

# Insurance Distribution Directive

Webinar September 2018



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# IDD expectations

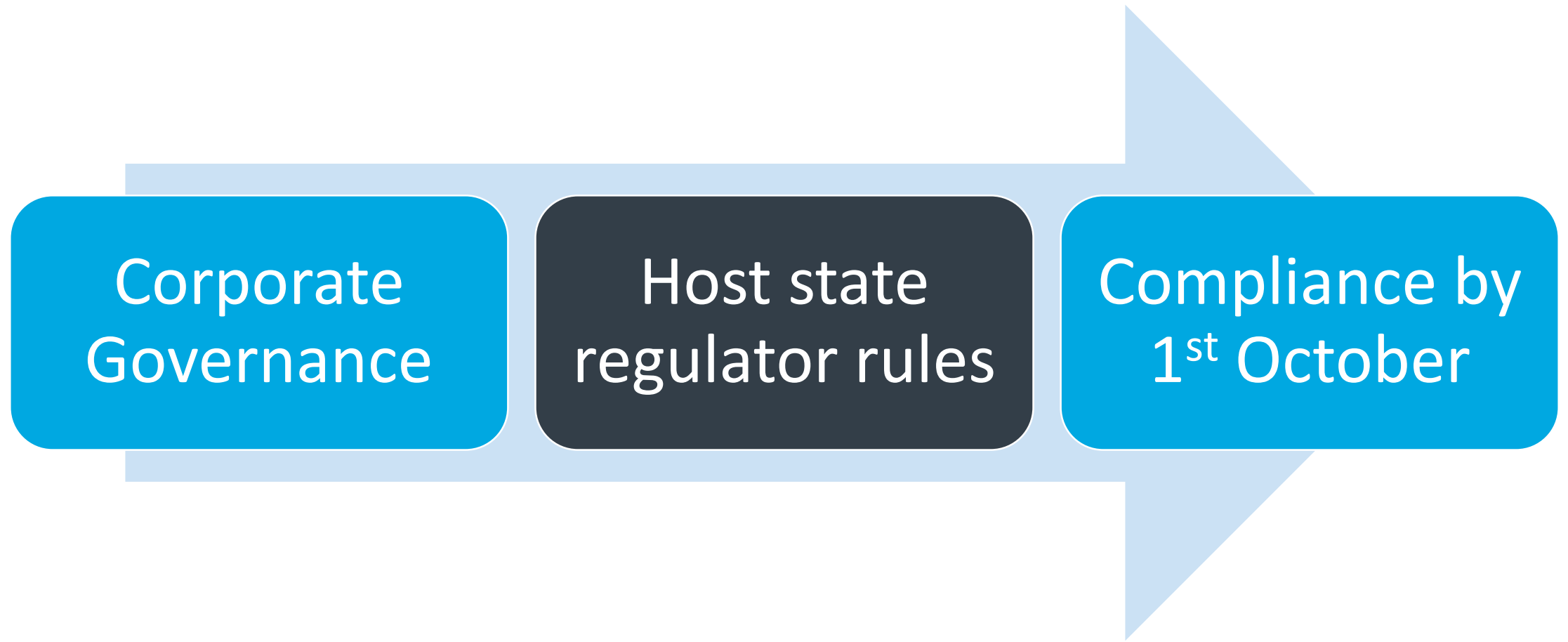
## Familiar with:

- IDD requirements,
- EU Regulations/Guidelines, and
- GFSC issued documents.

## Working to full IDD compliance

- Reviewed Corporate Governance arrangements
- Reviewed distribution / selling processes
- Good customer outcomes

# Key messages



# Conduct of Business

A Revised approach to Conduct of Business Supervision



# What is Conduct ?

Conduct is how people behave.

Good conduct is not just about compliance and mitigating risks and/or a tick box approach

Consistently good customer outcomes require effective systems and controls, meeting compliance obligations and good disclosure

All underpinned by a good conduct culture

# Revised Conduct of Business Approach

## Why

- Increased focus internationally and domestically
- GFSC's publication on Approach to Insurance Regulation Paper
- Much more than revised TCF requirements

## How


- Industry seminar - overview of categories
- Setting expectations and guidance - phased approach
- Self-assessment
- Sample selection of self-assessments
- Feedback
- Ongoing reviews

# Product Governance and Distribution channels





# What is required?



The regulations require manufactures to maintain, operate and review a product approval process for newly developed insurance products and for significant adaptations of existing products.

