

Legal & General Partnership Services Ltd

Protection & General Insurance Advice Standards

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1. Introduction

1.1 Purpose Of The Protection Advice Standards

- 1.1.1 This guide is designed to provide advisors with information on the standards of advice for pure protection and general insurance products expected by Legal & General Partnership Services Limited (LGPSL), the production of the demands and needs (D&N) and the general levels of service that we would expect advisors to employ when recommending the regulated products that LGPSL take responsibility for.
- 1.1.2 It is the responsibility of the AR firm of LGPSL and its advisors and L&G's Employed Sales Force and its advisors to adhere to the requirements set out in this guide.
- 1.1.3 Failure to use this guidance appropriately could result in business submissions being queried by the Risk Team and the possibility of disciplinary action.

1.2 Scope Of The Protection Advice Standards

- 1.2.1 The Advice Standards relate to the regulated protection and general insurance product available through LGPSL as defined in the Operating Procedures and in the Appointed Representative Agreement. This document should be read in conjunction with the LGPSL Sales Process and the relevant product literature.
- 1.2.2 For L&G's Employed Sales Force and its advisors, the advice standards are applicable and should be adhered to in conjunction with their own sales processes and procedures.
- 1.2.3 This document will be regularly updated and it is the responsibility of the AR firm and its advisors to ensure they are familiar with its content at all times.
- 1.2.4 LGPSL will announce to the AR firm and L&G's Employed Sales Force any changes it has made to these advice standards and post the up to date document to the appropriate section of the BP centre. The AR firm and L&G's Employed Sales Force must then ensure its advisors are aware of the changes and any subsequent alterations to their sales process that are required as a result.
- 1.2.5 In the case of 'self selling' i.e. where the advisor requires and wishes to obtain a product for themselves, this must be carried out on a fully advised basis and such sales must be signed off by the supervisor or point of compliance contact.

- 1.2.6 All insurance sales must be on an advised basis i.e. LGPSL do not permit execution only business.

2. Statement Of Demand & Needs

2.1 What Is A D&N

- 2.1.1 The D&N is the document that records the recommendations and advice that has been given to the client.
- 2.1.2 This document is produced on the Launchpad system.
- 2.1.3 It is not mandatory for the client to sign the D&N, however you should make best endeavours to obtain this.

2.2 When Should It Be Produced

- 2.2.1 You must produce a D&N for all protection and general insurance recommendations. It must include the full recommendation, the solution accepted by the clients and the consequences of any shortfall between the accepted and recommended solution.
- 2.2.2 Where an adviser makes a recommendation and the customer has made a decision on their chosen solution, the D&N must be produced on the earlier of (a) within four days of the decision by the customer or (b) going on risk.
- 2.2.3 Where an adviser makes a recommendation on protection and the customer wants time to consider, a D&N does not have to be produced until they have reached a decision. Notes may be placed on the client review stating the reason for the delay in producing . If the customer knows they want one of the products but want time to consider the others, providing the one they do want is not going to go on risk, it is still OK not to issue the D&N.
- 2.2.4 Even if the client declines all of the protection and general insurance recommended, a D&N would need to be produced to record the recommendation and the reasons for declining all of the advice.
- 2.2.5 For mortgage related cases, if by the time the mortgage has reached exchange the client has not come back to you to confirm whether they want to proceed with your recommendation, a D&N must be issued to the clients. This must state that as they have not confirmed their chosen solution, by implication they have rejected your advice.
- 2.2.6 The D&N is available on or off-line. Should you produce the D&N at the point of sale, but cannot print and issue to the client immediately,

you can continue to complete the protection or GI application. This can then be submitted after the D&N has been produced.

- 2.2.7 Should different parts of protection and/or GI business be advised on by multiple advisors, each individual advisor will need to complete and issue a D&N for their respective recommendations.
- 2.2.8 Where joint clients live at different addresses, each must receive a copy of their D&N statement.

2.3 Re Issuing The D&N

2.3.1 There may be various reasons why you may need to re-issue the D&N, such as the following:

- Rated premium or declined ;
- Rated premium or declined and eligible for the Protection Pathways system (See section 13 for eligibility criteria and process);
- Price match
- Risk team rejects advice given;
- Clients situation changed or additional information becomes available;
- Client changed the solution they had accepted.

All of the above may affect the suitability of the recommendation you had made, after you had agreed the sale. You must therefore revisit the recommendation with the client and issue a new D&N to reflect the new recommendation.

2.3.2 There may be occasions where, following underwriting, the initial policy details for your client change. This may be due to an exclusion being applied, or the premium being rated.

2.3.3 Please note that you will only need to issue a revised D&N statement to the customer if this change is material, i.e. it has a significant impact on affordability or it changes your original advice.

2.3.4 Significant impact is defined as follows:

- If the premium changes due to it being rated or going through a half birthday, a D&N will need to be reissued if the cost of the overall recommendation (mortgage, protection + GI) increases by more than 10%.

2.3.5 However, for small increases in cover there is no need to issue a revised D&N, as the assessment letter your customer will receive is sufficient, though you may consider it best practice to do so.

2.3.6 You must also revisit the recommendation with the client and issue a new D&N if the Risk Team rejects the original advice given, the clients

situation changes, significant additional information becomes available, or the client changed the solution they had originally accepted.

