



## The Insurance Distribution Directive

An evolving insurance landscape

Deloitte, 2017

# Insurance distribution in Malta



Yet there are 356 registered individual tied insurance intermediaries with the MFSA.

**More than 1 every km<sup>2</sup>!!**

# Insurance distribution in Malta

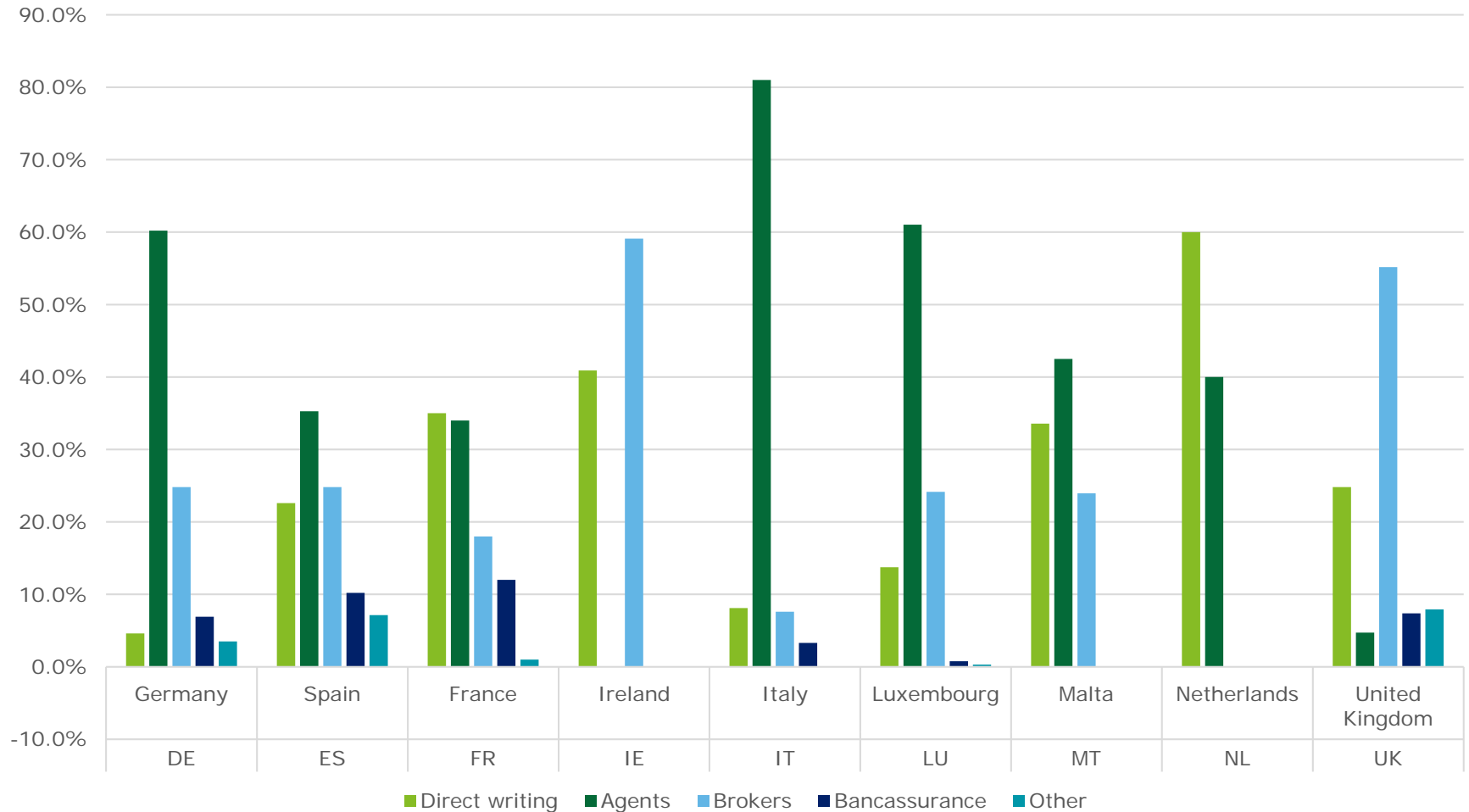
## Some other Key facts

<b>4</b>	Non-life insurance companies
<b>1</b>	Composite insurer
<b>3</b>	Life insurers
<b>20 +</b>	Brokers
<b>14</b>	Insurance agents
<b>93</b>	Corporate TIIs
<b>356</b>	Individual TIIs

It seems that insurance is well distributed in Malta!!

