



ONLY 200 DAYS TO GO...

What you need to do to get ready for the Insurance Distribution Directive

There is no doubt that you have heard a lot about the Insurance Distribution Directive ('IDD') and the changes that this will bring along. Despite all this, what have you done about it? How prepared are you? How will the IDD impact you? Even though delegated acts are still in line to be endorsed by the European Commission and consultations about local transposition are still ongoing, you can still start putting pieces together with the current information at hand to make sure that you are ready by 23rd February 2018. The below helps you get the ball rolling.

Identify who will be within scope

The IDD applies to Insurance Undertakings, Insurance Agents, Insurance Brokers, Insurance Managers, Tied Insurance Intermediaries and Ancillary Insurance Intermediaries, and their employees, conducting "activities of advising on, proposing, or carrying out other work preparatory to the conclusion of contracts of insurance, of concluding such contracts, or of assisting in the administration and performance of such contracts, in particular in the event of a claims, including the

provision of information concerning one or more insurance contracts in accordance with criteria selected by customers through a website or other media and the compilation of an insurance product ranking list, including price and product comparison, or a discount on the price of an insurance contract, when the customer is able to directly or indirectly conclude an insurance contract using a website or other media".

"These are big changes, and change is unsettling"

Jonathan Hill, 2015

Start drafting the Product Information Documents

Prior to the conclusion of a contract, the insurance distributor shall provide the customer with the relevant information about the insurance product in a comprehensible form to allow the customer to make an informed decision. In relation to the distribution of non-life insurance products, such information shall be provided by way of a standardised insurance product information document, drawn up by the manufacturers of the products. Insurance-based investment products distributors are subject to uniform requirements, including providing information through the Key Information Document, as laid down in the PRIIPS Regulation.

Analyse the cost of the Distributors

Distributors and their employees conducting distribution activities must possess appropriate knowledge and ability, and are required to comply with continuing professional training and development requirements (of at least 15 hours per year). Furthermore, brokers, agents and managers must have at all times in their favour a policy of professional indemnity insurance or

some other comparable guarantee. Undertakings shall at all times be responsible for any act or omission of their registered tied insurance intermediaries and ancillary insurance intermediaries. One has to also take into account the cost of the ongoing annual registration/enrolment fees.

Be aware of the enhanced requirements for Insurance-Based Investment Products

Develop a Product Oversight and Governance process

Insurance undertakings and insurance intermediaries, which manufacture any insurance product for sale to customers, must establish an appropriate and proportionate process for the approval of the product, including the identification of the target market and the distribution channels used.

Insurance undertakings or intermediaries carrying out distribution in relation to the sale of insurance-based investment products are subject to enhanced requirements. For instance, they are requested to set in writing a conflicts of interest policy identifying the circumstances which constitute, or may give rise to, a conflict of interest and must specify procedures to be followed and measures to be adopted in order to manage and prevent such conflicts of interest.

Insurance undertakings or intermediaries shall put in place appropriate and proportionate arrangements in order to ensure that any inducement paid or provided in connection with distribution services does not

have a detrimental impact on the quality of the service to the customer. Moreover, depending on whether advice is provided or not, a suitability and appropriateness assessment is now required. This entails of acquiring information about the customer on the knowledge and experience, financial situation and investment objectives. If no advice is given during the sale of the insurance-based investment product, information about knowledge and experience in the investment field still needs to be acquired. All this is in addition to the demands and needs test that has to be conducted prior to any sale of any insurance product.

How can we help?

At GANADO Advocates, we have been following the developments of the Insurance Distribution Directive for the past couple of years and have gained insightful knowledge about the requirements of such Directive.

We can help you in:

- Providing gap analysis of your current practices compared to the IDD requirements;
- Identifying the people at your entity who fall within scope of the IDD;
- Analysing the costs to adhere to the requirements of the IDD;
- Developing Insurance Product Information Documents for your products;
- Defining appropriate target markets and distribution channels;
- Drafting the 'Conflicts of Interest' policy or any other policy deemed sufficient for the operations of the entity;
- Developing sales processes including Suitability and Appropriateness Assessment methods;
- Training management, staff and intermediaries.



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