirements and standards for advised sales***

### ***Indirect cost to firms***

- 75.** The changes to disclosure requirements are permissive so firms are not required to make changes. However, some may choose to do so if they believe there is benefit and as a result they may incur one-off indirect IT costs associated with updating document templates and systems to reflect the standards for advised sales, disclosure requirements and increased flexibility in the means of disclosure.
- 76.** We have estimated potential costs to firms using our standardised cost model. We estimate that the project would be 5 days long for large firms and 2 days long for medium firms with in-house IT. Across the standard IT project team structure, this leads to a total of 46 person days in large firms and 8 days in medium firms.
- 77.** We have assumed that small firms will not need to make changes as they will likely do this process manually.
- 78.** For an individual firm, this cost translates to approximately:
- Medium firm – £3,700
  - Large firm – £22,700
- 79.** This is calculated by taking the daily salary for each of the various staff members involved in IT changes and multiplying this by the total number of days each member is involved in the project.
- 80.** We estimate total one-off indirect IT costs to firms of £2.2m. These are indicative estimates of costs to firms should they chose to make changes to their operating model.

81. We cannot estimate with certainty how many firms would choose to make changes in response to our proposals. However, we consider it unlikely that all firms in scope would do so.
82. If 50% of firms in scope made these changes, industry-wide IT costs would be around £1.1m. If 30% of firms made changes, these costs would be around £0.7m.
83. We do not expect any ongoing costs once these changes are implemented.

#### ***Indirect cost to consumers***

84. We do not consider there will be any costs to customers as a result of this intervention.

### ***Changes to PI limits for insurance intermediaries***

#### ***Indirect costs to firms***

85. We do not expect firms to incur any indirect one-off or ongoing costs as a result of converting PI limits from euros to pounds sterling. The level of required PI cover remains unchanged, and the proposal involves only a change in currency denomination.

#### ***Indirect cost to consumers***

86. We do not consider there will be any costs to customers as a result of this intervention.

### ***Break-even Analysis***

87. As described above, we do not estimate total benefits to firms, as firms will only realise benefits if it is net beneficial for them to make changes. Therefore, we have used break-even analysis to help contextualise the quantified costs presented above, as it is not practicable to estimate total benefits given the permissive nature of these policies. This helps to test the proportionality of the proposed changes, by examining the likelihood that the benefits will be large enough for the policy to be net beneficial.
88. For the policy to break even against total direct and indirect costs to firms of £3.7m the proposals would need to generate discounted benefits of at least £3.7 over the 10-year appraisal period, equivalent to around approximately £0.4m per year in recurring benefits.
89. Across approximately 4,000 firms, that implies an average recurring benefit of roughly:
- £100 per firm per year, or
  - about £900 per firm in total over 10 years on a present value basis; noting that these averages do not account for differences in firm size.
90. This implies that relatively small benefits per firm would be sufficient for the proposals to be net beneficial, suggesting that even a limited rebalancing of risk and compliance activity could deliver positive net outcomes.

## **Benefits and costs to the FCA**

91. Although we are simplifying rules and reducing the overall level of regulation, we do not envisage significant impact on staff or material changes to the supervision approach of the firms concerned.

## **Wider economic impacts, including on secondary objective**

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92. Our proposals will support the growth and competitiveness in the UK insurance market by affecting 4 of the 7 drivers of productivity as follows:
- **Proportionate regulation:** By amending our rules to remove duplicative processes and streamlining requirements, our proposals will contribute to making our insurance rules, along with the cost and effort incurred by firms, more proportionate to the benefit that firms and consumers derive from them. This will make the UK insurance market more attractive and will incentivise new entrants to participate.
  - **Trust and reputation:** Delivering proportionate regulation that addresses long-standing concerns, whilst continuing to ensure appropriate consumer protection, will enhance trust and the reputation of the UK market by investors in that market.
  - **Innovation:** The proposals in this CP will give firms greater flexibility over how they communicate with customers and how they structure sales processes, including through simplified rules on advised sales and greater flexibility in the means of disclosure. By reducing prescriptive and process-driven requirements that do not materially improve outcomes, the proposals should support innovation in products, distribution models and customer journeys.
  - **International market:** By clarifying and narrowing the application of UK conduct requirements where customers and insured risks are outside the UK, and where local regulatory regimes already apply, the proposals will reduce duplicative regulatory burdens for internationally active firms. This proportionate approach should enhance the attractiveness of the UK as a hub for international insurance business and support the participation of foreign and multi-national firms in the UK market.

## **Risk and Uncertainty**

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93. Due to the changes in disclosure requirements, there is a risk that we remove items that are of benefit to consumers. This could lead to increased consumer harm however we believe this is unlikely.

## Monitoring and evaluation

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- 94.** We plan to conduct a survey of insurance firms to determine the extent to which these changes have led to benefits. This is likely to be in early 2028. We will consider any further actions once we have conducted this survey. In the intervening period we will monitor the effectiveness of the changes through our regular engagements with the insurance industry, and through some of the sources referred to in the Rule Review Framework.

**Question 15:** Do you agree with our cost benefit analysis? If not, please explain why and provide supporting data.

## Annex 3

# Compatibility statement

## Compliance with legal requirements

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1. This Annex records the FCA's compliance with a number of legal requirements applicable to the proposals in this consultation, including an explanation of the FCA's reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA).
2. When consulting on new rules, the FCA is required by section 138I(2)(d) FSMA to include an explanation of why it believes making the proposed rules (a) is compatible with its general duty, under section 1B(1) FSMA, so far as reasonably possible, to act in a way which is compatible with its strategic objective and advances one or more of its operational objectives, (b) so far as reasonably possible, advances the secondary international competitiveness and growth objective, under section 1B(4A) FSMA, and (c) complies with its general duty under section 1B(5)(a) FSMA to have regard to the regulatory principles in section 3B FSMA. The FCA is also required by s 138K(2) FSMA to state its opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.
3. This Annex also sets out the FCA's view of how the proposed rules are compatible with the duty on the FCA to discharge its general functions (which include rule-making) in a way which promotes effective competition in the interests of consumers (section 1B(4)). This duty applies in so far as promoting competition is compatible with advancing the FCA's consumer protection and/or integrity objectives.
4. In addition, this Annex explains how we have considered the recommendations made by the Treasury under s 1JA FSMA about aspects of the economic policy of His Majesty's Government to which we should have regard in connection with our general duties.
5. This Annex includes our assessment of the equality and diversity implications of these proposals.

## The FCA's objectives and regulatory principles: Compatibility statement

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6. We consider these proposals are compatible with our strategic objective of ensuring that the relevant markets function well by promoting clear and proportionate regulatory standards which support firms to operate effectively to meet the needs of consumers.

7. The proposals are primarily intended to advance the FCA's operational objective of promoting effective competition in the interests of consumers. We believe that providing firms with increased flexibility around our rules will allow them to tailor their approach to their business models and customers' circumstances. Reduced regulatory burden and costs can also increase the ease with which new entrants can enter the market.
8. Our proposals to disapply ICOBS and PROD 4 for international business may also foster innovation and productivity, as freed up resources can be directed towards improving product variety and building and creating solutions to better meet customers' needs. They will also encourage new market entrants.
9. We consider our proposals advance our consumer protection objective as they secure an appropriate level of protection for consumers. For example, our proposals on disclosure requirements are intended to improve consumer understanding by removing prescriptive disclosures that contribute to information overload, while retaining disclosures that are important in helping consumers make informed decisions. By allowing greater flexibility in the way information is provided, including through digital channels where appropriate, the proposals are intended to support clear, more relevant communications without weakening existing consumer safeguards.
10. Our proposals will provide firms with a better regulatory framework, which will enable them to operate with confidence and certainty. This includes our proposals to rationalise the advice framework into personal recommendation and non-advised sales, which will provide clarity for firms and customers about when advice is being given, while ensuring that appropriate suitability and conduct safeguards continue to apply.
11. The proposals also support our secondary objective in facilitating competitiveness and growth. All of our proposals aim to achieve more proportionate regulation, which have the potential to result in lower costs and reduced burden for firms, making the UK insurance market more attractive for international firms to operate in.
12. In preparing the proposals set out in this consultation, we have had regard to the regulatory principles set out in s 3B FSMA.

