



Where are you regarding your compliance with the IDD?

The entry into force of the Insurance Distribution Directive is getting closer and closer. This requires both insurance companies and insurance intermediaries to analyse their current compliance level with the IDD in order to start, right now, filling the gaps that might lead them to breach compliance otherwise. The compliance with the IDD matters as much to customers as it does to insurance companies and intermediaries, for the commercial protection of the former and the legal protection of the latter.

The recent global financial crisis showed that many clients had been proposed products that did not fit their personal needs and profiles. Therefore, by putting customers' characteristics, objectives and interests first and by ensuring that insurance products meet the needs of the target market they are sold to, the IDD focuses on reinforcing **customers' protection**.

Hence, by complying with the IDD, mis-selling should not happen anymore and customers should re-gain trust into the insurance industry which, *in fine*, will improve **the industry's reputation**.

To avoid mis-selling practices, insurance undertakings and intermediaries must ensure that the products they market are consistent with, *a minima*, the customers' needs and demands. This requires them to **collect additional information from their clients**.

Finally, it is in the **insurance undertakings' and intermediaries' interest** to regularly monitor their compliance with the IDD. This regular compliance monitoring will enable insurance undertakings and intermediaries to provide the regulator, upon request, with any evidence of the actions undertaken. This way, they will protect themselves from any **legal risks**.

The main key challenges for insurance undertakings and intermediaries are:

- To monitor their compliance with the IDD overtime on every Directive's chapter, which requires them to overcome the following challenges:
 - to motivate their distribution channels with inducement schemes that do not interfere with customers' interests;
 - to provide life customers with suitable or appropriate customized advice;
 - to provide non-life customers with generic product information easing their insurance products' comparison on the market.

In order to support insurance undertakings and intermediaries facing the above challenges, Deloitte has developed an Assessment Framework. This will give them the opportunity to regularly assess the gaps of their operating model with the legal requirements. Once these gaps are identified, their analysis will make it possible for insurance undertakings and intermediaries to fill them.

Deloitte's IDD Assessment Framework enables insurers to overcome these challenges in 2 steps

STEP 1: Tune the IDD Assessment Framework to your situation

In the assumption form (shown on the right above), set up the tool with your own specificities such as your entity's name, its country of registration, the activities it performs, whether it is a group and if it is, whether the assessment should be extended to its underlying entities, and whether it is involved in the product's manufacturing and/or its distribution.

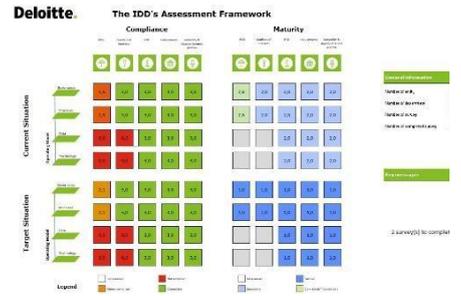
Afterwards, describe your organizational structure to assign each chapter of the Directive to the departments/entities in charge of its monitoring. This enables a production of questionnaires per chapter, those being assigned to each department respectively for assessment.

STEP 2: Perform the assessment

Once the tuning of the IDD Assessment Framework is performed, each stakeholder identified sees the list of chapters that have been assigned to his/her assessment. After selecting these chapters, the stakeholder is granted access to the related questionnaire (shown on the right below).

Now, the stakeholder can fill in this questionnaire. Each question requires its related current and target compliance levels as well as its related current and target maturity levels to be filled-in. All along the questionnaire, the stakeholder is provided with an overview on his/her progress at a glance on the home page (shown on the right above).

Home Page



Assumption Form

Questionnaire Form

Finally, this home page shows how far the stakeholder's department/entity is from compliance with the IDD. Furthermore, it also displays the efficiency of the means used to achieve compliance. Therefore, this home page provides insurance undertakings/intermediaries with the opportunity to adapt their operational efficiency and cost optimization.

For instance, being compliant with a process based on manual processes could be sufficient for certain legal requirements such as conflicts of interests' policies. However, for other chapters which make you more at risk, such as the records keeping and the advisory duty, more robust and integrated solutions can be worth being developed.

A dedicated team of experts at your side

As the outcome of such assessment can have a broad impact on both risk management processes and underlying IT assets, we propose to give you guidance on the following subjects:

- Regulation awareness
- Processes review
- Roadmap definition
- Data management best practices
- System integration best practices
- Program management



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