

Insurance Distribution Directive

22 February 2018

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Branko Ltd

FCA compliance consultants

- * BIBA Compliance Manual
- * Engaging Events
- * Tailored Solutions



Format

1. ICOBS as part of an overall Conduct Risk Agenda
2. IDD – changes you need to make by 1 October 2018



Today's learning outcomes

1. By the end of this briefing you will have gained an insight into changes required when the IDD comes into force
2. Other things to think about!

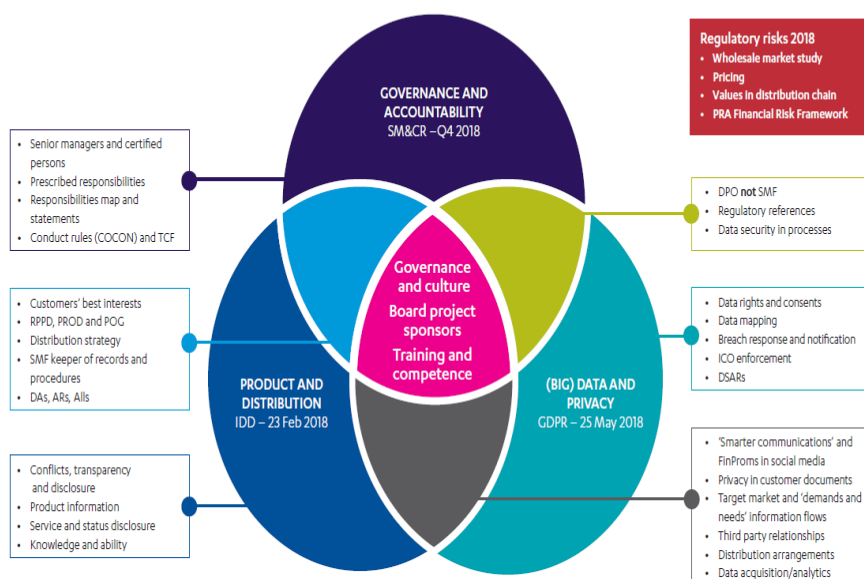


What makes for a great event?

- Participation
- Share experiences
- Ask questions
- Do debate
- Don't feel awkward
- Swap business cards
- Connect with me on [Linked in](#)



Regulatory change 2018 – general insurance



Brainstorm?

1. What's giving you a regulatory headache at the moment and why?
2. Reflecting on any recent complaints – what have they complained about and what have you done about it?
3. What progress have you made on GDPR, IDD and SMCR?



1. As part of Conduct Risk?



Have we had failure in the GI broking sector?



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FCA publishes decision notices against One Call Insurance Services Limited and John Lawrence Radford

[Press Releases](#) | Published: 26/01/2018 | Last updated: 26/01/2018



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The Financial Conduct Authority has today published Decision Notices in respect of One Call Insurance Services Limited (One Call) and its Chief Executive and majority shareholder John Lawrence Radford.

FCA publishes decision notices against One Call Insurance Services Limited and John Lawrence Radford

[Media Centre](#)

Press releases and contacts for journalists and other media

A connected company to One Call, One Insurance Limited (OIL), has made a reference to the Upper Tribunal (the Tribunal) as a third party in relation to certain statements in the Decision Notices, where each party will present their case. The Tribunal will then determine the appropriate action for the FCA to take, which may or may not



[Home](#) / [News](#) / [The Financial Conduct Authority takes disciplinary action against five individuals and three firms in relation to solicitors' professional indemnity insurance and other insurance schemes' failures](#)

The Financial Conduct Authority takes disciplinary action against five individuals and three firms in relation to solicitors' professional indemnity insurance and other insurance schemes' failures

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[Press Releases](#) | [Published: 01/02/2016](#) | [Last updated: 01/02/2016](#)

The Financial Conduct Authority (FCA) has fined five individuals and two firms a total of £15.5m, in addition to banning four of those individuals, for significant integrity and competence failings.



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Moorhouse fined for failures in relation to its telephone sales

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[Press Releases](#) | [Published: 23/04/2015](#) | [Last updated: 23/04/2015](#)

The Financial Conduct Authority (FCA) has today fined Moorhouse Group Limited (Moorhouse) £159,300 for failures in relation to the oversight and control of its telephone sales and in particular the sale of commercial vehicle add-on insurance products during 2012.

Moorhouse is a general insurance broker whose business is focused on selling motor and liability related insurance products to small and medium enterprises (SMEs) including very small businesses known as micro-SMEs.