### **The need to use our resources in the most efficient and economic way**

13. The proposals will not lead to material changes in our supervision approach or use of resources.

### **The principle that a burden or restriction should be proportionate to the benefits**

14. Our proposals will result in a more proportionate burden for firms and long-term cost savings. The estimated costs and benefits of the proposed amendments for both firms and consumers are outlined in the CBA in Annex 2 of this paper.

### **The need to contribute towards achieving compliance by the Secretary of State with section 1 of the Climate Change Act 2008 (UK net zero emissions target) and section 5 of the Environment Act 2021 (environmental targets)**

15. In developing this consultation, we have considered the environmental, social and governance implications of our proposals and our duty under s.1B(5) and 3B(c) of FSMA 2000 to have regard to contributing towards the Secretary of State achieving compliance with the net-zero emissions target under section 1 of the Climate Change Act 2008 and environmental targets under section 5 of the Environment Act 2021.
16. Our proposals do not have an impact on these targets.

### **The general principle that consumers should take responsibility for their decisions**

17. Our proposals do not impact the principle that consumers should take responsibility for their decisions. They are also intended to support this by reducing the risk of information overload and helping consumers to engage with key information to make informed decisions.

### **The responsibilities of senior management**

18. Our proposed amendments do not alter the responsibilities of senior management.

### **The desirability of recognising differences in the nature of, and objectives of, businesses carried on by different persons including mutual societies and other kinds of business organisation**

19. Our proposals introduce more flexibilities for firms, and as such recognise that different businesses may benefit from different approaches depending on factors such as size, customer base, product types, etc.

### **The desirability of publishing information relating to persons subject to requirements imposed under FSMA, or requiring them to publish information**

20. Our proposed amendments do not affect the publication of information.

### **The principle that we should exercise our functions as transparently as possible**

21. In developing these proposals, we have acted as transparently as possible, engaging with industry and trade bodies at early stages, and gathering feedback on the non-UK business proposals through a public [Discussion Paper](#) (DP). We have carefully considered the responses received.

- 22.** In formulating these proposals, we have had regard to the importance of taking action intended to minimise the extent to which it is possible for a business carried on (i) by an authorised person or a recognised investment exchange; or (ii) in contravention of the general prohibition, to be used for a purpose connected with financial crime (as required by s 1B(5)(b) FSMA).
- 23.** We do not expect our proposals to have any impact on the extent to which businesses can be used for a purpose connected with financial crime.

## Expected effect on mutual societies

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- 24.** The FCA does not expect the proposals in this paper to have a significantly different impact on mutual societies. Our proposals will apply to mutual societies in the same way as they apply to other authorised persons.

## Treasury remit letter and recommendations

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- 25.** In the remit letter from the Chancellor of the Exchequer to the FCA on 14 November 2024, the Chancellor urged the FCA to continue its work to support the government's growth mission. The Chancellor also recommended that the FCA creates a regulatory environment which facilitates growth by supporting competition and innovation, and enhances the UK's position as a world-leading global finance hub for international business.
- 26.** We have had regard to these recommendations and consider that our proposals support the government's growth agenda while advancing our objectives and appropriately protecting consumers.
- 27.** Our proposal to streamline requirements in the insurance sector aims to achieve proportionate and effective regulation that enables firms of all sizes to compete and grow. The reduced regulatory burden may also attract and encourage international businesses to establish and expand in the UK.

## Equality and diversity

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- 28.** We are required under the Equality Act 2010 in exercising our functions to 'have due regard' to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by or under the Act, advance equality of opportunity between persons who share a relevant protected characteristic and those who do not, and to foster good relations between people who share a protected characteristic and those who do not.

- 29.** As part of this, we ensure the equality and diversity implications of any new policy proposals are considered. We do not consider our proposals to have any material equality and diversity implications or impact on any of the groups with protected characteristics under the Equality Act 2010 or other applicable legislation. We will continue to consider the equality and diversity implications of the proposals during the consultation period and will revisit them when making the final rules to ensure our approach remains appropriate.

## Annex 4

# Abbreviations used in this paper

<b>Abbreviation</b>	<b>Description</b>
<b>AI</b>	Artificial intelligence
<b>CBA</b>	Cost benefit analysis
<b>CP</b>	Consultation paper
<b>DP</b>	Discussion Paper
<b>FSMA</b>	Financial Services and Markets Act, 2000
<b>GAP</b>	Guaranteed Asset Protection
<b>IAIS</b>	International Association of Insurance Supervisors
<b>ICOBS</b>	Insurance: Conduct of Business sourcebook
<b>IDD</b>	Insurance Distribution Directive
<b>IUA</b>	International Underwriting Association
<b>IPRU-INV</b>	Interim Prudential sourcebook for Investment Businesses
<b>LIIBA</b>	London & International Insurance Brokers' Association
<b>LMA</b>	Lloyd's Market Association
<b>LMG</b>	London Market Group
<b>MCD</b>	Mortgage Credit Directive
<b>MGA</b>	Managing general agent
<b>MIPRU</b>	Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries
<b>PROD</b>	Product Intervention and Product Governance sourcebook
<b>PII</b>	Professional indemnity insurance
<b>PRIN</b>	Principles of Business Sourcebook

<b>Abbreviation</b>	<b>Description</b>
<b>RAO</b>	Regulated Activities Order
<b>RRF</b>	Rule review framework
<b>SME</b>	Small and medium-sized enterprise
<b>SYSC</b>	Senior Manager Arrangements, Systems and Controls sourcebook
<b>TC</b>	Training and Competence Sourcebook
<b>TP</b>	Temporary Permission [Regime]

## Appendix 1

# Draft Handbook text

**Simplification: Conduct and Product Governance of Non-Investment Insurance Business, Professional Indemnity Insurance and other Amendments Instrument 2026**

**Powers exercised**

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

**Commencement**

- C. This instrument comes into force on [*date*].

**Amendments to the Handbook**

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

(1)	(2)
Glossary of definitions	Annex A
Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU)	Annex B
Interim Prudential sourcebook for Investment Businesses (IPRU-INV)	Annex C
Insurance: Conduct of Business sourcebook (ICOBS)	Annex D

Product Intervention and Product Governance sourcebook (PROD)	Annex E
Supervision manual (SUP)	Annex F

**Notes**

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

**Citation**

F. This instrument may be cited as the Simplification: Conduct and Product Governance of Non-Investment Insurance Business, Professional Indemnity Insurance and other Amendments Instrument 2026.

By order of the Board

[date]

## Annex A

## Amendments to the Glossary of definitions

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

Amend the following definitions as shown.

*durable medium*

...

- (4) ~~In *ICOBS* and, in relation to *life policies*, in *COBS*:~~
- (a) In *ICOBS* and, in relation to *life policies*, in *COBS*, the instrument used must be appropriate in the context of the business conducted between the *insurance distributor* and (for *ICOBS*) the *customer* or (for *COBS*) the *client*;~~and~~
- (b) ~~the *customer* (for *ICOBS*) or *client* (for *COBS*)~~ In relation to *life policies* in *COBS*, the *client* must be given the choice between information on paper and the instrument used, and must specifically choose the latter medium.
- (5) For the purposes of this definition, the provision of information by means of electronic communications is to be considered appropriate to the context in which the business between the *firm* and the *client* is, or is to be, carried on if there is evidence that the *client* has regular access to the internet. The provision by the *client* of an e-mail address for the purposes of the carrying on of that business is sufficient (for *ICOBS*, references to *client* are to *customer*).