2.4 Manual D&N

- 2.4.1 A manual D&N will be available on request from the Business Support Team for any circumstances where a system generated D&N cannot be produced.
- 2.4.2 You must send a copy of the completed D&N to the Sales Quality Team (see glossary of addresses for contact details) having noted the individual system reference number on the Risk Submission form (available from the guides & library section on the Launchpad home page). This must be submitted prior/at the same time as the protection and/or GI is being applied for.

2.5 Demands & Needs Wording For The Protection Pathways Process

- 2.5.1 This is not applicable for L&G's Employed Sales Force and its advisors.
- 2.5.2 Examples of wording that can be used for the Protection Pathways D&N can be found in appendix 8.7 and should be read in conjunction with section 13.

3. Initial Disclosure Document

3.1 When To Issue An IDD

3.1.1 The Initial Disclosure Document (IDD) must be given to a client and explained, on making first contact where you make or anticipate making a personal recommendation or give, or anticipate giving personalised information to a client.

3.1.2 When conducting mortgage and protection business a mortgage, protection and GI combined IDD can be issued.

Note: This must be client and meeting specific.

3.1.3 If, after the IDD has been issued, a client cancels or does not attend a meeting and no advice has been given, the advisor must abort the case and ensure that an explanation is added to Launchpad with confirmation that advice has not been given.

3.2 Re-issuing IDDs

3.2.1 If the scope or level of services you offer changes during the sales process, you may need to issue a further IDD e.g.:

- Where the initial IDD states that you are advising on Legal & General products only and you are going to introduce to another provider (see Mortgage Lender General Insurance).
- If a case meets the criteria for the Protection Pathways system and your client wishes to proceed. (See section 13 for full details of the Protection Pathways process).
- If following the issue of a combined IDD and arrangement of a mortgage, the client does not attend a subsequent appointment to enable the advisor to make a protection recommendation.
- In such circumstances where the client refuses to discuss protection and this objection cannot be overcome, the advisor should re-issue the IDD without protection, adding a note to the client review to explain what has occurred. It may also be considered good practice to write to the client confirming why the advisor was unable to make a recommendation and that there may be an existing shortfall for the client(s) protection needs.
- Should there be a delay in giving protection advice to the clients following submission of the mortgage application, the reason for this delay should be recorded in the notes section of the client review.

3.3 Non Face To Face Advice

3.3.1 Where initial contact is by way of telephone, the following verbal disclosure must be given and the IDD must be issued, in a durable medium, within 3 business days of the contact.

- Name of firm and the commercial purpose of the call
- Scope of service provided (that it will cover all of the regulated products within the scope of LGPSL)
- The firm will provide an advice based service
- That this information will be confirmed in writing.

4. Client Review

4.1 Purpose Of The Client Review

- 4.1.1 The client review is designed to enable an advisor to record sufficient information about the customer's current situation to demonstrate that they know their customer's financial circumstances, needs, objectives and priorities. This in turn will enable the advisor to make suitable recommendations in line with the client's D&N .

4.2 Affordability

- 4.2.1 Affordability needs to be considered as a whole to ensure that where possible all of the D&N of the client are addressed. If this recommendation is made alongside a mortgage recommendation you must explain to the customer that the assessment of whether they can afford, now and in the foreseeable future, to enter into the protection, general insurance and a regulated mortgage contract is based on the current interest rates, which might rise in the future and the client's current circumstances, which might change (see mortgage advice standards).
- 4.2.2 You must satisfy yourself that the clients can afford your recommendation. The income and expenditure section of the client review takes into account future affordability rather than existing affordability. This means that each section e.g. housing costs, financing costs, family costs, entertainment and other will need to be completed with anticipated costs, based on future expenditure. If additional information is relevant, you must document this in the notes section of the client review
- 4.2.3 For protection only sales, you can either use the income and expenditure section or give a breakdown in the notes section of the client review i.e. detail your discussions and as a minimum give the net income, regular outgoings (fixed and discretionary) to reveal a surplus income figure. If additional information is relevant you must document this in the notes section of the client review.
- 4.2.4 If you are giving advice on a mortgage as well, the budget planner will need to be fully completed in all cases to ensure that we retain the records required around evidencing affordability. Please see section 9 of the mortgage advice standards.
- 4.2.5 The surplus income figure is the amount the customer has available for the package you are recommending. It is a starting point for discussion

as the client may wish to reduce discretionary outgoings to increase surplus funds available. If you recommend a package over the surplus amount, you will need to justify it.

- 4.2.6 Affordability must also be clearly justified in the D&N. Should the client accept a subsequent rating, affordability must be re-checked and re-confirmed (please see section 2.3.1).

5 Record Retention

5.1 You must retain a complete client file, most of which is retained on Launchpad, for 6 years after the business relationship with the customer has ended. A business relationship ends when the last policy sold expires.

5.2 It is best practice to retain copies of the following documents at a Head Office location :

- Evidence of income; and
- The mortgage application form
- Any other relevant correspondence

5.3 Records must be accessible within 2 business days.

5.1 Revisiting Existing Clients

5.1.1 Where you are revisiting a client and the original advice was given more than 6 months ago, you should ensure that a new client review is created. You should NOT overwrite the existing client review or use information in the existing document to make a new recommendation.

