



Insurance Distribution Directive

Frequently Asked Questions

1. What is the Directive about and what financial products are in scope?
2. What are the main changes that came into effect with the onset of IDD?
3. What is the Insurance Product Information Document (IPID) mentioned in the Directive?
4. Why is the IDD often referred to as the MiFID II of Insurance?
5. How will the service provided to customers of insurance products improve?
6. When does the Directive come in force?

1. What is the Directive about and what financial products are in scope?

The Directive regulates the activities of all distributors of insurance products, including insurance intermediaries, insurance companies and their employees, ancillary insurance intermediaries and online distribution. The Directive introduces new enhanced rules for the protection of consumers. All insurance contracts are in scope i.e. non-life insurance products and life insurance products.

2. What are the main changes that came into effect with the onset of IDD?

Since 1 October 2018, insurance companies and distributors of insurance products are subject to enhanced information and conduct of business requirements. These include (i) pre-contractual information to be provided to clients before they enter into an insurance contract; (ii) additional knowledge and competency requirements for distributors; (iii) product oversight and governance requirements; (iv) disclosure around product bundling; and (v) additional disclosure requirements in relation to insurance based investment products.

3. What is the Insurance Product Information Document (IPID) mentioned in the Directive?

This is a simple document summarising the main features of a non-life insurance contract. It is designed to give customers with basic information about the type of non-life insurance products, the obligations of the parties, claims handling and a summary of the cover being provided. This will enable customers to familiarise themselves with the insurance product they are buying and compare offers by different providers.

4. Why is the IDD often referred to as the MiFID II of Insurance?

In the case of insurance-based investment products (IBIPs) there is the potential of increased risk to consumers. The Directive aims to provide the same level of protection to consumers in insurance products, as that provided to investment services clients. The enhanced protection revolves around the managing of conflicts of interest, disclosure of costs and charges, and an assessment of whether:

- a) the insurance product meets the demands and needs of the customer;
- b) the client has sufficient knowledge and experience to understand the product; and
- c) the recommended insurance-based investment product is suitable for the customer.

5. How will the service provided to customers of insurance products improve?

The IDD specifies minimum competency requirements and Continuous Professional Development that employees engaged in insurance distribution must satisfy. This, together with the increased level of protection provided to customers of insurance products, will lead to improvements in the entire distribution process.

6. When does the Directive come in force?

The Insurance Distribution Directive is applicable across Europe as from 1 October 2018.