



# IDD & GDPR Masterclass

**Branko Bjelobaba FCII**  
Regulation & Compliance Consultant



## Branko Ltd

### FCA compliance consultants

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



## Format

1. GDPR (the important bits!)
2. ICOBS (and thus IDD) as part of an overall Conduct Risk Agenda



## Today's learning outcomes

- By the end of this event you will have gained an insight into changes required under:-
  - I. IDD
  - II. GDPR

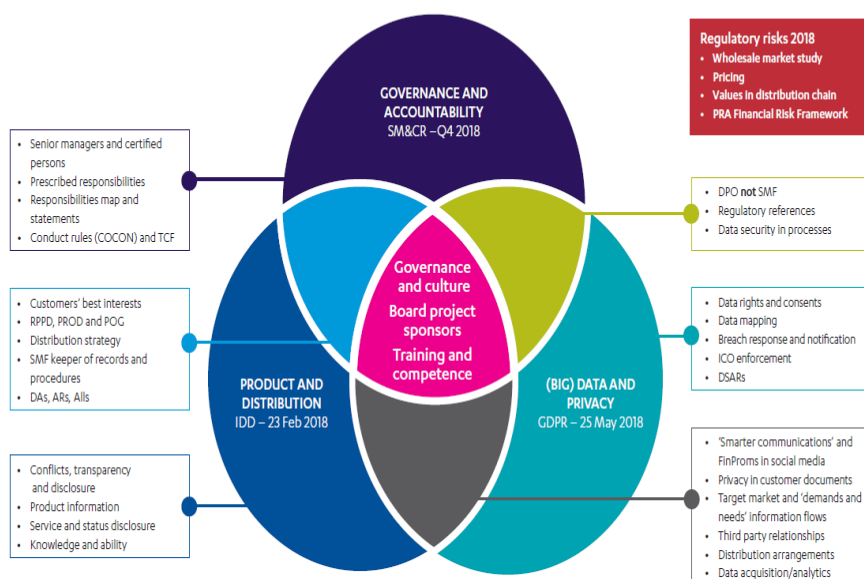


# What makes for a great event?

- 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



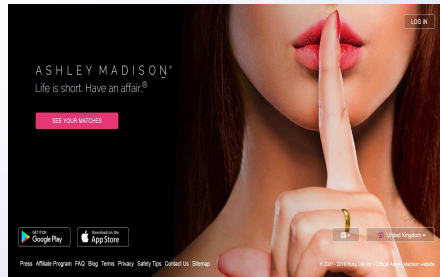
## Brainstorm?

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?

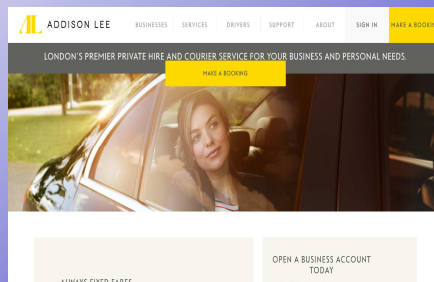


## 1. GDPR/DP





Would it  
matter?



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# Dixons Carphone admits huge data breach

4 minutes ago

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## Dixons Carphone has admitted a huge data breach involving 5.9 million payment cards and 1.2 million personal data records

1 hour ago

Dixons Carphone admits huge data breach

4 minutes ago

PM 'must honour Brexit vote assurances'

19 minutes ago

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# Facebook's Zuckerberg says his data was harvested

11 April 2018

Facebook-Cambridge Analytica data scandal




## Top Stories

**Cabinet to discuss Syria military action**  
Ministers are expected to back her call to join military action by the US and its allies.  
40 minutes ago

**US weighs military response over Syria**  
2 hours ago

**No-one speaks for me - Yulia Skripal**  
3 hours ago



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## FCA and ICO publish joint update on GDPR

[Statements](#)
Published: 08/02/2018
 Last updated: 08/02/2018

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FCA and ICO publish joint update on GDPR

