Proskauer

FCA Presses Ahead with Insurance Simplification: Key Points from Consultation Paper 26/22

Global Financial Regulatory Insights on **July 7, 2026**

On 29 June 2026, the Financial Conduct Authority (**FCA**) published Consultation Paper CP26/22, *Simplifying the insurance rules — A package of proposals on the scope of our rules, disclosure and advice*. This is the second phase of the FCA's insurance simplification programme, following Policy Statement PS25/21 in December 2025 and earlier exploratory work through Discussion Paper DP24/1 and Feedback Statement FS25/2.

The consultation closes on 4 September 2026, and the FCA proposes that the rule changes will come into force shortly afterwards. This approach would allow firms to quickly benefit from the greater simplicity and additional flexibility created by the reforms.

Whilst this package of reforms is targeted in scope, it addresses key stakeholder feedback elicited through the FCA's previous engagement with the insurance industry and represents a further deliberate move away from the EU-derived regulation introduced via the Insurance Distribution Directive in 2018. The proposals are notably pragmatic. They reflect both the evolution of insurance distribution, including the increasing use of digital and AI-enabled channels, and the FCA's recognition that prescriptive disclosure rules can sometimes detract from, rather than improve, customer understanding.

The reforms are also consistent with the FCA's broader strategy of relying primarily on the Consumer Duty as the principal framework for customer protection. Firms will therefore need to continue exercising judgement through the Consumer Duty lens, alongside complying with the simplified body of insurance-specific rules.

The FCA has designed these reforms to benefit UK insurance market participants. We set out below the five key areas of reform and what they mean in practice for firms.

1. Narrowing the Territorial Scope of Conduct Rules

FCA Proposal

The FCA's headline proposal concerns the territorial application of the Insurance Conduct of Business Sourcebook (**ICOBS**) and Chapter 4 of the Product Intervention and Product Governance Sourcebook (**PROD 4**).

The proposed ICOBS amendments would apply at individual customer level and, if implemented, would disapply ICOBS where: (i) the customer is not *habitually resident* in the UK when *entering into the contract*; and (ii) the *state of the risk* is outside the UK, such that there is no clear UK connection to the risk. The proposal would therefore expand the current ICOBS territorial limitation, which only applies to insurers in respect of sales by non-UK intermediaries to non-UK customers regarding non-UK risks.

By contrast, the FCA's proposals for PROD 4 apply at product level. More specifically, the relevant PROD 4 requirements would not apply to overseas non-investment insurance products, *i.e.,* products that are exclusively distributed to customers resident outside the UK and, if applicable, in respect of non-UK risks.

These changes would apply on a forward-looking basis only and would not affect policies already in force when the rules take effect.

Impact for Industry Stakeholders

These proposals should be welcomed by stakeholders, as they address long-standing concerns about duplicative UK conduct regulation overlapping with local requirements in overseas jurisdictions. They are also consistent with the FCA's wider consultation on limiting the territorial scope of the Consumer Duty (CP26/23), also published on 29 June 2026.

2. Removing Unnecessary Disclosure Requirements

FCA Proposal

The FCA proposes to remove various prescriptive ICOBS disclosure obligations that it regards as duplicative, low-value or liable to contribute to customer information overload. These include requirements to disclose:

- whether the firm acts as an insurer or insurance intermediary; and
- for intermediaries:

- whether they act for the customer or for the insurer;
- whether they hold a direct or indirect 10%+ interest in an insurer;
- whether they are contractually obliged to place business exclusively with one or more insurers; and
- the nature and basis of remuneration received.

The remuneration proposal is not, however, a complete removal of commission-related obligations. Intermediaries would still need to disclose fees to all customers before they are incurred, and commissions to commercial customers upon request. The proposed rule changes would also not displace any fiduciary duties regarding commission disclosures, where those duties arise.

Impact for Industry Stakeholders

These changes could materially improve customer experience by enabling firms to remove significant amounts of generic fine print that is often skimmed, misunderstood or disregarded.

Insurance distributors should also benefit from greater flexibility to deliver simpler, more effective messages in different formats, including interactive digital disclosures, graphics and, where appropriate, AI-enabled tools.

3. Greater Flexibility in the Means of Disclosure

FCA Proposal

The FCA proposes to give firms greater flexibility in how they deliver disclosures to customers. Under the existing rules, customers must be given a choice between paper and another durable medium, such as email or other digital means, with paper operating as the default option. Under the revised rules, firms could select the default durable medium, provided it is appropriate in the context of the business carried on with the customer. Firms would, however, still need to provide paper disclosures on request.

Impact for Industry Stakeholders

The FCA describes this change as minor, although it could create meaningful benefits for both firms and customers. Firms would have greater flexibility to communicate through different channels, including digital and, where appropriate, AI-enabled tools, as customer journeys evolve with technology. Moving away from default paper disclosures may also benefit customer groups that engage more effectively with digital media.

Firms would nevertheless need to exercise judgement in determining when digital disclosures are appropriate for particular customers and products. Newer forms of disclosures, including interactive disclosures, should be properly tested to ensure that that they remain clear, fair and not misleading, and that they support good outcomes under the Consumer Duty. Specific focus should therefore be given to pre-contractual disclosures at the product testing stage.

4. Simplifying Rules for Advised Sales of Insurance

FCA Proposal

ICOBS currently provides different requirements for advised and non-advised sales. Where no advice is given, a firm is only required to ensure that proposed products are consistent with customers’ demands and needs. Where general advice is provided to customers in connection with a sale, the advice must be suitable for customers. Additional rules apply to *personal recommendations*, *i.e.*, personalised advice provided to individual customers, including a requirement to provide a written explanation of why the product best meets the customer’s needs.

The FCA proposes to simplify this framework by drawing a clearer distinction between sales involving a *personal recommendation* and those that do not. More specifically, sales involving advice or information that does not amount to a *personal recommendation* would be subject to the same core requirements as non-advised sales.

Impact for Industry Stakeholders

As most consumer general insurance is sold on a non-advised basis, the overall industry impact may be limited. However, the proposal should provide greater clarity for firms and may give them more confidence to provide helpful generic information, supporting customer understanding in line with the Consumer Duty.

5. Amending PII Denomination from Euros to Sterling

Finally, in a practical but operationally relevant change, the FCA proposes to denominate minimum professional indemnity insurance levels for intermediaries in pounds sterling rather than euros, at an appropriate conversion rate.

What Firms Should Do Now

The FCA's proposals are intended to be positive for firms and to reduce cumulative regulatory burden. To maximise the benefit of the proposed changes, firms should consider taking the following actions in the coming months:

- map existing business against the proposed territorial scope criteria to identify where the new flexibilities may apply;
- review current disclosure practices and assess which obligations may be simplified or retired under the proposals;
- assess the impact of the revised advice boundary on distribution models and sales processes; and
- prepare for the currency re-denomination at the next PII renewal cycle.

Proskauer has deep experience of FCA conduct regulation in both the insurance sector and the wider financial services industry.

If you would like further information, please contact Andrew Wingfield, Partner at awingfield@proskauer.com, and Edward Lister, Special Regulatory Counsel at elister@proskauer.com.

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