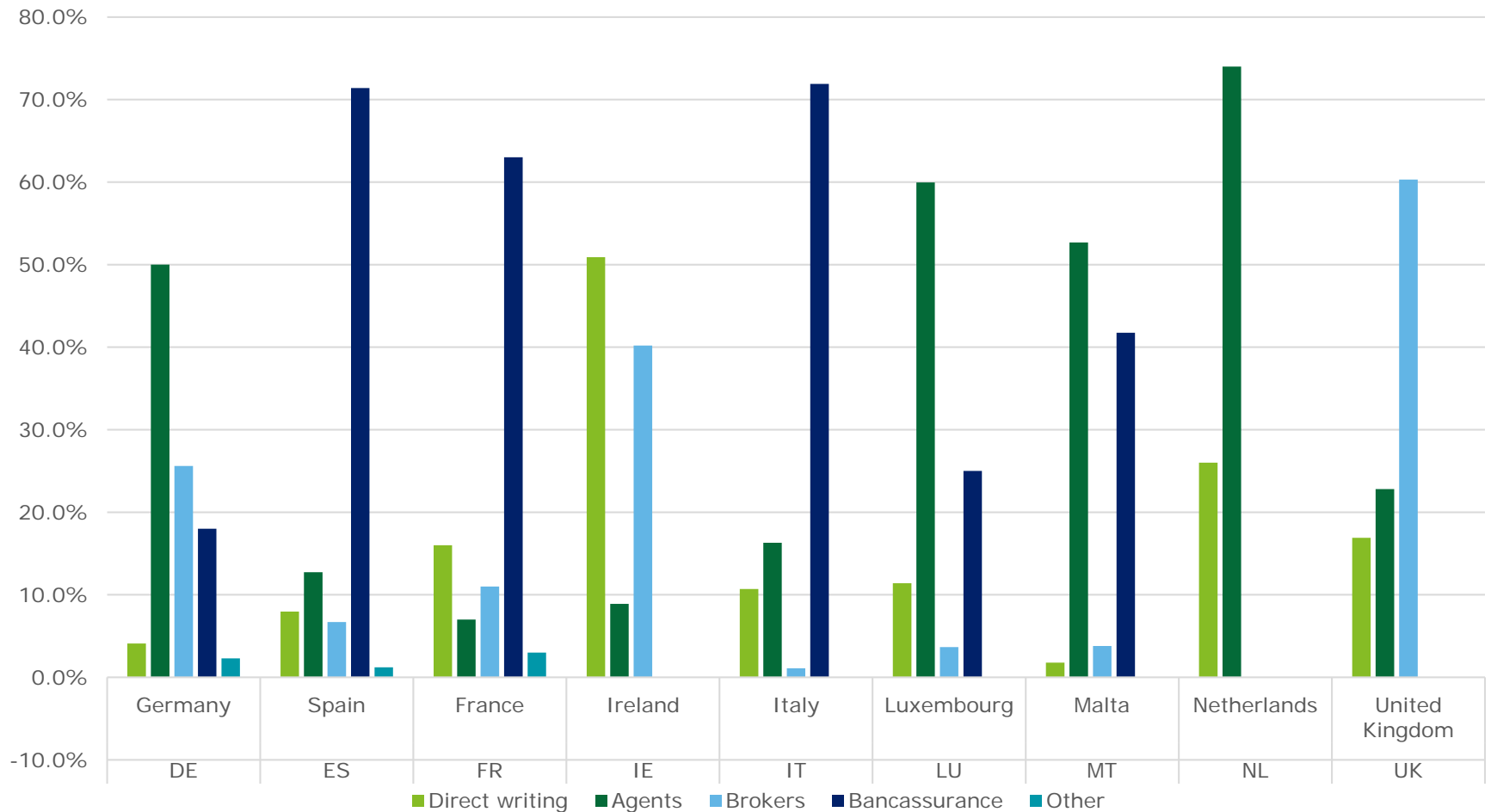
# Insurance distribution in Malta

## Breakdown of non-life insurance premiums by distribution channel



# Insurance distribution in Malta

## Breakdown of life insurance premiums by distribution channel



# Insurance distribution in Malta Yet...



Malta's per capita uptake is well below half the EU average. For 2014, per capita spend was € 910 whilst in Europe its € 1,993.



For non-life insurance, such as home and business insurance, the figures are even lower: almost a third of the European average.



On health insurance, Malta's spend is around €25 per capita while the European average is just over €200.

Source: Insurance Europe 2015 report

“The Insurance Distribution Directive is a significant milestone to strengthen consumer protection in Europe.

This work goes hand in hand with the fact that EIOPA places consumer protection at the very centre of its strategic objectives.”

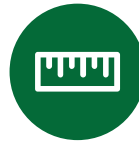
Gabriel Bernardino, Chairman of EIOPA

# Changes arising from by the IDD

## Exploring what will change from the IMD



Expanding the scope of the Directive to cover all sellers of insurance products.



Stricter requirements surrounding conflicts of interest and remuneration disclosures.



Special disclosure requirements for bundled products and other product oversight requirements similar to those of MiFID II.



# Changes arising from the IDD

## Exploring what will change from the IMD



Additional requirements for insurance based investment products (IBIPs) and the insurance products information document (IPIID) for non-life insurance products.



