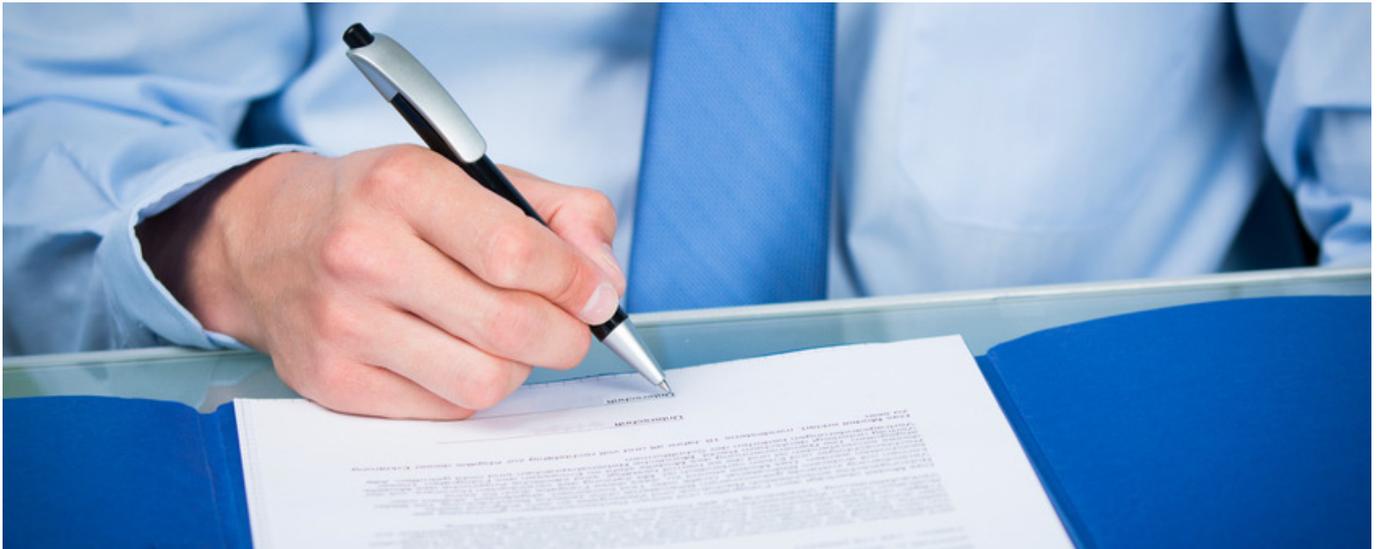


Compliance Related Testing – Insurance



Retail Distribution Review

Impact of regulations on IT systems

The Retail Distribution Review (RDR), aimed at consumer protection is an initiative of the Financial Services Authority (FSA) that is now the Financial Conduct Authority (FCA). The changes lay down the ground rules for greater transparency on fees and are directed at enhancing consumer confidence in the financial advisory associations. The review significantly alters the UK distribution landscape as it targets the quality and standard of advice available to consumers in the financial services sector. The review segregates retail distribution into advisory channels classified as:

- Independent Advice: Advisors providing recommendations that consider all financial products and service providers that could meet the customer's needs.
- Restricted Advice: Advisors providing recommendations on a limited range of products or a limited number of providers.
- Basic Advice: Limited to basic financial needs.
- Execution-only services: wherein the customer chooses the product without any advice

The advisor's remuneration is based on the level of service provided and has to be disclosed up front to the client. When an ongoing fee is levied, an ongoing service has to be delivered unless the product is of a regular payment type. Specific client authorization is required for the payment of these fees. Advisors can continue to receive trail commissions for advice that was given pre-RDR.

The review includes steps to raise the professional standards of advisors, in which they are to subscribe to a code of ethics and ensure at least 35 hours of continuing professional development per annum. An appropriate qualification and a statement of professional standing (SPS) from an accredited body are mandatory requirements as per the new regulations.

The revamp of the distribution landscape consequent to RDR will significantly change the way market players operate. The customer approach towards evaluation and purchase of insurance products is also set to undergo change. Insurers will need to lean on 'service' as a differentiator. As the cost of advice becomes transparent, direct sales and other channels like 'Bancassurance' can be expected to grow.

From the changes envisaged, it is clear that insurers need to make significant changes to their IT systems and ensure that their systems are ready for the introduction of the new regulations. The changes impact the B2B and B2C layers and need to be rolled out in a structured manner, as crucial operational areas are involved.

Testing software, vis-à-vis the RDR regulation

SQS is ideally placed to help Insurance and Wealth Management companies in making this transition. Our team of domain testers backed by Subject Matter Experts (SMEs) can ensure that the complex set of changes to the existing and new systems is implemented in accordance with the business requirements.

Our expertise in preparing for these regulatory changes has been recognized by a major insurance group in the UK. The implementation activities, involving multiple systems and interfaces, require a holistic domain focused approach which has always been our forte.

The comprehensive sets of services that have been utilized by our clients include:

- Project management
- Test process assessment
- Quality assurance audit
- Test design for user acceptance testing

SQS' systematic and process-oriented approach provided the client with quantifiable benefits and ensured that business requirements were addressed to the satisfaction of stakeholders.

Customer speak

“Many thanks for your team’s hard work and quality outputs. I am happy to sign-off the deliverables and that the work agreed under the SoW has been completed.”

Program Manager, RDR,
for a Major UK Insurance and Wealth Management Group

Contact

For further information, or if you have any other questions, please do not hesitate to send us an e-mail: info@sqgs.com