



Institute  
and Faculty  
of Actuaries

# Transposition of the Insurance Distribution Directive

IFoA response to HM Treasury

22 May 2017

## **About the Institute and Faculty of Actuaries**

The Institute and Faculty of Actuaries is the chartered professional body for actuaries in the United Kingdom. A rigorous examination system is supported by a programme of continuous professional development and a professional code of conduct supports high standards, reflecting the significant role of the Profession in society.

Actuaries' training is founded on mathematical and statistical techniques used in insurance, pension fund management and investment and then builds the management skills associated with the application of these techniques. The training includes the derivation and application of 'mortality tables' used to assess probabilities of death or survival. It also includes the financial mathematics of interest and risk associated with different investment vehicles – from simple deposits through to complex stock market derivatives.

Actuaries provide commercial, financial and prudential advice on the management of a business' assets and liabilities, especially where long term management and planning are critical to the success of any business venture. A majority of actuaries work for insurance companies or pension funds – either as their direct employees or in firms which undertake work on a consultancy basis – but they also advise individuals and offer comment on social and public interest issues. Members of the profession have a statutory role in the supervision of pension funds and life insurance companies as well as a statutory role to provide actuarial opinions for managing agents at Lloyd's.



Insurance Distribution Directive Consultation  
Insurance, Pensions and Regulators  
Financial Services Group  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

22 May 2017

Dear Sirs

**IFoA response to HM Treasury (HMT) Consultation: Transposition of the Insurance Distribution Directive (IDD)**

1. The Institute and Faculty of Actuaries (IFoA) welcomes HMT's publication of the transposition of the IDD. Members of the IFoA who work in both general and life insurance have contributed to this response.
  2. In general, the IFoA supports HMT's transposition of the IDD. Consequently, we have only answered those questions where we have specific additional comment to make.
  3. We recognise that regulatory action can only reflect the current legislative environment. However, after the UK leaves the EU, we would encourage HMT to consider alterations to the transposition if there was evidence of it not meeting its objectives.
- Q2. Do you agree to extend the existing exemption for insurance products sold as an add-on to cover 'non-use of services' products? If not, do you have evidence of consumer detriment which would warrant their regulation?**
- Q3. Are there complex insurance products provided as an add-on to a good or service (except those in relation to travel) that should be brought into scope of regulation? What potential is there for consumer detriment in relation to these products?**
- Q4. Do you agree with removing the caveat that products must have a term of less than 5 years to qualify for the connected contracts exemption? If not, which such products introduce a significant risk of consumer detriment?**
4. We have combined our answer to these three questions. The IFoA is concerned the extension of the exemption increases the possibility of consumer detriment. In particular, the existing exemption may not provide sufficient protection for add-on products associated with some products, including the mobile phone and energy markets. This exemption may enable the sale of insurance with long lock-in periods and/or excessively high premiums in relation to the cover provided. Question 4 suggests that any lock-in period could be up to as long as five years.

5. While we note HMT's observation that it considers consumer detriment to be unlikely, we would welcome some regulatory analysis of how the market for these products develops after 23 February 2018.

**Q8. Do you agree that firms who merely provide information in relation to insurance products or potential policyholders should no longer be regulated? If not, what risks of consumer detriment arise from these activities?**

6. We believe this is an appropriate step to take. However, the regulatory challenge will be to ensure that "no further steps are taken to assist in the conclusion of an insurance contract" in respect of such firms.

**Q9. Do you agree that where firms do more than just provide information in order to conclude an insurance contract, e.g. attempting to persuade a customer, these activities should remain in scope of regulation? How will firms be regulated? (Chapter 4)**

7. Yes, the IFoA believes such firms should be treated as intermediaries.

Should you wish to discuss any of the points raised in further detail please contact Philip Daggart, Technical Policy Manager ([Philip.daggart@actuaries.org.uk](mailto:Philip.daggart@actuaries.org.uk) / 0131 240 1319) in the first instance.

Yours faithfully



Colin Wilson  
**President, Institute and Faculty of Actuaries**