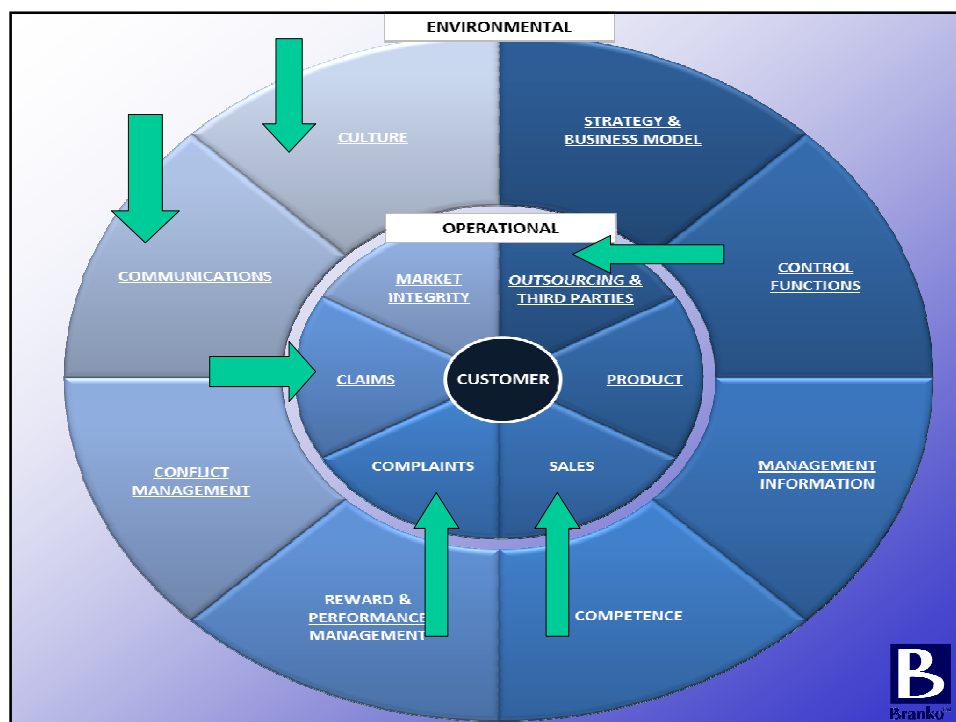
Further information

- [PRIIPs Regulation](#)
- [PRIIPs disclosure: Key Information Documents](#)

The Financial Conduct Authority (FCA) and the Information Commissioners Office (ICO) have today published an update on the EU General Data Protection Regulation (GDPR).

The EU General Data Protection Regulation (GDPR) will apply in the UK from 25 May 2018. It is an essential step forward in enhancing the privacy and security of personal data. The GDPR will be regulated and enforced in the UK by the Information Commissioner's Office (ICO). Financial services firms will need to consider how the GDPR will apply to them, and ensure that they are ready to comply with the regulations from May 2018.

Complying with some of the FCA's rules requires financial services firms to process personal data. Firms have asked us about their ability to comply with both the GDPR and rules made by the FCA. We believe the GDPR does



# What data?

- GDPR applies to 'personal data' meaning any information relating to an identifiable person
- Name, photo, email address, identification no, bank details, posts on social networking sites, medical information, location data, cookies, etc
- Electronic and manually stored data
- WILL incl john.smith@anycompany.co.uk

This is a screenshot of the Chartered Insurance Institute (CII) website's Data Protection & Privacy Statement page. The page has a dark header with the CII logo and navigation links. The main content area is white and contains the title 'Data Protection & Privacy Statement', a commitment statement, and sections for '1. WHO WE ARE' and '2. WHAT IS PERSONAL INFORMATION AND WHAT PERSONAL INFORMATION DOES CII COLLECT ABOUT YOU?'. A sidebar on the right includes a search bar, a 'Data Protection and Privacy Statement' link, and a 'Not a member?' section with a 'Join online' link and a photo of four people.

Chartered Insurance Institute

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About the CII | Governance | Professional standards | Accreditation | Jobs at the CII | Aldermanbury Declaration | CII media centre

Home » Governance » Data Protection and Privacy Statement

## Data Protection & Privacy Statement

The Chartered Insurance Institute ("CII", "we", "us") is committed to protecting the privacy and security of those with whom we interact.

We recognise the need to respect and protect information that is collected or disclosed to us (called "Personal Information" explained below).

This notice is intended to tell you how we use your Personal Information and describes how we collect and use your Personal Information during and after your relationship with us, in accordance with applicable Data Protection Laws.

### 1. WHO WE ARE

CII is a professional body for the insurance and financial planning profession. Our mission is to improve public trust in the profession through the promotion of higher standards of integrity, technical competence and business capability.

CII is committed to handling data fairly and lawfully and takes its data protection obligations seriously. CII ensures that it processes Personal Information in compliance with applicable data protection laws, including, without limitation, the General Data Protection Regulation 2016/679 ("GDPR").

### 2. WHAT IS PERSONAL INFORMATION AND WHAT PERSONAL INFORMATION DOES CII COLLECT ABOUT YOU?

What is Personal Information?

### Data Protection and Privacy Statement

### Not a member?

Members receive exclusive discounts on CII tuition, courses and exam entry.

[Join online »](#)

Four small, square, black and white portraits of individuals, likely CII staff or members, arranged in a horizontal row.



## Data protection and privacy

The CII will ensure that your personal data is processed in line with Data Protection legislation and the CII Data Protection and Privacy Statement (available at [www.cii.co.uk/dataprotection](http://www.cii.co.uk/dataprotection)). To process this request, I consent to the CII processing my data.

### Privacy and electronic communications regulations

☒ In order to keep you informed in a timely and cost-effective manner, the CII uses email as our principal method of communication. From time to time, we may wish to electronically draw your attention to other CII products and services which are likely to be of interest to you. Tick this box to consent to receiving marketing communications from the CII by email.

