

IDD – what’s it all about?

By: Lynne Hargreaves

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The Insurance Distribution Directive (not to be confused with the Initial Disclosure Document!) will replace the Insurance Mediation Directive (IMD) which was introduced in 2005. The IMD was designed to enhance consumer protection and promote competition between insurance firms across the European Union. The IDD has a wider application and aims to strengthen and consolidate the existing IMD rules. The first of two FCA consultation papers (CP) setting out the proposals for implementing the IDD was published in March 2017, with a second to follow in September 2017.

Firms will need to implement the IDD by the 23rd February 2018.

What are the most relevant people proposals?

- **Disclosure**

There are requirements around pre-contract information disclosures and general principles of conduct. These cover conflicts of interest and transparency, complaints, advice or information and remuneration and fees; including the definition of “durable medium”.

- **Advised and non-advised sales standards**

These build on the existing Insurance Conduct of Business Sourcebook (ICOB) and require staff to take an active role in identifying a customer’s demands and needs “through asking questions”, with firms only offering a contract that meets those demands and needs.

For advised sales a “personalised explanation” should also be provided, illustrating why the proposed product meets those needs.

- **Cross-selling**

There are amendments to sales practices for those firms who cross-sell insurance alongside or in connection with other goods or services.

- **Complaints**

The current Dispute Resolution Complaints Sourcebook (DISP) rules requiring firms to have complaints handling procedures in place is being extended to all insurance and reinsurance distributors when carrying out distribution activities.

- **Professional requirements**

For those readers who are responsible for T&C frameworks, these proposals may be of most interest.

All staff involved in insurance and reinsurance distribution must have the appropriate knowledge and ability to perform their duties. The completion of at least 15 hours continuing professional development (CPD) each year will be introduced for all relevant employees. These include employees currently not subject to the existing TC Sourcebook (broadly those that don't provide advice on insurance contracts) and those subject to the existing CPD requirements, some of whom might be Retail Investment Advisers (where the composition of 35 hours CPD must change).

A new chapter is to be added to Senior Management Arrangements, Systems and Controls (SYSC) which defines the minimum knowledge and ability requirements dependant on the type of insurance sold, for both the seller and those supervising. For example, minimum requirements for those selling general insurance include; policies offered, governing laws, claims and complaints handling, assessing needs, insurance market, business ethics and financial competence.

Record keeping requirements are also proposed in order that compliance with these rules can be demonstrated for at least 3 years after the individual ceases this activity.

So what should firms do next?

Firms will be required to comply by 23rd February 2018 and therefore cannot afford to delay action. Despite currently being a CP, the policy statement is due in quarter 3, with a second CP to be published later this year.

Any firm affected by the IDD will swiftly need to review its content thoroughly and assess, what, if any changes are required to their processes and the timeline required to deliver associated training.

The professional requirements will certainly require greater strategic consideration to be given to developing policy and frameworks, as well as bridging any identified gaps in minimum knowledge levels. Furthermore firms should not underestimate the proposed record keeping necessary to evidence compliance, particularly since system delivered solutions can be all consuming.

Taking into account the foregoing, I recommend the IDD contents are immediately reviewed, a high level gap analysis undertaken against the proposals and a plan of implementation designed; noting of course that it may be subject to change during 2017.

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info@clearstepconsulting.co.uk



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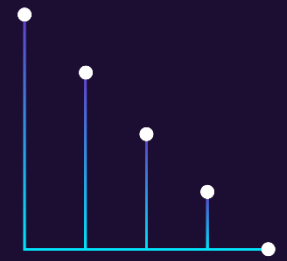


<https://twitter.com/lynneclearstep>



<https://uk.linkedin.com/in/lynne-hargreaves>

About the Author



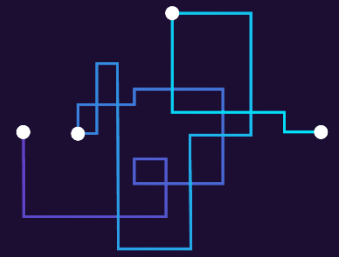
Lynne is a senior T&C, Learning and Development, Leadership and Change professional, with extensive experience in People Risk Strategy and Management, Conduct Risk, Regulatory Change, People Development, Cultural and Transformational Change.

Lynne has a passion and a proven track record of making a difference to organisations by developing clear and easy to understand people and customer strategies through understanding and simplifying change.

Lynne has built a reputation for quickly understanding existing strategies, integrating with new teams, building confidence to deliver, providing pragmatic solutions and engaging stakeholders while delivering to plan, during times of rapid change.

A qualified and highly effective coach, with experience of designing and implementing future state operating models, creating new teams and enhancing performance at organisational, team and individual level.

About Clearstep Consulting



Clearstep Consulting is a consultancy and interim management firm operating within the financial services and regulated sectors.

Our mission is to help businesses meet their regulatory and change requirements through the design and delivery of simple people and customer strategies.

Regulators are focused on organisational outcomes, governance and the management of risk with a more thematic, market-led approach to regulation and change. This demands new methods and an agile approach to interpreting rules and requirements. It is essential to make sense of the change with culturally aligned solutions and straightforward strategies via highly competent colleagues and a leading people experience.

With over 20 years' experience interpreting requirements, Clearstep will effectively design, implement and embed frameworks, systems and people solutions ensuring that firms fully embrace the changes required.

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- Interim Management to strengthen a project team with expertise, support a change programme or plug a management resource gap.
- Regulation and Legislation translation to provide simple, easy to understand policies, processes and systems that are compliant and aligned to your strategy.
- Managing change in a way that meets the needs of the business in a timely, people led way.
- Coaching and mentoring to inspire greater levels of performance.