**Conduct Risk Policy**

**Conduct risk** is the risk that the behaviour of the firm (or an individual within the firm) will result in poor outcomes for consumers. This will prevent the FCA from achieving its objective as stated below:

The FCA’s overarching objective is to ensure that the financial markets function well. This means ensuring that **consumers** get financial services and products that meet their needs from firms they can trust, that markets and financial systems are resilient with transparent pricing information and that firms compete effectively to meet the interests of their customers.

As an Insurance Intermediary and as a member of the professional insurance market [name of firm] must ensure that the customer receives the product and advice which best meets their demands and needs along with a high degree of ongoing support, not just at inception or renewal but throughout the year including assistance with claims. This duty is picked up by the work the firm has undertaken to implement the Consumer Duty and, is documented within the Consumer Duty Policy and Fair Value Policy. It is also monitored using Management Information as detailed at the end of this policy.

This policy sets out how Conduct Risk could occur, and the steps taken to avoid Conduct Risk prior to any customer or market detriment. Failing to address conduct risk can result in regulatory action and / or fines and could damage [name of firm]’s reputation.

Senior Management must raise the visibility of the management of Conduct Risk. Conduct Risk requires both a top down and bottom up approach. The firm’s risk culture is set through the tone at the top, communication within the firm and training.

[Name of Firm] is committed to retaining high quality employees as they provide the experience that ensures the customer is not placed at risk by purchasing an unsuitable product. Recruiting, retaining and training the right individuals also helps build the firm’s culture.

Annual fitness and propriety declarations are completed by [staff and(delete if not applicable)] approved persons within the firm.

It is recognised that the behaviour of employees is linked to how they are measured and rewarded. Behaviour that results in poor outcomes for consumers will not be tolerated and will be treated as gross misconduct. The culture of the firm will be aligned with the FCA’s objectives.

The firm always puts the **Consumer** and **Integrity** at the heart of the business model and strategies. The firm is **transparent** in our dealings with customers and insurers and always acts to deliver good outcomes for retail clients.

**Drivers to Conduct Risk**

There are three drivers to conduct risk: -

* **Inherent Factors: -** These are characteristics intrinsic to insurance intermediaries/the insurance market (features of financial market structures or the behaviours of market participants) such as information irregularities between firms and their customers or customer biases which result in poor choices and outcomes. By following the FCA guidance in this area and meeting the regulatory requirements around advised and none advised sales, scope of service and IPIDs the firm endeavours to minimise inherent factors including information irregularities.
* **Structures and Behaviours**

The financial services market has entrenched behaviours and conflicts of interest that can prevent markets from working as well as they could. Structures, processes, culture and incentives can allow firms to profit from consumer shortcomings and market failures. The firm has in place a Conflicts of Interest Policy, a Conflicts of Interest Gap Analysis and a record of any Conflicts of Interests that have arisen. Conflicts of Interest are reviewed annually at board level. The firm does not remunerate or assess the performance of employees in a way that conflicts with their duty to comply with the Customers Best Interest Rule. The Consumer Duty and the Senior Managers & Certification Regime are all helping ensure the culture of the firm meets FCA objectives.

* **Environmental Factors, Challenges, Change and Uncertainty.**

Failing to respond to economic developments locally or worldwide can impact on financial markets and in turn on consumers. It is important to respond effectively to economic changes. It is also important to understand technological developments and regulatory changes. The firm endeavours to keep up to date with the economic and technological developments and document how these could affect the firm in the risk analysis document which is reviewed annually.

Each of the above drivers is considered in the light of: The individual Business Units, the overall firm and the strategic medium to long term outlook.

**Our firm will always strive to achieve good outcomes for the customer by following the statements/behaviours noted below:**

* Senior managers accept responsibility in heading the culture of the firm and accept that they lead by example.
* Recruitment is key in ensuring the culture of the firm is not polluted. Employees are expected to be customer focused and conduct themselves professionally and with integrity. Regular monitoring, appraisals and training ensures this expectation is met.
* Clear job descriptions are in place documenting roles and responsibilities. Senior Managers have in place Statements of Responsibility with everyone knowing what they are accountable for.
* Products and services offered to a consumer are in response to a real consumer need or are in the consumer’s long-term interests.
* The firm is transparent in all our dealings with consumers and insurers. The consumer is made aware of the insurer underwriting the policy and of any other firms in the distribution chain.
* Conduct Risk can arise out of the use of third parties in the distribution chain and, although the firm is not accountable for the behaviour of third-party firms neither will the firm endorse it by working with third parties who do not see Conduct Risk as a priority. Stringent procedures are in place when entering into a business arrangement with a third party – these are documented within our Financial Crime Procedures – Prevention of Bribery and Corruption.
* A Consumer Duty Policy and framework is in place which looks at the outcomes achieved by consumers through their interactions with [name of firm]
* Fees are always separately identified. (Price and Value)
* Training is undertaken on any technologies used for payment or for underwriting policies. Use of technology is monitored and reviewed at board level. There is always the option of human intervention.
* Incentive schemes do not promote pressurised selling or customer detriment.
* If using auto renewals, the firm is transparent with the customer.
* The firm does not oversell costly products to existing customers – A customer’s demands and needs are always considered with matching of the product to their demands and needs. (Price and Value)
* Any add on product is always sold on an opt in basis and always offered with a demands and needs statement explaining the benefits of the product to the consumer. (Consumer Understanding)
* Financial promotions always meet the clear fair and not misleading rule and are signed off by senior management. The firm follows the FCA rules, Data Protection rules and PECR around marketing and financial promotions.
* There are no unreasonable barriers to cancelling a policy or making amendments to the policy mid-term. (Consumer Support). Where conditions do exist, these are highlighted to the client in writing before the policy is taken out.
* The claims service is as important as the service a client receives at inception. (Consumer Support). However, with claims the firm also considers conflicts of interest and works hard to recognise and eliminate fraudulent claims.
* The firm takes complaints seriously, examining root causes and using them as a method of improving service and identifying any weaknesses or training issues. (Consumer Support)

**Monitoring Conduct Risk**

It is the responsibility of the senior managers to monitor and manage Conduct Risk. The approach is proportionate to the size of the firm and complexity of the products sold. The firm also keeps up to date with FCA Thematic Reviews which are carried out in areas where the FCA sees failings are occurring through their analysis of data.

Information is key to protecting consumers from poor consumer outcomes. The firm uses the following **Management Information** to assist in monitoring Conduct Risk:

**Cancellations** both within the cooling off period and outside of the cooling off period. The firm reviews both numbers and the reasons for the cancellations. Monitoring these may identify risks of pressurised sales, product deficiencies and sales of unsuitable products.

**Declined Claims –** this can be used as an indicator as to whether the product was suitable and whether the consumer understood their purchase and its limitations.

**Customer Satisfaction –** this can be used to monitor whether the customer understands the product they have been sold, is satisfied with the service, has been treated fairly and been provided with enough information on the product. The feedback must be targeted at a specific service / product not generalised.

**Complaints –** The reason for the complaint can be an invaluable indicator of service provided, product suitability and whether the firm is targeting the right markets.

**Sales Monitoring –** this can be used to identify whether advisors are selling suitable products and where advice is given whether it is correct. The main tool for sales monitoring is file audits.

**Fair Value Assessments ­**  both inhouse and those issued by insurers.

**As a firm the following key conduct controls are used: -**

* Supervision of employees
* Complaints (part of the MI noted above)
* Training on Whistleblowing – to encourage an open and transparent culture.
* The structure of the firm
* Transaction monitoring
* Chinese walls to assist in managing conflicts of interest.