ICP 24: Intermediaries

Basic-level Module
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A financially sound insurance sector contributes to economic growth and well-being by supporting the management of risk, allocation of resources, and mobilization of long-term savings. The insurance core principles (ICPs), developed by the International Association of Insurance Supervisors (IAIS), are key international standards relevant for sound financial systems.

Effective implementation of the ICPs requires skilled and knowledgeable insurance supervisors. Recognizing this need, the World Bank and the IAIS partnered in 2002 to develop a “core curriculum” for insurance supervisors. The Core Curriculum Project, funded and supported by various sources, accelerates the learning process of both new and experienced supervisors. The ICPs provide the structure for the core curriculum, which consists of a set of modules that summarize the most relevant aspects of each topic, focus on the practical application of supervisory concepts, and cross-reference existing literature.

The core curriculum is designed to help those studying it to:

- Recognize the risks that arise from insurance operations
- Know the techniques and tools used by private and public sector professionals
- Identify, measure, and manage these risks
- Operate effectively within a supervisory organization
- Understand the ICPs and other IAIS principles, standards, and guidance
- Recommend techniques and tools to help a particular jurisdiction observe the ICPs and other IAIS principles, standards, and guidance
- Identify the constraints and identify and prioritize supervisory techniques and tools to best manage the existing risks in light of these constraints.
Note to learner

Welcome to the ICP 24 Intermediaries module. This is a basic-level module on intermediaries that does not require specific prior knowledge of this topic. The module should be useful to either new insurance supervisors or experienced supervisors who have not dealt extensively with the topic or are simply seeking to refresh and update their knowledge.

Start by reviewing the objectives, which will give you an idea of what a person will learn as a result of studying the module, and answer the questions in the pretest to help gauge your prior knowledge of the topic. Then proceed to study the module either on an independent, self-study basis or in the context of a seminar or workshop. The amount of time required to study the module on a self-study basis will vary, but it is best addressed over a short period of time, broken into sessions on sections if desired.

To help you engage and involve yourself in the topic, we have interspersed the module with a number of hands-on activities for you to complete. These exercises are intended to provide a checkpoint from time to time so that you can absorb and understand the material more readily and can apply the material to your local circumstances. You are encouraged to complete each of these activities before proceeding with the next section of the module. If you are working with others on this module, develop the answers through discussion and cooperative work methods. An answer key in appendix III provides answers to the multiple choice questions.

As a result of studying the material in this module, you will be able to do the following:

1. Explain the role of insurance intermediaries and the importance of directly or indirectly supervising them.
2. Describe the most common types of insurance intermediaries.

3. Explain the differences in how independent intermediaries and those associated with a particular insurer relate to both the customer and the insurer.

4. Explain the difference between licensing and registration.

5. Describe the normally expected qualifications of an intermediary and explain how they can be assessed.

6. Describe the circumstances under which an intermediary might be authorized to conclude insurance contracts on behalf of an insurer and identify the risks that insurers should be aware of in such circumstances.

7. Determine the appropriate scope of an inspection of the controls and conduct of intermediaries.

8. Assess the adequacy of controls established by a particular insurer with respect to the selection, contracting, and oversight of intermediaries.

9. Assess the adequacy of safeguards established by a particular intermediary to protect clients’ money that it handles.

10. Describe the corrective actions that might be taken by a supervisory authority to deal with concerns about intermediaries and illustrate circumstances under which each would be appropriate.

11. Summarize the requirements of ICP 24.
Pretest

Before studying this module on intermediaries, answer the following questions. The questions are designed to help you gauge your existing knowledge of this topic. An answer key is presented in appendix III at the end of the module.

For each of the following questions, circle the responses that are correct.

1. Which of the following can tied intermediaries NOT do?
   a. Advise clients on the coverage best suited to their needs
   b. Assist clients in the event of a loss
   c. Collect premiums
   d. Advise a client on the insurer best able to provide coverage.

2. Which of the following services are insurance consumers NOT entitled to demand from their brokers?
   a. Advice on products, terms, characteristics, and types of contract in order to choose the one best suited to their needs
   b. A review of the policy offered to ensure that it meets their needs
   c. Policy maintenance and advice in the event of a loss
   d. That the broker fill in the declaration of risk.
3. **Which statement is the most accurate?**
   a. Intermediaries are basically insurance salespeople
   b. Intermediaries do not just sell; they have to run their business properly and provide other services to their clients
   c. The truly important quality of intermediaries is that they deserve their clients’ trust
   d. Insurance intermediaries are a leftover from the past and create no value-added in distributing insurance.

4. **Which statement is the most accurate?**
   a. To provide appropriate advice, insurance intermediaries must know and study the personal situation and wealth of their clients to the extent relevant to the risks they wish to insure against
   b. Clients’ personal situations and wealth are private matters in which an intermediary should not meddle
   c. Consumer protection rules preclude an intermediary from accessing data that are relevant for brokering insurance
   d. Intermediaries should never know the personal data of their clients under any circumstances.

5. **With regard to supervising intermediaries’ qualifications, the supervisory authority:**
   a. Has no jurisdiction over this—and should not have any
   b. Should not intervene, even if it were entitled to, given that this is a deregulated area, which should be left up to the insurers concerned
   c. Should seek to ensure that intermediaries are adequately qualified, even where its supervision of intermediaries is indirect
   d. None of the above.

6. **National insurance education institutes or organizations:**
   a. Usually have no jurisdiction over intermediaries’ training
   b. Fulfill an important function by preparing standard programs for training intermediaries in their respective countries
   c. In addition to preparing standard programs for training intermediaries in their respective countries, also strive to prepare and obtain mutual recognition of international standard programs in light of market globalization
   d. Barely contribute to the training of intermediaries.
7. **The insurer should provide its intermediaries with:**
   
a. Up-to-date information so that they can comply with legal provisions that may concern them  
b. Ongoing legal advice  
c. Both a and b  
d. None of the above.

8. **Which is true about self-regulatory organizations?**
   
a. They are so keen to defend the interests of the insurers they represent that they generally play no part in improving the function of intermediation  
b. They usually do not regard the status of the profession of intermediary as a priority  
c. They play an important part in improving the intermediation function, to the benefit of policyholders  
d. They have little say, despite their efforts, in regulating insurance intermediation.
A. Introduction

The importance of insurance in the economy has been recognized for centuries. Insurance “is practically a necessity to business activity and enterprise.”1 But insurance also serves a broad public interest far beyond its role in business affairs and its protection of a large part of the country’s wealth. It is the essential means by which the “disaster to an individual is shared by many, the disaster to a community shared by other communities; great catastrophes are thereby lessened, and, it may be, repaired.”2

Insurance enables businesses to operate in a cost-effective manner by providing risk transfer mechanisms that allow third parties to assume risks associated with business activities. It allows businesses to take on credit that otherwise would be unavailable from banks and other credit providers fearful of losing their capital without protection. And it provides protection against the business risks of expanding into unfamiliar territory—new locations, products, or services—which is critical for encouraging risk taking and creating and ensuring economic growth.

Beyond the commercial world, insurance is vital to individuals. Lack of insurance coverage would leave individuals and families without protection from the uncertainties of everyday life. Life, health, property, and other insurance coverage is essential to the financial stability, well-being, and peace of mind of the average person.

Insurance is a financial product that legally binds the insurer to pay losses of the policyholder when a specific event occurs. The insurer accepts the risk that the event will occur in exchange for a fee, the premium. The insurer, in turn, may pass on some of that risk to other insurers or reinsurers.

