



Insurance distribution - Directive 2016/97/EU

October 2018

On January 20, 2016 the European Directive 2016/97/EU (Insurance Distribution Directive or IDD) was issued, which replaced the previous and first European Directive to attempt to regulate the distribution of insurance products, specifically the Directive 2002/92/EC (Insurance Mediation Directive).

The new Directive (IDD) is addressed to all natural and legal persons who are or wish to become insurance and reinsurance product distributors operating in at least one Member State. The scope of the new legislative framework is evidently wider than that of its predecessor as it is not only addressed to intermediary distributors of insurance products but covers all insurance product distributors, including insurance companies that offer insurance products directly to consumers as well as market participants who sell insurance on an ancillary basis (albeit with certain exceptions).

The Directive (IDD) covers a wide range of issues and aims to holistically protect consumers who purchase insurance products and retail investors of insurance-based investment products. In general, the changes brought about the Directive (IDD) strengthen transactional transparency, guarantee the sufficient and clear provision of information to consumers, found rules on business conduct and institute sanctions in cases of breach of the legislation. With the new Directive the organizational framework in insurance product distribution is essentially updated.

Specifically, a single register for insurance distribution is established where insurance intermediaries will have to be registered. Furthermore, a standardized Insurance Product Information Document (IPID) is created for all non-life insurance products. Finally, both intermediaries and direct distributors as well as their employees, in order to have the right to work, will be obliged to possess a minimum level of knowledge regarding the industry and the products they offer to consumers and take part in professional development programmes.

The date of application for the Directive (IDD) was set for 1st October 2018.

The banking and insurance department of the law firm George Z. Georgiou & Associates LLC has thoroughly studied both the Directive itself and the yet to be voted bill named "Law on the Insurance and Reinsurance Operations and other related matters (Amendment No. 3) of 2018", and by taking part in relevant lectures and seminars is in a position to offer both consulting services and services regarding the implementation of the Directive (EU) 2016/97.

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