Georgina Philippou, acting director of enforcement and market oversight at the FCA said:



Besso Limited fined for anti-bribery and corruption systems failings

[Print page](#)[Share page](#)[Press Releases](#) | [Published: 19/03/2014](#) | [Last updated: 19/03/2014](#)

The Financial Conduct Authority (FCA) has fined Besso Limited £315,000 for a failure to take reasonable care to establish and maintain effective systems and controls for countering the risks of bribery and corruption.

The FCA found that Besso, a general insurance broker, operated a weak control environment surrounding the sharing of commissions with third parties which gave rise to an unacceptable risk that they could be used for corrupt purposes.

Tracey McDermott, the FCA's director of enforcement and financial crime, said:

"Despite receiving two visits from us, and numerous industry wide warnings, Besso failed to ensure that they had proper systems and controls in place to counter the risks of bribery and corruption in their business activities."



FSA bans and fines insurance broker Harbinder Panesar £212,237 for misappropriating money from his business and selling worthless policies

[Print page](#)[Share page](#)[Press Releases](#) | [Published: 15/01/2013](#) | [Last updated: 29/03/2013](#)

The Financial Services Authority (FSA) today banned insurance broker, Harbinder Panesar, from working in the financial services industry and fined him £212,237.

Panesar was the director of South Wales motor breakdown insurance firm, Motorcare Elite (2008) Ltd (Elite). The FSA has cancelled the permission of Elite, meaning it can no longer do authorised business. Elite is currently in liquidation.



Firm fined £1.8million for "unacceptable" approach to bribery & corruption risks from overseas payments



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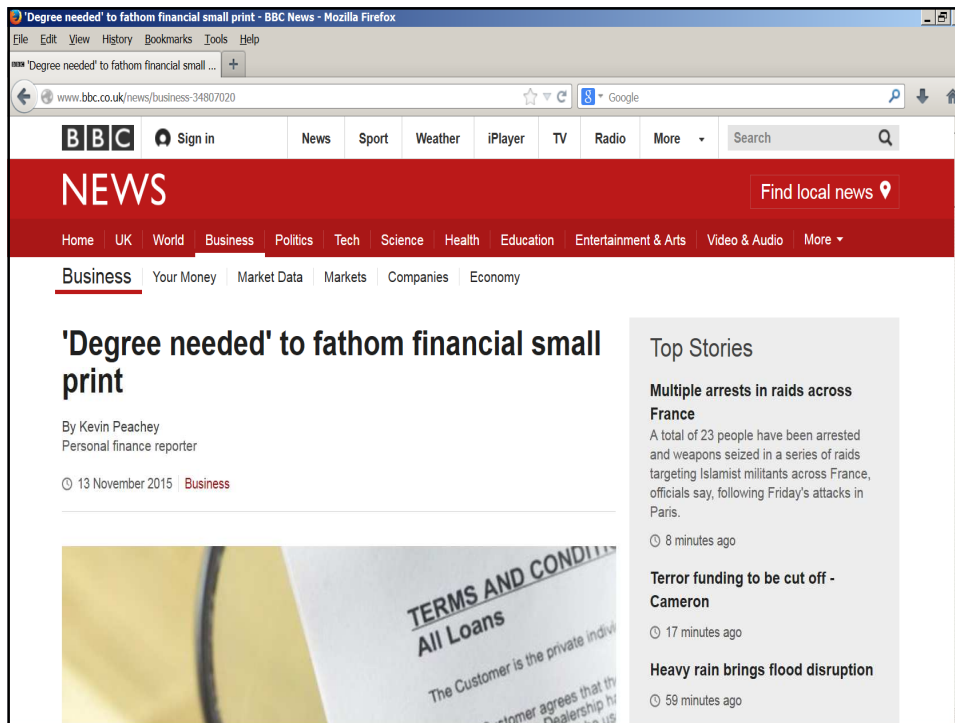
Press Releases | Published: 19/12/2013 | Last updated: 30/08/2015

The Financial Conduct Authority (FCA) has fined JLT Specialty Limited (JLTSL) over £1.8million for failing to have in place appropriate checks and controls to guard against the risk of bribery or corruption when making payments to overseas third parties.

JLTSL, which provides insurance broking and risk management services, was found to have failed to conduct proper due diligence before entering into a relationship with partners in other countries who helped JLTSL secure new business, known as overseas introducers. JLTSL also did not adequately assess the potential risk of new insurance business secured through its existing overseas introducers.