2. Id. at 413.


**Insurance distribution**

Insurers distribute their product in various ways, including selling directly to consumers. However, insurance is most commonly distributed through insurance intermediaries. The IAIS Glossary includes the following definitions:

- **Insurance intermediary.** Any natural person or legal entity that engages in insurance intermediation (in any medium). The most common types are independent intermediaries, who represent the buyer in dealings with the insurer (also known as independent brokers), and agents (which generally include multiple agents and subagents) who represent the insurer.

- **Insurance intermediation.** The business activity of promoting or facilitating an insurance contract between an insurer and a purchaser, selling or attempting to sell insurance on behalf of an insurer, asking or urging potential purchaser to apply for a particular insurance product, or conferring with or giving advice to a potential purchaser concerning a particular insurance product by a person or entity who sells or arranges the insurance contract. Activities by an insurer are not included.

The principal function of an intermediary, therefore, is to study the insurance needs of a consumer and offer objective advice regarding the product or service that best meets those needs. Over the last two decades in particular, some intermediaries have begun offering additional services, such as risk management, claims management, and advice on alternative ways to protect against potential losses.

Since insurance is a contract for a deferred benefit payable by the insurer, pending the occurrence of the event against which insurance is taken out, the insured party must have confidence that in the event of a loss the economic consequences will be borne by the insurer. This confidence is justified only if the intermediary has properly advised the consumer and the insurer delivers on its contractual obligations. As mentioned in the explanatory note to ICP 24, good conduct of intermediaries is essential to protect consumers and promote confidence in insurance markets. For this reason, ICP 24 states:

The supervisory authority sets requirements, directly or through the supervision of insurers, for the conduct of intermediaries.

The conduct of intermediaries is also dealt with by ICP 25: Consumer protection:

The supervisory authority sets minimum requirements for insurers and intermediaries in dealing with consumers in its jurisdiction, including foreign insurers selling products on a cross-border basis. The requirements include provision of timely, complete, and relevant information to consumers both before a contract
is entered into through to the point at which all obligations under a contract have been satisfied.

Therefore, reference to both ICP 25 and the related module are recommended to provide a more comprehensive understanding of the role of intermediaries and their supervision.

The IAIS has adopted an activity-based definition of insurance intermediary; in other words, anyone who engages in insurance intermediation activity is an intermediary. Engaging in the activity of insurance intermediation should trigger regulatory and supervisory oversight.

Accordingly, modern intermediation regulation typically applies to any person or legal entity that engages in insurance intermediation in any medium. This includes brokers, agents, banks, motor vehicle dealers, Internet sites, consultants, and post offices. In most jurisdictions the only exceptions are the insurers themselves, which are subject to other consumer protection regulations. They are often required to ensure that those employees involved in soliciting, selling, or negotiating insurance contracts have adequate knowledge and a good reputation.

The insurer also places its trust in intermediaries, in some cases authorizing intermediaries to intervene on its behalf in insurance transactions, to perform certain functions associated with underwriting insurance, to collect premiums, or to deal with claims. The responsibilities of intermediaries differ according to their relationships with the insurers whose services they offer and with their clients.

Thus, insurance intermediaries must:

- Have proper credentials, including capacity, competence, proper training, honesty, and solvency
- Be subject to adequate control mechanisms, both internal and external to the intermediary, to ensure proper performance.

This module describes insurance intermediaries’ functions in greater depth to better convey their importance. It also proposes control and supervision procedures to ensure that those functions are correctly exercised.

This module:

- Points out the differences and similarities among the various types of intermediaries
- Describes the typical functions of insurance intermediaries
- Explains the importance of choosing the right intermediary
- Indicates the training, skills, and competencies that intermediaries may need
- Lists the problems that can arise if insurance intermediaries do not perform as they should and describes oversight procedures that can minimize such risks.
B. Types of intermediaries and licensing and registration

Traditionally, insurance intermediaries have been categorized as either insurance agents or insurance brokers, with the distinction relating to how they function in the marketplace. Brokers are not tied to an insurer (that is, they are independent) and in most respects work for the policyholder in the insurance process. Agents are, in general, licensed to conduct business on behalf of insurers, acting as their representative in the insurance process.

The insurer-agent relationship can take several forms. In some markets agents are independent and work with more than one insurer (usually a small number of insurers); in others agents operate exclusively—either representing a single insurer in one geographic area or selling a different line of business for each of several insurers. Agents can operate in many different ways: independent, exclusive, insurer-employed, and self-employed.

In some jurisdictions, for example some EU countries, tied intermediaries exist. A tied intermediary carries on insurance mediation on behalf of one insurer (or more than one insurer, in the case of products that are not in competition) but does not collect premiums or amounts intended for the customer. The tied intermediary acts under the full responsibility of each insurer with respect to the intermediation of its products.

As a technical matter, an intermediary’s role may change during an insurance transaction and over the course of an ongoing relationship with a client. For example, the broker acts on behalf of the client when negotiating the contract of insurance and placing the policy. When the broker provides services that would otherwise be handled directly by the insurer, such as premium collection and claims handling, the broker may be acting as an agent for the insurer. Such arrangements can make the insurance process more efficient for both the policyholder and the insurer.

Accordingly, determining whether an intermediary is legally an agent or broker is not always clear-cut. An intermediary’s status is determined by the totality of the facts of each transaction. An intermediary might be called a broker but actually represent the insurer in a particular transaction—acting actually and legally as the agent of the insurer, not that of the customer. For these reasons, essential criterion d of ICP 24 states:

The supervisory authority requires intermediaries to give customers information on their status, specifically whether they are independent or associated with particular insurance companies and whether they are authorized to conclude insurance contracts on behalf of an insurer or not.

As you study this module, take this into consideration along with the definitions of various types of intermediaries in the legislation of your own jurisdiction.

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3. Brokers may collect the amount of the premium on their own account when there is an insurance proposition binding on the insurer. In many jurisdictions payments to a broker are not construed as payments to the insurer unless the broker hands over the insurer’s original receipt to the client, in which case the broker is collecting the premium on behalf of the insurer.
This section further discusses brokers’ and agents’ relationships with consumers and insurers and how they are compensated for their services. It also describes two special types of insurance intermediary: bank insurance operators and reinsurance brokers.

**Insurance brokers**

Insurance brokers typically work for the policyholder in the insurance process, acting on behalf of the client, independent of insurers. Brokers assist clients in choosing their insurance by offering a variety of insurers and products. Acting as agent for the buyer, brokers work with multiple insurers to obtain a particular coverage for their clients.

In some markets distinctions exist among brokers depending on the types of insurance they are authorized (licensed) to intermediate (for example, all lines of insurance, property and casualty, or life and health coverage). While many brokers are active in commercial lines, some also intermediate personal lines policies. Distinctions also exist between retail brokers, who negotiate insurance contracts directly with consumers, and wholesale brokers, who negotiate insurance contracts with retail brokers and agents, but not directly with consumers.

In order to practice, brokers must demonstrate to the relevant supervisory authority that they meet various requirements, such as legal capacity, training, experience, honesty, and financial capacity. In some jurisdictions prospective brokers also must submit a business plan. Fulfilling these requirements and registering in a special public register kept by the supervisory authority yield an administrative authorization (license) to start operating.