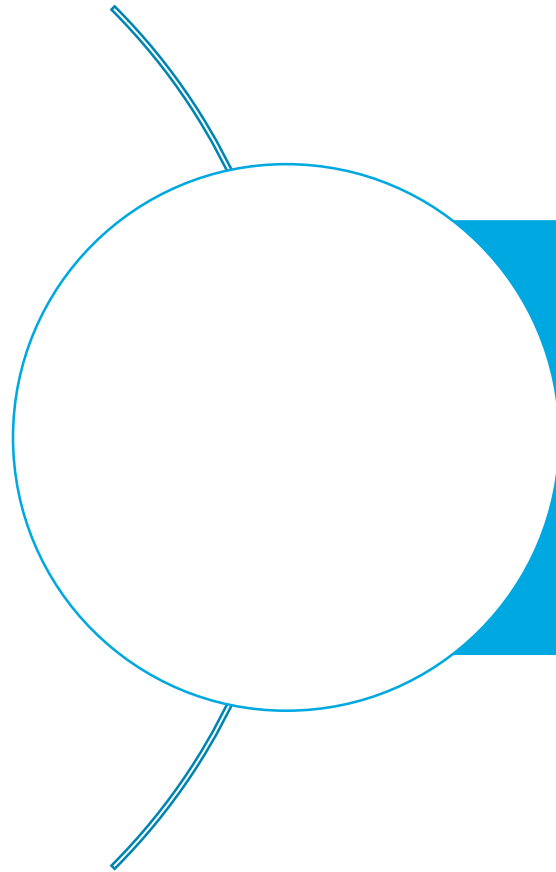
# How can this requirement be met by insurers?

- Product oversight committee in place
- Clear governance structure and reporting lines
- Good oversight and upwards reporting
- Good Management information

# How can this requirement be met by distributors of the products?

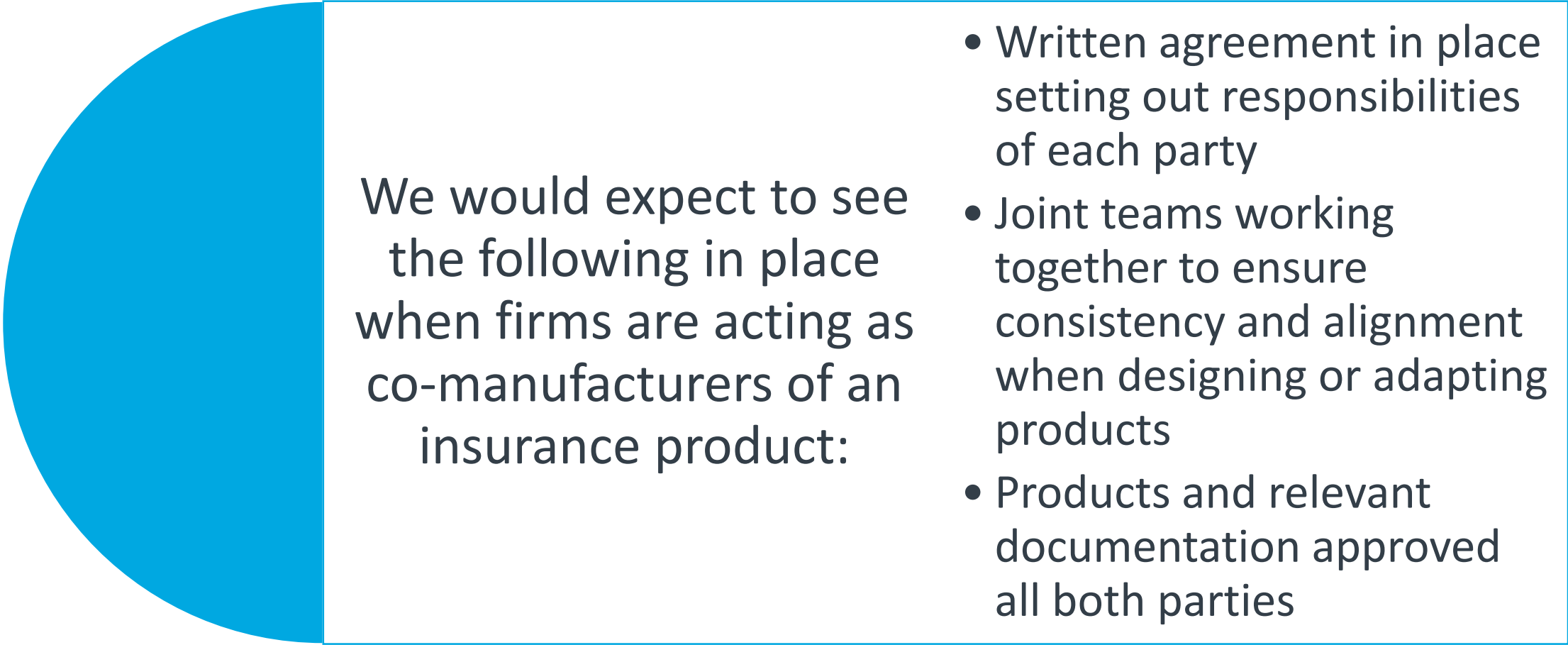
- Provide the manufacturer with the data required for the review of the insurance product
- Sense check that the products being sold meet the needs of the target market
- Provide management information to insurers in a timely manner
- Appropriate product selection process
- Robust training for staff

