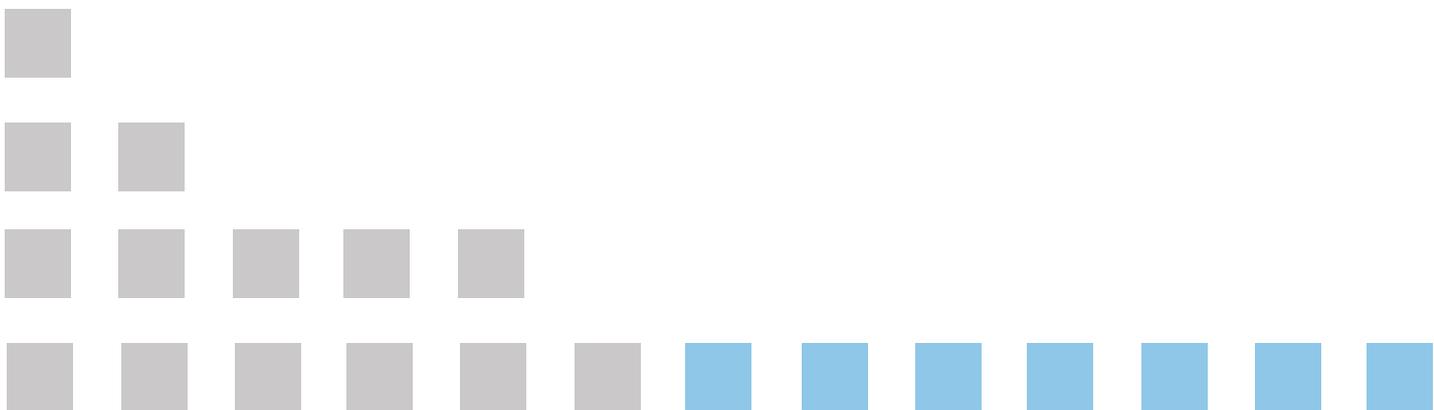


Insurance Distribution Directive

Training and Competency



Training and Competency

Purpose

The Insurance Distribution Directive (IDD) sets out the importance of training and competence and the need to establish high standards. In this paper the GFSC aims to establish minimum standards for the assessment of knowledge and competence for staff providing insurance distribution services as provided for in the Insurance Distribution Directive (“IDD”).

Should the European Insurance and Occupational Pensions Association (EIOPA) issue further guidance in this area, this paper may need to be reviewed. The GFSC has looked at approaches by other organisations and by other European bodies, such as the European Securities Markets Association (ESMA) to understand good practice. The GFSC has looked closely at the approach by ESMA on the Markets and Financial Instruments Directive II (MIFID II) as it is a directive with many synergies to IDD to help establish this good practice.

This paper sets out examples of roles that need to be considered, and a minimum benchmark has been provided from which firms can assess the level of knowledge and competence of their employees. This list is not meant to be exhaustive and the onus is on compliance officers to assess the details of relevant individual’s qualifications against these to establish if they meet the benchmark. Compliance officers would be expected to report to the Board and management.

Background

As per the IDD, it is important to guarantee a high level of professionalism and competence among insurance distribution firms. This includes insurance, reinsurance and ancillary insurance intermediaries and insurance and reinsurance undertakings. Therefore, the professional knowledge of intermediaries and ancillary insurance intermediaries and of the employees of insurance and reinsurance undertakings needs to match the level of complexity of the distribution activities carried out.

Who is caught by IDD?

Those who are involved directly in the insurance or reinsurance distribution (“distribution”) within an insurance, reinsurance or ancillary insurance intermediary or insurance and reinsurance undertaking are required to possess an appropriate level of knowledge and competence in relation to the distribution activity. This includes both management as well as the relevant employees (please see definition in Directive for further information).

To that end, an employee who is responsible for the distribution within a firm should always abide by the knowledge and competence requirements. It should be noted that IDD developed the definition of distribution to include more activities ranging from carrying out preparatory work to contracts and administration in performance of such contracts. Please refer to the legislation for full details of what distribution constitutes.

The requirements would also apply to all relevant staff conducting the activity in outsourced service providers.

Managers or employees not directly involved in the distribution fall out of this regime. Likewise, staff who are devoted solely to administrative tasks fall out of the remit of these requirements. The regime is focused on staff involved in the distribution of the products, focusing on those involved in aspects of selling.

Furthermore, employees should be given adequate time and resources to be able to provide all relevant information to customers about the products that they provide.

Some examples of firms/employees within a particular firm that would need to possess appropriate knowledge and competence include:

- Employees of insurance and reinsurance undertakings who are involved in activities preparatory to, during and after the sales of insurance and reinsurance policies.
- Persons within the management structure in charge of executing policies and procedures relating to distribution (where the insurance and reinsurance distributor is a legal person)
- Insurance intermediaries and insurance undertakings that advise on, or sell, insurance-based investment products to retail customers, should possess an appropriate level of knowledge and competence in relation to the products offered.

Such knowledge and competence are particularly important given the increased complexity and continuous innovation in the design of insurance-based investment products. Buying an insurance-based investment product implies a risk and investors should be able to rely on the information and quality of assessments provided.

- For ancillary insurance intermediaries, at least the persons responsible for ancillary insurance distribution should be considered among the relevant employees who are expected to possess an appropriate level of knowledge and competence. Ancillary insurance intermediaries need to know the terms and conditions of the policies they distribute and, where applicable, rules on handling claims and complaints.

Establishing a Benchmark

The GFSC does not need to approve individual's qualifications or equivalent qualifications, it is up to the firm to have in place robust processes to determine the level of experience and qualifications are appropriate for each role. The GFSC may, however, review this as part of the ongoing supervision of the firm.

Qualifications should form part of a wider approach by firms to ensure that relevant staff maintain these standards and understand the necessary areas for them to perform their role.

The below table sets out a list of qualifications that should be used as a benchmark when considering an individual's knowledge and competence for the purposes of IDD. The compilation is not intended to be exhaustive and may be amended over time. The table provides a list of qualifications based on recommendations provided to the GFSC via the IDD industry working group.

Qualification	Provider
Diploma for Financial Advisers (DipFA)	The London Institute of Banking and Finance
Certificate level – relevant qualifications	Chartered Insurance Institute
Level 4 – relevant qualifications in respect of the areas advice is being provided for	Chartered Institute for Securities and Investment

Insurance Companies and Insurance Intermediaries are expected to assess all relevant staff against these benchmarks. An appropriate training plan can then be put in place in order to fill any gaps in competence and knowledge.

We expect Insurance Companies and Insurance Intermediaries to record training and qualifications of staff and ongoing compliance with the CPD requirements.

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