

IDD – are you ready?

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Are you well-positioned or are you crossing your fingers hoping that the Economic and Monetary Affairs Committee (ECON) of the European Parliament is successful in postponing the implementation of the Insurance Distribution Directive (IDD) until the 1st October 2018?

It is likely that by the time this article is published we will know whether ECON has delayed introduction by almost 8 months or whether it is still “full speed ahead” for the 23rd February 2018!

In this article I am returning to the subject I wrote about earlier in the year, which focused on the first of the FCA IDD consultation papers, the high level people and T&C impacts and what firms should do in terms of ensuring they were ready.



Since that article there have been further consultation papers and policy statements on the subject of IDD. Indeed, there is still a further policy statement due in January - CP 17/33 which will feature the final rules on insurance-based investment based products (inducements, suitability and disclosure) as well as rules pertaining to conflict of interests, product oversight and governance, regulatory processes and Perimeter Guidance.

Hopefully you're all on target with implementation? From what I understand there may be some challenges around manufacturers meeting the full requirements of producing a dynamic Insurance Product Information Document (IPID) with personalised information, given the required system changes to be delivered in such a short duration.

Whether firms are ready for the people impact changes appears to depend largely on the size of the change to sales processes, existing T&C culture and arrangements (including systems) and whether the gap analysis on the first CP commenced early enough.

Where firms have a simple insurance product set sold on either a non-advised or advised basis, the incorporation of the new disclosure requirements, active questioning and personalised explanations

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are not viewed as significant changes, impacting on knowledge or skills that require training. It appears that communication of the small changes will suffice.

However where firms cross-sell insurance alongside, or in connection with other goods or services the new rules are likely to have an appreciable impact on sales processes and subsequently a greater impact on the role-related knowledge and skills. In these instances training is to be delivered with validation exercises before the rules go-live.

In terms of the professional requirements, some are still grappling with defining role scope. There is consensus of understanding in terms of the scope applicable to those who sell, service and deal with claims; as well as those responsible for supervision of said staff. It is the interpretation of the “management structure responsible for firm’s distribution activities” where there is less consistency. Whether this should include Insurance Product/Relationship Managers, Marketing, Sales Process teams and ultimately those with the accountability for the distribution appears to be less uniform.

Where T&C is well embedded within a firm the actual delivery and demonstration of the 15 hours does not appear to be a challenge, as the foundation exists in terms of material and systems on which to record. Where it is less so and not necessarily seen as a business enabler there appears to be some work still to do in order to deliver and record the hours required.

Where a mature T&C culture exists the minimum knowledge and competence requirements do not appear to phase firms since the majority of existing Induction programmes, mandatory knowledge testing and attaining/maintaining competence requirements meets the new standards. Where the culture is less mature firms are looking to fill the identified gaps with the design of new material.

Those firms who started their gap analysis early, with a good T&C foundation in place, appear to be well-positioned to meet the 23rd February deadline.

For those Insurance firms with a less mature T&C culture, who are soon to be brought into scope of the Senior Manager and Certification Regimes, my one piece of advice would be to start your analysis and planning early and don't wait for the final rules!