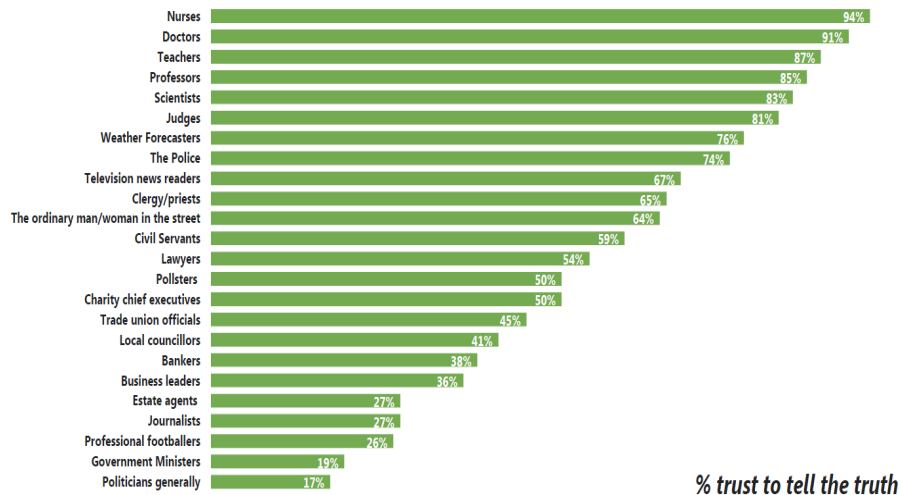
Tracey McDermott, the FCA's director of enforcement and financial crime said:

Are we failing our clients?



Veracity Index 2017 – all professions overview

"Now I will read you a list of different types of people. For each would you tell me if you generally trust them to tell the truth, or not?"

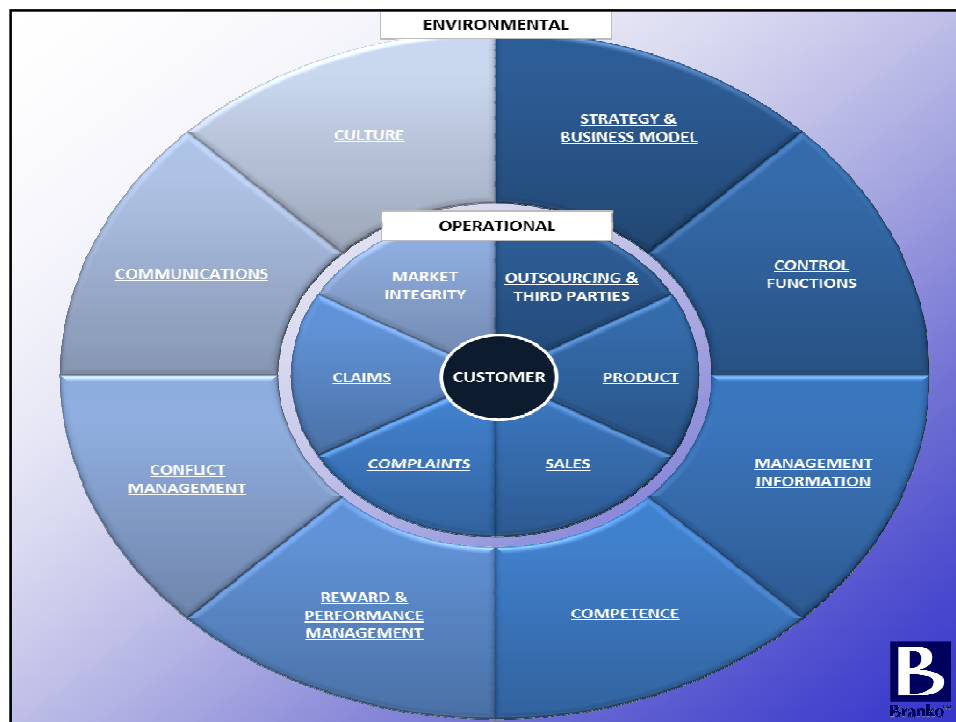


Ipsos MORI
Social Research Institute

Base: 998 British adults aged 15+, fieldwork 20 - 26 October 2017

Your job is HUGE!





Some firms' cultures, processes and products have been designed to enable them to profit from consumer errors and to exploit their superior access to, or understanding of, information on financial products and services

What is good conduct at Beazley?

At the heart of Being Beazley is considering the needs of our customers in everything we do – whether it's the products we sell or how we sell and service them. This represented in our 'being Beazley' values.

Being Beazley is at the heart of everything we do...



It sets our compass



which guides our behaviours

beazley

3

What shapes Conduct Risk?

