



# Regulatory developments from an intermediary's perspective

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# Outline

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**WFII: organisation and objectives.**

**Regulation and Supervision: many actors/topics.**

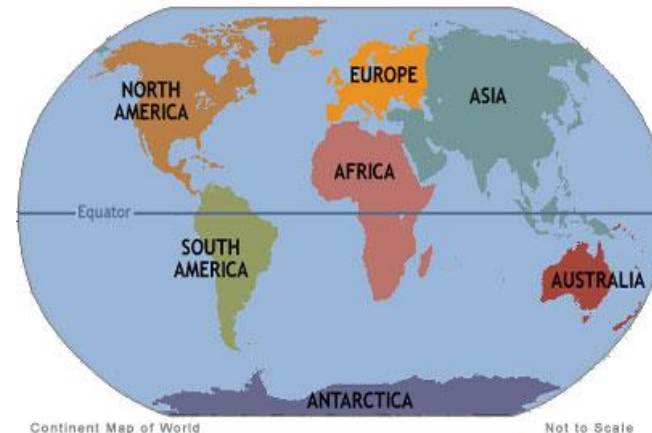
**Position of intermediaries in the market.**

**Key role of intermediaries.**

**Intermediary's general views on regulation.**

**European Insurance Mediation Directive II: intermediary's views.**

# How is the World Federation of Insurance Intermediaries organised?



- ✓ **5 Regional Chapters: Europe (BIPAR), North America (CIAB, IIABA, IBAC), South America (COPAPROSE), Africa (FIA), Asia/Pacific Rim (CAPIBA).**
- ✓ **80 national associations of insurance agents and brokers.**
- ✓ **Over 1,000,000 insurance intermediaries.**
- ✓ **Established in 1999**



# WFII objectives

- ❑ **WFII is a platform to exchange information about (global ) insurance (mediation) issues.**
- ❑ **WFII main objective is to defend the interests of intermediaries in the public affairs with international institutions which have an influence on intermediation business/ regulation/ commerce.**



# Regulation and Supervision

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**Many actors**

**Many topics**

**with potential impact on intermediation**



# At international level (a few examples)

- ❑ **IAIS Insurance Core Principles (18 & 19)**
  - **IAIS « teaching notes » on these ICPs**
  
- ❑ **G20/OECD High-Level Principles on Financial Consumer protection**
  - **Supported by « Effective Approaches »**
  
- ❑ **Revision on the UN Guidelines on Consumer protection... extension to financial services**
  
- ❑ **FATF (Risk-based approach guidelines)**
  
- ❑ **Joint Forum: Recommendations on Point of Sale disclosure**



# At european level (a few examples)

- IMD II**
- MiFID II**
- IMD 1.5**
- PRIIPs**
- Solvency II**
- ESAs, Level II**



# Position of intermediaries in the market

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## EUROPE

### Life insurance

- **Intermediaries (agents and brokers) are the dominant channel for life products in Germany, the Netherlands and most central and eastern European states.**
- **Bancassurance is important distributor of life insurance in southern European countries.**





# Position of intermediaries in the market

## Non-life insurance

- **Non-life products are mainly bought through agents and brokers.**
- **Bancassurance plays minor role in non-life insurance (is very rare in central and eastern markets).**
- **Direct writing, in non-life, is the second largest distribution channel after intermediaries.**



# Intermediaries' key role

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- Most intermediaries are smaller or micro-enterprises.**
- Some operate internationally.**



# Intermediaries' key role

**Intermediaries often work for clients and insurers, they offer services to both:**

- **To the client, mostly private and smaller to mid-size businesses, they offer tailor-made service:**
  - They help them in identifying their risks.
  - They help clients in understanding complex insurance products.
  - They reduce clients search costs for appropriate risk cover.
  - They obtain for clients better terms on policies.
  
- **To the insurers (local and foreign):**
  - They offer insurers a distribution network.
  - They provide insurers with risk profiles of potential clients
  - Some make customer made insurance products.



# Intermediary's general views on regulation

- ❑ **Every country should have specific regulation on insurance intermediation.**
  
- ❑ **Good and fair regulation/legislation:**
  - **is critical to public confidence in the insurance industry.**
  - **will improve the relationship between the insurer, intermediary and consumer/customer.**



- ❑ **should encourage fair competition and protect the integrity of the market.**
- ❑ **will provide, if needed, appropriate redress.**

**But : Good and fair regulation means also an eye for 'overregulation'.**

**Cumulative/detailed/restrictive legislation create unworkable situations.**



## Regulation and legislation on insurance intermediation should be based upon the following basic principles:

- It should be activity-based.
- It should be transparent and fair.
- It should set reasonable professional requirements for those who undertake activity of insurance intermediation.
- It should respect the principle of proportionality.



## Regulation and legislation on insurance intermediation should be based upon the following basic principles:

- It should be set in a level playing field.
- It should take into account the specificities of the sector (the non-investment insurance sector is different from the investment sector).
- standards, requirements and codes of conduct should be worked out with all market participants.
- It should permit foreign legal and natural persons to establish and expand activities as an insurance intermediary under the same conditions as nationals.



# IMD II - ICP 18- Intermediary's Views

## ICP 18 The principle:

**The supervisor sets and enforces requirements for the conduct of insurance intermediaries, to ensure that they conduct business in a professional and transparent manner.**





## **ICP 18.1**

**The supervisor ensures that insurance intermediaries are required to be licensed.**



## **ICP18.2**

**The supervisor ensures that insurance intermediaries licensed in its jurisdiction are subject to ongoing supervisory review.**



## **ICP 18.3**

**The supervisor requires insurance intermediaries to possess appropriate levels of professional knowledge and experience, integrity and competence.**



## **ICP 18.4**

**The supervisor requires that insurance intermediaries apply appropriate corporate governance.**



## **ICP 18.5**

**The supervisor requires insurance intermediaries to disclose to customers, at a minimum:**

- **the terms and conditions of business between themselves and the customer;**
- **the relationship they have with the insurers with whom they deal; and**
- **information on the basis on which they are remunerated where a potential conflict of interest exists.**



**ICP 18.6** The supervisor requires an insurance intermediary who handles client monies to have sufficient safeguards in place to protect these funds.



**ICP 18.7** The supervisor takes appropriate supervisory action against licensed insurance intermediaries, where necessary, and has powers to take action against those individuals or entities that are carrying on insurance intermediation without the necessary licence.

# Timeline of IMD II



**IMD II proposal is discussed by European Parliament and Council of Ministers.**

**EP adopted its Report (own version of the proposal) in February 2014.**

**Council is currently working on its own version, expected in November 2014.**

**Followed then by the trilogue: the 3 European Institutions discuss the final text of the proposal.**

**Adoption of IMD II possibly beginning 2015.**





Thank you for your attention