



Developments and challenges for insurance intermediaries

André Van Varenberg
Chairman of the BIPAR Brokers' Committee



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Agenda

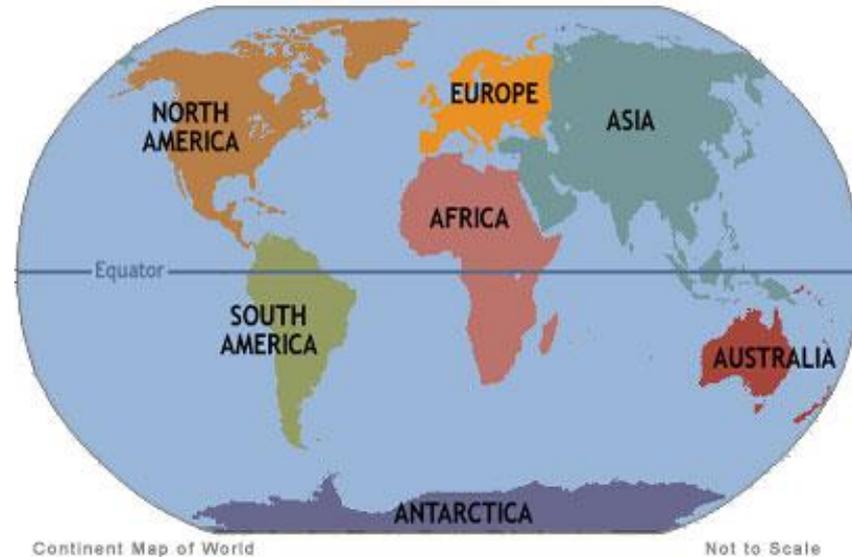
- **Public affairs: how we, intermediaries, are organized**

 - **Challenges:**
 - Regulatory developments
 - Market developments

 - **Ranking of international risks**

 - **Conclusions:**
 - The next 3 years
 - Some other challenges for the industry
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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



European Federation of Insurance and Financial Intermediaries

**Established in Paris in 1937
Headquartered in Brussels since 1989**

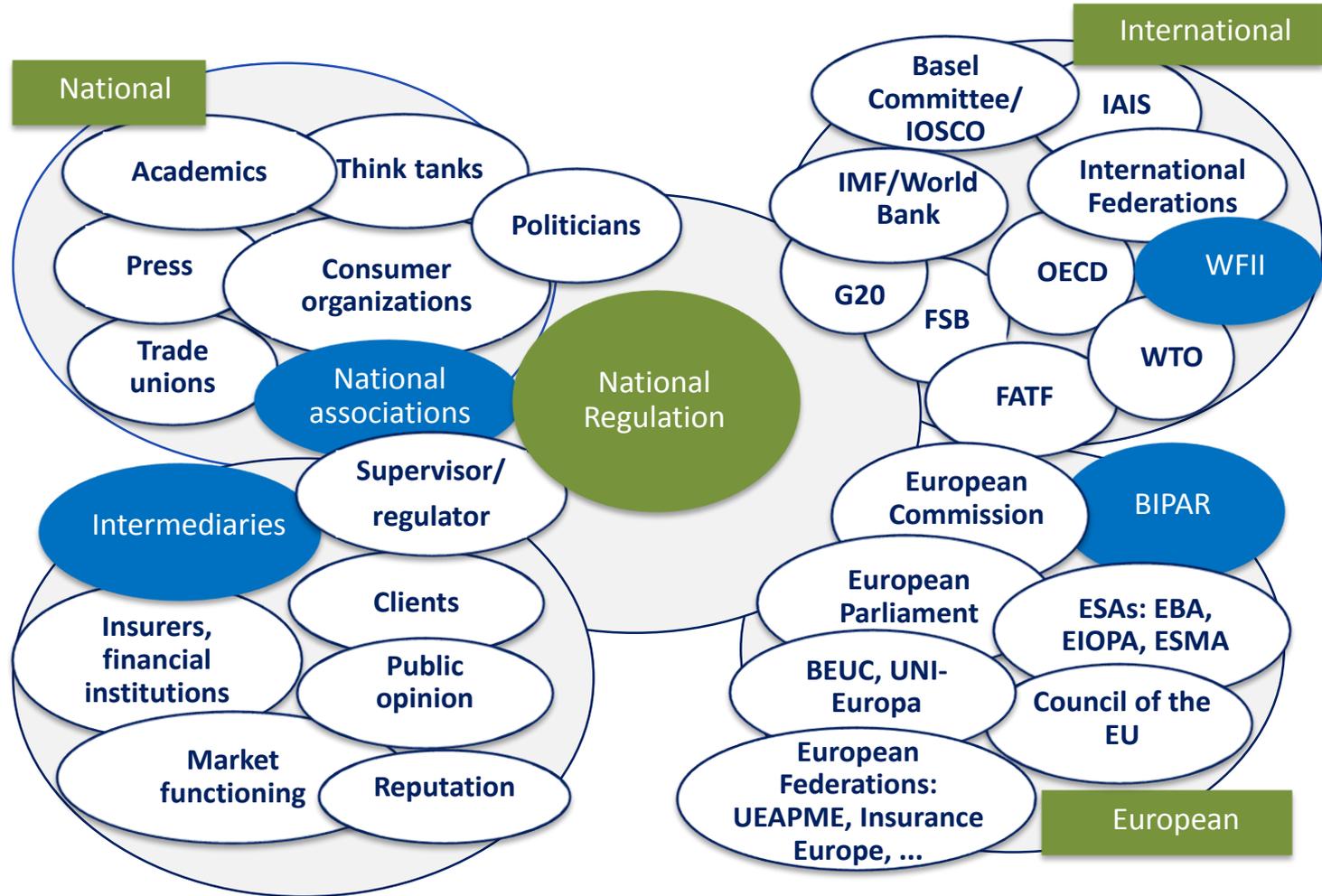
52 member associations in 30 countries

**Represents interests of intermediaries with
European institutions**

**Single voice of the profession at EU level
www.bipar.eu**

**A member of WFI (World Federation of Insurance
Intermediaries)**

Different actors on the international scene





Challenges

- 1. Regulatory developments**
- 2. Market developments**

from intermediaries' perspective





Regulatory developments



Sources of changing regulation for intermediaries at international level

- ❑ 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
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Sources of changing regulation for intermediaries at European level