1. Corporate strategy and culture
2. **Customer needs, sales strategy, product design and governance**
3. **Financial promotions**
4. **Sales and advice process**
5. **After sales information**
6. Claims and complaints handling
7. MI and lessons learnt

2. IDD



Brainstorm?

1. What is IDD all about?
2. What changes do you think you will have to make?
3. Have you made much progress?



Overview

- IMD came into force 14 Jan 2005
- IMD2 sought to “improve regulation in retail insurance market in an efficient manner – aim to ensure a level playing field between all participants involved in the selling of insurance products and strengthening policyholder protection”
- Will happen despite and post Brexit and is much wider than IMD and has new requirements



Intended improvements?

- Expand scope to all distribution channels;
- Identify, manage and mitigate conflicts of interest;
- Ensure sanctions are more harmonised;
- Enhance suitability and objectiveness of advice; and,
- Ensure sellers' professional qualifications match the complexity of products sold



Update to proposed delay on the Insurance Distribution Directive (IDD)

News stories | Published: 05/02/2018 | Last updated: 05/02/2018

[Print page](#)[Share page](#)

The European Commission (the Commission) has [proposed a delay](#) to the application date of the IDD to 1 October 2018. This proposal is currently under consideration by the European Parliament and European Council.

In order to provide certainty for industry, [Her Majesty's Treasury has announced](#) that the government will delay transposing the IDD into UK law until the outcome of this proposal has been confirmed. This is expected to be after 23 February 2018, the original application date of the directive.

Therefore, once the IDD is transposed into UK law we will make our final rules – these were [published in near-final form](#) on 19 January 2018 (as we said in [PS18/1](#), we do not expect to make any changes to the near-final rules). Firms will then be required to comply with our final rules from whatever date is

Insurance Distribution Directive implementation – Feedback to CP17/7 and near-final rules

Policy Statement
PS17/21

September 2017

i. Application



Application

- All persons who conduct insurance distribution (as defined) to customers
- New category of ancillary insurance intermediary (All) – where insurance is ancillary to the main product/service
- FCA will re-label insurance mediation activities to “insurance distribution activities”



Application

- ICOBS excludes reinsurance and large risks
- FCA will maintain (prescriptive) information disclosure requirements exemption for commercial large risks
- Certain requirements will apply to all intermediaries in the distribution chain – not just to those that interact with the customer



Customer Classification

- IDD applies to both retail (consumers) and commercial customers
- Definitions under ICOBS remain the same



Client Definitions

- **Consumer**

Any natural person who is acting for purposes which are outside trade or profession

- **Commercial**

A commercial customer is a customer who is not a consumer.

This is to match the DMD, but consumer is the same as retail customer

“Mixed use” treated as commercial.

If unsure whether consumer or commercial then you must treat as consumer.



Group

Commercial legal Policyholder – “normally” “consumer” beneficiaries (e.g. group personal accident and PMI)



Why is this important?

- There are different rules about what you need to give a **consumer** customer
- An 'assumption' is made that a **commercial** customer is more knowledgeable
- Large **commercial** customers have fewer rights, e.g. do not qualify for assistance from FOS and FSCS



ii. Professional, Organisational and Prudential



Professional, organisational and prudential

1. Staff knowledge and ability
2. Prudential requirements
3. Restriction on the use of intermediaries



1. Knowledge and ability

- Applies to insurers, insurance and reinsurance intermediaries
 - Product knowledge, applicable law, claims and complaints process, insurance market, ethics and financial competence
 - Under SYSC employers already ensure employees have the knowledge, skills and expertise necessary
- 15 hours (structured or unstructured) CPD minimum (to those involved in insurance distribution)
- IDD CPD records to be kept for 3 years



1. Knowledge and ability

- Other than required by TC, no minimum qualification is required but firms are expected to consider employees' compliance with IDD training and development when assessing their competence, and when certifying employees under proposed SMCR



2. Prudential

- FCA propose to maintain already existing requirements for PII - €1,25m per claim per year and €1,850m in the aggregate or 10% of annual income up to £30m
- Rules exist re excess levels and min spec for cover – legal defence and FOS



3. Restriction on the use of intermediaries

- All firms must only use authorised (or exempt) insurance intermediaries for insurance distribution services for the whole chain
- This goes beyond current rules that only apply to insurers
- New rules sit in MIPRU



iii. Complaints Handling



Complaints

- IDD requires process in place for customers and other eligible parties to register complaints and receive replies. This requirement applies to all types of insurance transaction, whether it involves a retail customer or a commercial customer, including reinsurance transactions.
- IDD requires “adequate and effective, impartial and independent out-of-court complaint and redress procedures” relating to customer complaints about insurance distribution activities which come within the scope of the IDD.



