



## The Insurance Distribution Directive

### Draft law for the transposition of IDD published

The much awaited draft law for the transposition of the Directive 2016/97 on insurance distribution (the "IDD") has been published for consultation on June 21. The consultation period lapses on June 29, given that on July 1<sup>st</sup> all EU Member States must have their local legal frameworks transposing the IDD in place. Although the bill is still subject to amendments when brought before the Parliament, preliminary conclusions may be drawn with respect to some likely changes it brings for the insurance industry.

#### *The scope of the law*

The IDD has a wider scope than the IMD (Insurance Mediation Directive), which it has replaced, as it introduces obligations not only for insurance intermediaries but for distributors of insurance products in any way, shape or form, irrespective of the distribution channel utilized. As a result, the obligations to provide certain pre-contractual information to clients shall be borne, as per the new legislation implementing the IDD, not only by insurance intermediaries, but also by insurance companies when selling directly to clients.

#### *The consolidation of the legal framework*

The legal framework for the insurance mediation is currently fragmented. Law 1569/1985 and Presidential Decree 190/2006 (implementing the Insurance Mediation Directive) both apply to the provision of insurance mediation services as well as to the professional and competence requirements of intermediaries; hence, in several cases, confusion was not avoided by having to combine the law provisions contained in each piece of legislation. The draft law intends to consolidate the legal framework by abolishing all existing law provisions and by including all regulatory requirements in a single act. According to the draft law, the Code of Conduct for insurance intermediaries (currently in the form of an act of the Bank of Greece), will also be included in the law to be passed.

#### *Changes in the basic categories of insurance intermediaries*

Until today, an insurance intermediary may be classified as: a) an insurance broker; b) an insurance agent; c) an insurance consultant; or d) a co-ordinator of insurance consultants. According to the draft law, being registered as an insurance consultant will no longer be an option. The available types of insurance intermediaries will be insurance brokers, insurance agents and co-ordinators of insurance agents. Another interesting change is that the concept of "tied" intermediaries is not defined in the draft law and the specific provisions which currently regulate tied intermediaries have not been included.

#### *Compensation in case of termination of contract with insurer*

One of the most anticipated issues to be dealt with in the new law was the matter concerning the compensation of the insurance intermediary in case the contract between the intermediary and the insurance company is terminated due to "serious misconduct" on the part of the intermediary (currently, article 4 of Law 1569/1985). This provision, which has caused significant interpretation issues in the past, is now intended to be clarified by using more specific criteria for "serious misconduct", i.e. if the intermediary has been convicted following criminal action filed by the insurance company or if criminal proceedings have commenced against the intermediary in relation to his/her professional activities.

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