



World Federation of Insurance Intermediaries

## POSITION PAPER

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### **WFI, the World Federation of Insurance Intermediaries**

represents insurance agents and brokers from over 100 national associations (in over 80 countries) across the world. WFI was formally launched in January 1999, in Washington D.C. and represents over 400,000 professional intermediaries who handle the vast majority of insurance placements globally. WFI represents the interests of intermediaries with international institutions and works to deepen the understanding of the role played by insurance brokers and agents in global commerce.

A WFII Policy Position paper outlines WFII's positions on public policy issues affecting intermediaries.

According to WFII and its members, the positions in the Policy paper are fundamental to the sound and efficient functioning of the insurance intermediation market at all levels.

WFII invites all parties who participate in the development and in the shaping of the current and future regulatory and market environment for insurance intermediation activities to adopt the positions outlined in this paper.

WFII, the World Federation of Insurance Intermediaries, groups over 100 national associations of insurance intermediaries in over 80 countries and represents 95% of the insurance intermediation business world-wide.

WFII is of the opinion that negotiations on liberalisation of markets must include, at least, the following points.

**A. Acquired Rights. With respect to all insurance intermediary and related services**

Future measures and schedules of commitments adopted by members will, at the minimum, not reduce or impair the current level of market access and national treatment available to foreign insurance intermediaries, insurance intermediary services and related services.

**B. Market Access - Cross Border Delivery**

1. Insurance intermediary (brokerage and agency) services related to Marine, Aviation and Transport insurance and reinsurance and related services are to be bound under the Cross Border Mode of supply without restrictions or limitations to market access
2. WTO members will assume identical undertakings with respect to access to insurance intermediation (brokerage and agency) and related services connected to Marine/Aviation/Transport insurance by clients located abroad regardless to whether the foreign insurance supplier or intermediary is registered in the consumer country.
3. Members will allow insurance intermediaries (brokers) to intermediate in all local and cross border re-insurance transactions.
4. Members will limit any conditions or limitations that concern monetary transfers by insurance intermediaries, to what is necessary to assume their financial responsibilities in the country where the service is delivered.

**C. Market Access—Commercial Presence**

Establishment

A foreign insurance intermediary may establish a commercial presence as a subsidiary—either wholly owned or through acquisition of an insurance intermediary already established in the host country, or as a branch.

Licensing approval shall incorporate recognition of the relationship of the non-resident intermediary to its parent company.

A licensed foreign insurance intermediary may provide his services using the company name of his choice in the host country market

## Equity shares

Where commercial presence is in the form of a joint venture with a partner located in the host country, the decision to operate through a joint venture, and the percentage of equity shares assumed by the foreign partner, should be determined solely by the joint venture partners themselves.

Foreign equity share limitations will be eliminated, and where necessary, through staged increases in the maximum foreign equity share holding, by a fixed date, not to exceed two years from the entry into force of this schedule of commitments.

Where members have entered reservations that limit foreign equity share in a joint venture insurance intermediary, any such limitations should permit the foreign partner to hold at least 51% of the equity in the company during that transition period.

Foreign insurance intermediaries should not be denied a commercial presence in the form of a branch or a subsidiary on the basis of their form of legal organization in the home market.

## **D. Market Access—Temporary Entry of Natural Persons**

1. A foreign insurance intermediary (broker or agent) may select as his representative in the host country, any person who is domiciled and who physically resides in the host country. Nationality will not be an issue provided that the representative meets regulatory standards that identify competency to perform services in such a role, and any other provisions relating to the fitness of that individual to perform the obligations of company representative.
2. In addition to the commitments undertaken in the general head note to the GATS schedule pertaining to the temporary entry of natural persons, the following additional obligation is assumed with respect to insurance intermediation (brokerage and agency):
3. Host country members shall provide temporary visa and associated work permits, where required, to professional level personnel employed by the foreign services supplier's home and third country offices. This allows them to enter the country and provide short and mid-term assistance to the host country insurance/insurance intermediation and related services operations.

## **E. National Treatment**

1. In addition to the right to compete for all lines of insurance and all intermediary services related to insurance in a host country, foreign insurance intermediaries registered, licensed or established in the country, shall have the same opportunities to compete for domestic insurance business as indigenous services suppliers and intermediaries, with respect to insurance for state-owned or state affiliated enterprises, or any enterprise where the state holds an equity share.
2. Foreign insurance intermediaries (brokers and agents) will be treated no less favourably than domestic services suppliers with respect to capital, solvency, reserve, tax and other financial requirements, subject to the provisions of Paragraph 2 (a) of the Annex on Financial Services. Where less favourable treatment is imposed on the basis of Paragraph 2 (a) of the Annex, members will explain the basis for the different treatment accorded, in particular why such treatment is necessary for the protection of policyholders/clients.

## **F. Staging**

It is recognized that some obligations can not be assumed at the conclusion of the negotiation in progress. However, an appropriate time frame for the staging of obligations is to be established. This will accomplish full obligations in a maximum two years time from entry into force of the results of this negotiation.

***Liberalisation for insurance intermediaries is a necessary complement to similar action in the insurance and reinsurance arenas. Insurance intermediaries provide services that facilitate not only economic growth, but trade in all sectors.***

***Insurance intermediaries are the essential medium to create an efficient and expanding market-place for insurance products.***

Only when the operations of insurance intermediaries are sufficiently liberalised, the producers of goods and services can take advantage of the more competitive atmosphere in the insurance market.

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Opening up a local market for foreign insurance intermediaries would provide for an influx of international insurance know-how and would create local employment.

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Insurance brokers and agents also assist insurers in the development of new insurance products.

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In particular in a market where international insurers will operate in competition with local insurers, local insurers themselves can highly benefit from the know-how of international insurance intermediaries. In the same way, also local intermediaries would benefit from the know-how of international intermediaries.

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***A commitment in the framework of GATS would give the right signal to foreign intermediaries to invest in the local market and to contribute to the long term development of the insurance market.***