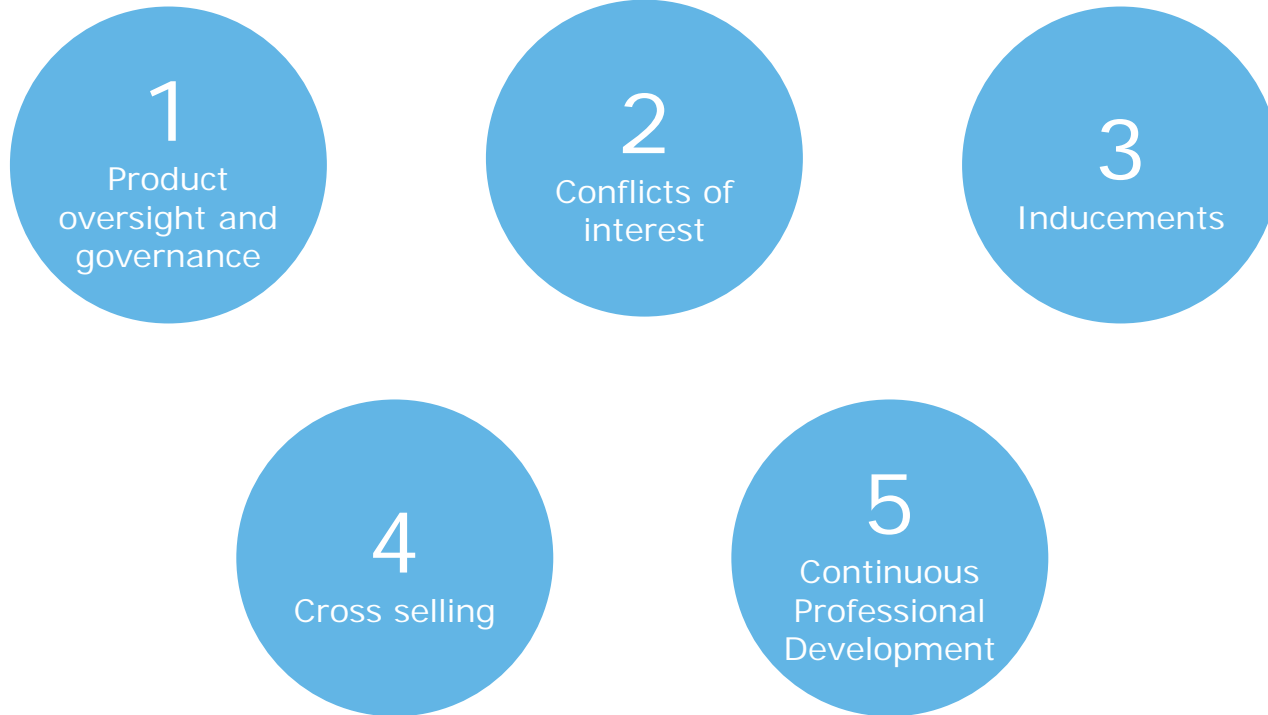
Stricter administrative sanctions and other measures, including pecuniary sanctions.

EIOPA is bolstering its efforts on consumer protection and has made it a strategic priority for 2017.

This will mean senior management taking responsibility for ensuring adequate product oversight and governance arrangements throughout the life of a product