# What are co-manufacturers?



When an insurance product is designed and developed by an insurance intermediary and an insurance company acting together with both parties having a decision making role this is known as co-manufacturing

# Governance for co-manufacturers



We would expect to see the following in place when firms are acting as co-manufacturers of an insurance product:

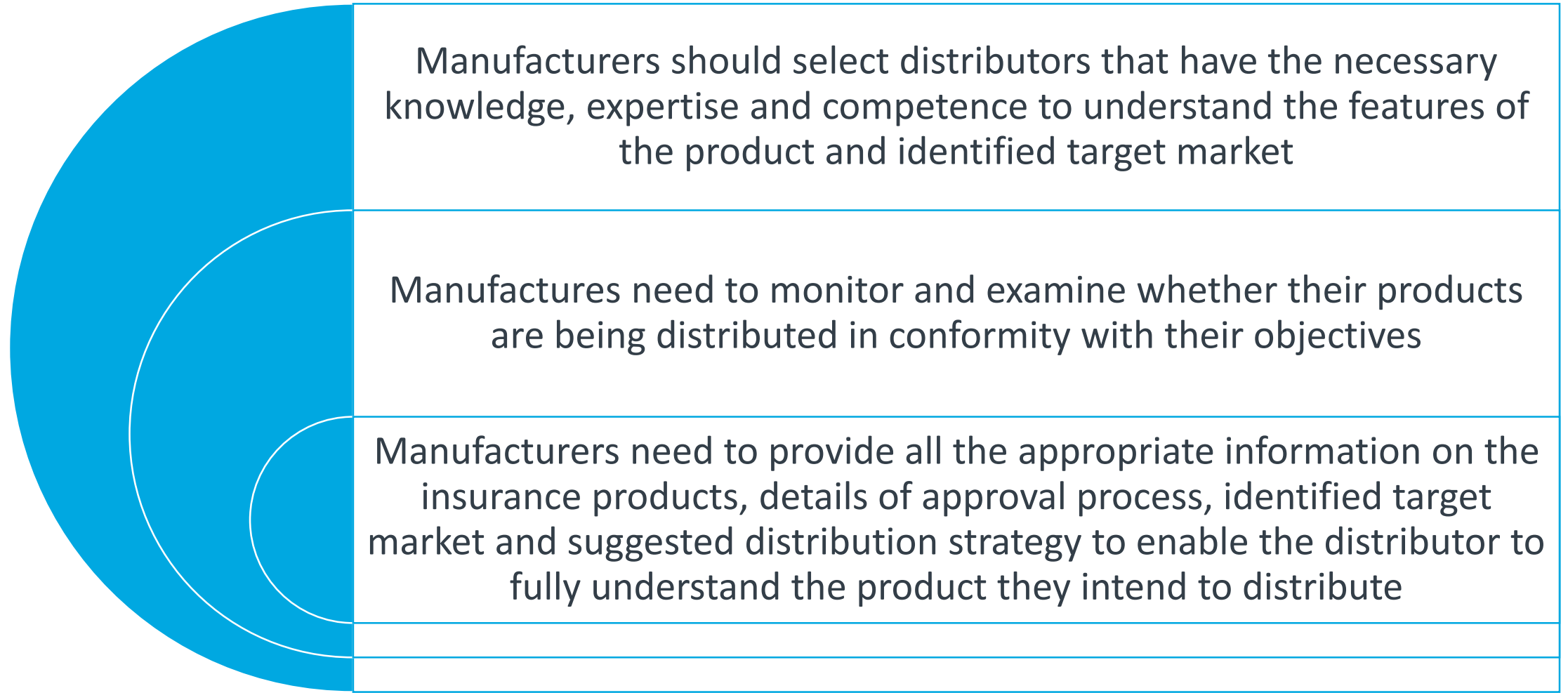
- Written agreement in place setting out responsibilities of each party
- Joint teams working together to ensure consistency and alignment when designing or adapting products
- Products and relevant documentation approved all both parties