**Relationship with consumers**

A broker’s relationships with consumers are governed by verbal or written contracts to provide services. The exact nature of the services offered—and the contract—varies from one broker to another and may include:

- A study of the client’s individual profile and specific insurance needs
- Counseling on products on the market and the specific terms and characteristics of different types of policies
- Counseling to enable clients to choose the policy best suited to their needs from among available policies
• A review of the policy offered to ensure that it meets the consumer’s requirements and has the right features in terms of coverage, risks insured, price, and other contractual conditions
• Ongoing policy maintenance service
• Advice in the event of a loss
• Collection of the insurance premium along with simultaneous delivery of the premium receipt issued by the insurer.

RELATIONSHIP WITH INSURERS

A broker’s relationship with an insurer is typically governed by a brokerage contract. Such a contract specifies the terms governing the broker’s activities and the commissions and other remuneration payable to the broker during the life of the contract and after it has expired.

What brokers do is entirely independent of the insurer with respect to their principal activity: advising on the different products and policies offered by different insurers. Exclusivity clauses or contractual ties with an insurer would detract from the objectivity and impartiality that should characterize a broker’s professional counseling. To guard against this possibility, some jurisdictions require a broker to inform the party seeking insurance about any commission that the broker will receive from each insurer whose policies are being compared.

Brokers may be the depository of sums (premiums) that they collect or that they have to pay on behalf of the insurer (indemnities for losses).

Intermediaries with ties to one or several insurers: agents

Intermediaries with ties to insurers, normally referred to as agents, are individuals or legal entities that intermediate in insurance under a contract to distribute policies exclusively for one or several insurers. An agent’s relationship with the insurer is governed by what is commonly known as an agency contract.

Generally, agents work for only one insurer, although they may also work for several. In such cases, prior authorization by the agent’s primary insurer is usually required to place business with other insurers. Typically, such authorization is granted for insurance lines that are not offered by the primary insurer.

Recognizing the need for insurance agents to act with integrity, many jurisdictions explicitly require that they provide true and sufficient information to their clients or prospective clients in the course of the following activities:

• Promoting, offering, and underwriting the insurance policies of the insurer with which they have ties
• Advising clients or prospective clients, including portfolio maintenance and assistance in the event of a loss.

Depending on the terms of the agency contract and regulatory requirements, agents may receive, as mere depositories, sums of money for premium collection or payment of claims on behalf of the insurer to which they offer their intermediation services. From the client's point of view, and given that the agent usually acts as the representative of the insurer, paying the agent is tantamount to paying the insurer that the agent represents.

The registration or licensing system varies by jurisdiction, but agents are generally listed in a roster kept by the insurer or in the supervisory authority’s administrative register. In some jurisdictions the register includes only those agents that deal with mandatory insurance coverage, such as motor vehicle third-party liability. But essential criterion a of ICP 24 states, “The supervisory authority requires intermediaries to be licensed or registered”; no exceptions are contemplated.

A variety of systems exist to guarantee that agents are qualified. In some jurisdictions the insurer with which an agent is contracted is responsible for ensuring that the agents are qualified to perform and that they perform correctly. In other jurisdictions agents also have to meet regulatory qualification requirements that are tested by independent or official bodies.

**Relationship with Consumers**

An agent has no contract with the client. Although a wide variety of systems exist, generally:

• Intermediation by an agent does not include advice comparing the various products offered by different insurers. The agent offers only the products and services of a single insurer in the insurance line concerned in each case and may not offer alternative policies of other insurers.
• The advice that an agent provides is limited to offering the best product, on the best terms for the client, among those offered by the insurer for which the agent works exclusively.
• Intermediation services may include policy maintenance and assistance in the event of a loss.

**Relationship with Insurers**

The relationship between an agent and an insurer is generally governed by what is known as an agency contract, which establishes the financial terms (mainly the business
commission), obligations, and duties of both parties. It may also cover issues such as the lines of insurance that the agent will sell exclusively for the insurer, the procedures and rules to be followed, and the extent to which the agent represents the insurer. In some jurisdictions agency contracts define the geographic territory in which the agent may operate.

Some insurers assign technical staff on their payroll (inspectors, delegates, team leaders, area heads, and the like) to help their agents meet the targets set for the area they cover.

**Compensation of intermediaries**

It is commonly accepted that insurance intermediaries have the right to be remunerated fairly for their services and that any remuneration or compensation for intermediation services should generally be considered an issue for the parties to address. Legislation or concerted market agreements limiting or imposing the rate or the means of remuneration are considered an infringement of market principles in some jurisdictions.

Insurance consumers in sophisticated insurance markets, particularly in the commercial lines area, may look to insurance agents and brokers to provide risk management and insurance consulting services. Such services go beyond those associated with the placement and servicing of a policy contract, for which the intermediary would typically be paid a commission. Therefore, in many jurisdictions intermediaries are allowed to charge fees in addition to, in lieu of, or in combination with commissions. In such cases, it may be required that the customer be informed or give prior approval of such fees.

Generally, there are three primary ways insurance intermediaries are compensated:

- On a fee basis, where the client directly pays for the services provided
- On a commission basis, where the intermediary is paid a percentage of the premium paid by the client for coverage based on the intermediary’s agreement with the insurer

<table>
<thead>
<tr>
<th>Brokers</th>
<th>Agents</th>
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<tbody>
<tr>
<td>• Operate under a brokerage contract (no ties to the insurer)</td>
<td>• Operate under an agency contract (implies ties to the insurer)</td>
</tr>
<tr>
<td>• Provide advice, including objective analysis of insurance options available on the market</td>
<td>• Do not provide advice that includes analysis of other insurance options on the market</td>
</tr>
<tr>
<td>• Need to be registered and licensed (administrative permit) to practice</td>
<td>• Must be registered to practice; a license is generally not needed</td>
</tr>
<tr>
<td>• Act independently of the insurer</td>
<td>• Depend on the insurer for performance</td>
</tr>
<tr>
<td>• Are solely responsible for professional conduct.</td>
<td>• Leave the insurer responsible for their conduct.</td>
</tr>
</tbody>
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Table 1. Typical characteristics of brokers and agents
On a contingency basis, where the insurer compensates the intermediary, generally at the end of the fiscal year, in accordance with various formulas that relate to the aggregate book of business the intermediary has placed with that insurer, rather than any specific transaction or client.

The amount of contingency payment depends on factors that generally cannot be evaluated at the time any one piece of business is placed, such as the overall volume and the profitability of business placed with the insurer. The amount payable may also be based on the specific services that the intermediary provides the insurer for the clients’ general benefit.

Contingency arrangements can play a valuable role in facilitating a cooperative risk management and insurance environment from which all participants—clients, insurers, and intermediaries—benefit. In most jurisdictions contingency payment is a legal and proper method of compensating for an intermediary’s extra services. But in some jurisdictions concerns have arisen that contingency arrangements, if not properly disclosed, may influence a supposedly independent intermediary to place business with a particular insurer—even when the client’s interests would be better served by a different insurer.

**Bank insurance operators**

In some jurisdictions deposit-taking institutions may be permitted to intermediate insurance. Where permitted, such institutions, usually called bank insurance operators, are typically subject to insurance intermediation legislation.

Bank insurance operators generally use their network of offices to contact clients and distribute insurance. They may distribute the insurance products and services of insurers in their own group or under distribution agreements with one or more independent insurers. Depending on its business model (and regulatory requirements), a bank insurance operator may provide clients with an objective analysis of policies available on the market. They normally do not perform activities related to portfolio maintenance or claims other than the gathering and passing on of information or documentation.