# Changes ushered by the IDD

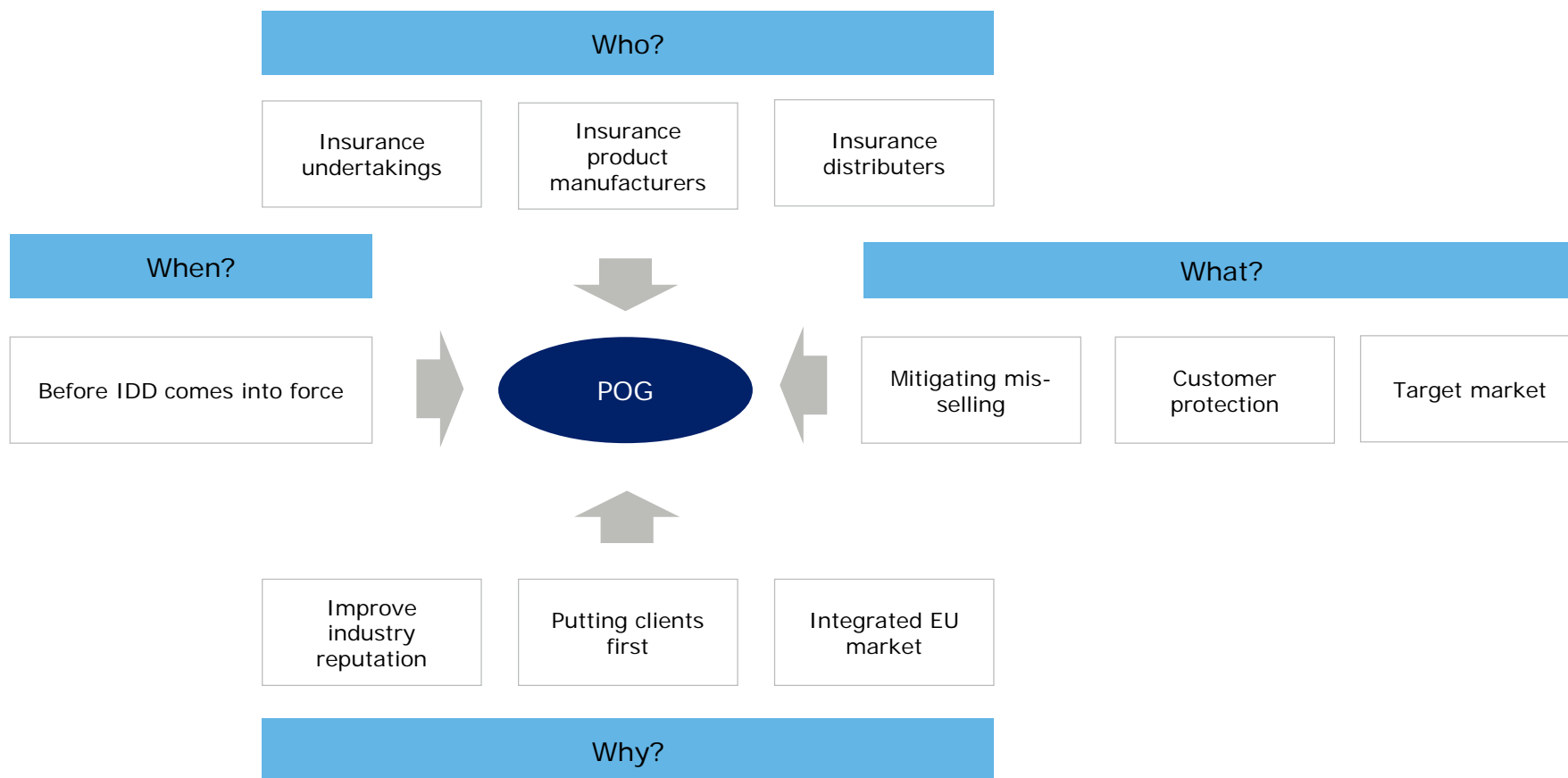
What will be the main focus from regulators?



