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## PARTNER IN KNOWLEDGE

WITH INCREASING GOVERNMENT REQUIREMENTS, INSURANCE PROVIDERS ARE GETTING EXTRA WORK. AN EXAMPLE IS THE NEW EUROPEAN DIRECTIVE IDD. CORRECTLY COMPLYING WITH THE RULES AND AVOIDING SANCTION RISKS IS ACTUALLY A SPECIALIST'S WORK. THE INSURANCE ANALYSIS HAS DEVELOPED TOOLS FOR THIS. TO GOOD UNDERSTAND WHAT THEY DO, MINKE VERBERK EXPLAINS WHAT EXACTLY YOU AS A PROVIDER WILL HAVE.



# Product Oversight Governance: tools indispensable

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The IDD Directive establishes rules for the enforcement, application and evaluation of product supervision and governance arrangements for insurance products. The IDD replaces the current Insurance Mediation Directive (IMD). Market parties had to comply with these new regulations as of October 1, 2018. From now on, enforcement will become stricter.

### TARGET ID

The purpose of this guideline is to create a level playing field within the European Union for all parties offering insurance products. The Directive promotes fair competition and appropriate consumer protection. The directive also aims to harmonize sanctions for violations within the EU. In a

simple customer language: everyone must know what they are getting and whether the product also matches their wishes and needs.

### SPLIT

The IDD makes a distinction between product developer and distributor. Despite various publications about this, it may still be unclear when an insurer or distributor qualifies as a product developer or not. Here, product developer is defined as: insurers or intermediaries who develop, compile and make available insurance policies. And distributors are understood to mean: advisors and intermediaries. Direct suppliers are also distributors.

### STANDARDS FOR DEVELOPERS

Product developers are providers,

as do mediators and authorized agents in certain situations. Such a situation occurs, for example, if the intermediary or authorized agent plays a role in decision-making about the design or development of the insurance product. In any case, a role is assumed if the intermediary or authorized agent himself determines essential features or important parts of the insurance product. The following rules apply to them:

- Target audience. The target group is determined for each insurance policy, including needs, characteristics and objectives
- Product test. Products are tested with relevant scenario analyses.
- Product evaluation. Products are evaluated periodically.
- Distribution. The developer decides

the suitable distribution strategy for each insurance product. To ensure that the insurance product is distributed to the right target group, the developer will have to inform its distributors about the characteristics of the product, the product development process, the target group and the distribution strategy. This information enables the distributor to distribute the fuse product to the correct target group

- Qualified employees. The developer ensures that the personnel involved in product development have the necessary skills, knowledge and expertise to understand the insurance product and the target group
- Design. The developer sets up an adequate product development process

**STANDARDS FOR DISTRIBUTORS**

Distributors are intermediaries who advise or sell insurance products that they have not developed themselves. So you as an advisor. Direct suppliers are also distributors. The apply to them following rules:

- Furnishings. The distributor sets up a product distribution process for this purpose ensures that
  - all necessary information is obtained from the developer so that the distributor knows the characteristics of the product, the product good inspection process and the target group;
  - damage to customers is limited or prevent;
  - proper management of conflicts of interest supported;
  - is taken into account goals, needs and knowledge brands of the target group
- Tuning. The distribution strategy and target group are in line with that of the developer.

Evaluation. The distribution process is periodically evaluated to verify whether insurance products have been sold to the correct target group.



- Provision of information at the request of the developer. At the request of the developer, the distributor shall provide the developer with sales information about the insurance product and information about the results of the periodic evaluation of the product distribution process to the extent that the developer needs it to evaluate the insurance product (e.g. information about sales outside the target group, type of clients and complaints received)
- Providing information on your own initiative. If the distributor discovers that a product does not fit the identified target group, it informs the developer and adjusts the distribution strategy if necessary.

**INDISPENSABLE**

Governance tools make it easy to work compliantly. The tools are simple self-audits that the provider

can go through on your own. If you use a tool, proof of compliant working will be ready during an AFM inspection. A special IDD tool is available for IDD. For more information and subscription to the tool:



Minke Verberk is director of De Verzekeringsanalyse and Easyparp. With her company she plays a leading role in the Dutch insurance industry in the field of Product Oversight Governance. ■