...

*habitual residence*

- (a) if the *policyholder* is an individual, the address given by the *policyholder* as ~~his~~ their residence if it reasonably appears to be a residential address and there is no evidence to the contrary;
- (b) if the *policyholder* is not an individual or a *group* of individuals, the ~~State in which the *policyholder* has its~~ *policyholder's* place of establishment, or, if it has more than one, its relevant place of establishment;

...

*State of the risk*

- (a) if the insurance relates to a building or to a building and its contents (so far as the contents are covered by the same ~~policy~~ *policy*), the ~~state in which~~ place where the building is situated;

...

- (d) in a case not covered by (a) to (c):
  - (i) if the *policyholder* is an individual, the ~~state in which he has his habitual residence~~ the *policyholder's habitual residence* at the date when the contract is entered into; and
  - (ii) otherwise, ~~the state in which the establishment of the *policyholder*~~ the *policyholder's place of establishment*, to which the *policy* relates is situated at that date.

## Annex B

### Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU)

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

#### MIPRU 3 Professional indemnity insurance

...

#### MIPRU 3.2 Professional indemnity insurance requirements

...

#### Minimum limits of indemnity: insurance intermediary

##### MIPRU 3.2.7 | R

If the *firm* is an *insurance intermediary*, then the minimum *limits of indemnity* per year are:

- (1) for a single claim, ~~€1,300,380~~ £1,110,000; and
- (2) in aggregate, the higher of:
  - (a) ~~€1,924,560~~ £1,650,000; and
  - (b) an amount equivalent to 10% of annual income (this amount being subject to a maximum of £30 million).

[**Note:** articles 10(4) and 10(5) of the *IDD*]

##### MIPRU 3.2.8 | R

If a *policy* is denominated in any currency other than ~~euros~~ pounds sterling, a *firm* must take reasonable steps to ensure that the *limits of indemnity* are, when the *policy* is effected and at *renewal*, at least equivalent to those required.

...

#### Minimum limits of indemnity: MCD credit intermediaries

...

##### MIPRU 3.2.9B | R

The minimum monetary amount of the professional indemnity insurance or comparable guarantee is:

- (1) ~~EUR 460 000~~ £390,000 for each individual claim;
- (2) in aggregate ~~EUR 750 000~~ £640,000 per calendar year for all claims.

[**Note:** article 1 of the Commission Delegated Regulation (EU) No 1125/2014.]

...

### MIPRU TP1 Transitional Provisions

#### MIPRU TP 1.1

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
...					
6	...	...	...	...	...
7	<u>MIPRU 3.2.7R(1) and MIPRU 3.2.7R(2)(a)</u>	<u>R</u>	<u>The amendments made by the [Editor's note: insert the title of this instrument] to the rule listed in column (2) do not apply in relation to professional indemnity insurance policies commenced, renewed or extended before</u>	<u>[Editor's note: insert the date on which this instrument comes into force] to [Editor's note: insert the date one year after this instrument comes into force]</u>	<u>[Editor's note: insert the date on which this instrument comes into force]</u>

			<u>[Editor’s note: insert the date on which this instrument comes into force].</u>		
<u>8</u>	<u>MIPRU 3.2.9BR(1) and MIPRU 3.2.9BR(2)</u>	<u>R</u>	<u>The amendments made by the [Editor’s note: insert the title of this instrument] to the rule listed in column (2) do not apply in relation to professional indemnity insurance policies commenced, renewed or extended before [Editor’s note: insert the date on which this instrument comes into force].</u>	<u>[Editor’s note: insert the date on which this instrument comes into force] to [Editor’s note: insert the date one year after this instrument comes into force]</u>	<u>[Editor’s note: insert the date on which this instrument comes into force]</u>

**Annex C**

**Amendments to the Interim Prudential sourcebook for Investment Businesses (IPRU-INV)**

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

**IPRU-INV 13 Financial Resources Requirements for Personal Investment Firms**

**IPRU-INV 13.1 APPLICATION, GENERAL REQUIREMENTS AND PROFESSIONAL INDEMNITY INSURANCE REQUIREMENTS**

...

**Limits of indemnity**

**IPRU-INV 13.1.10 | R**

If the *firm* is an *IDD insurance intermediary*, the appropriate minimum *limits of indemnity* per year are no lower than:

- (1) ~~EUR1,300,380~~ £1,110,000 for a single claim against the *firm*; and
- (2) ~~EUR1,924,560~~ £1,650,000 in the aggregate.

[**Note:** articles 10(4) and 10(5) of the *IDD*]

...

**IPRU-INV 13.1.15 | R**

If a policy is denominated in any currency other than ~~euros~~ pounds sterling, a *firm* must take reasonable steps to ensure that the *limits of indemnity* are, when the policy is effected (i.e. agreed) and at renewal, at least equivalent to those denominated in ~~euros~~ pounds sterling.

...

**IPRU-INV TP1 Table: Transitional provisions applying to IPRU(INV)**

**IPRU-INV TP 1**

(1)	(2) Material to which the	(3)	(4) Transitional provision	(5) Transitional provision:	(6) Handbook provision:
-----	---------------------------	-----	----------------------------	-----------------------------	-------------------------

	<b>transitional applies</b>			<b>dates in force</b>	<b>coming into force</b>
...					
23	...	...	...	...	...
<u>24</u>	<u>IPRU-INV 13.1.10R(1) and IPRU-INV 13.1.10R(2)</u>	<u>R</u>	The amendments made by the [ <u>Editor's note: insert title of this instrument</u> ] to the <u>rule</u> listed in column (2) do not apply in relation to professional indemnity insurance policies commenced, renewed or extended before [ <u>Editor's note: insert the date on which this instrument comes into force</u> ].	[ <u>Editor's note: insert the date on which this instrument comes into force</u> ] to [ <u>Editor's note: insert the date one year after this instrument comes into force</u> ]	[ <u>Editor's note: insert the date on which this instrument comes into force</u> ]

## Annex D

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

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

#### ICOBS 1 Application

##### ICOBS 1.1 The general application rule

###### The general application rule

###### ICOBS 1.1.1 | R

This sourcebook applies to a *firm* with respect to the following activities carried on in relation to a *non-investment insurance contract* from an establishment maintained by it, or its *appointed representative*, in the *United Kingdom*:

- (1) *an insurance distribution activity;*
- (2) *effecting and carrying out contracts of insurance;*
- (3) *managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's;*
- (4) *communicating or approving a financial promotion;*

and activities connected with them.

###### Modifications to the general application rule

###### ICOBS 1.1.2 | R

The general application *rule* is modified in *ICOBS 1 Annex 1* according to the type of *firm* (Part 1), its activities (Part 2), ~~and~~ its location and the location of the customer or State of the risk (Part 3).

...

#### **Guidance**

###### ICOBS 1.1.5 | G

TP firms and Gibraltar-based firms are reminded that GEN 2.2 and GEN 2.3 (respectively) set out how the Handbook applies to them. Also, where amendments are made after IP completion day to existing ICOBS rules that apply to those firms, those rules as amended (and for the avoidance

of doubt, where additional *rules* are required to give effect to those amendments), continue to apply to *TP firms* and *Gibraltar-based firms*, unless stated otherwise.