# Product Oversight & Governance (POG) developments in one shot

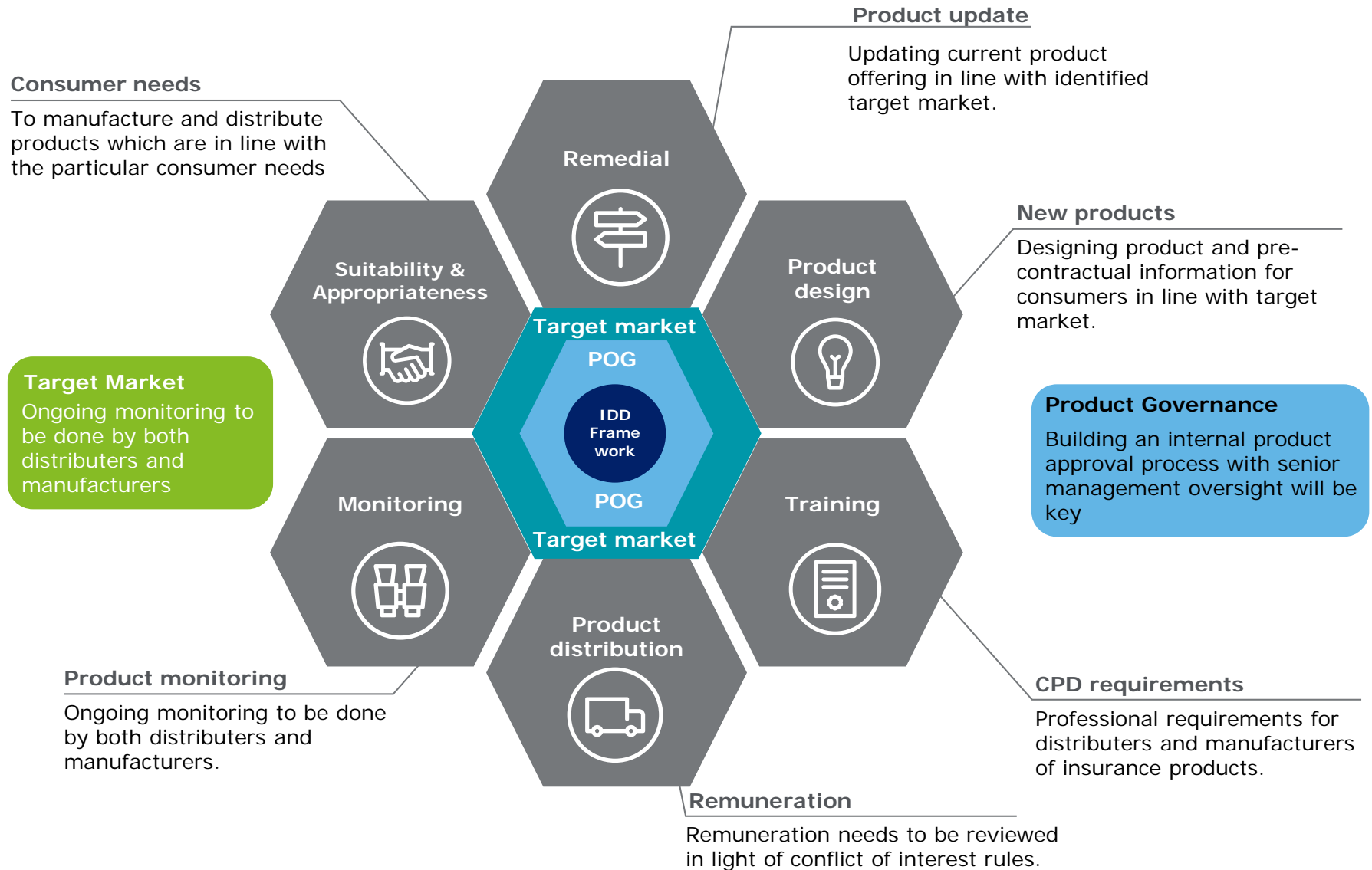
## Key elements and impacts

### Guidelines issued by EIOPA on 20 February 2017



# Focus on product governance

## Getting a clear understanding of the requirements around POG



# Focus on product governance

## Product information document



The IDD introduces a detailed standardized Insurance Product Information Document (IPID) for all non-life insurance products.

The PID is intended to be a pre- contractual and stand-alone document which aims to allow consumers to make an informed decision.

The PID has to be short, comprehensible, accurate and not misleading.

# Cross selling

## Product bundling

For each bundled item, the distributor must inform the customer about the components:



Cost



Charges



Risks

The customer must be given the opportunity to buy these components (product or service) separately.

Local example: Travel insurance bundled with local credit cards offered by banks?

# Managing conflicts of interest

## Higher standards and increased scrutiny by regulators



Conflicts of interests' management will now be subject to higher standards. These should be further detailed in the delegated acts.



Insurance companies must ensure that any potential conflicts of interests between themselves and their customers are prevented during distribution activities.



A conflicts of interest policy should be prepared or an existing one updated in line with the new requirements.

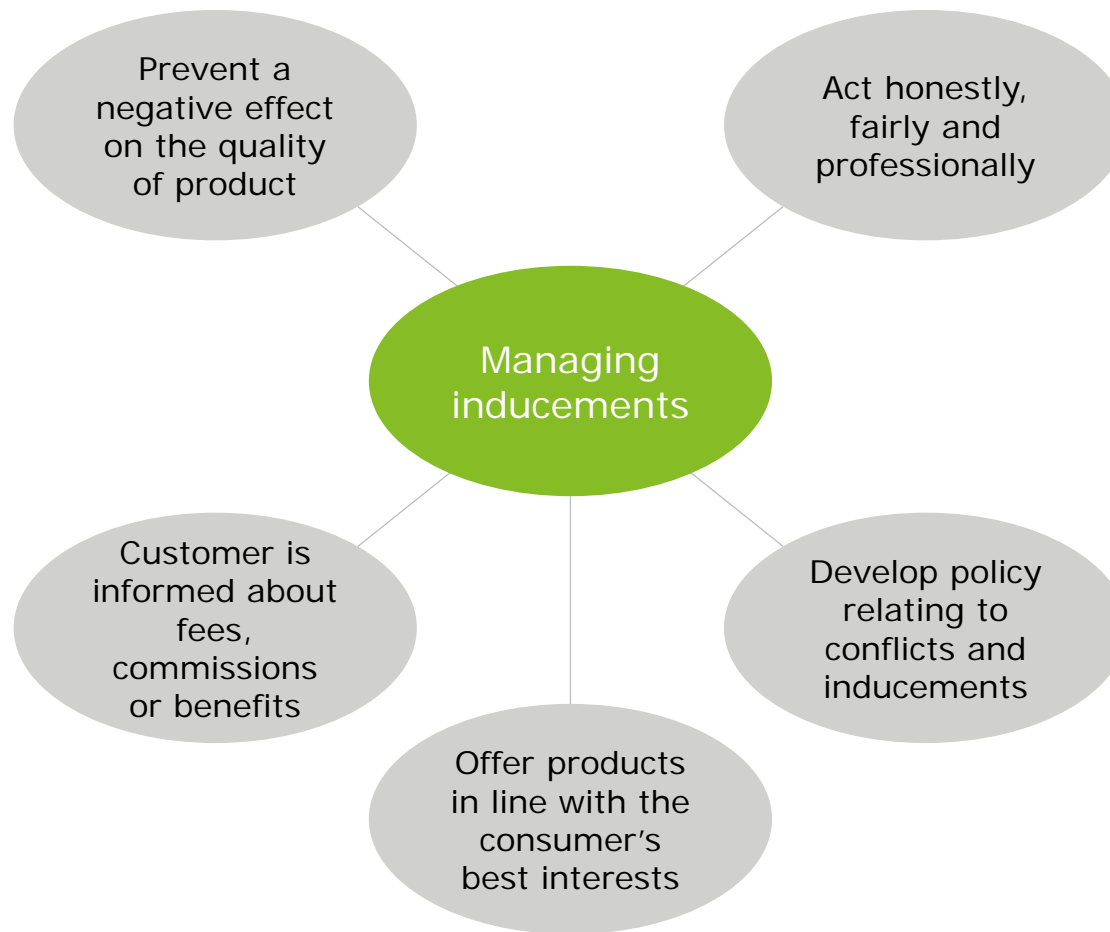


If conflicts of interest cannot be sufficiently managed, the general nature or sources of the conflict should be disclosed to the customer.