# Identifying the target market

Defining the target market enables the manufacturer to adapt the features of the product to the needs, characteristics and objectives of the group of customers targeted

The granularity of the target market and determination of the appropriate distribution channel should be commensurate with the complexity of the product being offered

# Distribution



# Distribution – selecting the distribution channel

Have an approach for assessing the distributors knowledge and understanding of the type of product

Does the distributor have all the necessary training and product material?

Have the risks of the product being communicated to the distributor

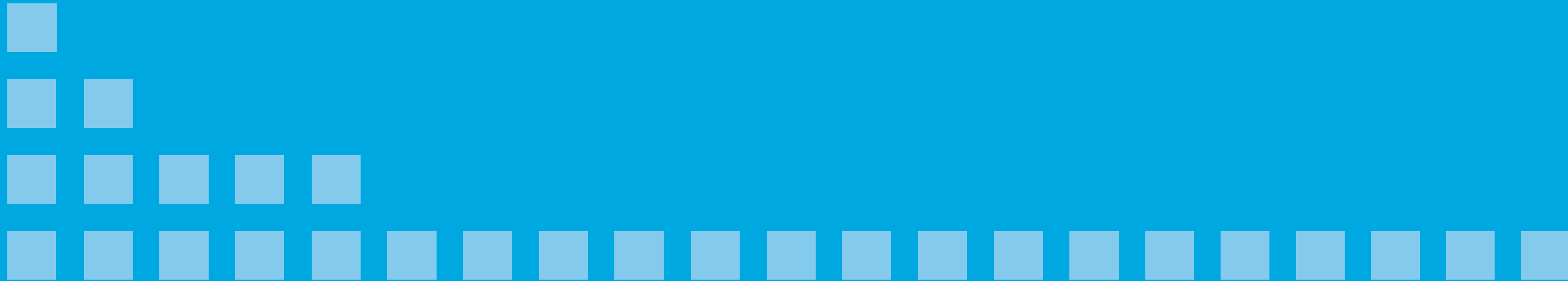
If the distributor is producing the promotional material, the manufacturer should verify the accuracy before it is used