To opt out of postal marketing communications from the CII and your local institute please send a request to Customer Service at [customer.serv@cii.co.uk](mailto:customer.serv@cii.co.uk)

### Sharing your data with local institutes

☒ CII local institutes provide access to a programme of services including CPD events, training and networking opportunities designed to support you and complement your CII membership. We will share your data with your local institute (UK, Channel Islands and Isle of Man based members only) so they may send you relevant email communications. Tick this box to consent to the CII sharing your data with your local institute.

### Sharing information with your employer

☒ The CII may receive a request from your employer to provide it with details of your assessment record and accreditation including all attempts and future entries, along with your CII permanent identity number. Tick this box to consent to the CII sharing this information with your employer.

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Chartered Insurance Institute

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## Communication Preferences

Tell us exactly what you would like to receive information on and how we should communicate with you by updating your preferences below. Once you have made your changes, click Save and your updates will be effective within one business day. Please note - if you choose not to receive marketing communications, you will still receive transactional communications relating to your membership, qualifications, event bookings and voting rights, as well as important operational notifications relating to the Chartered Insurance Institute.

### My Membership

Receive all communication

[Select none](#)

Member updates/news ☒  
CPD updates ☒  
Faculty newsletter ☒  
Journal Xpress ☒  
My SMP ☒  
Perks affinity benefits ☒  
Job site ☒  
yourmoney ☒

### Membership Magazines

The Journal ☐ Email ☐ Paper ☐ None

### Study

Your qualification - updates ☐ Email ☐ Paper ☒ None  
New qualification/learning route changes ☐ Email ☐ Paper ☒ None  
Revision courses ☐ Email ☐ Paper ☒ None

### Research and Thought Leadership

Research and reports ☐ Email ☐ None  
Policy updates ☐ Email ☐ None  
Government and regulator engagement ☐ Email ☐ None  
Surveys ☐ Email ☐ None ☐ Paper

### Local Institutes

## ICO – numbers 2016/17

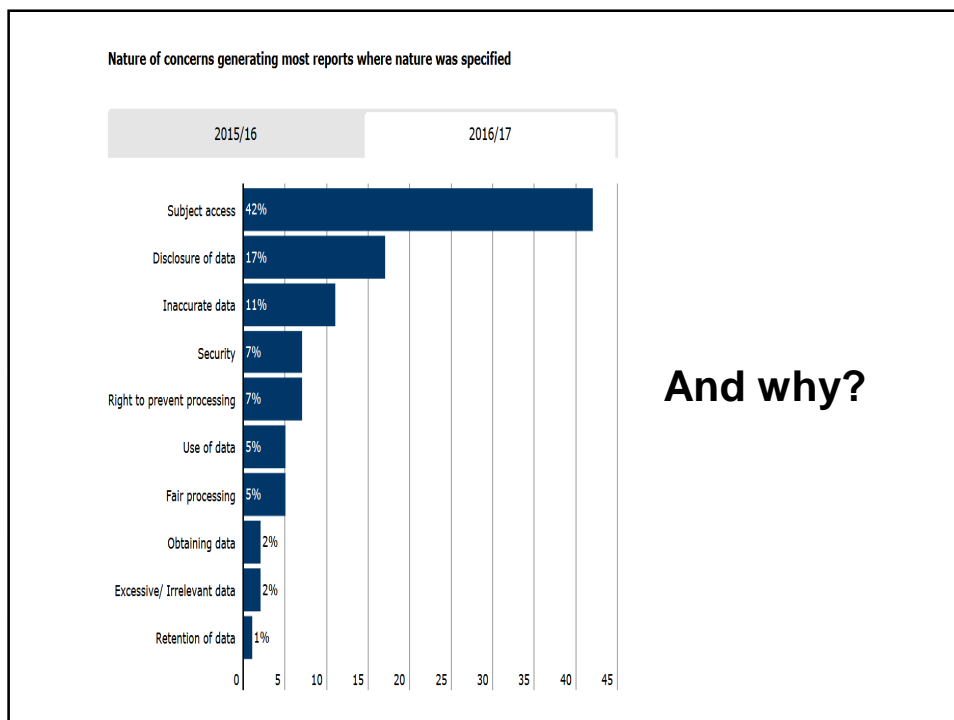
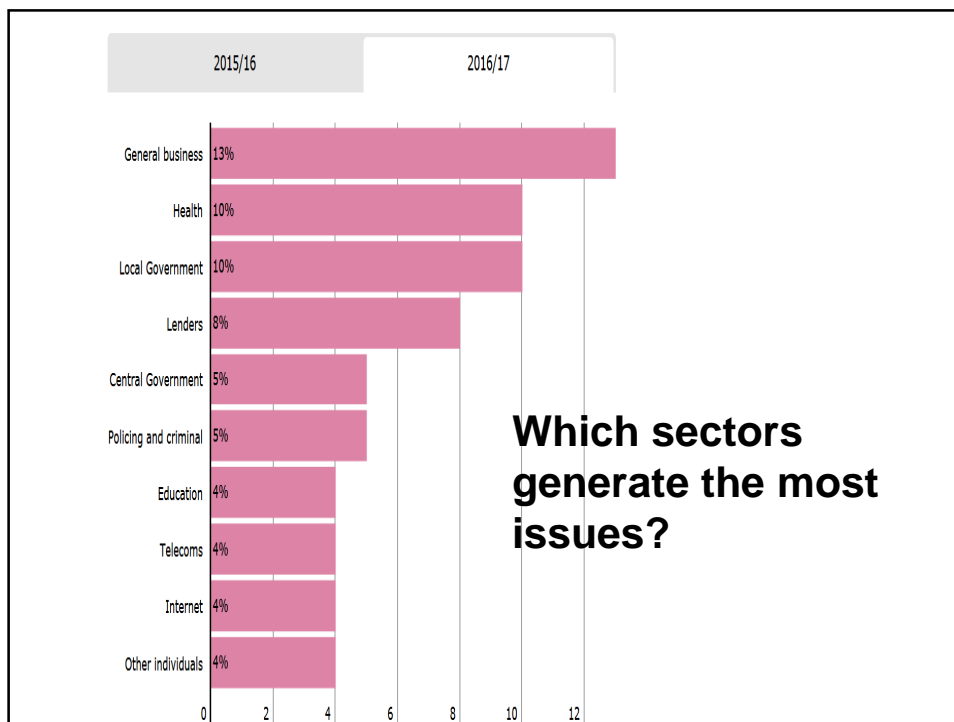
- 498,108 data controllers registered
- **204,281 overall concerns reported**
- **17,300 cases concluded (16 fines)**
- Fines totalled £3.5m
- Fee income £19.7m
- Expenditure £25m
- 537 staff now with 102 dedicated to complaints and reviews