**ICOBS 1 Annex 1 Application (see ICOBS 1.1.2 R)**

**ICOBS 1 Annex 1**

<b>Part 1: Who?</b>			
<b>Modifications to the general application rule according to type of firm</b>			
1	Third party processors		
...			
1.2	G	(1)	<del>The disclosure required of the <i>third party processor</i> under <i>ICOBS 4.3. 7R</i> can be made without having to disclose the identity of the <i>third party processor</i> to the <i>customer</i> and therefore without breaching paragraph 1.1R(2) above. [deleted]</del>
...			
3	Authorised professional firms		
3.1	R	This sourcebook (except for <i>ICOBS 4.6</i> ) does not apply to an <i>authorised professional firm</i> with respect to its <i>non-mainstream regulated activities</i> except for:	
		...	
		(4)	<del>the <i>UK</i> provisions which implemented articles 1(4), 17, 18, 19, 20, 23, and 24 of the <i>IDD</i> (see <i>ICOBS 2.2.2R</i> (communication to customers and financial promotions), <i>ICOBS 2.2.2AR</i> (marketing communications), <i>ICOBS 2.5.-1R</i> (the customer’s best interests rule), <i>ICOBS 2.6</i> (Distribution of connected contracts through exempt persons), <i>ICOBS 4.1</i> (Information about the firm, its services</del>

			and remuneration), <i>ICOBS 4.1A</i> (Means of communicating to customers), <i>ICOBS 4.3</i> (remuneration disclosure), <i>ICOBS 5.2</i> (Demands and needs), <del><i>ICOBS 5.3.3R</i> (Advice on the basis of a fair analysis)</del> , <i>ICOBS 5.3.4R</i> (Personalised explanation), <i>ICOBS 6A.1.4R</i> (Ensuring the customer can make an informed decision) and <i>ICOBS 6A.3</i> (Cross-selling)}, except to the extent that the <i>firm</i> is subject to equivalent rules of its <i>designated professional body</i> approved by the <i>FCA</i> .	
...				
7	<del>Gibraltar-based firms and TP firms</del> <u>Expanded territorial scope for certain firms</u>			
7.1	R	(1)	In addition to the general application rule in <i>ICOBS 1.1.1R</i> , the provisions in (2) also apply to:	
			(a)	<i>TP firms</i> and <i>Gibraltar-based firms</i> which carry on business from an establishment in the <i>United Kingdom</i> ; or
			(b)	(i) <i>TP firms</i> and <i>Gibraltar-based firms</i> that provide services from an establishment outside the <i>United Kingdom</i> ; or
				(ii) <i>firms</i> operating from an establishment overseas; and
				with a <i>customer</i> <u>who, at the time the contract of insurance is entered into, is habitually resident in the United Kingdom or, if relevant, the State of the risk is in the United Kingdom.</u>
		(2)	The provisions specified for the purposes of (1) are:	

			(a)	ICOB <del>S</del> 6.1.7-AG , ICOB <del>S</del> 6.5.1AG and ICOB <del>S</del> 6A.4 (Travel insurance and medical conditions) (except for TP firms or Gibraltar-based firms in (1)(b)(i) where the <del>state of the risk</del> <u>State of the risk</u> is an EEA State or Gibraltar, and to the extent that the EEA State in question or Gibraltar imposes measures of like effect); and
			...	
7.2	G	Paragraph 7.1R(1) does not apply to <u>contracts of insurance concluded before [Editor’s note: insert the date on which this instrument comes into force] (see ICOB<del>S</del> TP 2).</u>		

<b>Part 2: What?</b>			
<b>Modifications to the general application rule according to type of firm activity or type of insurance</b>			
...			
6	Providing targeted support		
6.1	R	A firm providing targeted support in relation to a non-investment insurance contract must comply with the rules which would apply to it if it were <u>advising giving a personal recommendation</u> on a non-investment insurance contract.	
...			

<b>Part 3: Where?</b>
-----------------------

Modifications to the general rule of application according to location		
...		
2		Exemption for insurers: <del>business with non-UK customers via non-UK intermediaries</del> <u>Business with customers outside the United Kingdom</u>
2.1	R	This sourcebook does not apply to an <i>insurer</i> if <u>a firm</u> where <u>both</u> :
		(1) <del>the intermediary (whether or not an insurance intermediary) in contact with the customer, at the time of entering into the contract of insurance, is not established</del> <u>habitually resident in the United Kingdom;</u> and
		(2) <del>the customer is not habitually resident in, and, if applicable where relevant,</del> the <i>State of the risk</i> is outside the <i>United Kingdom</i> .
2.2	G	Paragraph 2.1R does not apply to <u>contracts of insurance concluded before</u> [ <i>Editor's note: insert the date on which this instrument comes into force</i> ] (see <i>ICOBS TP 2</i> ).
2.3	G	The effect of paragraph 2.1R is that where <u>the customer is habitually resident in the United Kingdom, ICOBS applies regardless of the location of the State of the risk. It also applies even if the customer is not habitually resident in the United Kingdom at the date when the contract is entered into, if the State of the risk is in the United Kingdom.</u>
2.4	G	For the purposes of paragraph 2.1R, in relation to a <u>pure protection contract</u> , it is sufficient to consider whether the <u>customer is habitually resident in the United Kingdom at the date the contract is entered into, as there will be no State of the risk.</u>

2.5	G	<u>In determining an individual's <i>habitual residence</i> a firm may rely on the address given by the <i>customer</i> as their residence, if it reasonably appears to be a residential address and there is no evidence to the contrary. For these purposes an <i>overseas</i> address connected with military service, diplomatic service or another Crown service posting may indicate a temporary absence from the <i>United Kingdom</i>; in which case, a firm should consider whether, in the circumstances, it should make further enquiries.</u>
2.6	R	<u>For the purposes of <i>habitual residence</i>, a residential address in the <i>United Kingdom</i> includes a British Forces Post Office address.</u>
2.7	G	<u>Where paragraph 2.1R applies, a firm, in line with <i>Principle 6</i> and <i>Principle 7</i>, should ensure that, in its dealings with the <i>customer</i>, it is fair, clear and not misleading about the customer protections that apply to that business.</u>
2.8	G	<u>Where paragraph 2.1R applies, <i>ICOBS</i> does not apply in relation to that business. This also applies to any firm that is part of a chain of <i>insurance intermediaries</i> (see <i>ICOBS 1 Annex 1 Part 2</i>, paragraph 4 (Chains of insurance intermediaries)). The effect of this is that, where paragraph 2.1R applies, <i>ICOBS 2</i>, for example, will not apply to any of the firms, including <i>intermediaries</i> who are not in contact with the <i>customer</i>, although <i>Principles 6</i> and <i>7</i>, and other relevant Handbook provisions, will continue to apply as relevant.</u>
...		

...

**ICOBS 3 Distance communications**

**ICOBS 3.1 Distance marketing**

...

**Exception: voice telephony communications**

**ICOBS 3.1.14 | R**

- (1) In the case of a voice telephony communication, and subject to the explicit consent of the *consumer*, only the abbreviated distance marketing information (*ICOBS 3 Annex 3R*) needs to be provided during that communication.
- (2) However, unless another exemption applies (such as the exemption for means of distance communication not enabling disclosure) a *firm* must still provide the distance marketing information (*ICOBS 3 Annex 2R*) in ~~writing or another~~ a durable medium available and accessible to the *consumer* in accordance with *ICOBS 4.1A.2R(2)*, in good time before conclusion of any distance contract.

[**Note:** articles 3(3)(b) and 5(1) of the *Distance Marketing Directive*]

...

## **ICOBS 4 Information about the firm, its services and remuneration**

### **ICOBS 4.1 General requirements for insurance intermediaries and insurers**

#### **Application: who?**

...