5.1.2 If a case is not proceeding or has completed, the Launchpad record must be closed down. In the event of a re-mortgage/further advance, a new record must be created.

6 Existing Protection

6.1 Utilising Existing Policies

- 6.1.1 If the client has any existing policies that are suitable to protect or repay the mortgage, or provide protection for the client's family or lifestyle, you must always consider utilising them in any recommendation.
- 6.1.2 To be able to include a policy in the recommendation the client would need the following information:
- Lives assured and how it is written
 - Type of cover
 - Sum assured/benefit payable
 - End date of the policy
 - Any additional benefit (e.g. critical illness cover)
- 6.1.3 Where a client is unable to provide you with **any** details of an existing policy that could be utilised, you are not required to take it into account. However, if you suspect that the client has cover which may be suitable, you should either not make a recommendation until sufficient information has been provided, or make it clear in the D&N that you have not taken account of the full details of the clients existing protection and why you have taken this course of action. Where a client has an existing critical illness policy (CIC) and immediate advice is required, please refer to section 6.3.6.
- 6.1.4 Where the client is in an occupation where you would reasonably expect employee benefits to form part of the employment package e.g. a civil servant or teacher, as these benefits could impact on the recommended deferment period of MPPI/MPI products, you should ensure your client seeks details of such benefits from their employer before proceeding with giving advice. These should then be recorded in the client review and D&N.
- 6.1.5 You must also consider the purpose of any existing pure protection or general insurance products the client has and how this purpose integrates with your recommendation.
- 6.1.6 If it is an employee accident & sickness benefit, this will need to be taken into account when determining and justifying any deferment periods recommended, and must be recorded in the D&N .

- 6.1.7 If it is a 'death in service benefit' it should be considered but the client must understand that if they leave their employment the cover will cease leaving them with a shortfall on death.
- 6.1.8 Where the client's mortgage comes with free ASU insurance for an initial period, you must inform your client that you are unable to give any advice regarding the cover offered by the lender. You should make your client aware that they have the option of either MPPI with a deferred start period that coincides with the end of the free cover offered by their lender or a policy with a more immediate start date in line with their needs and preferences. This conversation should be recorded in the notes section of the client review and also in the D&N.
- 6.1.9 The original purpose of a policy must be considered and where the need is still appropriate the consequences should be quantified and explained to the client if the purpose is going to be changed, e.g. If the client has dependents and their existing cover is intended for family protection, it must be pointed out that if they use this cover for mortgage protection, they will not have adequate family protection and what the impact of this would be.
- 6.1.10 Where the benefits of the existing policy are clearly superior to that available through LGPSL the client should utilise the existing contract.
- 6.1.11 Note: If the client has existing Legal & General policies, they must be considered in full.
- 6.1.12 If the client wishes to utilise an existing investment product (e.g. Endowments, ISA's, Unit Trusts) to repay the interest only portion of the mortgage, you are not allowed to provide advice as to the suitability of the contract(s), unless you are appropriately authorised, and you must make this clear to the client.
- 6.1.13 If the client wants advice on any investment contract or other product outside the scope of LGPSL you should refer them onto an appropriately authorised advisor within the AR firm, LGPSL, L&G's Employed Sales Force and its advisors or an Independent Financial Advisor. You should ensure you have appropriate arrangements in place to make such a referral.
- 6.1.14 Any potential lump sum from an investment contract used in the recommendation must be the amount the client has provided and is happy they will receive at maturity.

6.2 Guaranteed Insurability Options

- 6.2.1 If an existing policy has a guaranteed insurability option this should be considered particularly where the client is in declining health.
- 6.2.2 If the contract is with another provider you are not able to offer advice on the suitability of the option so it must be recommended that the client seek advice from the product provider.

6.3 Cancelling Existing Policies

- 6.3.1 It is acceptable to rewrite (recycle) an existing protection assurance policy if the same cover can be provided for a cheaper premium, or better benefits can be provided for the same premium.
- 6.3.2 You should ensure that the client obtains details of any penalties to pay on existing policies in the event of a cancellation and these should be documented in the D&N. For example, a fee waiver agreement. In the event that the client is unsure as to whether there are any penalties, you should warn them of the risk that they may be subject to a fee and document this in the D&N.
- 6.3.3 When recommending buildings and contents insurance, you will need to clarify if the existing policy can be cancelled mid term and that the client can obtain a refund before making your recommendation. If they can obtain a refund, you must obtain the broad details of the existing policy to be replaced, e.g. maximum sum insured, so that a comparison of the general benefit levels can be undertaken between the existing policy and the proposed L&G replacement. The details should be recorded in the client review and any material differences should be explained in the D&N. Care should be taken where a benefit is of particular importance to the client, e.g. kennelling fees, and where identified, this should be assessed against the L&G policy.
- 6.3.4 You must not cancel an existing policy until the new policy is on risk.
- 6.3.5 It is not acceptable to recycle CIC policies (or term assurance policies with CIC added) unless it can be clearly identified that the benefits provided within the L&G policy are better, or the specific client situation would mean that the new policy is more appropriate, e.g. a particular illness is covered by the new contract that is not on the existing. This is because it is extremely difficult to be sure that existing CIC illnesses covered will be matched. You should therefore request to see the clients existing policy documents and review the contents. It should be clearly documented in the D&N the action taken and the reasons why.
- 6.3.6 If you are aware that the client has a policy that provides CIC then section 6.1.3 should be followed. If you make a recommendation, as well as making it clear in the D&N that you have not taken into account the full details of the clients existing protection and why this course of

action has been taken, you should add that it is recommended that the client should not cancel the existing cover. This is because it is unlikely current policies will provide the level of cover as their historical equivalents until the client is able to provide the full details of the policy and has obtained prior professional advice.

