

Association of British Insurers

Initial Guidance on Over 50 Plans

November 2012

1. Purpose

Most Over 50 Plans are currently sold direct without advice. Where this is the case, it is essential that customers are given sufficient information to allow them to decide whether or not the plan meets their needs.

This Guidance for Over 50 Plans builds on the thematic work done in 2009 by the FSA, and aims to ensure that customers get the facts they need when considering a purchase, and that Over 50 Plans work in a way that meets customers' needs.

2. Scope

This Guidance covers Over 50 type whole of life insurance plans (including similar insurance based funeral plans) that are sold direct without advice.

These plans typically offer:

- Guaranteed acceptance
- Fixed premiums payable for life or to a specified age
- Cover with no medical disclosures or underwriting
- Full cover after an initial 'moratorium'
- A guaranteed sum payable on death

3. Implementation

Members have agreed to implement this Guidance by 31 March 2014.

4. Clarity about the nature of the product

Any marketing material should make it crystal clear to potential customers that the plan is an insurance policy and not a savings plan.

5. Risk warnings

All promotions should include prominent warnings about applicable risks.

Where a promotion or marketing material includes particular product features or benefits they will need to be balanced with a prominent warning about the applicable corresponding risks, including the following:

- **Moratorium** – although acceptance is guaranteed, the full sum assured may only be payable after a specified initial period.
- **Inflation** – as the sum insured is fixed, the value of the sum assured will be reduced in real terms by inflation (unless the plan includes indexation).
- **Loss of cover if premium payments cease / no cash-in value** – if the customer stops paying the premiums they will get nothing back.

- **Overpayment** – it is possible for a customer to pay more in premiums than the amount of the sum assured, depending on how long the customer lives. Where a policy has no age limit for premiums, firms should make it clear to potential customers that premiums are payable for life, however long that might be and the implications this has for the possibility of an overpayment.

6. Break-even point

Understanding the break-even point is likely to be an important consideration for many customers in deciding whether this type of policy meets their needs.

Where a personalised quote is provided to consumers, either online or on the telephone, the consumer should be provided with the break-even point associated with their specific quote. For example:

“If you were to take out a policy today at your chosen premium level of £[xx.xx] a month, by [DATE] (or age [AA,] or after [YY] years and [MM] months) you will have paid as much in premiums as the plan will pay out when you die.”

To note:

- Firms are free to amend the example text above to reflect their policy terms and conditions
- For increasing cover, the break-even point should be calculated using the earliest point that the premiums could exceed the amount paid out based on assumptions that firms believe are realistic.

7. Websites

Websites are financial promotions and firms must ensure that web pages do not allow risk disclosures to be bypassed.

8. Claims

Firms must take active steps to ensure that all valid claims are paid.

- Firms should give customers information about ensuring that the customer's beneficiaries will be aware of the existence of the policy at the appropriate time.
- In cases where due premiums are unpaid or, if a policy has a premium age limit, after the limit is reached, firms might, for example, use the Government's register of deaths to ensure that the benefits of these policies do not remain unclaimed.

9. Gifts

Free gifts should not be presented as a primary reason for buying the product. The size and prominence of any gift should not be a dominant feature in the context of the rest of the promotion, ensuring that the gift is not a major reason for replying. When using a gift in an advert, it should be clear why it is being used, for example, either as an incentive to request further information or as a thank you for choosing the policy.

10. Testimonials

Testimonials should be up-to-date and it should be clear about who is providing it, including information on relevant circumstances, such as the age of the customer and the number of payments made. It should be clear whether testimonials are genuine or illustrative.

11. Using a celebrity

Celebrities are sometimes used in financial promotions to draw attention to a promotion. The following guidelines are designed to help ensure that the celebrity does not endorse the product. As a general principle, the celebrity can:

- Introduce the need and/or present the product for consideration. In doing so, they can draw attention to some of the benefits of the product but the celebrity must not be positioned as recommending the product for purchase. So, for example, they can encourage the customer to read on or find out more, but they cannot recommend that the customer apply or buy.
- Give an introduction which talks generically about the need for the product type, but should not be used to panic the customer.