- Current DISP rules contain the following requirements:
- complaints from *eligible complainants* be handled in accordance with the complaints handling rules in DISP 1
- an appropriate and effective processes for dealing with complaints from parties who are not *eligible complainants*
- that complaints from *eligible complainants* can be referred to FOS
- These existing rules apply to business carried on from establishments in the UK.



- Now will include complaints about business carried on by UK firms from a branch in another EEA state
- FOS to apply to firms with establishments in the UK that eligible complainants are able to refer complaints from an establishment in the UK to the FOS including where this is done by incoming EEA firms
- FCA to consult on whether to widen scope to incl SME commercial customers



iv. Conduct of Business



1. Overarching requirements

1. **Act honestly, fairly and professionally in the best interests of customers**
2. Communicate in a way which is clear, fair and not misleading
3. Label marketing materials as promotional rather than contractual?



4. All customers and all parts of the chain are subject to conduct of business general principles
5. New requirements will apply to authorised firms who distribute policies through exempt ancillary insurance intermediaries (you are responsible!)



2. Pre-contract disclosures

1. What type of firm are you (insurer, intermediary)?
2. Is a personal recommendation (advice) being made – main product and any add ons?
3. Are you acting on behalf of the insurer or the customer? Does this change at any time?
4. Do you own 10% or more of an insurer or vice versa?
5. Is any advice based on a fair and personal analysis of the market?
6. Names of insurers where advice is not provided



- Intermediaries to disclose “nature and basis of the remuneration they receive”
 - Nature – type (commission, bonus, profit share, other financial incentive)
 - Basis – source (who from)
 - Remuneration incl non-monetary benefits
- Firms need to present this information in a useful way highlighting potential conflicts of interest (only for themselves)
- Actual amount disclosed only on request
- Fees up front incl those that may be charged
- On paper or other durable medium (customer should make the choice) incl renewals



5.25 The table below sets out some scenarios and whether they are likely to be compliant with our proposed rules and guidance.

Table 1: Illustrative examples concerning remuneration disclosure

Scenario	Likely compliant?	Comments
We arrange the policy with the insurer on your behalf. You do not pay us a fee for doing this. We receive commission from the insurer which is a percentage of the total annual premium.	Yes	This gives a disclosure of the type of remuneration the intermediary received. It also explains the source of the remuneration.
We receive commission from the insurer for selling this policy.	No	This does not state that the source of the commission is that it is included within the premium.
When you take out a policy with us we charge you a fee of £50. In addition, the insurer pays us a percentage of the annual premium 14 days after the policy starts.	Yes	This provides the amount of the fee payable by the customer, and also gives an explanation of the other remuneration.
Insurers pay us commission to sell policies on their behalf. They also provide us with periodic incentives (such as bonus payments) if we meet certain sales targets.	No	This does not state that the source of the commission is that it is included within the premium.
When we sell you a policy the insurer pays us a percentage commission from the total premium. If the type of policy we sell reaches specific profit targets the insurer also pays us an additional bonus.	Yes	This gives an explanation of both types of remuneration the firm receives (or may receive).
The insurer pays us a flat fee per policy to deal with claims on their behalf.	Yes	This gives an explanation of the type of remuneration and who pays it. However, it would be insufficient if the firm received more remuneration than just the flat fee.
The insurer pays us a flat fee per policy to deal with claims on their behalf. Every month the insurer calculates the profit made on policies we administer. If this is above a certain amount they also pay us a share of this.	Yes	This gives an explanation of both types of remuneration the firm receives (or may receive).

5.26 We have considered other possible approaches. These include:

3. Advised and non-advised sales

- All firms are required to identify demands and needs and ensure what is proposed is then consistent with those demands and needs (incl non-advised)
- Where a firm provides advice it has to explain why the proposed contract best meets the expressed demands and needs
- Clear and unambiguous format

FCA Proposals

1. Firms must take an active role in identifying customer's demands and needs and these then have to be specified, so, firms need to do:-
 - I. Identify the D&N and match them to available products
 - II. State the D&N and assist them in making an informed decision (highlight any gaps)
2. For non-advised FCA do not expect a detailed investigation into customer's circumstances but should still identify D&N and provide cover that meets those D&N and then provide a generic statement



