

Product governance: MiFID

Chapter 4

Product governance: IDD

4.3 Distribution of insurance products

4.3.1 **R** Where a *firm distributes* insurance products which it does not *manufacture* it must have in place adequate arrangements to obtain the information in **■ PROD 4.2.29R** from the *manufacturer*.

[Note: sixth sub-paragraph of article 25(1) of the *IDD*]

4.3.2 **R** Where a *firm distributes* insurance products which it does not *manufacture*, it must have in place adequate arrangements to understand:

- (1) the characteristics of each insurance product; and
- (2) the identified target market of each insurance product.

[Note: sixth sub-paragraph of article 25(1) of the *IDD*]

4.3.3 **R** A *distributor* must take all reasonable steps to obtain the information in **■ PROD 4.2.29R** when *distributing* insurance products *manufactured* by any *person* to which *IDD manufacturer* product governance requirements (**■ PROD 4.2**, equivalent requirements of another *EEA State* or directly applicable requirements of the *IDD POG Regulation*) do not apply.

4.3.4 **G** To comply with **■ PROD 4.3.2R**, *distributors* should put in place effective arrangements to ensure that they obtain sufficient, adequate and reliable information from the *manufacturer* about the insurance products to ensure that they will be *distributed* in accordance with the characteristics, objectives and needs of the target market.

4.3.5 **EU** 10(1) Insurance distributors shall have in place product distribution arrangements containing appropriate measures and procedures to obtain from the manufacturer all appropriate information on the insurance products they intend to offer to their customers and to fully comprehend those insurance products, taking into account the level of complexity and the risks related to the products as well as the nature, scale and complexity of the relevant business of the distributor.

[Note: first sub-paragraph of article 10(1) of the *IDD POG Regulation*]

4.3.6 **EU** EU10(2) The product distribution arrangements shall:

- (a) aim to prevent and mitigate customer detriment;

		<p>(b) support a proper management of conflicts of interest;</p> <p>(c) ensure that the objectives, interests and characteristics of customers are duly taken into account.</p> <p>[Note: article 10(2) of the <i>IDD POG Regulation</i>]</p>
4.3.7	EU	<p>10(3) The product distribution arrangements shall ensure that the insurance distributors obtain from the manufacturer the information to be communicated under Article 8(2).</p> <p>[Note: article 10(3) of the <i>IDD POG Regulation</i>]</p>
4.3.8	EU	<p>10(4) Any specific distribution strategy set up or applied by insurance distributors shall be in accordance with the distribution strategy set up and the target market identified by the manufacturer.</p> <p>[Note: article 10(4) of the <i>IDD POG Regulation</i>]</p>
4.3.9	EU	<p>10(5) The insurance distributors' body or structure responsible for insurance distribution shall endorse and be ultimately responsible for establishing, implementing and reviewing the product distribution arrangements and continuously verify internal compliance with those arrangements.</p> <p>[Note: article 10(5) of the <i>IDD POG Regulation</i>]</p>
4.3.10	EU	<p>10(6) Insurance distributors shall regularly review their product distribution arrangements to ensure that those arrangements are still valid and up to date. They shall amend product distribution arrangements where appropriate. Insurance distributors that have set up or apply a specific distribution strategy shall, where appropriate, amend that strategy in view of the outcome of the review of the product distribution arrangements. When reviewing their product distribution arrangements, insurance distributors shall verify that the insurance products are distributed to the identified target market.</p> <p>Insurance distributors shall determine the appropriate intervals for the regular review of their product distribution arrangements, thereby taking into account the size, scale and complexity of the different insurance products involved. To support product reviews carried out by manufacturers, insurance distributors shall upon request provide manufacturers with relevant sales information, including, where appropriate, information on the regular reviews of the product distribution arrangements.</p> <p>[Note: article 10(6) of the <i>IDD POG Regulation</i>]</p>
4.3.11	EU	<p>11 Insurance distributors becoming aware that an insurance product is not in line with the interests, objectives and characteristics of its identified target market or becoming aware of other product-related circumstances that may adversely affect the customer shall promptly</p>

inform the manufacturer and, where appropriate, amend their distribution strategy for that insurance product.

[Note: article 11 of the *IDD POG Regulation*]

4.3.12

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Manufacturers and distributors should take appropriate action in order to avert the risk of consumer detriment when they consider that the insurance product is not, or is no longer, aligned with the interests, objectives and characteristics of the identified target market.

[Note: recital 12 to the *IDD POG Regulation*]

4.3.13

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12 Relevant actions taken by insurance distributors in relation to their product distribution arrangements shall be duly documented, kept for audit purposes and made available to the competent authorities upon request.

[Note: article 12 of the *IDD POG Regulation*]

4.3.14

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10(1) Insurance distributors shall set out the product distribution arrangements in a written document and make it available to their relevant staff.

[Note: second sub-paragraph of article 10(1) of the *IDD POG Regulation*]