In most jurisdictions a bank insurance operator needs permission to operate from the supervisory authority. In considering whether to grant such permission, the supervisory authority may require the bank to submit such information as a schedule of activities, form of organization, structure and resources, complaint and claim resolution mechanisms, portfolio projections, training programs for employees involved in the insurance activities, membership of the governing bodies, professional civil liability insurance, and so forth.

A bank insurance operator’s relationship with an insurer is governed by a distribution agreement between the insurer and the bank. Employees of the bank are governed
solely by the terms of their employment with the bank, and the bank alone will be responsible for the performance of its personnel.

**Reinsurance brokers**

Reinsurance brokers are individuals or legal entities that act as intermediaries between parties taking out reinsurance and reinsurers. Their activities comprise working before a reinsurance contract is signed, obtaining a signed contract, and providing professional advice and assistance with generating and executing contracts.

Reinsurance brokers provide information on the terms of the contract they propose for underwriting and ensure that validity requirements are met. They cannot directly take on risks or conduct brokerage activities on behalf of unauthorized entities, nor can they use the business name of the insurers they work for in reference to themselves. However, as mentioned in the explanatory note to ICP 25, detailed conduct of business rules may not be appropriate for reinsurance transactions.

The requirements for an operating license are sometimes similar to those for an insurance brokers’ license.

**Licensing and registration**

Essential criterion a of ICP 24 states, “The supervisory authority requires intermediaries to be licensed or registered.” Accordingly, in most jurisdictions for intermediaries to operate legally certain formal requirements have to be met. For example, essential criterion b requires that intermediaries “have adequate general, commercial and professional knowledge and ability as well as having a good reputation” and essential criterion c requires “an intermediary who handles clients’ money to have sufficient safeguards in place to protect these funds.”

However, specific requirements may vary, depending on the type of intermediary, because in some cases, such as a tied agent, the insurer is responsible for the selection and professional performance of the intermediary. In other cases, such as a broker, the intermediary is solely responsible for what the intermediary does—which is why the supervisory authority has to examine an intermediary’s professional training, know-how, and financial standing, as well as (in most jurisdictions) coverage for professional civil liabilities.

Authorization to operate comes from a license or registration. Although the terminology varies by jurisdiction, the discussion below reflects the terminology applied in many jurisdictions.
License

A license typically provides the administrative authorization to operate as an intermediary and is issued by the supervisory authority.

To obtain a license, intermediaries may have to meet a number of formal requirements, such as:

- Prior inscription in the intermediaries’ register maintained by the supervisory authority
- Accreditation showing possession of the appropriate knowledge based on training programs approved by the supervisory authority
- Legal qualification for business
- In the case of legal entities, inscription as a commercial company in the corresponding public register, with insurance brokerage as the registered line of activity
- Commercial and professional honesty
- Financial capacity
- Professional civil liability insurance to cover any mistakes or acts of negligence that may be committed in the course of professional work
- Absence of grounds for disqualification
- No criminal record.

In some jurisdictions a broker may also be required to submit a business plan, detailing the nature of the insurance risks that will be dealt with, operational structure and resources, processes for settling claims or complaints, income and expenditure projections, training program, and so forth.

Registration

Registration often refers to inscription in a public register of intermediaries maintained by the supervisory authority in the form of a roster listing the individuals or legal entities that have been designated insurance intermediaries. In the case of intermediaries that are legal entities, the register generally records the names of the chief executives or partners.

The requirements for registration differ by jurisdiction. In most cases intermediaries must meet requirements for legal and professional capacity, training, know-how, and honesty. In the case of legal entities, the chief executive or partners must meet the requirements. The supervisory authority typically also examines the entity’s owners to ascertain whether any of them may be disqualified or barred.

In many jurisdictions registration is a necessary requirement for both tied and independent intermediaries. In a few jurisdictions some types of intermediaries, such
Table 2. Characteristics of licenses and registrations

<table>
<thead>
<tr>
<th>Licenses</th>
<th>Registrations</th>
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<tbody>
<tr>
<td>License = administrative permission to act as an intermediary.</td>
<td>Registration = inscription in the public register or roster of intermediaries.</td>
</tr>
<tr>
<td>Requirements to obtain a license:</td>
<td>Requirements for registration:</td>
</tr>
<tr>
<td>• Prior inscription in the register</td>
<td>• An agency contract with an insurer</td>
</tr>
<tr>
<td>• Adequate know-how, based on the approved official program, tested by exam</td>
<td>• Certification by the insurer of qualification, training, competence, integrity, and nonexistence of a criminal record or disqualification</td>
</tr>
<tr>
<td>• Legal qualification to conduct business</td>
<td>• In the case of a legal entity, an analysis of the composition of equity capital.</td>
</tr>
<tr>
<td>• In the case of a legal entity, inscription in the corresponding public register, with insurance intermediation as the principal business activity</td>
<td></td>
</tr>
<tr>
<td>• Integrity.</td>
<td></td>
</tr>
<tr>
<td>In addition to the above requirements, independent intermediaries must also show:</td>
<td></td>
</tr>
<tr>
<td>• Financial solvency</td>
<td></td>
</tr>
<tr>
<td>• Civil liability insurance</td>
<td></td>
</tr>
<tr>
<td>• Presentation of business plan, structure, resources, income and expenditure projections, training, and the like.</td>
<td></td>
</tr>
</tbody>
</table>

As agents who are tied to insurers, are required only to be inscribed in the register and have basic training and legal capacity to carry on business.

A few other formal requirements may also have to be met for registration:

- Existence of an agency contract with an insurer
- A certificate from the insurer stating that the intermediary fulfills the requirements of capacity and honesty in business, no criminal record or any kind of disqualification, and possession of the expertise needed.

In most cases an intermediary may not begin working before being registered.

Access to the information in the public register should be appropriately protected. For example, if the register could be searched by company name, the information obtained could be potentially harmful to both free competition and the confidentiality of personal data. However, the public should have access to the basic information in the public register to check the registration of an intermediary.

Table 2 summarizes the differences between a license and registration, as applied in many (but certainly not all) jurisdictions.

**Summary of this section**

This section defined two different types of intermediary:
• Independent intermediaries, usually known as insurance brokers, whose principal characteristics are that they are independent of the insurers, that they provide objective advice to their clients on the coverage possibilities available on the market, and that they often require, in addition to registration as intermediaries, a license or administrative authorization, subject to compliance with certain requirements or formal requisites. They also assist with claims and perform portfolio maintenance functions.

• Insurance agents, characterized principally by their relation of dependence, established in an agency contract, under which they often work exclusively for an insurer, either in all that insurer’s lines or in some of them. They are not obliged to provide advice on other coverage options in the market other than those offered by their insurer. The insurers are responsible for appointing these agents and for their professional suitability and conduct. In addition to prior basic training and legal capacity, they usually need to be registered as intermediaries in the register of the supervisory authority. In addition, they deal with claims and perform client portfolio maintenance.

The terms “license” and “registration” were also defined and typical requirements for them described.

Exercises

Select the best answer to each of the questions below. You may answer either on the basis of the practices found in many jurisdictions, as described in this module, or on the basis of the practices in your own jurisdiction. Appendix III provides the answers regarding typical practices.

1. Typically, independent intermediaries:
   a. Can get by with only being registered
   b. Can get by with only an administrative authorization (license) to operate
   c. Have to be registered and have a license
   d. In addition to being registered and possessing a license, must have a contract, on an exclusive basis, with the insurer to which they will lend their services.