## ICO – work with firms

- 35 audits providing advice and recommendations
- 22 information risk reviews
- 23 follow-up audits
- 58 advisory visits to SMEs





## 2,565 self reported incidents



## Where are you?

## Data protection self assessment

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This self assessment toolkit has been created with small organisations in mind. It will be most helpful to small to medium sized organisations from the private, public and third sectors.

Good information handling makes good business sense. You'll enhance your business's reputation, increase customer and employee confidence, and by making sure personal information is accurate, relevant and safe, save both time and money.

Use our checklists to assess your compliance with data protection law and find out what you need to do to make sure you are keeping people's personal data secure. Once you have completed each self assessment checklist a short report will be created suggesting practical actions you can take and providing links to additional guidance you could read that will help you improve your data protection compliance.

## General Data Protection Regulation (GDPR) FAQs for small financial service providers

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### Will the GDPR stop us from complying with our other regulatory requirements, such as Anti-Money Laundering, Know Your Customer and Open Banking requirements?

We do not believe that data protection law prevents organisations from complying with other financial regulatory requirements. The GDPR allows you to process personal data where it is necessary to comply with other legal obligations, and the FCA takes data protection into account when it is setting its own regulatory rules.

# Right to be informed




## At a glance

- Individuals have the right to be informed about the collection and use of their personal data. This is a key transparency requirement under the GDPR.
- You must provide individuals with information including: your purposes for processing their personal data, your retention periods for that personal data, and who it will be shared with. We call this 'privacy information'.
- You must provide privacy information to individuals at the time you collect their personal data from them.

You must actively provide privacy information to individuals. You can meet this requirement by putting the information on your website, but you must make individuals aware of it and give them an easy way to access it.





The UK's independent authority set up to uphold information rights in the public interest, promoting openness by public bodies and data privacy for individuals.

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# What should you include in your privacy notice?

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[Why should you provide effective privacy information?](#)
[What should you include in your privacy notice?](#)

The starting point of a privacy notice should be to tell people:

- who you are;
- what you are going to do with their information; and
- who it will be shared with.

These are the basics upon which all privacy notices should be built. However, they can also tell people more than this and should do so where you think that not telling people will make your processing of that information unfair. This could be the case if an individual is unlikely to know that you use their information for a particular purpose or where the personal data has been collected by observation or inference.

# Legal Basis



### What are the lawful bases for processing?

The lawful bases for processing are set out in Article 6 of the GDPR. At least one of these must apply whenever you process personal data:

**(a) Consent:** the individual has given clear consent for you to process their personal data for a specific purpose.

**(b) Contract:** the processing is necessary for a contract you have with the individual, or because they have asked you to take specific steps before entering into a contract.

**(c) Legal obligation:** the processing is necessary for you to comply with the law (not including contractual obligations).

**(d) Vital interests:** the processing is necessary to protect someone's life.

**(e) Public task:** the processing is necessary for you to perform a task in the public interest or for your official functions, and the task or function has a clear basis in law.

**(f) Legitimate interests:** the processing is necessary for your legitimate interests or the legitimate interests of a third party unless there is a good reason to protect the individual's personal data which overrides those legitimate interests. (This cannot apply if you are a public authority processing data to perform your official tasks.)

For more detail on each lawful basis, read the relevant page of this guide.



