

## **Tied Insurance Intermediary / Ancillary Insurance Intermediary Pre-Enrolment Course**

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*(Paragraph 2.2.11(a)(v) of Chapter 2)*

### **Scope**

1. In accordance with paragraph 2.2.11(a)(v) of Chapter 2 of the Insurance Distribution Rules, prior to the enrolment of a Tied Insurance Intermediary in the Tied Insurance Intermediaries List or of an Ancillary Insurance Intermediary in the Ancillary Insurance Intermediaries List, a Tied Insurance Intermediary or Ancillary Insurance Intermediary is required to successfully complete a Tied Insurance Intermediary or Ancillary Insurance Intermediary pre-enrolment course. The minimum requirements that a Tied Insurance Intermediary or Ancillary Insurance Intermediary is required to acquire through the said pre-enrolment course are set out in this Annex.
2. Following the successful completion of a Tied Insurance Intermediary / Ancillary Insurance Intermediary pre-enrolment course, and prior to the enrolment in the Tied Insurance Intermediaries Company Register or Ancillary Insurance Intermediaries Company Register, the Tied Insurance Intermediary / Ancillary Insurance Intermediary shall also satisfy the knowledge and ability requirements under Chapter 6 of the Insurance Distribution Rules.

### **Definitions**

1. An “applicant” means:
  - (a) a person registered in the Tied Insurance Intermediaries Company Register of any authorised undertaking and desirous of applying for enrolment in the Tied Insurance Intermediaries List; and,
  - (b) a person registered in the Ancillary Insurance Intermediaries Company Register of any authorised undertaking or enrolled insurance broker and desirous of applying for enrolment in the Ancillary Insurance Intermediaries List.

## **Part I – The Insurance Sector**

3. An applicant shall obtain an understanding of the insurance market and the products being offered, which as a minimum shall cover the following:
  - (a) general principles of insurance;
  - (b) a distinction between different licence holders within the insurance market and how the insurance market operates;
  - (c) the roles undertaken by different licence holders, their respective duties and responsibilities towards the client;
  - (d) information on the different insurance policies available in the insurance market, including but not limited to the different terms and conditions and the ancillary risks covered by such policies;\* and,
  - (e) the manner in which a demands-and-needs assessment is to be carried out.

### **Long-Term Business**

4. When an applicant is desirous of carrying on long-term business, the said applicant shall, in addition to the minimum requirements laid down in paragraph 3 of this Annex, obtain a good understanding of the following:
  - (a) the contractual guarantees, exclusions and limitations of the various policies available in the insurance market;\*
  - (b) general information on the tax arrangements applicable to the type of policy.

\* Please refer to Part IX of this Annex.

## **Insurance-Based Investment Products (IBIPs)**

5. When a person registered in the Tied Insurance Intermediaries Company Register of any authorised undertaking and desirous of applying for enrolment in the Tied Insurance Intermediaries List intends to distribute IBIPs, the said person shall, in addition to the minimum requirements laid down in paragraph 4 of this Annex, obtain a good understanding of the following:
  - (a) the key characteristics, risks and features, costs and charges, whether investment or transaction costs of savings and investment products, which shall also include but shall not be limited to one-off and recurring costs, surrender and transfer out fees and information concerning the nature, amount and the basis of calculation in respect of remuneration payable;
  - (b) how surrender and paid-up values are worked out and the extent to which such values are guaranteed;
  - (c) valuation principles for savings and investment products;
  - (d) the different investment asset classes;
  - (e) the difference between past performance and future performance scenarios, as well as the limitations of such scenarios;
  - (f) the main advantages and disadvantages of collective investment over individual direct investment; and,
  - (g) the manner in which a suitability and appropriateness test is to be carried out in line with the requirements of Section 4 on Assessment of Client's Suitability and Appropriateness of Part C of Chapter 4 of the Conduct of Business Rulebook.
  
