



World Federation of Insurance Intermediaries

## POSITION PAPER

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# WFII policy position on Microinsurance

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### **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.

## WFII Policy Position paper

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.

### I. Introduction

WFII has a set of principles on Microinsurance. WFII acknowledges the concept of Microinsurance adopted in some markets; WFII believes that there are a number of obstacles and issues which must be dealt with before having a fair, sound and sustainable practice of Microinsurance.

### II. Issues in regulation and supervision of Microinsurance

WFII is of the opinion that in respect of Microinsurance its Principles on Regulation of Insurance Intermediation should also apply.

According to the principles of the WFII, any national regulation on insurance intermediation should include, amongst others, the following precepts:

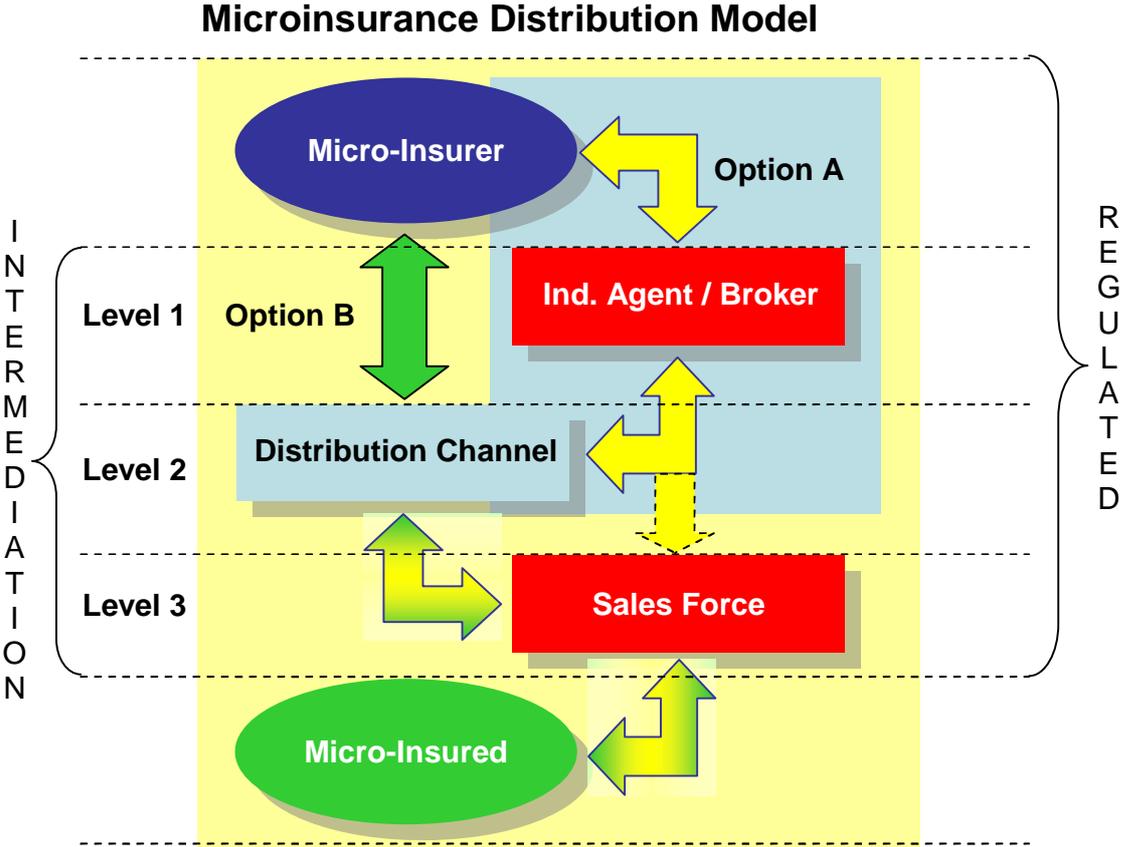
- Be activity based: The rules should be applicable to all those who are undertaking the activity of insurance intermediation. In this respect, the regulation and legislation should create a competitive level playing field between all forms of insurance distribution.
- Focus on ensuring that all those who are undertaking the activity of insurance intermediation meet reasonable professional requirements as the primary means of protecting consumers and clients.
- Be transparent and fair and be developed in consultation with representative market parties (such as national associations of intermediaries).
- 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.

### III. WFII calls upon policymakers to consider the following aspects in relation to Microinsurance:

1. There is confusion in some markets with respect to the difference between Microinsurance and mass marketing or small premium insurance products.
2. Commercialization of Microinsurance is going faster than the implementation of adequate regulation and supervision.
3. Where Microinsurance is regulated, the effects on the intermediation market and the principles on regulation of intermediation are often overlooked or not sufficiently considered.

**IV. Reflections on the complications**

1. There is evident intention on the part of supervisors to regulate Microinsurance intermediation. However, there seems to be no consensus on their part as to the required level of flexibility in terms of rules on distribution and/or intermediation.
2. There seems to be a wide variety of definitions of Microinsurance and of rules on how it would differentiate from other insurance.
3. Too much flexibility or lack of consistency in definitions can potentially lead to the proliferation of non-regulated intermediaries/distribution channels.
4. There seems to be a perception that since Microinsurance products are so simple and of low economic impact, corresponding applicable rules can be as flexible as needed. The problem is, however, that terms such as "low economic impact" and "flexibility" are not well defined.
5. It is generally recognized that, in practice, the distribution models applicable to Microinsurance can be different from those of traditional insurance products.



## V. In conclusion

WFII is of the opinion that its current Principles on Regulation on Insurance Intermediation should apply equally to Microinsurance.

WFII calls upon supervisors and regulators, where Microinsurance regulation is considered, to engage in a dialogue with the national associations of insurance intermediaries in their respective countries to find suitable solutions.

Such a dialogue could cover a range of issues such as the below examples (but not limited to):

- A definition of Microinsurance. This definition could include factors such as: Microinsurance for what, for whom, limitations of application (income levels, specific products, etc. ...);
- Identification of the need for Microinsurance in the market;
- Identification of possible (long term) side effects;
- Clear definition of rules (and potential flexibility), responsibilities;
- Rules regarding the financing/subsidies of Microinsurance providers.

WFII encourages its Member Associations to proceed as follows:

1. Promote WFII Principles on Regulation of Insurance Intermediation.
2. Participate in the debate on regulatory and supervisory proposals and their implementation of regulation for Microinsurance intermediation.
3. Stimulate the growth of Microinsurance by providing pertinent information and references to members that would incentivize their participation in this market segment.