



Institute  
and Faculty  
of Actuaries

# CP17/7: Insurance Distribution Directive implementation

IFoA response to Financial Conduct Authority

2 June 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.



Joseph Thompson  
Strategy & Competition Division  
Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS

2 June 2017

Dear Mr Thompson

### **IFoA response to FCA Consultation: Insurance Distribution Directive (IDD) Implementation**

1. The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to this consultation. Members of the IFoA who work in general insurance have contributed to this response. We have also received input from our Designated Professional Body Board.
2. In general, the IFoA supports the FCA's proposed implementation of the IDD. Consequently, we have only responded to two questions: Q2, where we have made one additional suggestion in response to the direction the FCA is taking; and Q11, where we have disagreed with the FCA's approach.
3. As we commented in our response to the HM Treasury consultation on implementation of the Directive, we recognise that regulatory action can only reflect the current legislative environment. However, after the UK leaves the EU, we would encourage the FCA to work with HMT to consider alterations to the regulations if there was evidence of the implementation not meeting its objectives.
4. We have considered whether the proposed implementation would have prevented past incidences of mis-selling. On balance, we believe that would have been the case. As an example, the basis of the implementation may have prevented the Creditor mis-selling.
5. As technology changes, the ways of distributing insurance may also change. We would support any efforts the FCA takes to understand how new technology or products (eg Blockchain or peer-to-peer products) may require alterations to the regulatory regime.

#### **Q2. Do you agree with our proposed approach to incorporating the IDD knowledge and competence requirements?**

6. It is unusual that the IDD should be so specific in requiring 15 hours of CPD on insurance matters. We are encouraged by the FCA's intention, as set out in paragraph 3.11, to adopt a proportionate approach for those in the less-critical roles such as call centre operatives. We would support any further moves to adopt proportionality. We would hope that it may be possible for firms to have defined responsibilities for ensuring the competence of their staff and to be able to determine the most appropriate measures for the different types of roles.

**Q11. Do you have any comments on the illustrative examples set out in Table 2 (in relation to requirements concerning the customer's insurance demands and needs)?**

7. We do not agree with the conclusion reached in respect of the final scenario set out in Table 2. The add-ons appear to form part of the core product offering, as they are offered to all customers, regardless of need. While we agree with the comments in the Table, we would suggest that the policy should not be compliant.
8. Given the steps the FCA has taken over the last two years to regulate add-ons more effectively, we would prefer the FCA to regard such an approach as non-compliant

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

Yours sincerely



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