

# FSC Newsletter

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## BEST MARKET PRACTICE 2 : THE SALE AND MARKETING OF LIFE ASSURANCE PRODUCTS

This newsletter is an addition to Newsletter 2/1992 and deals exclusively with Best Market Practice relating to the sale and marketing of life assurance products by persons licensed as Class II(b) Life Assurance and Collective Investment Schemes Intermediaries and Class IV, Insurance Brokers.

In common with other guidance notes issued by the Commission, these notes reflect the Commission's expectations of how business is expected to be conducted under Regulation 6 of the Financial Services (Conduct of Business) Regulations.

### Unsolicited calls made by a licensee or his Appointed Representative

Personal calls:-

- calls not to be made at unsociable times;
- no ex-directory numbers unless agreed by the client;
- the caller must identify himself at the outset of the call;
- if the reason for the call has not been agreed with the person, the purpose of the call must be stated;
- where the caller makes an offer, the acceptance of which would result in an agreement for the purchase of the investment, the caller shall inform the person called upon that it is so;
- if the call had not previously been agreed with the called to give the person an opportunity to terminate it or for some other time and/or place, to be arranged.

Licensees will be expected to be able to verify to the Commission that the above has been complied with in relation to all new business.

### Client Relations

Fact finders to be completed to enable the licensee to ascertain from the client such facts about his personal and financial situation as are appropriate to enable sound advice to be given by the licensee.

### Advertising

A licensee may not publish an advertisement which:-

- states a forecast of what benefit under a life policy the amount of which is not fixed at the outset is likely to be; or
- forecasts the realisable value of units in a collective investment scheme; or
- illustrates what such benefit or realisable value might be on any particular assumption.

other than the entire contents (without any additions or amendments) of a written statement supplied by the life office for distribution to members of the public.

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## Disclosure of product particulars

A licensee should not recommend to a client a transaction relating to the issue to him of a life policy or the purchase by him of units in a collective investment scheme unless when making the recommendation that the licensee gives him, or immediately thereafter sends him a written statement concerning the transaction which:-

- is supplied by the life office for the purpose of providing to members of the public the product particulars required by the body responsible for regulating that life office; or
- the licensee, at the time it makes the recommendation, gives to the client:
  - such information about that policy, those units and the financial implications of the transaction as the licensee reasonably considers it necessary for the client to know to enable him to make an informed decision as to whether to proceed with the transaction, and
  - if there will be a period following his making an offer to enter into the transaction before that offer can be accepted notice of that fact and of the length of the period, and
  - if, following his entering into the transaction, there will be a period during which he will have the right to cancel the transaction:
    - notice of that fact, of the length of the period and of the fact, if it be the case, that upon cancellation he will not recover his investment in full should the market have fallen since the transaction was entered into, and
    - if the transaction relates to:
      - units in a higher volatility fund, or
      - units in a constituent part of an umbrella fund which, if that part were a separate fund, would be a higher volatility fund, or
      - a life policy the benefits under which (or some of them) are measured by reference to the value of, to fluctuations in the value of or to the income from units in a higher volatility fund,

notice that the shortfall in what he recovers should the market have fallen could be very high because of the possibility of sudden and large falls in the value of the units.

## Appointed Representatives

- A licensee should take appropriate steps to ensure that none of its appointed representatives attempts to persuade any person to enter into an investment agreement otherwise than:-
  - by means of a letter or written statement which complies with the requirements dated below; or
  - in the course of a conversation, after he has given the person a written statement (which may take the form of a business card) complying with the requirements stated below;
  - but, in the case of a telephone conversation, it shall be sufficient if the appointed representative states his name and that of the firm and that, in making the call, he represents only the firm and (unless the appointed representative intends not to pursue the subject of the conversation) a copy of the statement is delivered or sent by post to the person immediately after the end of the conversation.
- The letter or statement should state:-
  - the name and business telephone number of the appointed representative;
  - the name of the licensee;

- that the licensee is authorised to conduct investment business and is regulated by the Financial Services Commission.

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