# Inducements

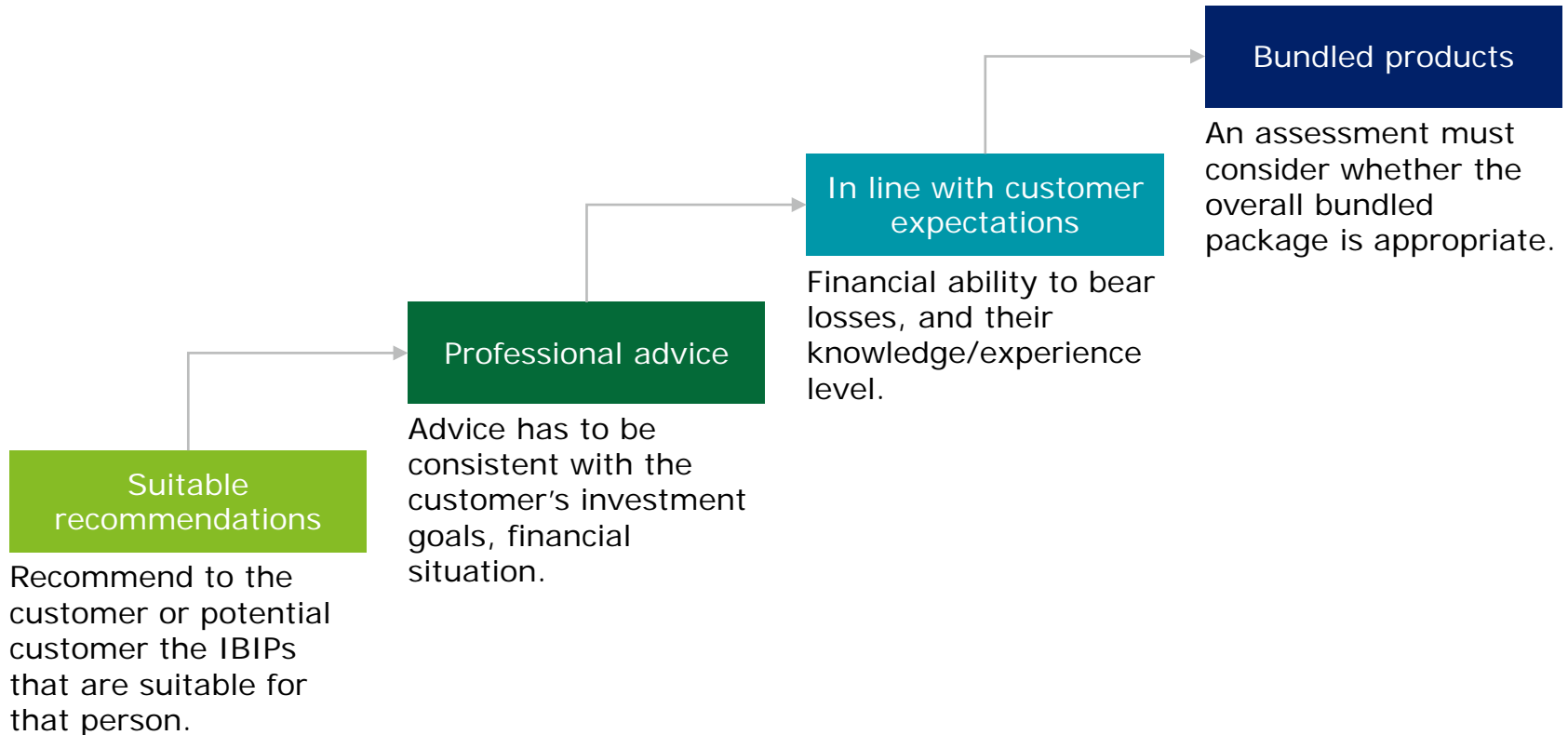
## Setting a fair and transparent policy