6. Where a person distributes an IBIP with advice in line with Chapter 4 of the Conduct of Business Rulebook, such person shall, in addition to the requirements indicated in paragraph 5, also possess:
  - (a) knowledge on the requirements laid down in Article 9 of the Commission Delegated Regulation (EU) 2017/2359 relating to suitability and appropriateness testing in the context of the distribution of insurance-based investment products, as amended by Commission Delegated Regulation (EU) 2021/1257;

- (b) knowledge with regard to the criteria of the sustainability preferences as set out in Article 2(4) of Commission Delegated Regulation (EU) 2017/2359, and ability to explain to customers the different aspects in a language that is clear, succinct, comprehensible and not misleading; and,
- (c) knowledge and ability on the criteria of the sustainability preferences, which shall be more detailed when offering IBIPs that promote environmental or social characteristics or that have a sustainable investment objective.

## **Part II – Applicable Laws**

- 7. An applicant shall obtain an understanding of the applicable laws governing the tied insurance intermediary activities and ancillary insurance intermediary activities respectively, which as a minimum shall cover the following:
  - (a) brief introduction to the insurance regulatory framework;
  - (b) detailed explanation of Parts VIII and VIIIA of the Insurance Distribution Act (Cap.487 of the Laws of Malta), as applicable;
  - (c) the applicable Regulations issued under the Insurance Distribution Act;
  - (d) as a minimum, Chapters 3, 6, 7, 8, 11 and 13 of the Insurance Distribution Rules;
  - (e) as a minimum, Chapters 1, 3 and 4 of the Conduct of Business Rules, as applicable;
  - (f) any other applicable legislation, Regulations and Rules affecting the tied insurance intermediary activities and ancillary insurance intermediary activities, including but not limited to information on the Protection and Compensation Fund and the main aspects of the General Data Protection Regulation (Regulation (EU) 2016/679);
  - (g) the function of the Office of the Arbiter of Financial Services;
  - (h) the function of the Compliance Officer, and monitoring procedures;
  - (i) where the tied insurance intermediary carries on long term business, in line with the Prevention of Money Laundering and Funding of Terrorism Regulations, the function of the Money Laundering Reporting Officer and monitoring procedures; and,
  - (j) the importance of documents evidencing the Tied Insurance Intermediary or Ancillary Insurance Intermediary enrolment, such as the Certificate of enrolment.

### **Part III – Insurance Needs and Business Ethics**

8. An applicant shall be proficient in assessing the clients' insurance needs and safeguarding business ethics, which as a minimum shall cover the following:
- (a) assessment and updating of the demands and needs of individual clients by asking the right questions so as to better understand and identify the clients' needs;
  - (b) where applicable, the conditions, premiums, levels of coverage and risks and the offering of insurance products that best suit a client's profile;
  - (c) the exercising of appropriate judgement in deciding whether to sell a product to a client;
  - (d) the consideration of the client's best interests in relevant circumstances connected with the conclusion and execution of the contract of insurance;
  - (e) behaving at all times in a responsible manner, that is engaging in fair, non-aggressive and non-misleading behaviour, and embedding a compliance culture in line with the applicable legal framework;
  - (f) directing and assisting clients in the event of a claim and proficiency in complaints handling procedures; and,
  - (g) managing conflicts of interest that might arise in the carrying out of insurance distribution activities, in particular with respect to the requirements relating to the distribution of IBIPs under Chapter 3 of the Conduct of Business Rulebook.

### **Part IV – Disclosure Requirements**

9. An applicant shall obtain an understanding of the disclosure requirements, which as a minimum shall cover the following:
- (a) effective communication using clear and comprehensible language of the general and particular terms and conditions of the contract, including but not limited to insurance cover and exclusions, claims procedures, payment delays, withdrawal rights, cancellation, and personal situation modifications;
  - (b) the relevant provisions in relation to the disclosure requirements under Chapter 1 – Disclosure of the Conduct of Business Rules; and,

- (c) the requirements relating to the content of adverts issued by Tied Insurance Intermediaries and the approvals necessary before publication.