2. A bank insurance operator:
   a. Can offer only products of an insurer that is a member of the same group as the bank
   b. Can offer products of an insurer that is a member of the same group as the bank or those of other insurers with which a commercial distribution agreement has been reached
c. Must provide impartial advice on products to be found on the market that could cover clients’ needs.
d. Must assist with clients’ claims for losses and take steps to arrive at a solution.

3. Tied intermediaries (insurance agents):
   a. Do not need a contract to practice their profession
   b. Are not subject to any form of oversight by the supervisory authority; supervision by the insurer suffices
   c. Can serve only a single insurer
   d. Can provide services for several insurers in different insurance lines, with prior authorization by those insurers.

4. Tied intermediaries (insurance agents):
   a. Merely suggest possible options so that other professionals can conclude the sale
   b. Act as salespeople, finalizing a sale when they have their client’s consent
   c. Act as salespeople, but no sale is completed until the client has signed the policy issued by the insurer
   d. Finalize a sale by successfully collecting the first premium.

5. For a legal entity to receive a broker’s license or administrative permit, in many jurisdictions it must:
   a. Be registered as a business in the commercial company register
   b. Be registered as a business in the commercial company register and have its business purpose registered as insurance intermediation
   c. Merely be registered with the supervisory authority
   d. Merely open an office, as brokers do not need a license.

6. In many jurisdictions the application for registration as an agent or a broker:
   a. Must be accompanied by documentation testifying to the actual existence of an agency contract with an insurer
   b. Must be accompanied by documentation testifying to the actual existence of an agency contract with an insurer, plus certification by the insurer concerned that the intermediary meets the requirements with respect to knowledge, integrity, solvency, and the nonexistence of a disqualifying criminal record
   c. Is in any event a necessary condition for performing insurance intermediation activities
   d. Is not a necessary condition since numerous people practice as insurance intermediaries without registering.
7. **Presentation of a business plan to the supervisory authority is required when requesting a license as:**

   a. An insurance agent
   b. A bank insurance operator or a broker
   c. A broker
   d. It is not necessary for any applicant for a license to submit a business plan.

8. **Intermediaries are never authorized to charge their clients fees for the advisory services they provide.**

   a. True
   b. False. All jurisdictions allow brokers to charge such fees.
   c. False. All jurisdictions allow insurance agents to charge such fees.
   d. False. In some jurisdictions, where there is no explicit ban on the practice, intermediaries are allowed to charge such fees. It is left up to the parties—intermediary and client—to decide.

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**Case Study 1**

Mr. XY, an insurance agent working exclusively for insurer Z, has advised his client, Ms. AB, on taking out insurance for her business. Finalizing this insurance contract meant that XY had to make several visits to inspect the risk and conduct three interviews with AB and various directors of her company. For that reason, XY submitted, together with the receipt for collection of premium issued by the insurer, an invoice for the professional advisory services he rendered.

Must AB accept this invoice? Is she obliged to pay it? What should AB do? How should the supervisory authority react to this case?
Case Study 2

Ms. CD, an insurance agent working exclusively for insurer A, took an insurance application from client Mr. HI, collecting the first premium on behalf of A, in cash, in the amount of €1,000. CD “invested” this money at a casino and lost it all. Not being able to replace the lost sum, CD told A that it was impossible to collect the premium from HI and asked it to cancel the policy, without CD telling HI of the cancellation. HI then ceased to be covered.

Unfortunately, HI suffered a loss during the first year of insurance he had paid for and tried in vain to report the loss to CD, who had disappeared. Consequently, he contacted A, which told him the policy never became effective for lack of payment.

What can HI do? What should A do? What should the supervisory authority do? What steps should A take to avoid a recurrence of such cases?
C. Functions performed by insurance intermediaries

As noted above, insurance intermediaries are interposed between the insurer and the client. They are therefore someone distinct from the insurer, but may be linked exclusively to an insurer (for all or some of the insurance products or lines).

Intermediaries perform a range of functions:

- Advisor to the client on insurance matters
- Distributor of the insurer’s products and services
- Representative of the insurer (only in the case of insurance agents)
- Entrepreneur (individual or legal entity) with a business
- Provider of portfolio maintenance services and assistance to the client in the event of a loss.

For presentation purposes, these functions are classified into three groups:

- Sales, which includes advisory services, distribution, and representation
- Administration of the intermediary’s own business
- Service provision for clients.

Sales functions

Advisor

Intermediaries counsel and advise on the insurance products and arrangements that best cover the client’s needs. To that end, they study clients’ individual circumstances and means with respect to the risks for which coverage is requested. The advice of insurance agents is always somewhat biased, because they offer only the products of the insurer that they represent, while brokers offer more complete and objective advice, because they can show the client a broader range of products.

As mentioned in the explanatory note to ICP 25, insurance products are difficult to understand and evaluate for a large number of consumers. Consumers should have access to enough information to make an informed decision before entering into a contract. Therefore, before a contract is signed intermediaries (and insurers) should provide accurate information regarding the purpose of the insurance policy, what is and is not covered by the products offered, risk selection requirements, how to describe the risk, the application for insurance, the terminology used in the contract, the administrative procedure involved in issuing the policy, the approximate price of the insurance being purchased, and any other information relating to the insurance contract.

Intermediaries and insurers request information (personal data) from the client for contractual purposes, committing themselves to, and being accountable for, appropriate use of that information.
Intermediaries and insurers should inform clients of their rights as consumers and of the procedures established for settling complaints and disputes. (See ICP 25 and the related module for more information on consumer protection.)

Brokers may also provide information on the financial standing of the insurers involved in the various alternatives they offer, perhaps based on standard parameters.

Distributor of insurance products and services

Intermediaries are familiar with the technical basics of the insurance business: the general theory of insurance, insurance contract legislation, the economic and financial guarantees that may be required of insurers in the domestic market, the way an insurer operates, the regulatory and supervisory framework, and the like.

They also have detailed knowledge of insurers’ products and related technical matters, including their general and specific conditions, what they do and do not cover, the different guarantees they provide, their underwriting rules, risk valuation and features of a risk that have to be taken into account in calculating the premium, the bases for setting premium rates, issuance procedures, classifications and characteristics of potential clients, advantages in addition to the risk coverage offered by the products (financial and tax benefits, profit-sharing, and the like), additional premiums, excess limits, exclusion periods, premium refunds, redemption values, and guaranteed values. They are familiar with the operational ins and outs of administrative procedures: issuance, accounting and claims, and the software involved.

They have a strong grasp of the local market: economic activities and trends, focus of interest, penetration by the competition in the area, demographic data, and migratory movements.

And they conduct research on prospective clients to arrange interviews for offering insurance products and services.

Representative of the insurer

Intermediaries may also serve as representatives of the insurer. As such, they should know the company well, including its history, lines of business and products, economic size, position in the market, structure, organization, procedures, and senior management.

In some cases intermediaries present an image in keeping with that of the insurer they represent, using company documentation and its representation materials: logos, signs, business cards, leaflets, and the like.
Administrative functions

As entrepreneurs, intermediaries must meet the general requirements established in the jurisdiction for operating a business activity: start-up authorization, operating license, official accounting ledgers, accounting standards, local or state taxes, social security for himself or for personnel on the payroll, workplace safety and hygiene, prevention of occupational hazards, and the like.

Intermediaries must meet the legal requirements for exercising the profession of insurance intermediary and submit to inspection by the supervisory authority in their jurisdiction. Thus, it is particularly important that intermediaries handle their insurance portfolio efficiently by keeping records in a way that facilitates appropriate management of their operations. In some jurisdictions supervisory authorities regularly request accumulated statistical data on intermediaries’ portfolios.