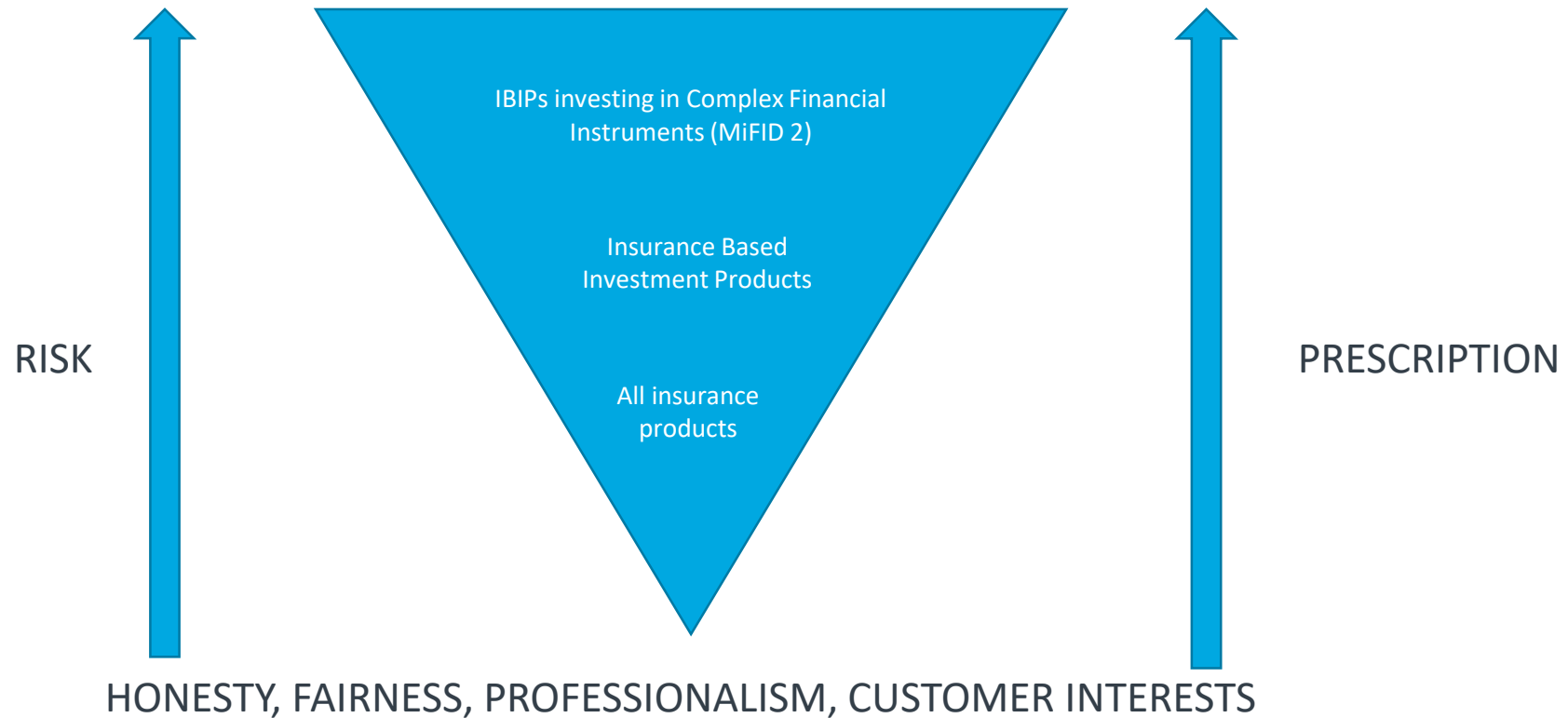
# Distribution – oversight of the distribution channel

- Complaints – to understand the root cause
- Cancellations – for trends – is the product being mis-sold?
- Through interaction with the distributor is it clear that the product is understood?
- Onsite visits to larger more significant distributors
- Internal audits

