

Chapter 4

Product governance: IDD and pathway investments

4.4 Additional expectations for
manufacturers and distributors of
insurance products

- 4.4.1 **G** In addition to ■ PROD 4.1, ■ PROD 4.2 and ■ PROD 4.3, *firms* should also consider what needs to be done to comply with obligations found elsewhere in the *FCA Handbook*, including under the *Principles* and in SYSC. In considering this *firms* should consider any relevant *guidance*.
- 4.4.2 **G** ■ PROD 1.4.10G provides that, where ■ PROD 4 applies, a *firm* need not apply the *guidance* in RPPD for matters covered by PROD, if that *firm* has complied with ■ PROD 4. However, ■ PROD 4 and the IDD POG Regulation does not cover all parts of the RPPD or wider obligations in the *FCA Handbook* and the following *guidance*, some of which is reproduced from the RPPD, remains relevant.
- 4.4.3 **G** *Manufacturers* should consider whether the design of an insurance product is driven by features that benefit the *customer* and not by a business model which relies on poor *customer* outcomes to be profitable.
- 4.4.4 **G** When providing information to *distributors*, a *manufacturer* should:
- (1) make it clear if that information is not intended for *customer* use;
 - (2) ensure the information is sufficient, appropriate and comprehensible in substance and form, including considering whether it will enable *distributors* to understand it enough to give suitable advice (where advice is given) and to extract any relevant information and communicate it to the end *customer*. As part of meeting this standard, the *manufacturer* may wish to consider, with regard to each *distribution* channel or type of *distributor* what information *distributors* of that type already have, their likely level of knowledge and understanding, their information needs and what form or medium would best meet those needs (which could include discussions, written material or training as appropriate).
- 4.4.5 **G** When reviewing the insurance products it *manufactures*, a *firm* should communicate to the *customer* and/or *distributor* contractual “breakpoints” such as the end of a long tie-in period that may have a material impact on a *customer* that the *customer* cannot reasonably be expected to recall or know about already.

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Manufacturers should act fairly and promptly when handling claims or when paying out on an insurance product that has been surrendered or reached maturity. In doing this, the *manufacturer* should meet any reasonable *customer* expectations that it may have created with regard to the outcomes or how the process would be handled.

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In ensuring that they have obtained sufficient information about the insurance products they *distribute* and in ensuring they understand the insurance products *distributed, distributors*:

- (1) should consider whether they understand the materials provided by the *manufacturer or distributor* earlier in the sales chain;
- (2) should ask the *manufacturer* to supply additional information or training where this seems necessary to understand the insurance product adequately;
- (3) should not *distribute* the insurance product if they do not understand it sufficiently; and
- (4) when providing information to another *distributor* in a distribution chain, should consider how the further *distributor* will use the information, such as whether it will be given to *customers*. *Firms* should consider what information the further *distributor* requires and the likely level of knowledge and understanding of the further *distributor* and what medium may suit it best for the transmission of information.