<u>Purpose of processing</u>	<u>Lawful Basis</u>
Providing quotations; arranging and administering insurance policies	Necessary for the performance of an insurance contract
Arranging Premium Finance/Consumer Credit	Necessary for the performance of a consumer credit contract
Provision of information on products and services (Marketing)	Our legitimate interests or your explicit consent
To notify you of changes in our service	Our Legal and Regulatory obligations
To prevent and detect fraud, money laundering and other financial crimes	Our Legal and Regulatory obligations
To meet general legal or regulatory obligations	Our Legal and Regulatory obligations
Statistical analysis	Our legitimate interests – to refine and enhance the products and pricing which we can offer





You may not know that you are currently opted out of Nectar marketing communications. To choose, and change how you'd like us to contact you, just log into [nectar.com](https://nectar.com), click 'Manage Account' and then 'Contact Preferences'. Here you can opt into receiving emails with our latest offers and select if you'd like us to keep you up to date with what's happening with Nectar.



The UK's independent authority set up to uphold information rights in the public interest, promoting openness by public bodies and data privacy for individuals.



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## Moneysupermarket fined for ignoring customers' marketing email opt-outs



Date 20 July 2017

Type News

Price comparison website Moneysupermarket.com Ltd [has been fined £80,000](#) by the Information Commissioner's Office (ICO) for sending millions of emails to customers who had made it clear they didn't want to be contacted in that way.

The company sent 7.1 million emails over 10 days updating customers with its Terms and Conditions. But all the recipients had previously opted out of direct marketing.

Moneysupermarket's email included a section entitled 'Preference Centre Update'

# “Insurance Processing”



## And for insurance?

- The DP Act provides an overarching **substantial public interest** (the legal basis) to process Special Category Personal Data and criminal conviction data without consent
- Where necessary for an “**insurance purpose**” – advising, arranging, underwriting, administering, administering a claim, exercising a right or complying with an obligation under, an insurance contract



# Marketing

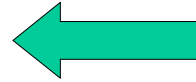


## Direct marketing?

- Communication (by whatever means) of any advertising or marketing material which is directed to particular individuals
- Prospects? Will differ as to whether to an individual or a business
- Third party mailing lists – are you named as a third party receiving the information?
- Plenty of time before 25<sup>th</sup> May?



If you are sending marketing to someone within an organisation using an email address like this, [firstname.surname@organisation.com](mailto:firstname.surname@organisation.com), or contacting a specific individual using a phone number identified with them, then you will be processing personal data and you will therefore need to follow the requirements of GDPR in terms of how you process that data. However, you will also need to comply with PECR as email is electronic marketing.

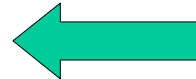


Under PECR you can be an 'individual subscriber' or a 'corporate subscriber'. The rules you have to follow under PECR will vary depending on which of the two categories an individual falls under. More detail on this can be found in the ICO's [Guide to PECR](#).

- 'Individual subscriber' covers individual customers (including sole traders) and other organisations (e.g. other types of partnership).
- 'Corporate subscriber' covers subscribers that are a corporate body with separate legal status. This includes companies, limited liability partnerships, Scottish partnerships, and some government bodies and can cover an individual working for a corporate subscriber.

#### Marketing email

If you are sending marketing emails, then you need to know whether you are sending them to corporate subscribers or individual subscribers. Under PECR, where you are contacting a corporate subscriber you do not need to have the consent of the individual to contact them. It is therefore important that you know you are contacting a corporate subscriber. If you are not sure, the ICO would recommend you treat the person as an individual subscriber. If you are emailing an individual subscriber you will need the person's consent to do so.



## At-a-glance guide to the marketing rules

Method of communication	Individual consumers (plus sole traders and partnerships)	Business-to-business (companies and corporate bodies)
Live calls	<input type="checkbox"/> Screen against the Telephone Preference Service (TPS) <input type="checkbox"/> Can opt out	<input type="checkbox"/> Screen against the Corporate Telephone Preference Service (CTPS) <input type="checkbox"/> Can opt out
Recorded calls	<input type="checkbox"/> Consumer must have given caller specific consent to make recorded marketing calls.	<input type="checkbox"/> Consumer must have given caller specific consent to make recorded marketing calls.
Emails or texts	<input type="checkbox"/> Consumer must have given sender specific consent to send marketing emails/texts. <input type="checkbox"/> Or soft opt-in (previous customer, our own similar product, had a chance to opt out)	<input type="checkbox"/> Can email or text corporate bodies <input type="checkbox"/> Good practice to offer opt out <input type="checkbox"/> Individual employees can opt out
Faxes	<input type="checkbox"/> Consumer must have given sender specific consent to send marketing faxes	<input type="checkbox"/> Screen against the Fax Preference Service (FPS) <input type="checkbox"/> Can opt out
Mail	<input type="checkbox"/> Name and address obtained fairly <input type="checkbox"/> Can opt out	<input type="checkbox"/> Can mail corporate bodies <input type="checkbox"/> Individual employees can opt out

