



Association of  
Mortgage Intermediaries

---

*Association of Mortgage Intermediaries' response to FCA CP23/19: Future  
Regulatory Framework – The Insurance Distribution Directive*

---

This response is submitted on behalf of the Association of Mortgage Intermediaries (AMI) and the Association of Finance Brokers (AFB). AMI is the trade association representing over 80% of UK mortgage intermediaries. AFB sits within AMI and represents second charge (formerly secured loan) brokers.

Intermediaries active in this market act on behalf of the consumer in selecting an appropriate lender and product to meet the individual consumer's mortgage requirements. AMI members also provide access to associated protection products. AFB members also provide access to unsecured products.

Our members are authorised and regulated by the Financial Conduct Authority (FCA) to carry out mortgage, insurance mediation and consumer credit activities. Firms range from sole traders through to national firms and networks, with thousands of advisers.

## Introduction

We are supportive of the proposals. We note the proposed changes relate mainly to consequential amendments and style drafting changes to the FCA Handbook and therefore believe the proposals will have little to no impact on AMI member firms. Mortgage intermediary firms are also unlikely to incur costs as a result of these amendments.

However, we wanted to take this opportunity to highlight the limitations of bundled Key Facts Documents (KFDs) and share our views on why the use of Insurance Product Information Documents (IPIDs) should be extended to include pure protection products. Please refer to our comments as part of question three. We kindly ask our views are shared with the relevant persons at the FCA; whether this fits as part of the FCA's review of retained EU law or, if outside scope, as part of a wider piece of work by the regulator to improve consumer understanding in insurance.

## Questions

**Q1: Do you agree with our proposed changes to SYSC? If not, please explain why.**

We agree.

**Q2: Do you agree with our proposed changes to COBS? If not, please explain why.**

We agree.

**Q3: Do you agree with our proposed changes to ICOBS? If not, please explain why.**

We agree.

We also wanted to take this opportunity to share our views on why we believe it should be a requirement for product manufacturers to issue an Insurance Product Information Document (IPID) for pure protection products, in line with the existing requirement for GI products.

Within PS22/9 the FCA stated that ‘now that we have left the EU and as firms embed the Duty, there may be opportunity to simplify some of our existing disclosure requirements’. We believe this to be an area that could benefit from simplification and should therefore be reviewed and consulted on by the FCA.

Currently a key facts document (KFD) is supplied to consumers in relation to a pure protection products, such as term life insurance, income protection or critical illness, whereas for GI products, such as home insurance, an IPID is supplied. This may mean a customer obtaining advice from a mortgage intermediary firm in connection with their mortgage could receive a protection and GI recommendation yet receive two sets of documentation from an insurer in very different formats.

We have also received insight from our members that there is a risk of consumer confusion with KFDs. Some insurer KFDs will bundle products (such as life, critical illness and income protection) even where a customer is only purchasing one of the products. This could lead to consumer harm if a customer wrongly believes they have cover, such as if a customer with life insurance believes they have critical illness cover and upon being diagnosed with cancer tries to submit a claim with their insurer to find it is declined. It also conflicts with the wider FCA messaging within the ‘consumer understanding’ outcome of Consumer Duty.

In our view, this is not a good consumer outcome and even if an intermediary firm were to highlight this to a customer at point of sale, the long term nature of protection products means a customer is unlikely to recall this point should a need to make a claim arise. Some intermediaries may also be cautious of advising on protection due to the risk of future consumer complaints caused by ambiguous KFDs. It is these types of barriers that we feel are important for the industry to address if we are to reduce the UK protection gap.

We therefore would like the FCA to consider:

- **Consulting on introducing a requirement for IPIDs to be produced by product manufacturers for pure protection products and supplied to consumers upon buying an applicable product.** These should replace the KFD, with one IPID supplied per pure protection product.

We feel the IPID is a much clearer form of communication, particularly when we consider the FCA Financial Lives Survey 2022 found that ‘most [insurance] policyholders did not read their policy documentation carefully’. This included 18% of UK adults that did not read their life insurance documentation at all<sup>1</sup>, the highest percentage out of all insurance categories included within the survey. By adopting the IPID for pure protection products, it ensures consistency across insurance products sold to retail customers.

**Q4: Do you agree with our proposed changes to PROD? If not, please explain why.**

We agree.

---

<sup>1</sup> [Financial Lives 2022 survey: General insurance and protection - selected findings \(fca.org.uk\)](https://www.fca.org.uk/publications/financial-lives/financial-lives-2022-survey-general-insurance-and-protection-selected-findings)