Performing these functions incorrectly, or failing to perform them, directly impairs service provision, which can jeopardize the business and expose intermediaries to the risk of administrative sanctions, consequently harming their own image and that of the insurer or insurers with which they deal.

Table 3. Sales functions of insurance intermediaries

<table>
<thead>
<tr>
<th>Advice</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tailor products and arrangements to clients’ needs, personal circumstances, and wealth</td>
<td>Understand the technical basics of the insurance business in which they deal</td>
</tr>
<tr>
<td>Understand the purpose, characteristics, terminology, administrative procedures, and details of contracting for the product offered</td>
<td>Have in-depth knowledge of the relevant insurance products</td>
</tr>
<tr>
<td>Obtain necessary information from the client and use the information appropriately</td>
<td>Know how relevant information technology procedures and applications work</td>
</tr>
<tr>
<td>Provide information on consumer rights.</td>
<td>Understand the local market</td>
</tr>
<tr>
<td>Provide advice on the financial position of the insurers offering alternatives.</td>
<td>Perform market research (prospecting) to find new clients.</td>
</tr>
</tbody>
</table>

In addition to these functions, brokers:

- Provide advice on other options in the market
- Provide advice on the financial position of the insurers offering alternatives.

Table 4. Administrative and service functions of insurance intermediaries

<table>
<thead>
<tr>
<th>Administration</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intermediaries are entrepreneurs (legal entities or autonomous individuals) that:</td>
<td>Intermediaries provide a wide range of services for their clients:</td>
</tr>
<tr>
<td>- Meet the requirements established in the jurisdiction for running a business enterprise</td>
<td>- Help issue policies</td>
</tr>
<tr>
<td>- Abide by legal requirements governing insurance intermediation activities.</td>
<td>- Update policies</td>
</tr>
<tr>
<td></td>
<td>- Offer new risk coverage services</td>
</tr>
<tr>
<td></td>
<td>- Regularly check client satisfaction</td>
</tr>
<tr>
<td></td>
<td>- Assist clients in the event of a loss.</td>
</tr>
</tbody>
</table>
Intermediaries’ relationships with clients are not restricted to the sale of insurance products, but include other complementary service functions.

They assist with issuing the policy, ensure that delivery deadlines are met and verify that the person taking out the contract, the insured party, and the beneficiaries are correct. They verify the status and description of the risks covered, what is and is not covered, particular and special clauses, as well as the form of payment, applicable premium, and other formal aspects.

Intermediaries update clients’ policies whenever new insurance needs arise out of increases in the value of sums or capital insured or emergence of new risks or changes in the material circumstances surrounding them.

They also offer clients new insurance services for risks not already covered.

They may pay regular visits to verify client satisfaction with the insurance taken out and the services provided by the intermediary or the insurer.

In some jurisdictions intermediaries may be authorized by insurers to collect insurance premiums. The legal provisions around such collections vary by jurisdiction and may include:

- Provisions laid down by law or contract whereby monies paid by the customer to the intermediary are treated as having been paid to the insurer, whereas monies paid by the insurer to the intermediary are not treated as having been paid to the customer until the customer actually receives them.
- A requirement for insurance intermediaries to have financial capacity.
- A requirement that customers’ monies shall be transferred through strictly segregated client accounts and that these accounts shall not be used to reimburse other creditors in the event of bankruptcy.
- A requirement that a guarantee fund be set up.

Some jurisdictions lack these requirements. However, essential criterion d of ICP 24 says that the supervisory authority should require an intermediary who handles clients’ money to have sufficient safeguards in place to protect these funds.

It is more common for intermediaries in the life insurance business to have the right to collect premiums. In most cases this is based on an agreement between insurers and intermediaries. In some jurisdictions the rules for collecting premiums are stricter in the life insurance (including investment products) business than in the non–life insurance business.

These mechanisms are intended to reduce the risk to policyholders of intermediaries illicitly appropriating the sums collected on behalf of the insurer and to protect the client.

In many jurisdictions premium payment is a condition for coverage. But some jurisdictions distinguish legally between paying a premium to an agent and paying a pre-
mium to a broker. Given that an agent is a representative of and has ties with an insurer, payment to an agent is construed for all intents and purposes as payment to an insurer. By contrast, in many jurisdictions payment to a broker is considered a payment to an insurer only if a broker delivers the original premium receipt issued by an insurer.

Intermediaries assist clients in the event of a loss, liaising between clients and insurers, facilitating communication, and advising clients on how to file a claim, how to mitigate the consequences of the loss, how to follow administrative procedures, and so on. This assistance sometimes includes delivering to the client the payment made by the insurer as indemnity for the loss.

Incorrect performance of these functions by the intermediary may render the contract invalid and result in inadequate coverage of the client’s risks, improper and unlawful appropriation of sums of money to the detriment of the insurer and the client, and inadequate settlement of the claim to the detriment of the client, and consequent loss of reputation for the insurer and of confidence in insurance as an institution.

As mentioned earlier, intermediaries sometimes provide services such as risk management to their clients. For further information on this topic, see Swiss Re 2004.

**The importance of properly selecting intermediaries**

Inappropriate performance by an insurance intermediary, in any of the aforementioned roles, can result in:

- Possible loss of the policyholder’s trust in the insurer or in insurance as such, and hence in loss of clients, bad publicity, claims, complaints, lawsuits, or requests for equitable arbitration
- Civil or criminal liability suits against the intermediary or insurer for damages to the client caused by inappropriate advice, for malicious or fraudulent acts in transactions, or for misappropriation of money received from clients or from the insurer for premium collection or payment of claims
- Disqualification from practice for failure to abide by rules and regulations.

Hence, it is important to carefully select intermediaries in order to ensure, to the extent possible, that they have a record of ethical behavior, personal and professional integrity, proper training in the insurance business, and the utmost readiness to serve clients and act appropriately in dealing with insurers.

The existence of these qualities should be assessed by an insurer before an appointment is made, particularly in the case of agents, and monitored on an ongoing basis. Each jurisdiction should establish requirements for registering or licensing intermediaries, including adequate knowledge, and capability, and a good reputation.
Summary of this section

This section described the basic functions of insurance intermediaries:

- Sales functions, which include advising clients, distributing insurers’ products and services, and in the case of insurance agents representing the insurer they work for
- Administrative functions, which include functions pertaining to the running of their own business, in accordance with the regulations and sound business practices
- Service provision functions, which include helping issue policies, updating policies and coverage, monitoring client satisfaction, maintaining portfolios, assisting in the event of a loss, and in some cases collecting premiums.

Inadequate performance of these functions can have serious consequences in terms of a policyholder’s trust and can lead to civil or criminal liability suits and disqualification from practicing. Thus it is important to carefully select intermediaries and to ensure that they meet certain minimum requirements.

Exercises

9. Which of the following services that intermediaries provide for clients is falling into disuse?
   a. Policy updating (maintaining client portfolios)
   b. Assistance in the event of a loss
   c. Regular visits to ascertain client satisfaction
   d. Home visits to collect premiums.

10. An insurance agent’s assistance for a client in the event of a loss generally includes:
    a. Liaising between the client and the insurer
    b. Liaising between the client and the insurer, plus assistance with filing the declaration of a loss to help with bureaucracy
    c. Liaising between the client and the insurer, plus assistance with filing the declaration of a loss to help with bureaucracy and delivery of claim payments made by the insurer
    d. None of the above. Intermediaries must restrict themselves to taking the declaration of loss and forwarding it through the correct channels.