Method of Communication	Circumstances	Allowed Y/N	Lawful Basis
<b>Post</b>	Individual has explicitly opted in	Y	Consent
	Individual has explicitly opted out	N	
	Individual has not objected to post and has not registered with the Mail Preference Service ( <a href="http://www.mpsonline.org.uk">www.mpsonline.org.uk</a> ) and name/address were obtained fairly	Y	Legitimate Interests
<b>Email/Text</b> (includes Social Media)	Individual has explicitly opted in	Y	Consent
	Individual has explicitly opted out	N	
	Individual has not explicitly opted in but qualifies as a "soft opt-in" *	Y	Legitimate Interests
	Business prospects who do not object to emails/texts (once sent) and it is their business insurances you seek (not personal)	Y	Legitimate Interests
<b>Telephone</b>	Individual has explicitly opted in	Y	Consent
	Individual has explicitly opted out	N	
	Individual has not objected to calls and is not registered with the Telephone Preference Service ( <a href="http://www.tpsonline.org.uk">www.tpsonline.org.uk</a> )	Y	Legitimate Interests



# Breaches





## Data Breaches

- Compulsory notification to ICO **within 72 hours where breach is likely to result in a risk to the rights and freedoms of individuals** (discrimination, damage to reputation, financial loss or other significant economic or social disadvantage)
- Notification to individual where high risk to their rights and freedoms
- Maximum fine - up to €20m or 4% of your global group turnover (less for minor issues)

# What then?

- How long will it take you to discover a data breach?
- What will you then do?
- Publicity?
- Are you (and your clients) insured?
- How/what went wrong?
- How much will it cost?
- Fines?



The logo for the Information Commissioner's Office (ICO), consisting of the letters 'ico.' in a bold, lowercase font, with 'Information Commissioner's Office' in smaller text below it.

The UK's independent authority set up to uphold information rights in the public interest, promoting openness by public bodies and data privacy for individuals.

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## Report a breach

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There are certain incidents that organisations need to tell us about. Use this page if you are an organisation that has experienced one of the following types of incident and need to report it to the ICO:

- [a personal data breach under the GDPR or the Data Protection Act 2018](#);
- [a Privacy and Electronic Communications Regulations \(PECR\) security breach by a telecoms or internet service provider](#); or
- [a potential breach of the NIS Directive](#)

### GDPR or DPA 2018 personal data breach

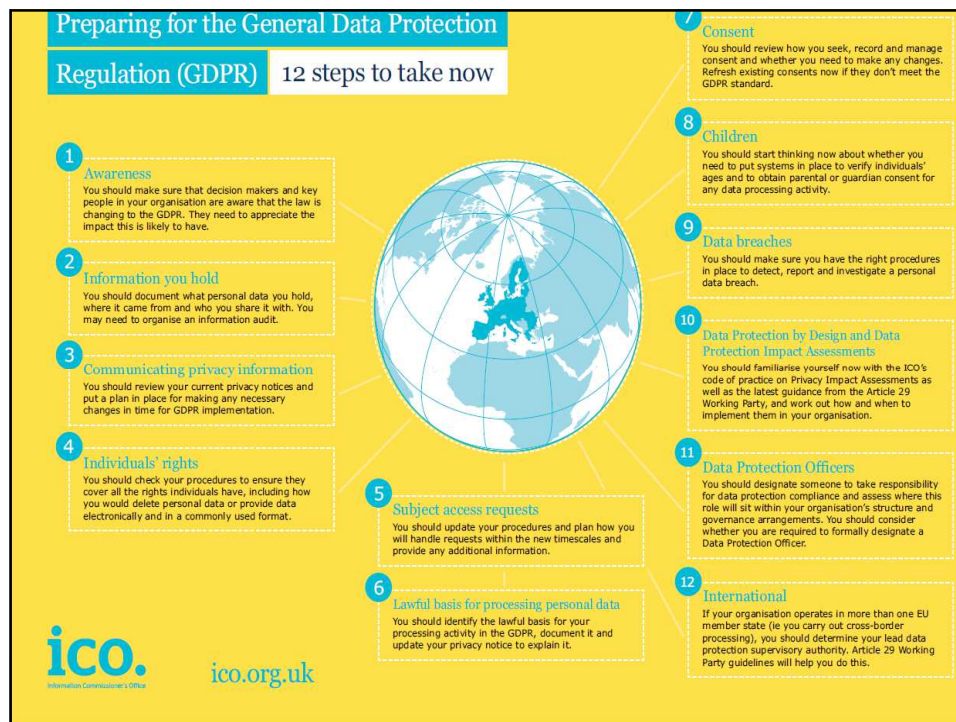
### Take action

[Make a complaint](#)

### Further reading

[Personal data breaches](#)  
For organisations

[Personal data breaches - Law Enforcement](#)



## 2. IDD



## **What's the focus?**

- I. All insurance distribution activity
- II. Staff knowledge, ability and repute
- III. Conduct of Business
- IV. Conflicts of interest



## **i. 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

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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

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

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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.

