



World Federation of Insurance Intermediaries

WFII PRINCIPLES

Regulation on insurance intermediaries

June 2002

WFII, the World Federation of Insurance Intermediaries

represents insurance agents and brokers from over 100 national associations (in over 80 countries) across the world. WFII 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. WFII 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 Principles paper outlines the overriding principals of WFII on a certain issue and represents WFII's highest aspirations in a particular field.

According to WFII and its members, WFII's principles are fundamental to the development of 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 these principles.

Rules, principles or issues which, according to WFII, should be taken into consideration when developing a national regulation on insurance intermediation

INTRODUCTION

The sole purpose of this principles paper is to identify issues or to serve as a reference framework for insurance intermediation regulation.

This paper was developed by the World Federation of Insurance Intermediaries, a body grouping 85 national associations of insurance agents and brokers in 53 countries.

WFII will continue to develop and refine this paper in the future.

The main objective of this paper is to assist national associations of insurance intermediaries when discussing with officials of countries which are considering the development or the change of regulation on insurance intermediation and to assist those countries who are opening up their markets in the development of regulation on insurance intermediation.

While specific rules need to be adapted to specific national market conditions, WFII is of the opinion that a minimum framework should be applied in every country in order to ensure that the regulation is adapted to international market and regulatory practice.

This paper covers only the specific regulatory issues related to insurance intermediation.

It starts from the assumption that a number of basic commercial rights for insurance intermediaries (such as the right to portfolio, right on the book of business, right to collect premiums, right to be remunerated, and related issues) are established in the jurisdiction through other regulations or through contracts. If these rights are not well established according to international market practice then these should be developed (through regulation, legislation or contracts) in parallel with the specific regulatory issues.

In this respect, WFII recommends the national associations to use this paper to evaluate the contents in the larger framework of the jurisdiction and the specific market conditions.

PART I: BASIC PRINCIPLES

A. Regulation and Legislation

WFII, the World Federation of Insurance Intermediaries, is of the opinion that every country should have specific regulation on insurance intermediation.

WFII believes that good and fair regulation/legislation is critical to public confidence in the insurance industry. It will improve the relationship between the insurer, intermediary and consumer/customer and strengthen consumer confidence and protection. Regulation and legislation should also encourage fair competition and protect the integrity of the market. Further, it will provide a facility for those adversely affected by market abuse to seek appropriate redress.

According to WFII, the regulation and legislation on insurance intermediation should be based upon the following basic principles:

A.1. Regulation /Legislation on insurance intermediation should be activity based.

The rules should be applicable to all those who are undertaking the activity of insurance intermediation. In this respect, the regulation and legislation should create a competitive level playing field between all forms of insurance distribution

A.2 Regulations should focus on ensuring that all those who are undertaking the activity of insurance intermediation meet reasonable professional requirements as the primary means of protecting consumers and clients.

A.3 Standards, requirements and codes of conduct need to be promulgated with consultation, full documentation and accessibility by all market participants.

A.4 Regulation and legislation should be transparent and fair.

A.5 Laws and regulations should permit foreign legal and natural persons the opportunity to establish as an intermediary in the country and expand an activity as an insurance intermediary under the same conditions as nationals. Countries should allow both foreign and national insurance intermediaries options with respect to its form of establishment.

B. Code of Conduct

WFII encourages trade associations and interested parties to develop a code of conduct.

Such a code can be considered as a complement to regulation and legislation and is critical to public confidence in the industry. It will also improve or clarify the relationship between the insurer, intermediary and consumer/customer and strengthen consumer confidence and protection. A code of conduct can also improve fair competition and protect the integrity of the market.

PART II: (MINIMUM) STRUCTURE OF NATIONAL REGULATION ON INSURANCE INTERMEDIATION

WFII, the World Federation of Insurance Intermediaries, is of the opinion that every national regulation/legislation on insurance intermediation should include at least the following elements:

1. Definitions

Definition of insurance intermediation and definition of insurance intermediary.

2. Licensing or Registration in a National Register

All those pursuing an activity which can be defined as an insurance intermediation activity should be subject to (prior) registration or licensing.

3. General Requirements to Obtain (and Maintain) a License or to Register

In the regulation should be included following minimum requirements to register or to obtain a license:

3.1 Competence requirements: Minimum education, training and/ or experience

3.2 Financial requirements

3.3 PI cover

3.4 Fit and proper requirements

(Exercising the activities of insurance intermediation requires that these requirements be fulfilled on a continuing basis.)

Further it should be defined:

3.5 Who has to meet the requirements - in the case of individuals and/or corporate

3.6 Procedures

a) for registration

b) for issuance of license/ registration

c) for renewal of license/ registration

4. Information Requirements

All those pursuing an activity which can be defined as an insurance intermediation activity should, upon request of the client, inform the client, on a case-by-case basis, whether or not they advise from a broad range of insurers / insurance products and whether or not there are contractual obligations to place business with the insurer of the insurance policy that is advised.

5. Sanctions

Jurisdictions should impose appropriate sanctions on persons or entities that violate the licensing or registration laws or other regulations applicable to the business of insurance. They also should consider establishing or designating adjudicative bodies to adequately and effectively redress complaints, and to resolve and settle disputes in a timely fashion.