Table 2: Illustrative examples concerning insurance demands and needs²⁹

Scenario	Likely compliant?	Comments
The customer is concerned about their cat falling ill. The firm offers only those pet insurance products which cover all vet's bills.	Yes	This is likely to be compliant as the firm has identified the customer's demands and needs, and offered only products which meet them.
The customer is concerned about their cat falling ill. The firm offers all their pet insurance products, including accident only cover.	No	This is unlikely to be compliant as the firm has proposed contracts which are not consistent with the customer's basic need.
The customer is concerned about their car not starting on a cold morning. The firm offers only breakdown insurance which offers cover at the home address.	Yes	This is likely to be compliant as the firm has identified the customer's demands and needs, and offered only products which meet them.
The customer is concerned about their car not starting on a cold morning. The firm offers all its breakdown policies, including those which only cover >¼ mile from home.	No	This is unlikely to be compliant as the firm has proposed contracts which are not consistent with the customer's basic need.
The firm offers the customer all their available products, and provides a generic statement with each product about the type of needs the product will meet.	No	This is unlikely to be compliant. Providing a generic statement may be sufficient to state the customer's demands and needs, but the firm has taken no steps to identify the needs of the specific customer or ensure the products are consistent with those demands and needs.
Offering the customer only motor policies which meet their demands and needs, but then offering add-ons to all customers regardless of whether these add-ons are consistent with those demands and needs.	Yes	This is likely to be compliant for the motor policy but not for the add-ons. This is because the firm has taken no steps to identify the needs of the customer or ensure the add-on products are consistent with those demands and needs.

4. Reminder - renewals

- Applies to consumer contracts only (not commercial or group)
- Renewals 1 to 3 years:-
 - State current renewal premium
 - State last year's premium
 - Customer should check level of cover is appropriate and they can shop around
- Renewal 4+ years:-
 - “You have been with us for a number of years. You may be able to get the insurance cover you want at a better price if you shop around.”



**v. Ancillary
insurance
intermediaries**



Definition

- Takes up insurance distribution activity for remuneration on an ancillary basis
 - Principal professional activity is not insurance distribution;
 - Insurance products are complementary to the goods or service;
 - Do not cover life or liability risks unless that cover complements the goods or service as its principal activity



New categories

- In scope AIs – within the UK regulatory perimeter and within IDD scope
- Connected travel insurance (CTI) providers – different regulatory regime
- Out of scope AIs – firms outside of scope – electronic goods and furniture retailers – remain exempt but IDD minimum requirements apply



Minimum requirement for all

- For all AIs requiring regulation under IDD most requirements apply
- For out of scope:-
 - Identity and address of insurer/intermediary and complaints process
 - Appropriate and proportionate measures to:-
 - Act honestly, fairly and professionally, communications and restriction on remuneration
 - Consider customer's D&N and ensure contracts meet these



Table 3: Summary of our proposals for AIs

the IDD Requirement	In-Scope AIs	CTI Providers	Out-of-Scope AIs ³⁶
SYSC – Professional, Organisational and PII Requirements (Chapter 3)			
Must employee staff with appropriate knowledge and competence	✓	✓	✗
Minimum 15 hours CPD for employees involved in insurance distribution	✓	✓	✗
Minimum PII requirements	✓	✓	✗
Restriction on the use of intermediaries	✓	✓	✗
DISP – Complaints and Out-of-Court Redress (Chapter 4)			
Complaints arrangements	✓	✓	✓ ³⁷
Out of court redress	✓	✓	✓ ³⁸
Adhere to appropriate ADR scheme where providing insurance distribution services to customers in another EEA country	✓	✓	✗
ICOBS 2 – Overarching Conduct of Business Requirements (Chapter 5)			
General Principles	✓	✓	✓
ICOBS 4 – Pre-Contract Information Disclosure Requirements (Chapter 5)			
General Pre-Contract Disclosure <ul style="list-style-type: none"> • Identity and address • Complaints procedures • Status disclosure 	✓	✓	✓
General Pre-Contract Disclosure <ul style="list-style-type: none"> • Providing advice or information? • Acting for customer or insurer? 	✓	✓ ³⁹	✗
Conflicts of Interest and Transparency Disclosure <ul style="list-style-type: none"> • Shareholding links with insurer • Personal recommendation based on fair analysis of the market or place business with a limited panel of insurers – to be named 	✓	✗	✗

the IDD Requirement	In-Scope Alls	CTI Providers	Out-of- Scope Alls ³⁶
Conflicts of Interest and Transparency Disclosure <ul style="list-style-type: none"> • Nature and basis of remuneration • Fee disclosure 	✓	✓ ⁴⁰	✗
Means of providing information	✓	✓	✓
ICOBs 5 – Standards for Advised and Non-Advised Sales (Chapter 5)			
Identification of demands and needs, and proposing only contracts consistent with these	✓	✓	✓
Personal recommendation explaining why product best meets demands and needs	✓	✗	✗
ICOBs 6 – Product Information (Chapter 5)			
Cross-selling	✓	✓	✓