# Inducements

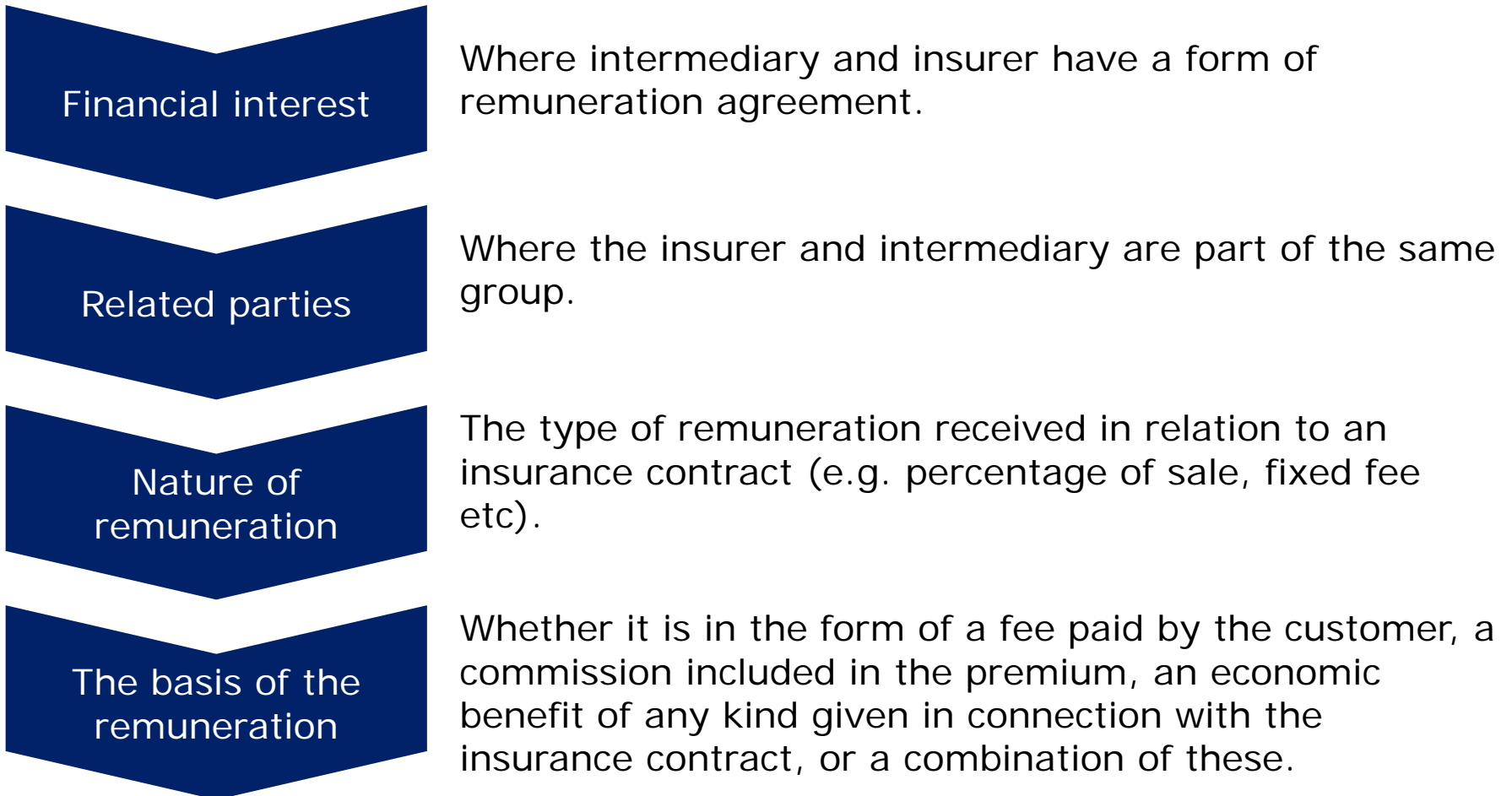
Insurance product which are suitability and appropriate

The suitability assessment is conducted by insurance companies that provide advice to customers on insurance-based investment products (IBIPs)