- 6.3.7 Should the client decide to reject the advisor's recommendation to retain the CIC policy then this must be recorded in the D&N , together with the reason why and the implications of the cancellation of the policy.

7 Identifying Demands & Needs

7.1 Client Preferences

- 7.1.1 The client review will help you to identify any preferences that the client has and these should be taken into consideration as part of the recommendation you make and recorded on the D&N.

7.2 Identifying Client Needs

- 7.2.1 As part of the client review you must identify all of the protection needs for each client and record them in the 'aims & views' section.
- 7.2.2 If the client does not want to address any of these needs at this meeting you must record in the D&N that you have identified a need in the area but the client does not wish to address it at this stage. You must also point out and record in D&N the consequences of this course of action.
- 7.2.3 Where possible you should agree a date to review these needs.

7.3 Single Clients With No Dependents

- 7.3.1 We would not normally expect a single client without dependents to have a need for protection in the event of death, so would not expect a recommendation for life cover.
- 7.3.2 Where a recommendation for life cover is made, the reason would need to be fully documented in the D&N.
- 7.3.3 In addition, we would normally expect a life policy recommended on a single life basis to be placed in trust. Please see section 10 for full details regarding writing policies in trust.

8 Recommendations

8.1 Fully Protected Mortgage

- 8.1.1 The Financial Services Authority (FSA) Insurance Conduct of Business Sourcebook requires intermediaries to 'recommend sufficient cover to insure the risk required by the customer'. This is consistent with Legal & General's best practice requirements to recommend a 'fully protected mortgage'.
- 8.1.2 You will need to calculate and populate a potential solution to fully protect the mortgage, based on the information gathered in the client review.
- 8.1.3 Any recommendation you make must be personalised to the client's D&N. This should be viewed as only the starting point for your recommendation and it is your responsibility to ensure that the recommendation you make is affordable and the most suitable for the client's situation.
- 8.1.4 If a fully protected mortgage cannot be recommended due to affordability, in addition to the illustration for the recommended and chosen options an illustration should still be produced based on a fully protected mortgage. You must provide details of this in the notes section within the client review and fully explain why you cannot recommend a fully protected mortgage and document how this is unaffordable.
- 8.1.5 The information in the following sections explains the basis behind the fully protected solution the system will populate into Launchpad.
- 8.1.6 For buy-to-let mortgages you should also consider if the client has a need to protect these arrangements in the event of death, critical illness, long-term sickness, property, contents and rental income, and make an appropriate recommendation.
- 8.1.7 When making your recommendations you should take into account all of the clients additional borrowings whether secured or unsecured.
- 8.1.8 In the case of foreign nationals who are working in the UK with a work permit for a specified term, you must contact the Medical & Underwriting Helpline (see appendix 11.1 glossary of addresses) for guidance on eligibility of cover and make any recommendations accordingly. This must be fully documented within the notes section of the client review.

8.2 Key Features Document (KFD) And Statement of Price

- 8.2.1 You must ensure that the appropriate Key Features Document/Statement of Price are issued for the products recommended together with the necessary supporting documentation.
- 8.2.2 This needs to be issued to the client in a durable medium prior to submission of the application to Legal & General.
- 8.2.3 When presenting a recommendation to the client, the advisor must fully explain all details of the product including any risks, policy exclusions, excesses, limitations or specific conditions of the proposed contract. This should be done with reference to the relevant documents.

8.3 Protecting The Mortgage In The Event Of Death

- 8.3.1 Where you have identified a need to protect the mortgage in the event of death, you must recommend protection for the full amount of the mortgage (please see section 6 existing protection above).
- 8.3.2 The Launchpad system will automatically populate the quote with a level mortgage term assurance.
- 8.3.3 Where a repayment mortgage has been recommended, you should consider both mortgage decreasing (MDTA) and level term assurance as either policy is likely to be suitable to provide the protection to repay the mortgage in the event of death. To determine which would be the most suitable, you should consider your assessment of what the client can afford, attitude to possible increases to interest rates (as the cover on a MDTA is suitable for loans with an average interest rate of up to and including 10%) and if there are any future increases to the mortgage planned due to moving or improving their home which is likely to make the feature of a constant sum assured preferable. Notwithstanding these reasons, the principal, but not sole, consideration should be one of cost.
- 8.3.4 Where an interest only mortgage has been recommended, level mortgage term assurance is more likely to be suitable than a decreasing term assurance.
- 8.3.5 When you are making a recommendation to joint borrowers you would normally recommend a joint life, first death OTA policy, as the policy will pay out in the event of the death of the first life assured in order to repay the mortgage. If appropriate you should consider writing a joint policy in trust. See section 10.1.4.