1. In scope Alls

- Professional, organisational and PII – same as insurance intermediaries
- Complaints – same
- Conduct of business – same

2. Connected Travel Alls

- CTI came under scope with lesser ICOBS requirements on disclosure
- For professional, organisational and PII requirements FCA to extend the 15 hour minimum CPD requirement



2. Connected Travel Alls

- Complaints – same
- COBs
 - still a need to identify and specify D&N and to ensure contracts proposed are in line
 - no need for a personal recommendation



3. Out of scope Alls

- Authorised firms that use out of scope Alls will be responsible for their actions and should monitor activities
- ICOBS – customers to be provided with information on identity, address and complaints process
- General principles and advised/non-advised sales – same standards as insurance intermediaries



3. Out of scope Alls

- All firms to have sufficient oversight of their distribution chains to ensure their products are distributed appropriately



Insurance Distribution Directive implementation – Feedback to CP17/23 and near-final rules

Policy Statement
PS17/27

December 2017

1. Good repute

1. Firms must **ensure** that relevant staff are of good repute
2. This includes management directly involved in Insurance Distribution or supervising staff who are
3. The criteria for meeting “good repute” to be regarded as a “minimum” requirement
 - (1) has not been convicted of any serious criminal offences linked to crimes against property or other crimes related to financial activities (other than spent convictions); and
 - (2) has not been adjudged bankrupt (unless the bankruptcy has been discharged);
 - Give particular consideration to offences of dishonesty, fraud, financial crime or other offences under legislation relating to banking and financial services, companies, insurance and consumer protection.
4. Appropriate records to be kept + name of person

SMCR Fit and Proper

- Firms to assess whether SMs, NEDs and certified individuals are **fit and proper**
- Don't forget firms still have to ensure that all staff are of "**good repute**"
- At least an annual assessment
- SMs and NEDs should have a criminal records check undertaken and DBS registration may be needed/umbrella body
- References will also be needed for SMs, NEDs and certified individuals



2. Amendments to CASS

- IDD requirements relating to client assets:
 - the minimum intermediary financial solvency is 5%
 - CASS 5 will apply to reinsurance intermediaries.



3. IPID

- Insurance Product Information Document (IPID) – a 2 page (max 3) objective and relevant short summary
- Needed for consumers (only) and at new business and renewal stage
- Consider a summary type document for commercial customers that is objective, relevant and comprehensible



Cont...

- Personalised - “Cover lasts for one year” and in order to refer to actual policy schedule for exact dates, sums insured, etc
- Jargon free
- Name the (lead) manufacturer
- Avoid duplication in another similar document
- Where a formal ICOBS summary has been used now no need and also Key Facts logo is dropped



Article 20 (8)

- (a) information about the type of insurance;
- (b) a summary of the insurance cover, including the main risks insured, the insured sum and, where applicable, the geographical scope and a summary of the excluded risks;
- (c) the means of payment of premiums and the duration of payments;
- (d) main exclusions where claims cannot be made;
- (e) obligations at the start of the contract;
- (f) obligations during the term of the contract;
- (g) obligations in the event that a claim is made;
- (h) the term of the contract including the start and end dates of the contract;
- (i) the means of terminating the contract.



Motor Insurance Insurance Product Information Document

Company: Aviva Insurance Limited Product: Private Car Insurance



Registered in Scotland No. 2116. Registered office: Pitheavlis, Perth PH2 0NH. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Firm Reference Number 202153.

This is a summary of our insurance policy. You will find all the terms and conditions (along with other important information) in the policy documents.

What is this type of insurance?

Private Car insurance provides the compulsory cover you need to drive a vehicle on a public highway. It also offers additional benefits (as set out below) depending on the cover you choose.



What is insured?

