

The introduction of COBs

21 December 2018

Notice for policyholders with open architecture products

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

As an IOM based company, Friends Provident International Limited (FPIL) is committed to complying with the COBs Code and we would like to make you aware of this new legislation. Going forward, the COBs Code covers matters such as fair treatment of policyholders, product development, product promotion, pre and post-sale product disclosure, cancellation rights and administrative procedures.

A key part of ensuring the fair treatment of policyholders is to ensure that they invest in assets that are suitable and appropriate to their category of investor. Broadly there are two types of investor: retail and non-retail. Companies may decide to design future products to suit these different categories of investor. 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.

Where products are available to both retail and non-retail investors FPIL will need to ensure there is informed consent prior to their trading in any non-retail assets. FPIL would like to confirm to you that as a default starting point your product will be considered to be a retail product and that from 1 January 2019 FPIL will ensure you have access to retail investment choices only.

FPIL will only make available non-retail investment choices through your FPIL product if you opt to be treated as non-retail investor and complete the necessary declarations to this effect. FPIL will ensure that any asset declarations required by a third party asset manager will be completed by you. This will allow FPIL to ensure you provide informed consent prior to trading.

From 1 January 2019 any additional lump sums will receive new cooling off rights including a 30 day right-to-change-your-mind cancellation period. Future valuations will be revised to include additional information that will help you understand the benefits of your product and the progress of your investment more thoroughly.

For further information please refer to your financial adviser.