8.4 Protecting The Mortgage In The Event Of Critical Illness

- 8.4.1 Where you have identified a need to protect the mortgage in the event of a critical illness, you must recommend protection for the full mortgage amount.
- 8.4.2 Adding a CIC rider to the level or decreasing mortgage term assurance would normally provide this, so that the policy pays out on the first event.
- 8.4.3 When both guaranteed and reviewable premium options are available and reviewable is being recommended, you must also show the client the cost of the guaranteed alternative to ensure they understand the difference.
- 8.4.4 Note: for single clients without dependents you would normally recommend a Mortgage CIC, as the primary benefit of this policy is the critical illness cover.
- 8.4.5 For buy-to-let cases, where you have identified a need for CIC, the sum assured can be up to 50% of the loan amount up to a maximum of £500,000. Any policy with a sum assured over £350,000 will require financial evidence. This is a maximum total for ALL L&G CIC policies an individual may hold.

8.5 Protecting The Mortgage Payment In The Event Of Long-Term Sickness

- 8.5.1 Where a need has been identified to protect the mortgage payments in the event of long-term sickness, you should recommend cover for the full mortgage payment which is also sufficient to cover the client's regular commitments.
- 8.5.2 You should also consider whether a house person needs to be included in your recommendation (please see section 8.15 for further guidance).
- 8.5.3 When you make a recommendation for MPI and MPPI, you will need to consider whether the package you propose renders the client unable to:
 - Make a claim on their MPI policy or;
 - Leaves them with no or reduced cover for a period or;
 - Leaves them with excess cover for a period

- 8.5.4 If any of the above are applicable, the client must be made aware of these risks in the D&N. Sample paragraphs are available in the guides and library section of the Launchpad homepage.
- 8.5.5 If the deferment periods provided under the MPPI/MPI policy do not fit with employee benefits or the clients ability to cover the mortgage outgoings from savings, then the underlying principle should be to recommend a package which over-insures rather than under-insures, if this is affordable. Any over-insurance must be pointed out in the D&N and example wording is available in the guides and library section of the Launchpad homepage.
- 8.5.6 You should endeavour to obtain full details of existing income protection policies and/or any cover provided by the client's employer to allow a suitable recommendation to be made.

8.6 Protecting The Mortgage Payment In The Event Of Unemployment

- 8.6.1 Where a need is identified to protect the client's income in the event that they lose their job, you should use the unemployment feature available with MPPI as this is superior to the older option currently available under MPI. This should also be considered for self employed clients as the policy covers self employed people if the insured 'ceases to trade'.

8.7 Protecting The Family In The Event Of Death

- 8.7.1 Where you have identified and agreed to address a family protection need, the normal recommendation would be for a Family Personal Income Plan (FPIP).
- 8.7.2 A monthly benefit equal to the client's net income less the mortgage payment and taking into account other potential costs that cease, and provisions that start on death would provide a monthly amount that would replace the client's income.
- 8.7.3 It is important that consideration is given to the client's situation and future aspirations to ensure the policy and level is appropriate and where necessary these should be altered to meet the client's needs.

8.8 Protecting Lifestyle In The Event Of Critical Illness

- 8.8.1 Where you have identified and agree to address a need to protect the client's life style in the event of a critical illness, you must recommend an amount of cover that is appropriate to the client's situation.

8.8.2 This should be reviewed with the client to ensure the lump sum or monthly benefit would enable the client to maintain their lifestyle. Consideration should be given to the aspirations of the client in this situation, the impact it would have on the client's daily expenditure and any additional expenses they may incur (single or regular).

8.8.3 When both guaranteed and reviewable premium options are available and reviewable is being recommended, you must also show the client the cost of the guaranteed alternative to ensure they understand the difference.

8.9 Protecting Income In The Event Of Long Term Sickness

8.9.1 Where you have identified and agreed to address a need to protect the client's income in the event of long term sickness, you should recommend the client protects their income fully to enable them to maintain their lifestyle and regular commitments. Consideration should always be given to potential changes in expenditure.

8.9.2 You should also consider whether a house person needs to be included in your recommendation (see section 8.15 for further guidance).

8.9.3 This need would normally be met by using an Income Protection Benefit (IPB) policy, as this is intended to provide a replacement income in the event of long-term sickness until the clients normal retirement age.

8.9.4 Your chosen solution should take into account any relevant deferment periods, clients existing policies and clients employee benefits. Justification and the consequences of the deferred period recommendation must be recorded in the D&N.

8.10 Protecting The Property And Contents

8.10.1 Where you have identified a need to protect the property and its contents, you must include a recommendation for buildings and contents insurance.

8.10.2 For a domestic property this would normally be a Home Insurance Choices (HIC) policy as this is a bedroom rated contract that provides a simple policy that covers a broad set of property and contents needs.

8.10.3 Where clients have identified special needs that cannot be covered by product within the range of LGPSL, the advisor must inform the client we are unable to provide cover so they can seek alternative arrangements. This should be documented in the D&N.