#### **Status disclosure: general information provided by insurance intermediaries or insurers**

[*Editor's note:* ICOBS 4.1.2(2)(a) has been moved to ICOBS 4.1.2R(1A) and amended]

#### **ICOBS 4.1.2 | R**

In good time before the conclusion of an initial *contract of insurance* and, if necessary, on its amendment or *renewal*, a firm must provide the customer with at least the following information:

- (1) ~~a firm must provide the customer with at least the following information:~~ its name;
  - ~~(a) its identity, address and whether it is an insurance intermediary or an insurance undertaking;~~
  - ~~(b) whether it provides a personal recommendation about the insurance products offered;~~
  - ~~(c) the procedures allowing customers and other interested parties to register complaints about the firm with the firm and the Financial Ombudsman Service or, if the Financial~~

~~Ombudsman Service does not apply, information about the out-of-court complaint and redress procedures available for the settlement of disputes between the *firm* and its *customers*; and~~

~~(1A) that it is included in the *Financial Services Register* (or, if it is not on the *Financial Services Register*, the register in which it has been included), its *FCA* registration number (FRN) and the means for verifying this;~~

~~(1B) whether it provides a *personal recommendation* about the insurance products offered; and~~

~~(1C) the procedures allowing *customers* and other interested parties to register *complaints* about the *firm* with the *firm* and the *Financial Ombudsman Service* or, if the *Financial Ombudsman Service* does not apply, information about the out-of-court complaint and redress procedures available for the settlement of disputes between the *firm* and its *customers*.~~

~~(2) an *insurance intermediary* must also provide the *customer* with the following information: [deleted]~~

~~(a) the fact that it is included in the *Financial Services Register* (or if it is not on the *Financial Services Register*, the register in which it has been included) and the means for verifying this;~~

~~(b) whether it has a direct or indirect holding representing 10% or more of the voting rights or capital in a given *insurance undertaking* (that is not a *pure reinsurer*);~~

~~(c) whether a given *insurance undertaking* (that is not a *pure reinsurer*) or its *parent undertaking* has a direct or indirect holding representing 10% or more of the voting rights or capital in the *firm*; and~~

~~(d) whether it is representing the *customer* or is acting for and on behalf of the *insurer*; and~~

~~[**Note:** articles 18 and 19(1)(a) and (b) of the *IDD*]~~

~~(3) paragraph (2) does not apply in relation to a *connected travel insurance contract*. [deleted]~~

## Status disclosure exemption: introducers

### ICOBS 4.1.3 | R

A *firm* whose contact with a *customer* is limited to effecting introductions (see *PERG 5.6*) need only provide its identity, ~~address name, its FCA registration number (FRN)~~ and whether it is a member of the same *group* as the *firm* to which it makes the introduction.

#### **ICOB 4.1.4 | G**

If a *firm* goes further than putting a *customer* in contact with another *person* (~~for example, by advising the customer on a particular policy available from the firm~~) the full status disclosure requirements will apply.

...

#### **Scope of service: insurance intermediaries**

#### **ICOB 4.1.6 | R**

(1) ~~Where an insurance intermediary proposes or advises on a contract of insurance then in good time before the conclusion of an initial contract of insurance (other than a connected travel insurance contract) and, if necessary, on its amendment or renewal an insurance intermediary must provide the customer with at least information on whether the firm: [deleted]~~

(a) ~~gives a personal recommendation, on the basis of a fair and personal analysis; or~~

(b) ~~is under a contractual obligation to conduct insurance distribution exclusively with one or more insurance undertakings, in which case it must provide the names of those insurance undertakings; or~~

(c)

(i) ~~is not under a contractual obligation to conduct insurance distribution exclusively with one or more insurance undertakings; and~~

(ii) ~~does not give a personal recommendation on the basis of a fair and personal analysis;~~

~~in which case it must provide its customer with the name of those insurance undertakings with which the insurance intermediary may and does conduct business.~~

(2) [deleted]

[~~Note: article 19(1)(c) of the IDD~~]

#### **ICOB 4.1.7 | R**

Where the *firm* has given information in ~~ICOBS 4.1.6R(1)(b) and (c)~~, then in good time before the conclusion of an initial *contract of insurance* with a *consumer* a *firm* must also state whether it is giving: [deleted]

- (1) ~~a *personal recommendation* but not on the basis of a fair and personal analysis;~~
- (2) ~~other advice on the basis of a fair analysis of the market;~~
- (3) ~~other advice not on the basis of a fair analysis of the market; or~~
- (4) ~~just information.~~

### ICOBS 4.1.7A | G

*Firms* are reminded that the *rules* on providing *targeted support services* (~~COBS 9B~~) do not apply in relation to *non-investment insurance contracts*. [deleted]

### Guidance on using panels to advise on the basis of a fair analysis

#### ICOBS 4.1.8 | G

- (1) ~~One way a *firm* may give advice on a fair analysis basis is by using 'panels' of *insurance undertakings* which are sufficient to enable the *firm* to give advice on a fair analysis basis and are reviewed regularly. [deleted]~~
- (2) ~~A *firm* which provides a service based on a fair analysis of the market (or from a sector of the market) should ensure that its analysis of the market and the available contracts is kept adequately up to date. For example, a *firm* should update its selection of contracts if aware that a contract has generally become available offering an improved product feature, or a better *premium*, compared with its current selection. The update frequency will depend on the extent to which new contracts are made available on the market. A *firm* is also required to ensure that the analysis is of a sufficiently large number of *contracts of insurance* available on the market (see *ICOBS 5.3.3R*).~~
- (3) ~~The panel selection criteria will be important in determining whether the panel is sufficient to meet the 'fair analysis' criteria. Selection should be based on product features, *premiums* and services offered to *customers*, not solely on the benefit offered to the *firm*.~~
- (4) ~~Where a *firm* also provides *personal recommendations* based on a fair and personal analysis, paragraphs (1) to (3) may also be relevant to that part of the service which involves a fair analysis of the market.~~

...

**ICOBS 4.1A Means of communication to customers**

...

**Means of communication to customers; ~~non-telephone sales~~****ICOBS 4.1A.2 | R**

- (1) A *firm* must communicate information to a *customer* ~~using any of the following: (including at *renewal* of a *policy*) using a *durable medium* that is appropriate in the context in which the business between the *firm* and the *customer* is carried on.~~
- ~~(a) paper; or~~
  - ~~(b) a *durable medium* other than paper; or~~
  - ~~(c) a website (where it does not constitute a *durable medium*) where the *website conditions* are satisfied.~~
- (2) The *firm* must communicate the information in (1):
- (a) in a clear and accurate manner, comprehensible to the *customer*;
  - (b) ~~in an official language of the *United Kingdom* where the *State of the risk* is the *United Kingdom*, in English or in any other language agreed by the parties; and~~
  - (c) free of charge.

[**Note:** article 23(1), (2), (4) and (5) of the *IDD*]

**ICOBS 4.1A.2A | G**

On renewal of a *policy*, a *firm* may continue to use the medium used when the *customer* last purchased their *policy* or may instead use another medium in *ICOBS 4.1A.2R(1)*, as appropriate.

**ICOBS 4.1A.3 | R**

Where the information is communicated using a *durable medium* other than paper ~~or by means of a website~~, the *firm* must, upon request and free of charge, also send the *customer* a paper copy.

[**Note:** article 23(3) of the *IDD*]

**ICOBS 4.1A.3A | G**

A firm should ensure that a customer can request a paper copy easily and in a way that is consistent with its obligations under Principle 6, Principle 7, Principle 12 and PRIN 2A.5.8R (Communication to retail customers). For example, where a customer purchased a policy through a digital channel, requiring the customer to request a paper copy through a different channel, such as by telephone, may not satisfy those obligations.

