

## The introduction of COBs

**21 December 2018**

During recent years, the Isle of Man Financial Services Authority (IOMFSA) has been working on a number of regulatory developments which provide a roadmap for updating the Isle of Man's regulatory framework for insurance business. One of the key developments is a set of mandatory revised rules that set out how authorised companies operate. These are the Conduct of Business – Long Term Business Code 2018 ([the COBs Code](#)) which takes effect 1 January 2019.

As an Isle of Man based company, Friends Provident International Limited (FPIL) is committed to complying with the COBs Code and we would like to keep you informed of how this may affect you and your clients. The COBs Code covers areas such as fair treatment of policyholders, product development, product promotion, pre and post-sale product disclosure, cancellation rights and administrative procedures.

To meet the above requirements at FPIL, we are implementing the following:

- Processes to ensure our FPIL company policies and procedures meet the principles for the fair treatment of customers;
- A clear end to end process around the development and promotion of insurance products;
- The introduction of a standardised Key Information Document (KID);
- Illustrations which include additional information, including a 0% growth rate;
- Valuation statements which include additional information;
- A 30 day cancellation right for policyholders, for both new business and subsequent top-ups;
- New, clearer procedures for both claims and complaints.

### **Approach to achieve compliance with the COBs Code – Open Architecture**

FPIL will be revising product literature and implementing new documentation, such as the KID, in due course. In the meantime, from 1 January 2019, FPIL will need customers to complete an [Addendum](#) to the current Application Form for any new business, top-ups or assignments resulting in a change of policyholder in relation to open architecture products. Customers, particularly those wishing to be treated as non-retail investors must complete a declaration to this effect. FPIL is already applying the new standard 30 day cooling off cancellation period in its new business and top-up processes. FPIL has written to all third party Discretionary Fund Managers to advise them of new requirements for ensuring we receive informed consent. Finally there are revised forms to use for submitting open architecture dealing instructions as well.

A key part of ensuring the fair treatment of policyholders is to identify that they meet the criteria for investing in the assets that they choose to hold through their FPIL product and thereby to ensure there is informed consent prior to acting. With effect from 1 January 2019, we will identify policyholders as Retail or Non Retail investors. Non Retail investors are usually qualified or professional investors with expertise in investment markets and who possess the specialist knowledge and experience to understand how complex assets operate and who have the net worth to stand the risk to capital consistent with investing in such assets. Typically their net worth



excluding their main residence will be at least GBP 1,000,000 and their annual salary will exceed GBP 250,000.

Our new [Dealing Form](#), which must be used from 1 January 2019, will ask policyholders to declare their investor status.

Customers completing the Dealing Form will need to declare that:

“I, the policyholder, confirm that I have the opportunity to read the offering documents for the fund to which the dealing instruction in this Dealing Form relates, where I wish to do so, and as such have information about and accept the levels of risks associated with this type of investment. I further confirm that I meet the minimum criteria of a class of investor in a fund of this nature.

The policyholder(s) or the appointed Investment Adviser understands that they are instructing FPIL to act on an execution only basis.”

Advisers completing the form will need to declare that:

“I, the duly appointed agent of the policyholder, confirm that the policyholder has the opportunity to read the offering documents for the fund to which the dealing instruction in this Dealing Form relates, where the policyholder wishes to do so, and as such the policyholder has information about and accepts the levels of risks associated with this type of investment. I further confirm that the policyholder meets the minimum criteria of a class of investor in a fund of this nature.

The policyholder(s) or the appointed Investment Adviser understands that they are instructing FPIL to act on an execution only basis.”

Unless identified as a Non Retail Investor we will assume policyholders are Retail investors.

### **Approach to achieve compliance with the COBs Code – Unit Linked**

FPIL will be revising product literature and implementing new documentation, such as the KID, in due course. FPIL will ensure that the unit-linked funds available to customers of its unit-linked products are suitable for retail investors from 1 January 2019. No further investments of regular premiums or switches into unit-linked funds that could be deemed suitable for non-retail investors will be allowed from 1 January 2019. These steps will ensure that the FPIL unit-linked products are deemed by FPIL to be suitable for retail customers and therefore no Addendum to differentiate between and declare retail or non-retail status will be required. FPIL is already applying the new standard 30 day cooling off cancellation period in its new business and top-up processes for its unit-linked products.

### **Pensions & Trusts look through**

If your customer’s policy is written in trust or a pension arrangement the customer declaration should be completed for your customer rather than the pension scheme administrators or trustees. The following warning about potential delays in dealing will apply:

We acknowledge the purchase of our investments may be delayed if Friends Provident International requires a signed declaration in respect of our chosen investments. In the event that a declaration is



required, this must be signed by the underlying client(s) and reflect their knowledge and circumstances, rather than that of the appointed Pension Trustees.

You can see more details on the [COBs Code](#) by going to the IOMFSA website.