8.11 Protecting A Buy-To-Let Property And Rental Income

- 8.11.1 Where you are dealing with a buy-to-let property and you have identified a need to protect the property and/or the rental income arising from it, you must include a recommendation for buy-to-let property insurance.
- 8.11.2 This provides cover for the customer's property against loss or damage from an insured peril and also includes cover for loss of rent during the period the home is made uninhabitable by any cause insured under the policy.
- 8.11.3 Where you have identified a need for CIC, the sum assured can be up to 50% of the loan amount up to a maximum of £500,000. Any policy with a sum assured over £350,000 will require financial evidence. This is a maximum total for ALL L&G CIC policies an individual may hold.
- 8.11.4 Where clients have identified special needs that cannot be covered by product within the range of LGPSL, the advisor must inform the client we are unable to provide cover so they can seek alternative arrangements. This should be documented in the D&N.

8.12 Will Arrangements

- 8.12.1 You must always recommend the client arranges or updates a will to ensure the estate is distributed according to their wishes

8.13 Term Of Policies

- 8.13.1 The term recommended for mortgage policies must always cover the full term of the mortgage arrangements.
- 8.13.2 Where the term and conditions of the protection products prevent you from recommending a fully protected mortgage then you need to consider the following and record where appropriate in the D&N.:
- Consider separate policies for both clients as this may well allow one of the clients to have a fully protected mortgage.
 - Consider the use of a separate mortgage term assurance policy and mortgage CIC

- If you have issued a combined mortgage and protection IDD, consider reviewing your recommended term for the mortgage (see section 14 of the mortgage advice standards).
- Should there be a shortfall in protection due to terms and conditions of the protection policies, you should record this, together with the reason why and the risk implications of the shortfall in the D&N..

8.13.3 For family protection policies the term recommended should be to a point where the client feels their dependents will no longer be dependent.

8.13.4 If the policy is recommended for the client's protection, the term should be until the expected retirement age or the maximum for the policy which ever is the shorter.

8.14 Policy Basis

8.14.1 As part of considering the overall recommendation you must ensure that the policies have been written on the most appropriate basis for the clients circumstances.

8.14.2 Where the client need is personal it would be appropriate to write the policies on a single life basis, and where the need is shared by two clients it would be appropriate for the policies to be written on a joint life.

8.15 House Persons

8.15.1 A house person is someone who, as their main occupation, looks after their dependents and/or the household.

8.15.2 When recommending protection for a house person, a reasonable level of income should be assumed to enable the survivor to employ someone to perform the functions undertaken by the house person.

8.15.3 The maximum level of cover available under a MPI policy is £600 per month and under an IPB policy is £800 a month.

8.16 Placing Policies On Risk

8.16.1 Policies must only be placed on risk in accordance with the clients' instructions. Evidence of these instructions must be retained/recorded.

8.16.2 If, when completing the application form, the client indicates that they want the policy to be placed on risk 'as soon as possible', then evidence of this instruction must be retained/recorded at the time of submitting the application.

9 Partially Accepted Advice

9.1 Prioritising Client Needs

- 9.1.1 Where a client does not accept all of the recommendations made you must reduce the protection according to the client's priorities and needs.
- 9.1.2 You must agree the priorities with each client individually, as this will be individual to the particular client's circumstances. These must be agreed by discussion with the client and their priorities, and not by the advisors' recommendations.
- 9.1.3 As the recommendation is to address all of the agreed demands and needs of the client, you must consider if it is possible to reduce the levels of cover for some or all of the needs before removing a policy altogether, so the client will still have cover in as many of the agreed areas of need.
- 9.1.4 The consequences of the shortfall must be explained to the client and documented in the D&N.

10 Writing Policies In Trust

10.1.1 It is important that where appropriate policies are written in trust.

10.1.2 A trust is an effective way of ensuring that policy proceeds are paid to the right person on death. The main advantages of a properly worded trust are:

- The beneficiaries can receive the proceeds without unnecessary delay by avoiding probate.
- The liability for inheritance tax can be avoided.
- Flexibility to change beneficiaries as appropriate.
- There is no need to prove insurable interest.

10.1.3 When advising a client regarding family protection, writing the policy in trust must be recommended where appropriate.

10.1.4 When you are making a recommendation to joint borrowers and have recommended a joint life first death policy, it is unlikely to be necessary to write the policy in trust. However there are examples where this would be appropriate and so consideration must still be given. E.g. What if both customers die at the same time, for example, in a car crash and they wish to ensure that the proceeds of this policy go to their children in equal shares outside their estate?

10.1.5 Conversely, for a single life policy we would normally expect this to be written in trust.

10.1.6 A free text box has been provided in the D&N to cover trusts. Details of how the policy has been written in trust must be included in this box. If the policy is not being written in trust, (including mortgage protection), the D&N 'trust box' must include the reason why.

10.1.7 Legal & General has produced a Technical Guide to Legal & General Trusts W4903. This document provides useful guidance on writing policies in trust and how to complete the paperwork and can be obtained from Centralised Sales Support.