#### **ICOBS 4.1A.4 | R**

~~A firm must ensure that a customer's choice or consent to receive the information by means of a website (whether a durable medium or where the website conditions are satisfied) is an active and informed choice or consent. [deleted]~~

#### **ICOBS 4.1A.5 | G**

- ~~(1) For the purposes of ICOBS 4.1A.4R for example an option to allow a change to the e-mail address to be used or an option to allow information to be provided by means of a website should be presented in a way that is clear, fair and not misleading. [deleted]~~
- ~~(2) The following are examples of circumstances not evidencing active or informed choice or consent:
 
  - ~~(a) a pre-ticked box (suggesting that option has been selected) which appears in a more prominent place than an un-ticked box allowing another option to be selected; and~~
  - ~~(b) the customer electing to be informed by a website without being first given other options.~~~~

#### **ICOBS 4.1A.6 | R**

~~On renewal of a policy a firm may rely on a customer's previous choice or consent as appropriate where: [deleted]~~

- ~~(1) there is evidence that the customer has regular access to the internet;~~
- ~~(2) the provision of information in that medium is appropriate in the context in which the business between the firm and the customer is carried on; and~~
- ~~(3) the customer is made aware, for example in the renewal documentation, of the option to receive the information on paper in a way that is clear, fair and not misleading.~~

#### **Means of communications to customers: telephone sales**

#### **ICOBS 4.1A.7 | R**

~~In the case of telephone selling: [deleted]~~

- ~~(1) the information must be given in accordance with the distance marketing disclosure rules (see IC OBS 3.1.14R); and~~
- ~~(2) if prior to the conclusion of the contract the information is provided:
 
  - ~~(a) orally; or~~
  - ~~(b) on a durable medium other than paper;~~~~

~~the firm must also provide the information to the customer in accordance with IC OBS 4.1A.2R immediately after the conclusion of the contract of insurance.~~

~~[Note: article 23(7) of the IDD]~~

## **IC OBS 4.2 Additional requirements for protection policies for insurance intermediaries and insurers**

...

### **~~Disclosing the limits of the service provided~~**

#### **IC OBS 4.2.4 | R**

- ~~(1) In a sale that does not involve a personal recommendation, a firm must take reasonable steps to ensure a customer (C) understands that C is responsible for deciding whether a policy meets C's demands and needs. [deleted]~~
- ~~(2) [deleted]~~
- ~~(3) If a firm anticipates providing, or provides, information on any main characteristic of a policy orally during a non-advised sale, taking reasonable steps includes explaining the customer's responsibility orally.~~
- ~~(4) A policy's main characteristics include its significant benefits, its significant exclusions and limitations, its duration and price information.~~

### **~~Status disclosure for insurers~~**

#### **IC OBS 4.2.5 | R**

- ~~(1) Prior to the conclusion of an initial contract and, if necessary, on its amendment or renewal, an insurer must disclose to the customer at least: [deleted]~~

- (a) ~~the statutory status disclosure statement (see GEN 4);~~
- (b) ~~whose policies it offers; and~~
- (c) ~~whether it is providing a personal recommendation or information.~~

(2) ~~[deleted]~~

### **ICOB 4.2.6 | G**

~~Insurers are reminded that they are not permitted to carry out business which does not directly arise from their insurance business (see the restriction of business in INSPRU 1.5.13R and rule 9 of the PRA Rulebook: Solvency II firms: Conditions Governing Business). [deleted]~~

### **ICOB 4.3 Remuneration disclosure**

#### **~~Remuneration disclosure: insurance intermediaries~~**

### **ICOB 4.3.-7 | R**

~~In good time before the conclusion of the initial contract of insurance and, if necessary, on its amendment or renewal an insurance intermediary must provide the customer with information: [deleted]~~

- (1) ~~on the nature of the remuneration received in relation to the contract of insurance:~~
- (2) ~~about whether in relation to the contract it works on the basis of:~~
  - (a) ~~a fee, that is remuneration paid directly by the customer; or~~
  - (b) ~~a commission of any kind, that is the remuneration included in the premium; or~~
  - (c) ~~any other type of remuneration, including an economic benefit of any kind offered or given in connection with the contract; or~~
  - (d) ~~on the basis of a combination of any type of remuneration set out above in (a), (b) and (c).~~

~~[Note: article 19(1)(d) and (e) of the IDD]~~

#### **~~Remuneration disclosure: insurers~~**

### **ICOB 4.3.-6 | R**

~~In good time before the conclusion of a contract of insurance, an insurance undertaking must provide its customer with information on the~~

~~nature of the remuneration received by its employees in relation to the contract of insurance. [deleted]~~

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

## **Remuneration disclosure: general**

...

### **ICOB 4.3.-4 | G**

~~The information required to be disclosed by ICOB 4.3. 7R and ICOB 4.3. 6R includes the type of remuneration and, taking into account the clear, fair and not misleading rule (ICOB 2.2.2R), should also include the source of the remuneration. [deleted]~~

### **ICOB 4.3.-3 | G**

~~When considering what information to provide about the remuneration, a firm should include all remuneration which the insurance intermediary or the employee of an insurance undertaking receives, or may receive in relation to the distribution of the contract of insurance. This includes remuneration: [deleted]~~

- ~~(1) provided indirectly by the insurer or another firm within the distribution chain; or~~
- ~~(2) provided by way of a bonus (whether financial or non-financial) paid to the firm by the insurer or another firm, or provided by the firm to its employees, where this bonus is contingent on the achievement of a target to which the distribution of the particular contract of insurance could contribute. For example, this can include cash bonuses paid for achieving a sales target and additional annual leave for achieving a high customer service score on sales calls, profit share arrangements, overrides or other enhanced commissions.~~

### **ICOB 4.3.-2 | R**

~~If any payments, other than ongoing premiums and scheduled payments, are made by the customer under the contract of insurance after its conclusion, a firm must make the disclosures under this section, for each such payment. [deleted]~~

~~[Note: articles 19(3) and (5) of the IDD]~~

### **ICOB 4.3.-1 | G**

~~Examples of the type of payments made are those for mid-term adjustments, administration fees and cancellation fees. [deleted]~~

## Fee disclosure: additional requirements

### ICOBS 4.3.1 | R

- (1) ~~Where a fee is payable, the firm must inform its customer of the amount of the fee. In good time before the conclusion of the contract of insurance and, if necessary, on its amendment or renewal, a firm must tell the customer whether, in relation to the contract, it works on the basis of a fee.~~
- (2) ~~The information in (1) must be given~~ Where a fee is payable, the firm must inform its customer of the amount of the fee before the customer incurs liability to pay the fee, or before conclusion of the contract of insurance, whichever is earlier.
- (3) To the extent that it is not possible for an amount to be given, a firm must give the basis for its calculation.

[**Note:** articles 19(2) and (5) of the *IDD*]

### ICOBS 4.3.2 | R

The *fee* disclosure requirement in ICOBS 4.3.1R extends to all such *fees* that may be charged during the life of a *policy*.

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

## ICOBS 4.4 Commission disclosure ~~for commercial customers~~

### Commission disclosure rule

#### ICOBS 4.4.1 | R

- (1) An *insurance intermediary* must, on a *commercial customer's* request, promptly disclose the *commission* that it and any *associate* receives in connection with a *policy*.
- (2) Disclosure must be in cash terms (estimated, if necessary) and in writing or another *durable medium*. To the extent this is not possible, the *firm* must give the basis for calculation.