# Inducements and conflicts of interest

## What needs to be disclosed



# Continuous professional development

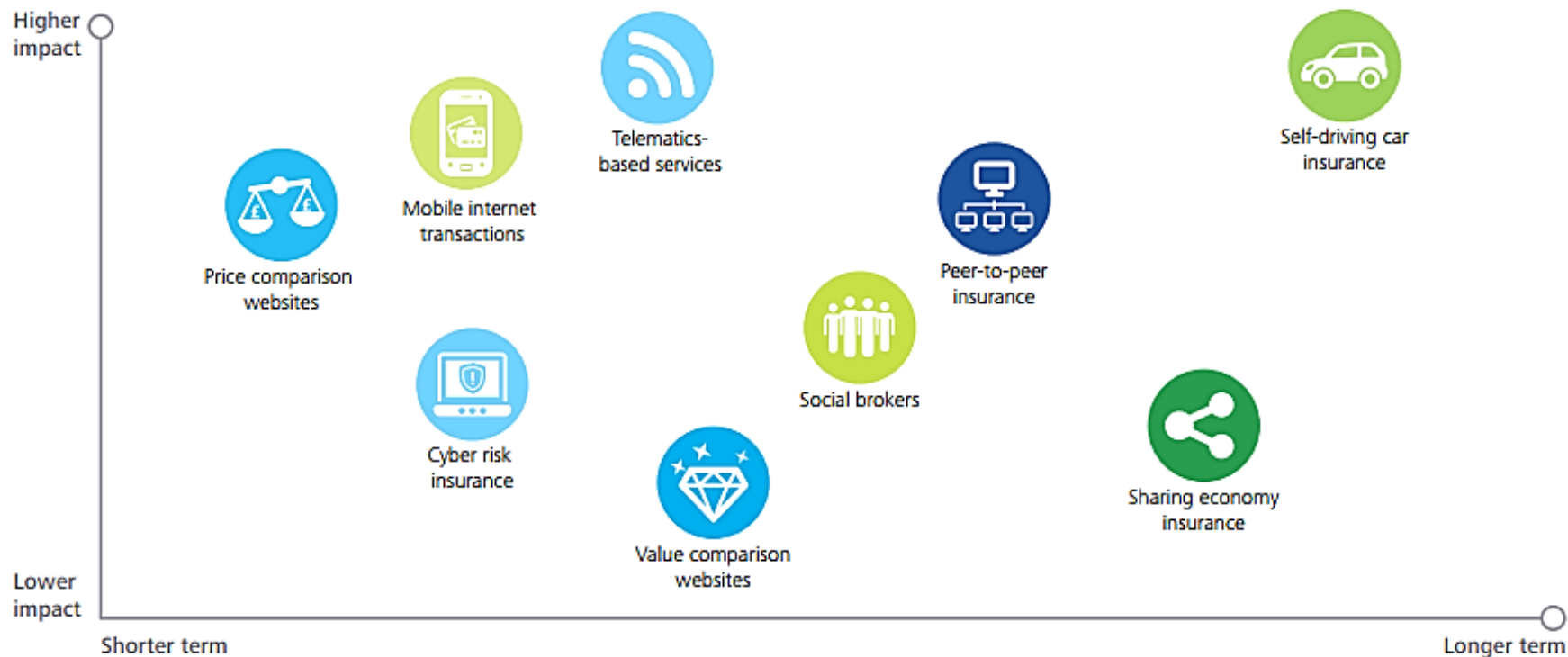
Enhancing the competence of employees and agents selling insurance products

Competency and continuous professional development will need to be ensured by all intermediaries, proportionally to the complexity of the products sold, as well as the nature of distribution.



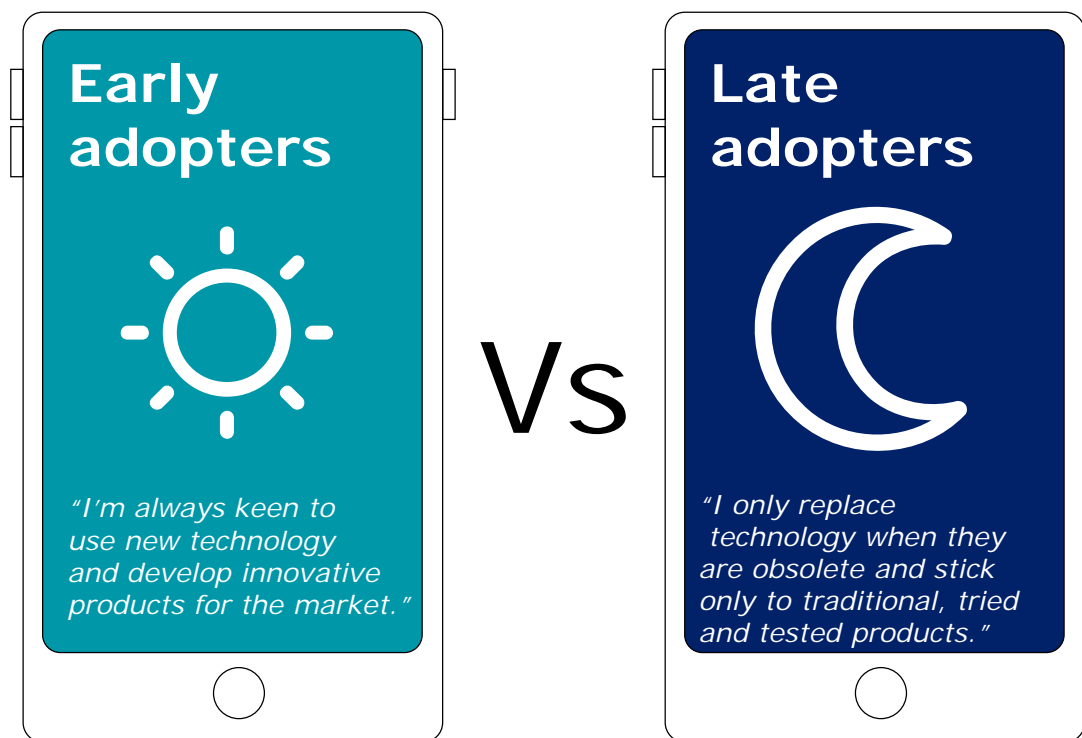
# What does the future holds for the insurance market?

## The distribution of insurance



# What does the future holds for the insurance market?

## Ongoing innovation will distinguish insurers





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