11 Life Of Another

- 11.1 Life of Another is not supported by the eProtection Choices application form. Applications need to be completed on paper and submitted to Legal & General New Business.
- 11.2 If the policy needs to be owned by someone other than the life assured and there is insurable interest you must consider if it is better to write the policy on a Life of Another basis or in trust e.g. when the policy is part of a divorce settlement.
- 11.3 This method has less flexibility than a trust and careful consideration of the client's situation must be given

12. Other General Insurance Products

12.1 Mortgage Lender General Insurance

12.1.1 LGPSL does not allow firms to introduce customers to another general insurance product provider without their express permission. However, you do have the option to use Northern Rock's tick box insurance as a special arrangement has been agreed. You can therefore introduce clients to Northern Rock for general insurance products. Where an introduction is going to be made, you must issue a new IDD to reflect that you are no longer giving advice on these types of products before the introduction is made. Northern Rock is the only lender you can use in this way

12.1.2 You must ensure this is documented in the D&N. To do this, when generating the D&N, under the options page you must select the 'introduced' option where appropriate to specify that the customer has been introduced to another firm for general insurance.

12.2 Contingent Insurance Products

12.2.1 When the mortgage product that is identified as being the most suitable, has a contingent/conditional insurance product, you must explain that you are unable to offer advice on that product and that they should contact the lender for full details.

12.2.2 You must also provide the client with a new IDD to explain that you are no longer advising the clients in this area. You must also ensure that this is clearly explained in the D&N.

13 Protection Pathways

Section 13 is not applicable for L&G's Employed Sales Force and its advisors.

13.1 Introduction

13.1.1 The Protection Pathways process allows you, in certain circumstances, to refer rated or declined cases to Risk Placement Services (RPS) to determine whether alternative terms are available from a short panel of other providers.

13.1.2 Upon receipt of the underwriting decision from L&G, if your customer has been declined, or does not wish to proceed with the rated premium, subject to the application meeting our eligibility criteria (see section 13.2) you can use this process.

13.1.3 Before you can use the Protection Pathways process you must complete the training module which will sit within the registration page on the RPS website.

13.2 Eligibility Criteria

13.2.1 This section details the agreed criteria enabling you to easily check if a case is eligible for the Protection Pathways process. You must ensure your case meets the criteria below, prior to invoking the process.

13.2.2 Those cases eligible are single life or joint life term assurance and/or critical illness applications, which have been declined, or where the premium has increased by 75% or more.

13.2.3 To check if your rated case meets the definition, simply multiply the original premium by 175%.

13.2.4 If Mortgage Payment Insurance or Mortgage Payment Protection Insurance were included as part of the initial recommendation, these products will be excluded from this process.

Exclusions

13.2.5 You will not be able to refer the following cases:

- Mortgage Payment Insurance sales (MPI).
- Mortgage Payment Protection Insurance sales (MPPI).

- Cases postponed due to recent diagnosis or where awaiting investigation.
- Cases declined due to non-disclosure.
- Cases where an exclusion has been applied.
- Cases where no medical evidence has been obtained, or where the medical evidence was obtained more than 6 months ago.

Joint Life Cases

13.2.7 Where you have recommended a joint life case if only one client is rated or declined (and meets the above criteria), it is possible to invoke the process for the joint life policy.

13.2.8 If the non rated/declined applicant wished to proceed as a single life with L&G, it is possible to invoke the process for the rated/declined applicant only i.e. submit one case via the Protection Pathways process and the other using the standard L&G procedure.

13.2.9 Where you recommended 2 single life policies to your clients, you will need to follow the process separately for each applicant: create separate records, obtain separate consent forms, and upload the application separately (see sales process in appendix 8.4 – Training Module)

13.3 Sales Process

13.3.1 If a case meets the criteria in section 12.2 and your client wishes to proceed, you must comply with the following steps:

- Invoke the process and issue the correct disclosure documentation;
- Add a note entitled 'Protection Pathways Process' and record the dates when the revised IDD is issued, the process invoked and the consent form and application sent to RPS
- Upload the required information to RPS;
- Present alternative terms to your client.

13.3.2 Each of the stages above and respective required documentation are detailed in full in the following (all of which can also be accessed via the guides & library section on the Launchpad home page):

- Appendix 8.4; training module
- Appendix 8.5; IDD and panel providers
- Appendix 8.6; client declaration and consent form
- Appendix 8.7; guidance wording for D&Ns

13.4 Risk Team Requirements

13.4.1 In all instances the 'Risk Team Submission Form', which can be found in the guides & library section on the Launchpad home page, must be submitted to the Sales Quality Team (see glossary of addresses), together with a copy of the revised IDD and new providers policy documents. This must include the individual Launchpad case number.

14 Telephone Sales Process

14.1 Process for a telephone sale

14.1.1 This section will give guidelines for telephone based sales, details of disclosure requirements and when the disclosure needs to be made.

14.1.2 This section will also give details of immediate cover cases

14.2 Non Face to Face Advice – Initial Disclosure

14.2.1 Where initial contact is made by telephone, you will need to ask the customer if they are happy to proceed on a limited disclosure basis (explicit consent). If they confirm that they are, the following verbal disclosure must be given and the IDD must be issued, by post within 3 business days of the contact :

- Advisers name, firms name and (if call initiated by the firm) the commercial purpose of the call.
- Scope of service provided (that it will cover all of the regulated products within the scope of LGPSL).
- The firm will provide an advice based service.
- That this information will be confirmed in writing.