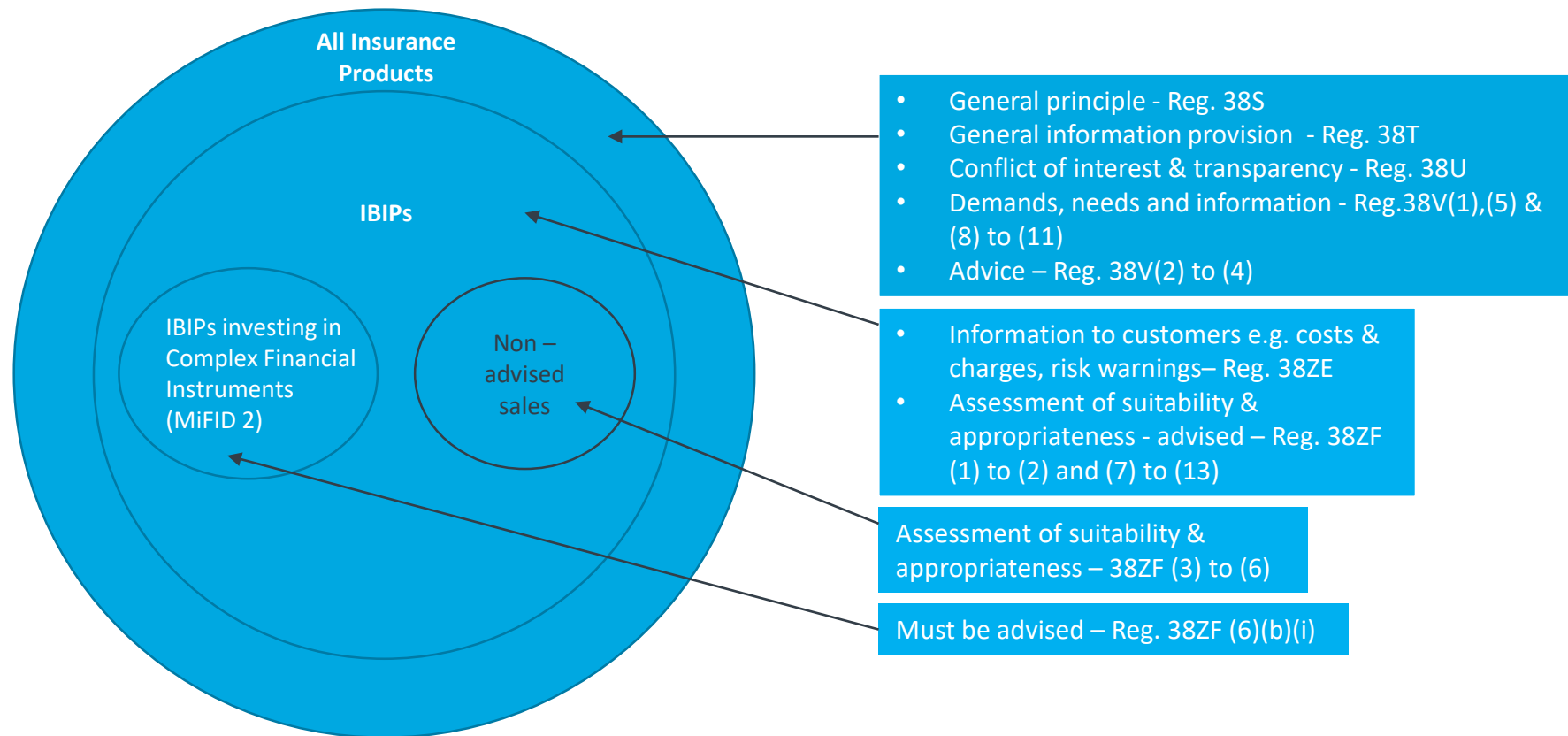
# Insurance Intermediaries - Selling



# Protecting the consumer – a risk based approach



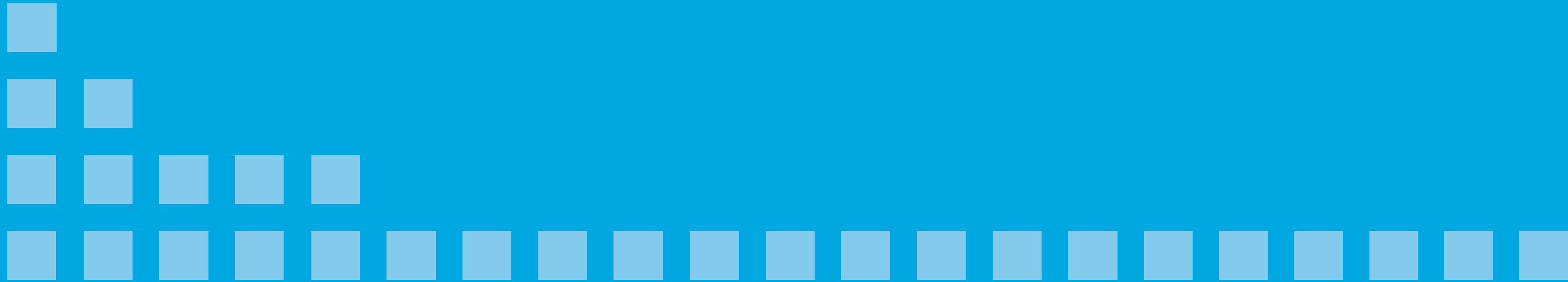
# Protecting the consumer – avoidance of mis-selling



# Protecting the consumer – avoidance of mis-selling

- The demands and needs test
- Standardised insurance product information document
- IBIPs – suitability and appropriateness
- Information gathering  
<https://eiopa.europa.eu/Publications/Consultations/EIOPA%20Technical%20Advice%20on%20the%20IDD.pdf> in particular 7.1
- Assessment of appropriateness and suitability statements – including KIDs (PRIIPS)