Third party, fire and theft

- ✓ Damage to other people's property, and compensation for other people's death or injury, if you're at fault.
- ✓ Loss of (or damage to) your car, including fitted accessories, following fire or theft – plus:
 - Vehicle recovery – we'll recover your car and take you and your passengers to where you need to be
 - Repair guarantee – we'll guarantee the quality of repairs made by our approved repairers for as long as you insure your car with us
 - Legal costs – up to £5,000,000 (if incurred with our consent) in connection with a claim made against you
 - Courtesy car – we'll give you a courtesy car for up to 14 days while your car is being repaired

Comprehensive

- ✓ All of the above, plus:
 - ✓ Accidental damage cover for your car
 - ✓ New car replacement – if you've owned your car from new, and it's written off or stolen and not recovered within 12 months of purchase, we'll replace it with a new car of the same make, model and specification
 - ✓ Glass – we'll replace or repair the glass in your car
 - ✓ Uninsured driver promise – if you're hit by an uninsured driver and it wasn't your fault, you won't lose your no claim discount and we'll refund your excess
 - ✓ Driving other cars – if you're aged 25 or over at inception or renewal, we'll cover you to drive other cars not owned or hired by you
 - ✓ Loaned vehicle cover – we'll insure a vehicle loaned to you from a garage for up to seven days while your car is having mechanical repairs, a service or an MOT
 - ✓ Personal belongings – we'll cover you for up to £150 for any personal belongings that are lost, damaged or stolen as a result of an accident, fire or theft
 - ✓ Child seat cover – we'll replace all child seats following an accident, fire or theft – even if there's no visible damage



What is insured? Continued...

- ✓ Replacement locks – we'll pay for the replacement of locks if your ignition keys are lost or stolen
- ✓ Personal accident – up to £2,500 per claim (or £5,000 per insurance year) if you or a partner suffer death or the loss of limbs/sight/hearing following a motor accident
- ✓ Vehicle recovery in the event of illness – if you're seriously ill and unable to drive your car, we'll arrange for your car to be recovered and returned to you
- ✓ European breakdown – RAC assistance when you're driving abroad (includes onward travel options)

Optional cover (Third party, fire and theft)

- Protected no claim discount (NCD) – you won't lose your NCD after making a claim when you're at fault (unless you make more than two claims in any five-year period)

Optional cover (Comprehensive)

- Private Car Gold – motor breakdown assistance for the UK, Channel Islands and Isle of Man (provided by the RAC)
- Enhanced courtesy car – we'll give you a replacement car if yours is out of action as the result of a claim
- Protected no claim discount – you won't lose your NCD after making a claim when you're at fault (unless you make more than two claims in any five-year period)



What is not insured?

Main exclusions only

- ✗ Any accident, injury, loss or damage while any car is being used for purposes not described on your certificate of motor insurance, or while being driven by somebody not permitted to drive (or not having a correct and valid driving licence)
- ✗ Any consequence as a result of war or terrorism – except where cover must be provided under Road Traffic Acts
- ✗ Loss or damage if your car has been left with the ignition keys, or left unattended with the engine running

Insurance Distribution Directive implementation

– Feedback and near-final rules for CP17/23, CP17/32, CP17/33, CP17/39 and near-final rules for CP17/07

Policy Statement
PS18/1

January 2018

1. Conflicts

1. Do your client files evidence why the product is in the client's best interests?
2. Do have a documented and up to date conflicts of interest (and G&E) policy?
3. Do your remuneration arrangements for staff encourage them to sell a particular contract?
4. Do your insurer remuneration arrangements influence placement?

2. Product oversight and governance

- Product governance relates to the systems and controls firms must have in place for the design, approval, marketing and ongoing management of products throughout their lifecycle
- Could you be considered as the manufacturer of a product?
- Do you influence cover/limits/pricing?



If so...

- do you maintain, operate and review a product approval process for new and existing products?
- communicate it to all relevant parties?
- specify a target market for each product?
- ensure all relevant risks to the target market are assessed?
- develop a distribution strategy consistent with the target market?
- take reasonable steps to ensure the product is distributed to the target market,



- regularly review products, at least to ensure the product remains consistent with the needs of the target market and the distribution strategy remains appropriate, and
- make available all appropriate information on products and the product approval process to distributors
- Firms that distribute products which they do not manufacture are required to have in place adequate arrangements to obtain information about the product and the product approval process, and to understand the identified target market.



- There will be a new Product Intervention and Product Governance sourcebook (PROD)
- Provisions will apply to insurers and intermediaries where they manufacture or distribute insurance products. These will apply to all insurers, whether they distribute products directly or via intermediaries.



3. Others

- Perimeter Guidance
 - PERG to be consistent with IDD
- Regulatory Processes
 - Registration/ARs
- Passporting
 - More detailed than under IMD. FCA power to refuse establishment of a branch. Clearer obligations of home and host state obligations.
 - Host state to act in place of home state regulator (HMT to consult on this)



Conclusion?

- Deadline is looming – you should be working now on making the changes
- Quite a bit of work for some!



Today's learning outcomes

1. By the end of this briefing you will have gained an insight into changes required when the IDD comes into force
2. Other things to think about!



Thank you for your attention