#### ICOBS 4.4.2 | G

An *insurance intermediary* should include all forms of remuneration from any arrangements it may have. This includes arrangements for sharing profits, for payments relating to the volume of sales, and for payments from premium finance companies in connection with arranging finance.

## General law: agency and fiduciary obligations

**ICOB 4.4.3 | G**

- (1) ~~The commission disclosure rule is additional to~~ Other than ICOB 4.4.1R (which requires disclosure of commission on a commercial customer's request) ICOB 4 does not require disclosure of commission (other than a fee). However, the general law on the fiduciary obligations of an agent ~~in that it applies,~~ whether or not ~~the insurance intermediary is an agent of the commercial customer customer,~~ may mean that disclosure of commission is required.
- (2) In relation to *contracts of insurance*, the essence of these fiduciary obligations is generally a duty to account to the agent's principal. But where a *customer* employs an *insurance intermediary* by way of business and does not remunerate ~~him~~ them, and where it is usual for the *firm* to be remunerated by way of *commission* paid by the *insurer* out of premium payable by the *customer*, then there is no duty to account but if the *customer* asks what the *firm's* remuneration is, it must tell ~~him~~ them.

...

**ICOB 5 Identifying client needs and advising**

...

**ICOB 5.2 Demands and needs**

...

**Demands and needs**

...

**ICOB 5.2.2C | G**

ICOB 5.2.2BR applies whether or not ~~advise~~ a personal recommendation is given and in the same way regardless of whether that contract is sold on its own, in connection with another *contract of insurance*, or in connection with other goods or services.

...

**ICOB 5.3 Advised sales****Personal recommendation****ICOB 5.3.-1 | G**

For guidance on advising on contracts of insurance under article 53 of the Regulated Activities Order and explanation of what a *personal recommendation* is, see PERG 5.8.

## Suitability

### ICOB5 5.3.1 | R

~~A *firm* must take reasonable care to ensure the suitability of its advice that a *personal recommendation* is suitable for any its customer who is entitled to rely upon its judgement.~~

### ICOB5 5.3.1A | G

~~Where a *firm* provides advice a *personal recommendation* to a customer in relation to a package which may include several *policies*, the *firm* should ensure the suitability of advice referred to in ICOB5 5.3.1R in relation to each *policy* on which the *firm* is advising providing the *personal recommendation* the customer.~~

## Suitability guidance for pure protection contracts

### ICOB5 5.3.2 | G

- (1) In taking reasonable care to ensure the suitability of advice a *personal recommendation* on a *pure protection contract* a *firm* should:

...

...

## Advice on the basis of a fair analysis

### ICOB5 5.3.3 | R

~~If an *insurance intermediary* informs a customer that it gives: [deleted]~~

- (1) ~~advice on the basis of a fair analysis, it must give that advice on the basis of an analysis of a sufficiently large number of *contracts of insurance* available on the market to enable it to make a recommendation; or:~~
- (2) ~~a *personal recommendation* on the basis of a fair and personal analysis, it must give that *personal recommendation* on the basis of an analysis of a sufficiently large number of insurance contracts available on the market to enable it to make a *personal recommendation*;~~

~~and in each case, it must be in accordance with professional criteria, regarding which contract of insurance would be adequate to meet the customer's needs.~~

~~[Note: article 20(1) third paragraph of the IDD]~~

...

**ICOBS 6 Product Information**

...

**ICOBS 6.3 Pre- and post-contract information: pure protection contracts**

...

**Mid-term changes**

...

**ICOBS 6.3.4 | R**

~~When a firm provides a customer with information in accordance with ICOBS 6.3.3R, it must provide it in a clear and accurate manner, in writing, in an official language of the State of the commitment, or in another language if the policyholder so requests and the law of the State of the commitment so permits or the policyholder is free to choose the law applicable. [deleted]~~

~~[Note: article 185(3), (5) and (6) of the Solvency II Directive]~~

...

**ICOBS 6 Annex 2 Policy summary (pure protection contracts and / or commercial customers)**

**ICOBS 6 Annex 2**

This annex belongs to *ICOBS 6.1.7AG* and *ICOBS 6.4.4R*

1.	Format		
1.1	R	(1)	<del>A policy summary must be in writing or another a durable medium.</del>
		...	

...			
-----	--	--	--

...

**ICOBS 6B Home insurance and motor insurance pricing**

...

**ICOBS 6B.2 Setting renewal prices**

...

**Records**

...

**ICOBS 6B.2.57 | R**

The records compiled by the firm *firm* in accordance with *ICOBS 6B.2.51R* to *ICOBS 6B.2.53R* must be provided as soon as reasonably practicable after the record is prepared or updated to the *person* responsible for the attestation in *ICOBS 6B.2.60R*, and to the *FCA* on request.

...

**ICOBS TP 2 Other Transitional Provisions**

**ICOBS TP 2**

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
1.-4	<i>ICOBS 1 Annex 1 Part 1 paragraph 7.1R(1) and ICOBS 1 Annex 1 Part 3 paragraph 2.1R</i>	R	<i>ICOBS 1 Annex 1 Part 1 paragraph 7.1R(1) and ICOBS 1 Annex 1 Part 3 paragraph 2.1R do not apply to contracts of insurance concluded before [Editor's note:</i>	From [Editor's note: insert the date on which this instrument comes into force] until the relevant contract is	[Editor's note: insert the date on which this instrument comes into force]

			insert the date on which this instrument comes into force]	no longer in force.	
1.-3	<u>ICOB</u> S 1 Annex 1 Part 1 paragraph 7.1R(1) and <u>ICOB</u> S 1 Annex 1 Part 3 paragraph 2.1R	R	For contracts of insurance concluded before [instrument in force date] <u>ICOB</u> S 1 Annex 1 Part 1 paragraph 7.1R(1) and <u>ICOB</u> S 1 Annex 1 Part 3 paragraph 2.1R continue to apply as they applied immediately before [Editor's note: insert the date on which this instrument comes into force].	From [Editor's note: insert the date on which this instrument comes into force] until the relevant contract is no longer in force.	[Editor's note: insert the date on which this instrument comes into force]
1.-2	<u>ICOB</u> S TP 2 1.-4R and <u>ICOB</u> S TP 2 1.-3R	G	The effect of <u>ICOB</u> S TP 2 1.-4R and <u>ICOB</u> S TP 2 1.-3R is that <u>ICOB</u> S continues to apply in relation to such contracts concluded before [Editor's note: insert the date on which this instrument comes into force] as if the amendments made by [Editor's note: insert the title of this instrument comes	From [Editor's note: insert the date on which this instrument comes into force] until the relevant contract is no longer in force.	[Editor's note: insert the date on which this instrument comes into force]

			into force] had not been made.		
1.-1	<u>ICOBS TP 2 1.-4R and ICOBS TP 2 1.-3R</u>	<u>G</u>	<u>Firms can access the version of ICOBS 1 Annex 1 as it applied immediately before [Editor’s note: insert the date on which this instrument comes into force] using the timeline function on the FCA Handbook website. Firms will need to consider whether any later changes to the ICOBS provisions referred to in column 2 apply in relation to business with customers outside the United Kingdom.</u>	<u>From [Editor’s note: insert the date on which this instrument comes into force] until the relevant contract is no longer in force.</u>	<u>[Editor’s note: insert the date on which this instrument comes into force]</u>
1	...	...	...	...	...
...					

## Annex E

### Product Intervention and Product Governance sourcebook (PROD)

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

#### PROD 1 Product Intervention and Product Governance Sourcebook (PROD)

...

#### PROD 1.4 Application of PROD 4

...