[Home](#) / [News](#) / [Moorhouse fined for failures in relation to its telephone sales](#)

## Moorhouse fined for failures in relation to its telephone sales

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

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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



Print page



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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?

A privacy reminder from YouTube, a Google company REMIND ME LATER REVIEW

YouTube GB you tube broolly insurance Q ⬆ ⋮ ⋮ SIGN IN



Up next AUTOPLAY

**Filmed My Boss Firing Me**  
Cole Hersch  
9.8M views  
3:46

**The People vs Insurance**  
Broolly  
17 views  
New  
2:01

**10 Things Body Language Says About You**  
TheHUB  
12M views  
9:44

**Teen Lotto Winner Says She's Miserable as a Millionaire | This Morning**  
This Morning  
4M views  
7:26

We asked people what they REALLY thought about insurance!

295 views 👍 6 👎 0 🔗 SHARE ⋮

**BBC** Sign in News Sport Weather iPlayer TV Radio More Search Q

**NEWS** Find local news

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## 'Degree needed' to fathom financial small print

By Kevin Peachey  
Personal finance reporter

🕒 13 November 2015 [Business](#)



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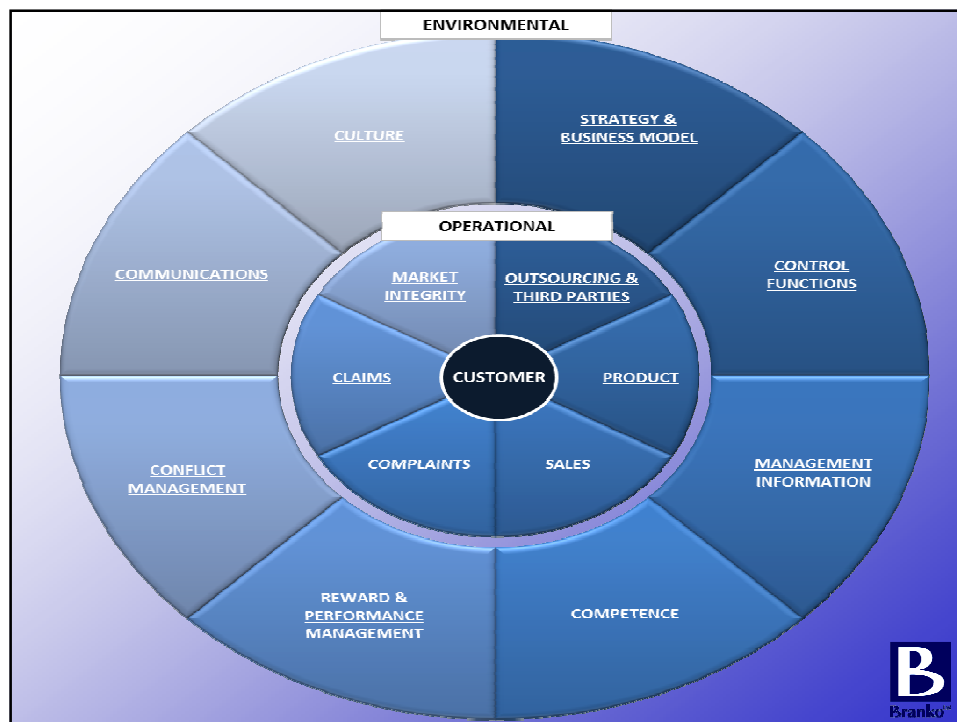
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# Your job is HUGE!





**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

## 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



## ii. 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



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

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



Print page



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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

**a. Application**

## Application

- All persons who conduct insurance distribution (as defined) to customers
- New category of ancillary insurance intermediary (AI) – 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



## Large risks?

- [contracts of insurance](#) covering risks within the following categories, in accordance with article 13(27) of the [Solvency II Directive](#):
  - (a) [railway rolling stock](#), [aircraft](#), [ships](#) (sea, lake, river and canal vessels), [goods in transit](#), [aircraft liability](#) and [liability of ships](#) (sea, lake, river and canal vessels);
  - (b) [suretyship](#), where the policyholder is engaged professionally in an industrial or commercial activity or in one of the liberal professions, and the risks relate to such activity;
  - (c) [land vehicles](#) (other than [railway rolling stock](#)), [fire and natural forces](#), other [damage to property](#), [motor vehicle liability](#), [general liability](#), and [miscellaneous financial loss](#), in so far as the [policyholder](#) exceeds the limits of at least two of the following three criteria:
    - (i) balance sheet total: €6.2 million;
    - (ii) net turnover: €12.8 million;
    - (iii) average number of [employees](#) during the financial year: 250.



## 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



## b. 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



### **c. 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



## **d. Conduct of Business**



# 1. Overarching requirements

1. **Act honestly, fairly and professionally in the best interests of the customer**
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. Are you acting on behalf of the insurer or the customer? Does this change at any time?
3. Do you own 10% or more of an insurer or vice versa?



