

## Examples concerning remuneration disclosure (source FCA – CP17/7)

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

## **Illustrative examples concerning insurance demands and needs** *(source FCA – CP17/7)*

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