

White Dragon Communications
Client: Paradigm Mortgage Services/Paradigm Protect
Publication: Mortgage Introducer
Word count: 734 words
Date: 01/10/18

IDD brings new challenges to DA protection & GI brokers

RDR and MMR seem a long time ago now but just when we thought we had seen the last of significant regulatory changes in our industry, the new Insurance Distribution Directive (IDD) made its entrance on the 1st October this year.

On the face of it the changes, compared to the aforementioned other two, are definitely not as wide -reaching however they do bring additional challenges to directly authorised (DA) firms.

To be clear, IDD will apply to all firms carrying out life insurance and non-investment insurance business. Replacing the Insurance Mediation Directive (IMD) it will, according to the FCA, enhance consumer protection when buying insurance (including non-investment insurance, life insurance and IBIPs) and will support competition between insurance distributors by creating a more level-playing field.

IDD applies to all firms who conduct 'insurance distribution' with clients. This includes firms who sell, advise on, or conclude insurance contracts and those who assist in administering or performing insurance contracts. As such, firms who provide advice or services in relation to non-investment protection products (e.g. term assurance plans) and general insurance contracts (e.g. house insurance) will be captured by IDD. It applies in respect of both retail and commercial customers.

A core reason for the introduction of IDD has been to establish minimum knowledge requirements for conducting insurance distribution activities. Firms will be required to demonstrate compliance with professional knowledge and competence requirements in relation to the relevant individuals within a firm in a number of core areas.

In addition to the effective up-skilling of all staff involved in the sales process, IDD introduces a number of new record-keeping requirements whereby firms must:

- Establish, maintain and keep appropriate records to demonstrate compliance.
- Be in a position to provide the FCA, upon request, the name of the person responsible for the record keeping requirements. For most firms, Paradigm believes this will be the current in-house supervisor.
- Make an up-to-date record of the CPD completed by each relevant individual in each 12-month period.
- Retain CPD records for a minimum of three years after the relevant individual stops conducting insurance distribution activity.
- Be in a position to provide the records to the FCA upon request.
- Not prevent a relevant individual from obtaining a copy of their CPD record.

This is potentially where the difficulty will lie for those who haven't previously been part of a CPD regime. Most networks will have established T&C schemes which their ARs will follow, as ultimately the network takes responsibility for ensuring ongoing competence. For DA firms access to such material on an ongoing basis could be seen to be something of a challenge.

Many providers have been helpful in supplying information to broker firms regarding their own changes and have pointed out the responsibilities in a little more depth than this column has, however producing quality ongoing material to match the learning and development objectives may be beyond any single provider of Life or General Insurance business.

In an attempt to solve the problem, Paradigm has developed an online solution which gives firms access to a wide range of CPD materials across mortgages, protection and general insurance.

The tool has been launched as the 'Paradigm CPD & Sales Academy' and individuals from firms can log-in to the website, access material and once they have completed activities, can then record the details such as the type of CPD undertaken, the learning outcomes, whether it was structured CPD or not.

By uploading details of their activities, the adviser will be able to see a personalised overview of all of the CPD hours completed in the year to date meaning they will know whether they are on track to meet their new requirements.

In addition to this, Paradigm continues to hold regular CPD events across the country so we believe that these, in combination with the wealth of material available via the CPD & Sales Academy will provide advisers with enough to satisfy the minimum CPD requirements.

The immediate popularity of the Academy since its launch in mid-September tells us that this has filled a gap or solved a problem that existed, and adviser feedback has supported this further. Any members of Paradigm can access the site and log-on 24 hours a day to access the content, and DA firms not yet using Paradigm can very easily apply for access.

Mike Allison is Head of Protection at Paradigm Mortgage Services