#### ~~Modification of PROD 4.2 and PROD 4.3 for overseas non-investment insurance products~~

##### PROD 1.4.11 | R

*PROD 4 applies does not apply in relation to an overseas non-investment insurance product with the following modifications:*

- (1) ~~The changes made to PROD 4.2 and PROD 4.3 in Annex E of the Non-Investment Insurance: Product Governance, Premium Finance, General Insurance Auto-renewal and Home and Motor Insurance Pricing Instrument 2021 do not apply, unless otherwise specified in (2). [deleted]~~
- (2) ~~The following rules and guidance in Annex E of the Non-Investment Insurance: Product Governance, Premium Finance, General Insurance Auto-renewal and Home and Motor Insurance Pricing Instrument 2021 continue to apply: [deleted]~~
  - (a) ~~PROD 4.2.1AG;~~
  - (b) ~~PROD 4.2.21AG;~~
  - (c) ~~PROD 4.2.34AG; and~~
  - (d) ~~PROD 4.2.36BR.~~

~~[Note: the Non-Investment Insurance: Product Governance, Premium Finance, General Insurance Auto-renewal and Home and Motor Insurance Pricing Instrument 2021 can be found at [/instrument/2021/FCA\\_2021\\_19.pdf](/instrument/2021/FCA_2021_19.pdf)]~~

##### PROD 1.4.12 | G

- (1) ~~The effect of *PROD 1.4.11R* is that, for an overseas non-investment insurance product, including where this is a legacy non-investment insurance product subject to *PROD 4.6*, a firm's product approval process (and arrangements for ongoing monitoring) need only comply with: [deleted]~~
- ~~(a) the requirements in *PROD 4.2* or *PROD 4.3* as they stood on 30 September 2021, except for those provisions in *PROD 1.4.11R(2)*; and~~
  - ~~(b) any subsequent changes made by an instrument other than the Non-Investment Insurance: Product Governance, Premium Finance, General Insurance Auto-renewal and Home and Motor Insurance Pricing Instrument 2021.~~

~~*PROD 1.4* and *PROD 4* as it stood on 30 September 2021 can be accessed by using the timeline on the *FCA Handbook* website. Firms will need to consider any further changes to *PROD* after this date to consider if they apply in relation to overseas non-investment insurance products.~~

- (2) ~~A non-investment insurance product:~~
- ~~(a) that will be or is available for distribution or marketing to customers who are habitually resident or, if applicable, where the state of the risk is, in the United Kingdom; or~~
  - ~~(b) where, for any policy issued under the product, the policyholder is habitually resident in or, if applicable, the state of the risk is in, the United Kingdom,~~

~~will not be an overseas non-investment insurance product and the firm will need to meet all applicable requirements in *PROD 4* including *PROD 4.2.14AR* in relation to providing fair value.~~

- (3) ~~A firm should also consider in relation to any overseas non-investment insurance product what is required to meet obligations under other rules in the *FCA Handbook* including, for example, the *Principles* and *SYSC*.~~

### **PROD 1.4.12A | G**

For the purposes of *PROD 1.4.11R*:

- (1) where there is a proposed change to the product or its design, including, for example, where there are changes to its target market, a firm should consider whether the product is still an overseas non-investment insurance product and either:

- (a) ensure that it is; or
  - (b) if not, take steps to ensure compliance with *PROD 4* requirements.
- (2) where a product meets the conditions of an *overseas non-investment insurance product*, a mid-term change in the *customer’s habitual residence* or, where relevant, the *State of the risk* does not, of itself, mean that *PROD 1.4.11R* is no longer met.

**PROD 1.4.12B | G**

*PROD 1.4.11R* does not apply in relation to an *overseas non-investment insurance product* used to issue a *non-investment insurance contract* before [Editor’s note: insert the date on which this instrument comes into force] (see *PROD TP 1*).

...

**PROD TP 1 Transitional Provisions**

**PROD TP 1**

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
1.-3	<i>PROD 1.4.11R</i>	R	For an <i>overseas non-investment insurance product</i> used to issue a <i>non-investment insurance contract</i> before [Editor’s note: insert the date on which this instrument comes into force], <i>PROD 1.4.11R</i> continues to apply as in force before [Editor’s note: insert the date on	From [Editor’s note: insert the date on which this instrument comes into force] until the relevant contract is no longer in force.	[Editor’s note: insert the date on which this instrument comes into force]

			which this instrument comes into force].		
1.-2	<u>PROD TP 1 1.-3R</u>	<u>G</u>	The effect of <u>PROD TP 1 1.-3R</u> is that <u>PROD 4</u> continues to apply in relation to such contracts concluded before <u>[Editor’s note: insert the date on which this instrument comes into force]</u> as if the amendments made by <u>[Editor’s note: insert the title of this instrument]</u> had not been made.	From <u>[Editor’s note: insert the date on which this instrument comes into force]</u> until the relevant contract is no longer in force.	<u>[Editor’s note: insert the date on which this instrument comes into force]</u>
1.-1	<u>PROD TP 1 1.-3R and PROD TP 1 1.-2R</u>	<u>G</u>	<u>Firms</u> can access the version of <u>PROD 1.4.11R</u> as it applied immediately before <u>[Editor’s note: insert the date on which this instrument comes into force]</u> using the timeline function on the <u>FCA Handbook website</u> . <u>Firms</u> will need to consider whether any later changes to the <u>PROD provisions</u> referred to in column 2 apply in relation to <u>overseas non-</u>	From <u>[Editor’s note: insert the date on which this instrument comes into force]</u> until the relevant contract is no longer in force.	<u>[Editor’s note: insert the date on which this instrument comes into force]</u>

			<u>investment insurance products.</u>		
1.1	...	...	...	...	...
...					

Annex F

Amendments to the Supervision manual (SUP)

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

SUP 16 Reporting requirements

...

SUP 16 Annex 18A Retail Mediation Activities Return ('RMAR')

SUP 16 Annex 18A | R

This annex consists only of one or more forms. Forms are to be found through the following address:

[Editor's note: insert link]

...

SECTION E: PII Self-Certification

...

4 Professional Indemnity Insurance Details

...

...	<b>I</b>	<b>J</b>	<b>O</b>	<b>K</b>	...
Insurance intermediaries should state their indemnity limits in <del>Euros</del> <u>Sterling</u>					
...	Indemnity Limit (Single) in: <del>Euros</del> /Sterling/ Unlimited	...	Indemnity Limit (Aggregate) in: <del>Euros</del> /Sterling/ Unlimited	...	...

...

**SUP 16 Annex 18B Notes for Completion of Retail Mediation Activities Return ('RMAR')**

**SUP 16 Annex 18B | G**

...

**NOTES FOR COMPLETION OF THE RMAR**

...

**Section E: Professional indemnity insurance**

...

Guide for completion of individual fields

...

**Part 2**

...

...	
Limit of indemnity	<p>You should record here the indemnity limits on the <i>firm's</i> PII policy or policies, both in relation to single claims and in aggregate.</p> <p><del>Those firms subject to the Mortgage Credit Directive (MCD) (see MIPRU 3.2.9AR) or the Insurance Distribution Directive (IDD) requirements should state their limit in Euros; those that are not subject to the MCD or IDD should select All limits should be stated in Pounds Sterling. Select 'Sterling' from the drop-down list.</del></p> <p><del>Insurance intermediaries, see MIPRU 3.2.7R and select either 'Euros' or 'Sterling' as applicable. Home finance intermediaries that are not MCD credit intermediaries should state their limit in Sterling (see MIPRU 3.2.9R).</del></p>

	<p>For <del>personal investment firms</del>, see <del>IPRU-INV 13.1.9R and 13.1.13R</del> and select either 'Euros' or 'Sterling' as applicable.</p> <p>...</p>
...	

...

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