11. The client counseling function of an insurance agent does NOT include:
    a. Presenting alternative offers
    b. Appropriately using client information
c. Informing clients of their rights as consumers
d. Studying the clients' personal situations and wealth.

12. **Indicate which statement is false with respect to intermediaries’ sales functions:** To be an effective distributor of insurance products, intermediaries should:

   a. Understand the basics of the insurance business
   b. Be familiar with the administrative procedures associated with the products they distribute
   c. Conduct market research to find potential clients
   d. Assist clients in the event of a loss.

13. **Intermediaries’ services to clients do NOT include:**

   a. Helping issue a policy
   b. Helping in the event of a loss
   c. Knowing the degree of clients’ satisfaction by regularly visiting them
   d. Understanding the function and economic importance of insurance.

14. **Indicate which statement is false with respect to intermediaries’ administrative functions:** As an entrepreneur, intermediaries should:

   a. Abide by the general standards governing business activity
   b. Meet legal requirements for performing insurance intermediation activities
   c. Conduct market research to identify potential clients
   d. Pay the state or local taxes due in respect of the business activities carried out.

15. **To be a good representative of the insurer they serve, agents should be familiar with:**

   a. The social function of insurance as an institution
   b. The share of insurance in the country’s gross national product
   c. Both a and b
   d. The insurer’s history, principal business activity, economic size, insurance lines, position in the market, structure, and the like.

16. **Properly selecting intermediaries typically takes into account:**

   a. Their influence and commercial contacts in the target area
   b. Their ethical profile, personal and professional record, ability to manage, solvency, business plan, and willingness to serve
   c. Both a and b
   d. The best selection procedure is to put the intermediary to work and see how he or she goes about it.
Case Study 3

Mr. ZP, an insurance agent who has been working exclusively for insurer VS for the past 10 years, is someone who lives for his clients and who tries to make everything easy and simple for them. One of his clients, Ms. WO, wants to take out a life insurance policy and tells him that she is having difficulty filling out the declaration of health required by VS in order to underwrite the risk. ZP offers to complete the questionnaire himself, which he does without mentioning any illness at all, as he is unaware that WO is suffering from a very serious disease that will soon enter a terminal phase.

Six months after the policy is taken out, WO dies as a result of the unreported disease and her heirs file a claim with VS for the amount insured. VS says that WO did not declare the disease she was suffering from and the heirs argue that the declaration of health was neither completed nor signed by WO, pointing out that it was the agent, ZP, who did so.

Is VS responsible for ZP’s actions? What should the supervisory authority do? How can such situations be avoided in future?

Case Study 4

Ms. MR, an agent for insurer P, has a problem. She told her client Mr. JM, that his comprehensive home insurance policy covered any damage to his personal property caused by water, when this was not in fact the case, because, according to the policy, only damage to furniture was covered.

Now JM has filed a claim for damage to the wall of the room adjoining the bathroom and company P, citing the policy, has told him that the damage was not covered because the wall in question is a permanent fixture in the home.

Should P nevertheless indemnify JM? What steps could be taken to avoid such situations in future? What can the supervisory authority do?

Case Study 5

Mr. VA, an agent working for insurer C, was dismissed as its representative in a certain area X. Months later, C was surprised to see an advertisement in the local paper of that district stating “VA, agent for insurer C, offers his services in motor vehicle, sundry, and life insurance. Call telephone 123123123. We will be delighted to serve you.”

What can C do? What would happen if, despite being barred, VA fills in and files requests for insurance? How should the supervisory authority react? Would VA’s conduct be punishable?
Case Study 6

Ms. ET, an insurance salesperson, asked insurer N if she could join its team of intermediaries. Asked by N why she had applied, ET alleges that some of the insurers she had previously worked for insured only against risks that in her experience yielded high profits, which was unfavorable to her clients and herself, since her clients had to be covered against both good and aggravated risks. ET also argued that if N admitted her into its team of intermediaries, she would persuade her clients to leave the insurers they were insured with and to insure against all their risks in N.

Is ET’s attitude proper? What should N do? What should the supervisory authority do?
D. Training, competence, and qualifications of insurance intermediaries

The prerequisites for any profession are training, capacity (professional competence), and motivation. This section addresses the training, competence, and qualifications of insurance intermediaries.

Requirements vary significantly by jurisdiction. In some jurisdictions many decisions are left to insurers and intermediaries, while in others more requirements are set out in regulations. Examples of requirements include:

- Managers of an intermediary must meet more stringent qualification standards than their employees do.
- Intermediaries must ensure that their employees are competent to perform the activities in which they are engaged.
- Intermediaries active in personal lines business must successfully complete certain courses given by recognized training institutes or pass an examination.
- Where financial services and non–life insurance are regulated separately, there may be a specific program for life insurance intermediaries, who would not be allowed to transact non–life insurance.

Training

Training is divided here into three areas: general training, training in products and procedures, and training in business management. This section then describes the instruments and tools available for evaluating training.

General training

Although requirements differ by jurisdiction, in many markets intermediaries, particularly those dealing with personal lines business, are expected to be familiar with the following subjects before beginning activities that involve contact with clients:

- Insurance techniques (the insurance contract and the technical foundations of insurance)
- Sales techniques (market research, making contact, interviewing, identifying and confirming requirements, offer, closure, signature of contracts, delivering the policy, post-sale services)
- Attending to and assisting clients (communication, client characteristics, appropriate way of dealing with them) in person and by phone, handling complaints and claims, active listening (feedback, agreement, commitment, and the like)
- Consumers’ rights
• Legal requirements governing data protection
• Basic computer skills (Microsoft Windows and Office)
• Basic technical features of the various insurance lines (motor vehicles, comprehensive risks, accidents, health, life, pension plans and funds, and insured savings plans) and local tax, financial, and social security laws
• Local marketing practices and requirements.

Training in Products and Procedures

Insurers should train their tied intermediaries (agents) in the products they market, but insurers often focus too much on this facet of training, neglecting training in the basics of the insurance business, which can lead to incorrect conduct by the agents.

Likewise, although insurers are not responsible for training independent intermediaries (brokers), independent intermediaries must be familiar with their products. Thus insurers routinely hold training sessions for independent intermediaries.

Training in Business Management

Apart from technical know-how of insurance matters, intermediaries need to know how to run their business, which entails familiarity with:

• Legal requirements for establishing and operating a business and complying with tax obligations
• Accounting principles and bookkeeping, profit and loss statements, and closing of accounts
• Internal and insurer operating procedures: computer programs for issuing, invoicing, maintaining client portfolios, managing claims, accounting, and the like.

<table>
<thead>
<tr>
<th>Table 5. Training of Intermediaries</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General training</strong></td>
</tr>
<tr>
<td>• Technical aspects of insurance</td>
</tr>
<tr>
<td>• Sales techniques</td>
</tr>
<tr>
<td>• Customer service</td>
</tr>
<tr>
<td>• Consumer rights</td>
</tr>
<tr>
<td>• Confidentiality</td>
</tr>
<tr>
<td>• Basics of information technology</td>
</tr>
<tr>
<td>• Technical features of the main lines of insurance</td>
</tr>
<tr>
<td>• Local tax, financial, and social security laws.</td>
</tr>
</tbody>
</table>
EVALUATING TRAINING

There are several ways to evaluate whether the training described here has been adequate in scope and mastered by an intermediary:

- Self-assessment by the insurer through coaching or individual monitoring, conducting objective tests, field observation, and spreadsheets tracking and overseeing commercial activity
- Evaluation by the supervisory authority or a recognized independent institution:
  - For independent intermediaries (brokers), by requiring a university degree or specific vocational training or passing scores on tests to enter the profession
  - For tied intermediaries (agents), by verifying exams and tests conducted by the insurer, reviewing applied training programs and any follow-up to them, checking commercial activity spreadsheets, reviewing the intermediary’s data, studying complaints about the intermediary’s professional conduct, verifying compliance with legal frameworks, and so on. Another important indicator is the amount each insurer invests each year in training its tied intermediaries, which allows comparative analysis and can send warning signals to the supervisory authority.

