REPLACEMENT POLICY

IMPACT FINANCIAL SERVICES LIMITED

PURPOSE

The purpose of this policy is to ensure that any replacement of an existing insurance policy is carried out in the best interests of the client.

Impact Financial Services Limited recognises that replacing an existing policy may expose clients to potential risks such as loss of benefits, new exclusions, or higher premiums.

This policy establishes a framework to ensure that policy replacement is only recommended where it is clearly suitable and beneficial for the client.

SCOPE

This policy applies to all advisers providing advice on protection products, including:

- Life Insurance
- Critical Illness Cover
- Income Protection
- Other protection products

The policy applies whenever an adviser recommends cancelling or replacing an existing policy.

DEFINITION OF REPLACEMENT

A replacement occurs when a client cancels an existing insurance policy and replaces it with a new policy recommended by the adviser. Replacement may also occur where:

- a policy is rewritten with a different insurer
- existing cover is replaced by a new product
- multiple policies are replaced by a new policy

RISKS ASSOCIATED WITH REPLACEMENT

Replacing an existing policy may expose clients to potential risks including:

- loss of existing benefits
- new medical underwriting requirements
- introduction of exclusions
- new waiting periods
- higher premiums
- loss of guaranteed terms

Advisers must assess these risks before recommending a replacement.

ASSESSMENT BEFORE REPLACEMENT

Before recommending replacement of an existing policy, the adviser must:

- Identify all existing protection policies held by the client
- Review the features and benefits of the current policy
- Compare the existing policy with the proposed replacement
- Determine whether the replacement provides a clear advantage to the client

Replacement must not be recommended unless it is demonstrably suitable.

WHEN REPLACEMENT MAY OR MAY NOT BE APPROPRIATE

✔ May Be Appropriate

- Existing cover is insufficient
- Client's circumstances have significantly changed
- New policy offers improved benefits
- New policy offers better long-term value

The adviser must clearly document the reasoning.

✘ May Not Be Appropriate

- Existing policy provides superior benefits
- Client would lose valuable guarantees
- Replacement offers no meaningful improvement
- Recommendation is driven by adviser remuneration

Advisers must never recommend replacement solely to generate new commission.

CLIENT DISCLOSURE

Where replacement is recommended, the adviser must clearly explain:

- why replacement is recommended
- the risks of cancelling the existing policy
- differences between the old and new policies
- potential exclusions or limitations

Clients must receive sufficient information to make an informed decision.

REPLACEMENT DOCUMENTATION AND SYSTEM RECORDING

Where a replacement recommendation is made, the adviser must complete the following steps.

8.1 Recording Existing Policies

The adviser must record details of the client's existing policy within Pro System in the Existing Policies section. Information to record:

- insurer name, policy type, cover amount, premium
- policy start date
- key benefits and limitations

8.2 Replacement Identification in Pro System

The adviser must clearly mark in Pro System that the case involves replacement. This allows monitoring during file reviews, compliance checks and supervisory oversight.

8.3 Replacement Form

The adviser must complete a Replacement Form with the client confirming:

- the client understands their existing policy
- risks of cancellation have been explained
- differences between policies have been discussed
- potential loss of benefits is understood

The form must be stored within the client file.

8.4 Suitability Report

The Suitability Report must clearly explain:

- details of the existing policy
- reasons for recommending replacement
- advantages of the new policy
- any potential disadvantages or risks

MONITORING AND OVERSIGHT

Replacement cases may be subject to additional supervision and file review. Monitoring may include:

- file reviews
- adviser supervision
- compliance monitoring

Oversight is conducted by the T&C Manager.

REPLACEMENT RISK INDICATORS

The firm may investigate potential concerns where indicators such as the following arise:

- unusually high levels of policy replacement
- repeated replacement cases by the same adviser
- poor justification for replacement
- client complaints relating to replacement

Where concerns arise, the firm may conduct additional supervision or investigation.

GOOD & POOR PRACTICE

✔ Good Practice

- Completing a full comparison of the old and new policies
- Clearly explaining risks to the client
- Documenting the reasons for replacement
- Ensuring the replacement genuinely benefits the client

✘ Poor Practice

- Recommending replacement purely to generate commission
- Failing to review the existing policy
- Failing to explain risks of cancellation
- Recommending replacement without clear client benefit

Poor practice may lead to disciplinary action.

POLICY REVIEW

This policy will be reviewed:

- annually
- following regulatory changes
- following identification of replacement-related concerns

Impact Financial Services Limited remains committed to ensuring that policy replacement is conducted in a responsible, transparent and client-focused manner. Replacement must only be recommended where it is clearly in the client's best interests.