14.2.2 If the client does not agree to receive limited information, then full disclosure information from the IDD needs to be read to the client. If you feel that this will take some time you may then decide to send the IDD to the client to read and make another appointment, before continuing with the client review.

14.3 Client Review

14.3.1 The client review will need to be completed in the same way as a face-to-face sale (see section 8.4 of the operating procedures and section 8.1 of the mortgage advice standards).

14.3.2 The sales process will remain the same as a face-to-face sale. Where appropriate, your initial recommendation will be for a fully protected mortgage based on the information gathered in the client review.

14.3.3 The adviser will need to discuss the consideration of writing any relevant policies in trust (see section 10 of the protection advice standards).

14.4 Product Information

14.4.2 When discussing your recommendations to the client you must fully explain all details of the products - including any risks, policy exclusions, excesses, limitations or specific conditions of the proposed contract.

14.4.3 Once you have completed your quotes and discussed with the client your recommendations and the clients chosen solutions, you should post the following in good time before conclusion of the policy :

- Policy summary (or key features).
- Statement of price.
- Policy document.
- Information about the claims handling process.
- Information where applicable about cancellation rights.

14.5 Demands & Needs

14.5.1 Prior to conclusion of the contract(s) you will need to complete and post the D&N as per the normal sales practise for face-to-face sales.

14.6 Immediate Cover

14.6.1 If immediate cover is required, in addition to the initial disclosure requirements, only the information listed below needs to be verbally disclosed before conclusion (this is subject to the explicit consent of the client and they must be informed that other information is available and the nature of this information).

- Type of insurance and cover.
- Significant features and benefits.
- Significant or unusual exclusions or limitations.
- The total price to be paid for each policy.
- Notice of the possibility that other taxes or costs may exist in respect of the insurance contract that are not payable via the firm or imposed by it.
- The cancellation period, the period of cancellations and the conditions for exercising the right to cancel and any information about what the customer may have to pay.
- A telephone number or address to which a claim may be notified

- The demands and needs of the client (including confirmation whether the contract is personally recommended and the underlying reasons for the recommendation).

14.6.2 If consent for limited information is not received the adviser must confirm all the information as detailed in sections 21.4 and 21.5. In any event, the client must be provided with this information in a durable medium immediately after conclusion of the contract(s).

15 Buyers Protection

15.1 Buyers Protection is designed to protect the buyer in the event of named unexpected circumstances such as gazumping, vendor withdrawal, adverse valuation or a change in the buyers' circumstances.

15.2 The cost of the product from 14/1/05 is a single payment of £17 made prior to entering into any new and appropriate mortgage arrangement. As any buyer will have much greater expenses involved in the purchase of a property, e.g. stamp duty, solicitor's fees, etc it can be assumed that this is affordable.

15.3 In all cases (with the exception of properties purchased under Scottish Law) buyers would have a need for the product, unless they already have a similar product (but as it is only valid for the one purchase this is not likely) or the purchase is of a type excluded. We would therefore expect this product is recommended for all appropriate mortgages.

15.4 The only Buyer's Protection Product that can be offered or arranged by LGPSL and its AR firms is that provided by Legal & General Insurance.

16 Processes/Protection Requiring Manual Intervention

16.1 The following protection business is not currently supported by Launchpad, with the exception of the Initial Disclosure Document and therefore will need to be processed with manual intervention. This list is not exhaustive:

- Guaranteed insurability option being advised;
- Alterations to existing Protection Choices plans; and
- Legal & General's Staff Buys.

Process:

- You must create a client and produce your Initial Disclosure Document from the Launchpad system;
- Complete the client review as normal;
- Obtain the statement of price for the protection you are recommending;
- Present your recommendations to the client as normal;
- Complete a manual D&N and issue to the client prior to conclusion of the contract;
- Add a note to the client review entitled 'Manual Protection Process' under this title confirm dates and documents that have been issued to the client e.g. D&N issued 16th March;
- Submit the paper application to the relevant Legal & General processing department; and
- Send a copy of the statement of price and manual D&N to the Sales Quality Team at Kingswood using the Risk team submission form held in the guides and library section on the home page of Launchpad. (See glossary of addresses).

17 Price Match Calculator

- 17.1 The Price Match Calculator process allows you to match another insurance providers or agents quote where they have beaten your recommended product on price for protection products quoted through Protection Choices.
- 17.2 The calculator is for guidance only and you should contact the Quote team for a revised statement of price.
- 17.3 The premium is reduced by way of commission sacrifice. Legal & General will match the premium reduction made by the AR firm up to a maximum of 20%. Any further reduction to the premium beyond 20% can be made, but will not be matched by Legal & General.
- 17.4 A nominated person should be allocated to authorise these transactions and a record of each request should be kept within the office detailing the name of the advisor with details of each case where the calculator is used.
- 17.5 If a D&N has been previously issued and the change in premium exceeds those detailed in section 2.3.1 a new D&N will be required to reflect this.
- 17.6 For the L&G's Employed Sales Force and its advisors, all commission sacrifice requests will need to be referred to your sales manager for consideration.
- 17.7 See appendix 8.8 for instructions for use.