- IMD II
 - MiFID II
 - IMD 1.5
 - PRIIPs
 - Solvency II
 - ESAs, Level II
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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.
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- 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.
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IAIS - ICP 18- Intermediaries' 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.

ICP 18.2

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.



Market developments



Position of intermediaries in the market

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.**
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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.
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Intermediaries' key role

- **Most intermediaries are smaller or micro-enterprises.**
 - **Some operate internationally.**
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Intermediaries' key role

The classical distribution activity

Three know-how:

1) Advice:

- **Precontractual information phase**
 - **From demand to solution**
 - **Steps: identification of risks, evaluation, prevention, adequacy
“demand-needs”**
- 



Intermediaries' key role

The classical distribution activity

Three know-how:

2) Placement and contract management:

- Transfer of risk (solvency, capacity, liability)
 - Reducing clients' search costs for appropriate risk cover
 - Pricing
 - Product or taylor-made wording
 - Contract management on an on-going basis (adequacy with the evolution of the customer's needs): an insurance contract is a "living organism"
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Intermediaries' key role

The classical distribution activity

Three know-how:

3) Claims settlement:

- To support the client with one's expertise
 - To rebalance the bargaining power of the client vis-à-vis carriers
 - To take in charge the administration tasks related to a claim among which the coordination between parties (insured-insurers-experts)
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Intermediaries' key role

⇒ Recent development of “new” services:

For clients:

- Risk management studies
- Actuarial studies
- Feasibility studies (alternative risk transfer, captive, fleet management...)
- Affinities

For insurers: outsourcing

- Binding authorities
 - Distribution network and local servicing (LPS)
 - Affinities
 - R&D (Research & Development)
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The broker, a player of the new economy you can't ignore

☐ New economy:

- Economy of the “immaterial”
- Economy of the knowledge (race to innovations, prototype economy)
- E-commerce
- Differentiation factor for distributors of non-insurance products and services

☐ 3 key success factors:

- Projects
- Financing
- Insurance

☐ Insurance industry:

- The conservative link
- The innovative link

☐ Brokerage is one of the spearheads of innovation in insurance (advanced loss of profit, pure immaterial damage, “all-risk” concept, international programmes, ...)



One day in a broker's office, it could also be...

- ✓ **Liability of a hospital in the case of experimentation on humans**
 - ✓ **Architect's decennial liability cover for a building in Bujumbura**
 - ✓ **Financial risk related to a 5%-threshold in a public election**
 - ✓ **Art in the street**
 - ✓ **Cyber-risk of a hospital**
 - ✓ **All-risk coverage of human tissue intended for transplant for an organ bank**
 - ✓ **Risks related to the world broadcast of a worldwide sport event (TV rights,)**
 - ✓ **Stop loss of a marketing campaign initiated by the sponsor of a national football team**
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Ranking of international risks

AON's "global risk management survey" (1,400 undertaking from 70 countries among which 46% are in Europe)

Risk managers' standpoint – Top 10 risks over time

	2015	2018
1.	Damage to reputation and image	Increased competition
2.	Economic slowdown/weak recovery	Economic slowdown/weak recovery
3.	Regulatory/legislative changes	Regulatory/legislative changes
4.	Increased competition	Inability to innovate/answer to clients' needs
5.	Inability to attract/retain best talents	Damage to reputation and image
6.	Inability to innovate/answer to clients' needs	Inability to attract/retain best talents
7.	Interruption of business management and activities	Cyber-risks
8.	Legal responsibility	Risk related to the price of raw materials
9.	Cyber-risks	Risks/political uncertainty(ies)
10.	Physical damage	Consequence of increased pressure of the principle of compliance/governance

Conclusions

Some issues which may come on your board meetings agenda in the coming 3 years...

because :

- it will be imposed by regulation or
- It will be part of your corporate culture or
- It will be part of your corporate governance or
- It will be imposed by your clients or
- It will just be part of business culture in general





Conclusions

- Intermediaries and insurers will be confronted with new rules for the distribution of insurance-based investment products.
 - Intermediaries will be more transparent ...
 - Intermediaries will (continue and) manage and mitigate conflicts of interest
 - New requirements related to training
 - Intermediaries will continue and give attention to complaints handling and the management of alternative dispute resolution mechanisms.
 - Anti-fraud and anti-money laundering rules and « supervision » will be reinforced
 - Intermediaries will continue and protect their data and the data of the client
 - Supervisory authorities have new powers/mandates
 - Intermediaries with binding authorities will have more obligations
 - Intermediaries will continue and give attention to competition rules
 - Intermediaries will have more work in cases of multinational placements
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Some other challenges for the industry:

- **Image / reputation (as a sector)**
 - **Age / experience/ expertise / succession**
 - **Training**
 - **Explaining our specificities**
 - **Adapting to new businessmodels**
 - **Ban on commissions in case of « independent investment advice »**
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Thank you for your attention