



World Federation of Insurance Intermediaries

POSITION PAPER

Insurance Education of the Public

October 2005

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 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.

Background

There is an increased attention both at international and national level for the issue of financial education of the public.

According to the OECD, "an important issue for financial education is that consumers "be able to understand and evaluate insurance products and have an opinion of which insurance policies are more or less important for their personal use."

Financial education can be defined as "the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being". Financial education thus goes beyond the provision of financial information and advice, which, should be regulated, as is already often the case, in particular for the protection of financial clients (i.e. consumers in contractual relationships).(OECD)

WFII Position:

- Firstly, in general terms at WFII we feel that financial (Insurance) education should begin at school level.
 - People should be educated about financial and insurance matters as early as possible in their lives.
 - The role and functioning of the various players in the market should also be explained in this kind of programs. Not only this would create awareness about the financial products themselves but it would also contribute to the understanding of the functioning of the sector.
- Insurance education initiatives should focus mainly on individuals (private lines / small commercial)
- Governments are well aware of the important role the sector has both in economic and social terms. This could be reflected in the initiatives related to financial education.
 - Insurance education initiatives by governments should focus on objective information allowing the public to make better choices.
 - These initiatives should be neutral from a competition perspective and be limited to facts. Although neutral, campaigns should have a positive approach compensating (or counterbalancing) the negative context insurance is mostly connected with in the perception of the consumer.
 - We feel that government actions in terms of insurance education should by priority focus on creating awareness about risk and insurance needs. The governments could relate this to informing people that insurance solutions exist. Furthermore it should focus on the importance of the quality in the choice of insurance coverage.
 - Governments could also do an effort explaining the regulatory framework and the supervisory activities (including the responsibilities and limits of supervision) in the insurance sector.
 - In terms of initiatives by the private sector, we inform you that WFII has developed a paper on the role of intermediaries which we put at the disposal of all those who would like to use it. National associations of insurance intermediaries, associated with WFII, remain at the disposal of the governments to adapt the paper to national circumstances or to talk about other initiatives related to insurance education.
- With regard to the role of regulation in the education of the public: We observe that even in a globalised world, market structures and systems are still very different. Besides some high level principles/guidance we do not see that a more detailed international best practice is possible or would result into an efficient situation suitable to all. These differences make that practices or solutions in one market cannot simply be copied into other markets. National initiatives, if any, in this field should, in any case, be developed in close cooperation with the national associations in the sector. The initiatives should not result in extra regulation but in a better understanding of the regulation.