

The Insurance Distribution Directive (IDD)

WHERE ARE WE NOW?



1 IDD update

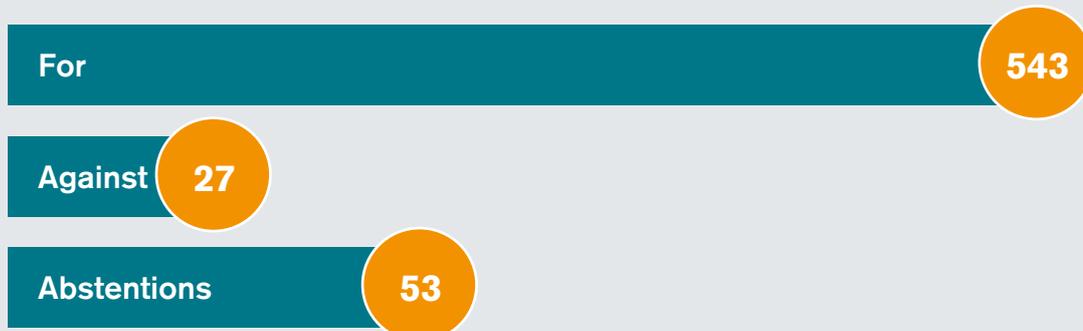
Following the EU's recent decision to amend the implementation date for the IDD, now seemed like an ideal opportunity to further explore the implications of the new directive and to revisit the steps outlined in our recent article ([click here to read](#)) that every broker should consider taking immediately.

Our recent article provided an overview of the changes the Insurance Distribution Directive will introduce. The original intention was to effect changes from 23 February 2018, but the timetable for implementation is now as follows:

- **1 July 2018** - Member States shall adopt and publish the laws, regulations and administrative provisions necessary to comply with this Directive
- **1 October 2018** – The Insurance Mediation Directive is repealed and replaced with the IDD. So, 1 October is the final date by which all insurance brokers and insurers must have implemented all the changes.

H M Treasury will lay a new Regulated Activities Order before Parliament to enact the new legislation.

The recent voting figures for the decision to amend the implementation date of the IDD were:



More details can be seen at [The European Parliament Portal](#)

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Data Breach

The FCA will also issue 'Final Rules' to fully enable all parties to implement changes. The three Policy Statements issued previously included 'Near Final Rules'. It is not anticipated that there will be any significant changes to the proposed rules.

As a result, firms can proceed with a fair degree of certainty and plan changes accordingly. In our last article on the IDD, we recommended that brokers should take a common-sense approach and ensure they start to take action. In our view, that recommendation still stands, as while implementation has been delayed, brokers will be facing other changes to regulation as the year progresses that will need to be addressed – GDPR requires significant attention and then later in the year, SMCR will need to move up the broker agenda. Therefore, brokers should try to avoid a regulatory implementation 'log jam' later in the year and start the work as soon as possible.

The key points to consider, as highlighted in our recent article, are as follows:

- Employee Knowledge & Competence
- Professional Indemnity insurance
- Complaints
- Conduct of Business
- Pre Contract Disclosure
- Conflicts of Interest
- Means of providing Information
- Non Advised Sales
- Advised Sales
- Cross Selling and Ancillary Insurance Intermediaries (Alls)
- Connected Travel Insurance (CTI) Providers
- The Regime for Out-Of-Scope Alls.

Further information on each of these topics can be found in section five of our recent article – [click here](#) for details.

As we have said before, many of the changes are not too onerous, and our strong recommendation is that you could start to implement now, such as Mandatory CPD, so as to be in advance of the 1 October deadline: with both GDPR and SMCR happening in the near future, it makes sense to get ahead now.

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Some further thoughts on the Insurance Distribution Directive

In addition to the topics detailed above, there are a few other areas which brokers should be aware of, specifically:

1. Authorisations

As we know, the FCA has a time scale of six months from the date an application for a new firm authorisation is received to give a decision.

The FCA has advised that the authorisation process will remain largely the same under the IDD but that the regulator will now be required to deal with a complete application within three months instead of the current six months' timescale.

This will bring the timescales into line with others such as 'Change in Control' and will be a welcome benefit to new start-ups or firms moving from Appointed Representative status to directly authorised.

2. Appointed Representatives (AR)

The FCA is also amending the requirements regarding the obligations of principal firms when taking on any AR.

The FCA Handbook (Sup 12 for those really keen) will be updated to include a requirement on the principal firm to collect some new information from the AR in accordance with the requirements of the IDD. This affects the relationship between the principal and AR rather than any notifications that need to be made to the FCA.

The new requirements include:

- Ensuring that the AR establishes, maintains and keeps appropriate records to demonstrate compliance with the good repute requirements
- Gathering identities of shareholders with more than a 10% holding in the AR and any persons with close links. The principal firm should establish that those with holdings of more than 10% and close links do not prevent the effective supervision of the firm
- The requirement that the AR informs the principal of any changes to the information gathered from the AR in relation to shareholdings and close links.

So, for those firms with ARs, it is important that they address these issues, build these additional requirements into their formal annual monitoring plan and gather evidence that these are being complied with.

4 Final thoughts

Implementing the changes required by the IDD will be a challenge, which is why firms need to look at this now and take a common-sense approach.

Don't be afraid to seek expert external help so you can ensure you have correctly understood the key issues and have/are taking the right action to bring your business into line with the new IDD requirements.

About the author



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John has more than 30 years' experience in the world of general insurance, working for some of the largest UK brands. During this time he held senior leadership roles with responsibility for a wide range of activities including SME deals and sales development, acquisitions, business development, marketing, learning and development, propositions and online trading.

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