#### **Part V – Record-Keeping**

- 10. An applicant shall be proficient in record-keeping, which as a minimum shall cover the following:
  - (a) details that should be included in records of meetings when conducting face to face meetings with clients;
  - (b) maintaining of own records in relation to training received;
  - (c) the manner in which evidence of the demands and needs test carried out for clients is to be kept and the importance that these are kept for the duration of the relationship between the client and regulated Tied Insurance Intermediary or Ancillary Insurance Intermediary; and,
  - (d) the manner in which the information obtained from the client and any documentation provided to the client is to be kept.

#### **Part VI – Product Distribution Arrangements**

- 11. An applicant shall obtain an adequate level of understanding of product distribution arrangements, which as a minimum shall cover the following:
  - (a) the principal's distribution strategy and the Tied Insurance Intermediary's obligations with respect to product distribution arrangements;
  - (b) the contents of the Tied Insurance Intermediary or Ancillary Insurance Intermediary agreement, in particular the responsibilities of the said intermediary, and any changes made thereto for audit purposes;
  - (c) awareness of the target market identified by the manufacturer of the insurance product being distributed and of the necessity of taking appropriate measures where the said product is sold outside the identified target market, which shall be verified by the licence holder appointing the Tied Insurance Intermediary or Ancillary Insurance Intermediary; and,

- (d) awareness of the matters which need to be reported to the authorised undertaking appointing the Tied Insurance Intermediary or authorised undertaking or enrolled insurance broker appointing the Ancillary Insurance Intermediary in line with the latter's Product Distribution Strategy.

## **Part VII – Financial Competency**

- 12. An applicant shall acquire the appropriate skills and demonstrate a level of financial competency which is relevant to the role being performed by the same Tied Insurance Intermediary or an Ancillary Insurance Intermediary, which as a minimum shall cover the following:
  - (a) the applicable requirements in relation to the issuance of receipts;
  - (b) the applicable requirements in relation to the depositing of clients' monies and the use of a tied insurance intermediaries' or ancillary insurance intermediaries' bank account;
  - (c) the terms of payments stated in the Tied Insurance Intermediary or Ancillary Insurance Intermediary agreement;
  - (d) the importance of and the manner in which regular reconciliations with statements of account received from the principal and documenting of any exceptions arising from overdue amounts are carried out; and,
  - (e) the importance of and the manner in which the debtors' lists, reconciliations, statements of account issued by the principal, bank statements kept and maintained for record and inspection purposes are maintained and updated.

## **Part VIII – Assessment**

- 13. An applicant is required to undertake an assessment of the knowledge gained during the Tied Insurance Intermediary or Ancillary Insurance Intermediary pre-enrolment course, as indicated in this Annex. The said applicant shall ensure that the assessment is successfully completed.

## **Part IX – Responsibilities of the Appointing Licence Holder**

- 14. Where a pre-enrolment course is being offered by authorised insurance undertaking or insurance agent which has appointed a Tied Insurance Intermediary or an Ancillary Insurance Intermediary, or by an insurance broker in the case of an Ancillary Insurance Intermediary, hereinafter jointly referred to as the "appointing licence holder", the said course shall cover detail in relation to the actual insurance policies including, where applicable, contractual

guarantees, exclusions and limitations of the said policies that the Tied Insurance Intermediary or Ancillary Insurance Intermediary will be distributing and the target market established by the manufacturer for each policy.

15. Where the course is not being delivered by an appointing licence holder, training in relation to the actual insurance policies to be distributed by the Tied Insurance Intermediary or Ancillary Insurance Intermediary is expected to be given following the successful completion of the pre-enrolment course by the appointing licence holder prior to the Tied Insurance Intermediary's or Ancillary Insurance Intermediary's commencement of operations.
16. Upon submission of the application for enrolment, the appointing licence holder shall confirm in writing, that such course has been delivered and shall ensure that the Tied Insurance Intermediary or Ancillary Insurance Intermediary is provided with the contact details of the Compliance Officer.