# Knowledge and Competence



# New knowledge and competence requirements

Sets high standard – based on a benchmark

Appropriate in relation to the products offered

Continuing Professional and development requirements

Onus on Firms to ensure staff meet standards and support staff

# Establishing a benchmark

Establish a high standard

Qualifications; examples from industry

Firms need to assess all individuals currently selling or in relevant management position

Firms need to establish if staff meet this benchmark



# Firm's assessment of Individuals

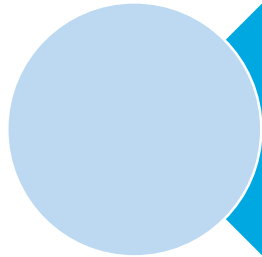
Meet benchmark?

Qualifications and training previously held?

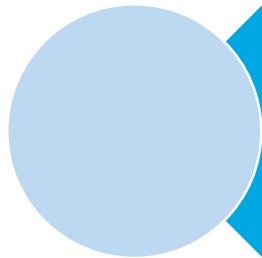
Any gaps?

Training going forward?

# Examples



Someone who qualified 20 years ago



A new employee qualified in France



An information provider versus an advisor of complex life products

# Examples of support for new employees

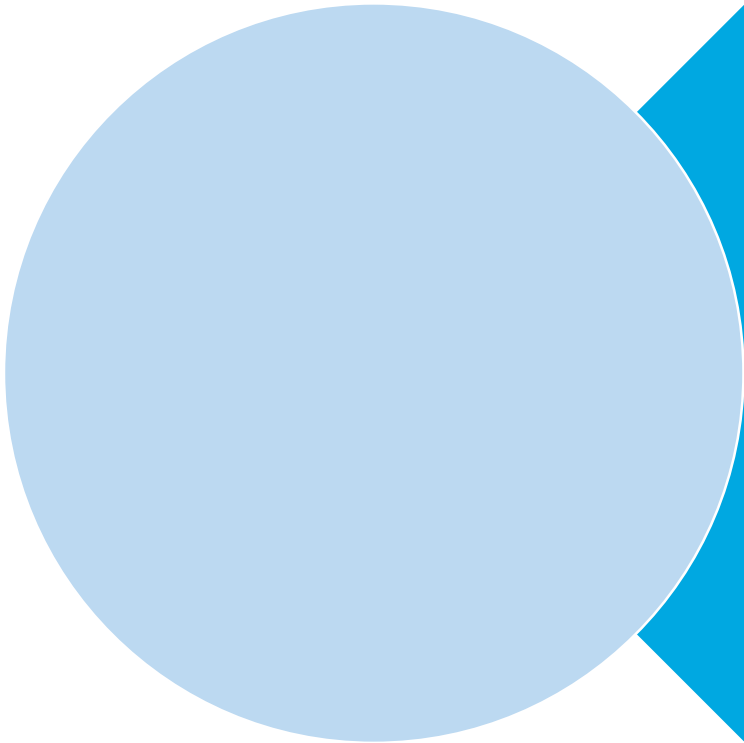
Listening in on discussions with clients

Peer review of advice

Providing support and time for studies

Providing a robust induction and training programme

# Compliance responsibilities



Assess and review compliance with training and competence requirements. This review should be included in the report to the management body.

# Ongoing training

15 hours minimum CPD

Structured training covering areas in Annex I

Covers products offered by firm

Understand firm's internal policies

Keep up to date with market and industry developments

Firm's need to document staff CPD and ensure compliance

# What does it mean for you?

We do not expect firms to be fully compliant day 1

Expect firms to have a plan in place to ensure compliance

We rely on firms to assess individuals

SICR will collate some information to help us understand this (in due course)

We can ask firms for evidence

Look at having good customer outcomes

# Next Steps



# What you need to do

Ensure you have mapped your processes against the EU Directives, Regulations and Technical Standards and work to ensure compliance

Familiarise yourself with information issued by GFSC

Focus on Corporate Governance

Ensure compliant with host regulator rules

Focus on good customer outcomes



## Useful information

**Dedicated email address:**

[IDD@gfsc.gi](mailto:IDD@gfsc.gi)

**Dedicated website page:**

<http://www.fsc.gi/firms/idd>



Questions



Comments