4. 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
5. Firms need to present this information in a useful way highlighting potential conflicts of interest (only for themselves)
6. Actual amount disclosed only on request
7. Fees up front incl those that may be charged





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

- You must identify demands and needs and ensure what is proposed is consistent with those demands and needs (incl non-advised)
- In a clear and unambiguous format
- Retail **and** commercial
- Advised **and** non-advised
- New business **and** renewal

## **D&N**

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 provide a personalised explanation as to why a particular contract would best meet their D&N
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



## **D&N - options**

1. Personal recommendation on the basis of a fair and personal analysis
2. Contractual obligation with one or more insurers and then name the insurer(s)
3. Not under a contractual obligation with one or more insurers/do not give a personal recommendation on the basis of a fair and personal analysis THEN
4. Names of insurers with which you may and do conduct business with



## Fair analysis?

- If advice is given on the basis of a fair analysis...a sufficiently large number of contracts of insurance available on the market to enable it to make a recommendation and
- A personal recommendation can only be made on such a basis
- In each case it must be in accordance with professional criteria re a contract adequate to meet the customer's needs



**Table 2: Illustrative examples concerning insurance demands and needs<sup>29</sup>**

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.”



## e. 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

1. In scope AIs – within the UK regulatory perimeter and within IDD scope
2. Connected travel insurance (CTI) providers – different regulatory regime
3. 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 <sup>36</sup>
<b>SYSC – Professional, Organisational and PII Requirements (Chapter 3)</b>			
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	✓	✓	✗
<b>DISP – Complaints and Out-of-Court Redress (Chapter 4)</b>			
Complaints arrangements	✓	✓	✓ <sup>37</sup>
Out of court redress	✓	✓	✓ <sup>38</sup>
Adhere to appropriate ADR scheme where providing insurance distribution services to customers in another EEA country	✓	✓	✗
<b>ICOBS 2 – Overarching Conduct of Business Requirements (Chapter 5)</b>			
General Principles	✓	✓	✓
<b>ICOBS 4 – Pre-Contract Information Disclosure Requirements (Chapter 5)</b>			
General Pre-Contract Disclosure <ul style="list-style-type: none"> <li>• Identity and address</li> <li>• Complaints procedures</li> <li>• Status disclosure</li> </ul>	✓	✓	✓
General Pre-Contract Disclosure <ul style="list-style-type: none"> <li>• Providing advice or information?</li> <li>• Acting for customer or insurer?</li> </ul>	✓	✓ <sup>39</sup>	✗
Conflicts of Interest and Transparency Disclosure <ul style="list-style-type: none"> <li>• Shareholding links with insurer</li> <li>• Personal recommendation based on fair analysis of the market or place business with a limited panel of insurers – to be named</li> </ul>	✓	✗	✗

the IDD Requirement	In-Scope Alls	CTI Providers	Out-of- Scope Alls <sup>36</sup>
Conflicts of Interest and Transparency Disclosure <ul style="list-style-type: none"> <li>• Nature and basis of remuneration</li> <li>• Fee disclosure</li> </ul>	✓	✓ <sup>40</sup>	✗
Means of providing information	✓	✓	✓
<b>ICOB5 5 – Standards for Advised and Non-Advised Sales (Chapter 5)</b>			
Identification of demands and needs, and proposing only contracts consistent with these	✓	✓	✓
Personal recommendation explaining why product best meets demands and needs	✓	✗	✗
<b>ICOB5 6 – Product Information (Chapter 5)</b>			
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. Product Information

- New document for GI contracts – Insurance Product Information Document (IPID)
- You need to offer the customer the option of having the TOBA, SD&N, IPID and policy documentation on paper by post at no charge



### 3. IPID

- Insurance Product Information Document (IPID) – a 2 page (max 3) objective and relevant short summary
- Must be provided to consumers (at new business and renewal stage)
- Consider a summary type document (that incl all the IPID information) for commercial customers if considered to be a comprehensible form in which to provide
- For phone sales no need to list it all as DMD requirements still apply



## 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. Manage conflicts properly rather than use disclosure to avoid managing them
2. Do your client files evidence why the product is in the client's best interests?
3. Do have a documented and up to date conflicts of interest (and G&E) policy?
4. Do remuneration arrangements for staff or for the firm influence placement?
5. Formal reporting to the management board and regular reviews are now needed



# 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...

- have in place a written agreement which sets out respective responsibilities?
- 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.





- 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
  - Introducing (under 33B RAO) drops out
- Regulatory Processes
  - Registration/Ars – further consultation
- Passporting
  - Query after 31 March 2019 as no single market once we leave so options to be discussed and agreed



## Conclusion?

- 13 weeks to go – you should be working now on making the changes
- Do you know what changes need to be made?
- What about systems/software houses?
- Quite a bit of work for some!



## Today's learning outcomes

- By the end of this event you will have gained an insight into changes required under:-
  - I. IDD
  - II. GDPR



**Thank you for your attention**

**0800 619 6619**

**[www.branko.org.uk](http://www.branko.org.uk)**

**Next events:**

**16 July GDPR and IDD**

