**Selling Optional Additional Products**

**Optional additional products must be sold on an opt in basis**

**Definitions:-**

An **optional additional product (add on)** is *‘any type of goods, service or right obtained in connection with or alongside a primary product – whether it is financial in nature or not’.*  An add on policy is a policy in its own right and can often be purchased alongside a primary product or as a standalone product.

In contrast **optional extras** such as baggage cover on a travel policy or accidental damage on a home insurance policy also fall under the banner of optional additional products although, it is noted that these products are always purchased alongside a primary product and are not policies in their own right.

Customers must not be defaulted into the purchase of these **optional additional products** without any real knowledge / understanding of the cover.

It is noted that if an Insurer has put together a number of different products these are seen as **Bundled Products**. A bundled product can either be a Breakable Bundle or an Unbreakable Bundle

**An Unbreakable Bundle** is when an insurer puts together a number of different products and the customer has no choice over the different components (for example a home insurance product where the customer must have buildings and contents insurance from the same provider for a single price). The rules in respect of add on products will not apply to the individual products forming the unbreakable bundle. However, Firms will need to obtain consent from their customer regarding the purchase of the unbreakable bundle.

**A breakable bundle** is when the customer can pick and choose which additional products to include or which providers to purchase from. Rules around optional additional products will apply to breakable bundles.

**Optional Additional Products New Business Procedures**

[Broker’s Name Inserted here] must *take reasonable steps to ensure a customer is given appropriate information about a policy in good time and in a comprehensible form so that the customer can make an informed decision about the arrangements proposed.*

It is noted that the appropriate information rule applies to Optional Additional Products. Appropriate information must be introduced early in the sales process.

The price for the product must be disclosed to consumers in respect of the Add On. The premium must be disclosed separately from any other prices and the consumer must be advised whether buying the policy is compulsory. Customers must actively elect to purchase the policy (Opt in) and [Broker’s Name Inserted here] must be able to demonstrate this.

**Optional Additional Products Renewal Procedures**

Prior to renewal the [Broker’s Name Inserted here] must check to see if the customer has previously purchased any optional additional products or any optional extra products and whether these were purchased on an opt out basis.

At renewal the [Broker’s Name Inserted here] has the option to either

1. obtain an active election from the customer or
2. take reasonable steps to inform the customer that the renewal of their add-on product is optional, that they may elect not to renew the product. The [Broker’s Name Inserted here] must ensure they explain the effect, if any, of the non-renewal on the primary product.

You do not need to remind your customer at every renewal if they elect to continue with the cover providing the cover is substantially the same.

If your customer has already purchased an add on and [Broker’s Name Inserted here] can demonstrate that the add on product has previously been actively chosen then at renewal you can automatically renew the add on providing it is substantially the same.

If the customer has previously claimed or used the benefits of their add-ons the we can accept that they are likely to be aware of their purchase! However, we should still remind them that they successfully claimed under the add on and of its benefits.

Once a client has actively elected to purchase the optional product firms do not need to go through this process at each renewal thereafter if the add-on is offered on substantially the same terms. However, if the terms of the add on change, so it is no longer substantially the same, you will need to inform customers of the changes and the customer will have to actively elect to renew on the revised terms.

It is important that [Broker’s Name Inserted here] can demonstrate good practice in helping customers compare packages of primary products and add ons. It is important to make the comparison of the packages easier with a clear price for the whole package given together with the annual price of the add ons to ensure the customer can adequately understand the overall price of the add ons.