Table 6. Supervisory authority’s evaluation of intermediaries’ training

<table>
<thead>
<tr>
<th>All intermediaries</th>
<th>Tied intermediaries (agents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Requiring successful completion of entrance tests</td>
<td></td>
</tr>
<tr>
<td>• Verifying possession of a university degree or specific vocational training certificate.</td>
<td></td>
</tr>
<tr>
<td>• Verifying exams conducted by the insurer</td>
<td></td>
</tr>
<tr>
<td>• Reviewing and monitoring training programs</td>
<td></td>
</tr>
<tr>
<td>• Analyzing business activity</td>
<td></td>
</tr>
<tr>
<td>• Monitoring complaints about professional conduct</td>
<td></td>
</tr>
<tr>
<td>• Assessing observance of legal requirements</td>
<td></td>
</tr>
<tr>
<td>• Monitoring the insurer’s annual investment in training.</td>
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</tr>
</tbody>
</table>

Professional competence

Professional competence here means the set of attributes that, taken together, lead to successful performance of one’s work or profession. These attributes are often related to personality (ability to adapt to surroundings) and to lessons from experience.

The supervisory authority cannot normally evaluate these attributes. They are cited here, nevertheless, to facilitate a better grasp of what is required of an intermediary.
Attributes related to competence

- Business aptitude
- Honesty
- Initiative
- Perseverance
- Confidence
- Ability to prioritize
- Ability to reason
- Resistance to frustration
- Professional ambition
- Receptiveness and understanding
- Power of persuasion
- Ability to get along with people
- Dedication
- Ability to do market research.

Evaluating professional competence

Objectively evaluating professional competence is not easy. Monitoring systems based on achieving pre-established objectives can provide an indirect indicator of professional competence. Thus, intermediaries who sell the insurer’s leading products, successfully make contact with a reasonable number of prospective clients, bring in new clients, abide by the insurer’s rules, run their business appropriately, work on their own, and do not prompt complaints from clients are considered competent.

The supervisory authority is not expected to produce an exhaustive, detailed evaluation of the professional competence of intermediaries. What it can do, for instance, is to react to and directly assess breaches of legal provisions or complaints it receives directly.

Qualifications

Task-related qualifications

Intermediaries should possess the qualifications needed to perform the specific tasks relevant to their role as an intermediary:

- Providing clients with sound advice and accurate information
- Supporting and cooperating in the application of the insurer’s rules and procedures
- Maintaining the client portfolio
Insurance Supervision Core Curriculum

- Attending to claims
- Conducting market research and marketing in a specific area
- Handling complaints.

Other sections of this module describe the nature of these tasks. The goal here is to be able to assess the extent to which an insurance intermediary possesses the necessary qualifications to perform these tasks.

Evaluating qualifications

Evaluating these qualifications entails assessing:

- Familiarity with the insurer’s products, rules, circulars, and procedures
- Compliance with the code of conduct and professional ethics
- Compliance with the legal provisions governing the profession
- Existence and proper maintenance of policy issuance records, client files, accounting ledgers, databases, document archives, spreadsheets for activity programs, market research, commercial activity, and budgetary control, and spreadsheets or books listing complaints, declarations of losses, and the like.

Insurers should promote the understanding of these requirements by their tied intermediaries, give them the necessary means to meet the requirements, and verify that they have done so.

The supervisory authority may make the same demands, directly for independent intermediaries and indirectly for tied intermediaries, verifying that insurers have indeed made those means available. The supervisory authority should check:

- Whether training programs exist and are applied
- Whether rules, circulars, and procedures are disseminated to reach the intermediaries
- Whether business ethics standards have been established and conveyed to the intermediaries
- Whether insurers verify that legal obligations are met
- Whether insurers provide intermediaries with the instruments or tools (procedures, models, reports) they need to do their job correctly.
**The role of national organizations or institutes in training insurance intermediaries**

Many countries have national—public or private—organizations or institutes dedicated to training insurance professionals and, in particular, intermediaries.

These organizations run training programs for intermediaries, some of which have earned international recognition, such as the Chartered Life Underwriter (CLU) and Chartered Property and Casualty Underwriter (CPCU) in the United States and the Insurance Foundation Certificate (IFC) and the International Certificate for Financial Advisors (ICFA) of the Chartered Insurance Institute in the United Kingdom.

There is a marked trend toward international harmonization and recognition of national training programs and certificates. As a result, there are now programs backed by recently established international organizations. One example is the Institute for Global Insurance Education (IGIE), a network of organizations specializing in vocational training in insurance whose members include the Insurance Institute of America/CPCU, the Insurance Institute of Canada, the Chartered Insurance Institute of the United Kingdom, the European Financial Planning Association, and the European Financial Certification Organization.

All these agencies and institutions aim to enhance training for insurance intermediaries by establishing standards of expertise that are valid not only nationally, but internationally as well, given the globalization of markets and, in Europe, the freedom to provide services across national borders.

Appendix II provides a list of insurance education organizations in various European countries belonging to the European Conference of the National Institutes for Professional Insurance Education and of such organizations in certain non-European countries.
Summary of this section

This section described the training, professional competence, and qualifications that insurance intermediaries may need for the appropriate exercise of their profession.

The training subsection distinguished among:

- General training, that is, the minimum know-how needed before an intermediary starts commercial activity
- Specific training in an insurer’s products and procedures needed to offer clients sound advice and to properly handle the various technical and administrative processes involved
- Training in business management.

For professional competence, the basic requirements for the proper exercise (competent performance) of the insurance intermediary profession were listed.

And the discussion of intermediaries’ qualifications for the tasks they face mentioned advising clients, following the rules and procedures of the insurer, maintaining client portfolios, conducting market research and local marketing, and dealing with complaints and claims.

Included in each of these subsections were methods or systems for evaluation.

Exercises

17. A training curriculum for intermediaries might appropriately include core contents of a general nature, such as:

a. Technical aspects of insurance (the insurance contract and the general technical foundations of the insurance business)
b. Sales techniques and customer service
c. Technical aspects of insurance, sales techniques and customer service, and other subject matter such as consumer rights, data protection, basic information technology, and core techniques for the major insurance lines
d. The only thing that matters is that an intermediary has an in-depth knowledge of the insurer’s products and services.

18. Intermediaries should be sufficiently trained to conduct their business. This includes:

a. Familiarity with the laws governing the establishment and operation of their business activity
b. Familiarity with the laws governing the establishment and operation of their business activity, plus knowledge of necessary accounting and business administration principles
c. While a and b are correct, it is also necessary for intermediaries to be familiar with the operating procedures of the insurers with which they deal.

d. None of the above.

19. Which of the following attributes is NOT required of intermediaries:

   a. Ability to prioritize
   b. Persuasiveness
   c. Integrity
   d. Complacency.

20. For an insurer to assess the professional competence of an intermediary working for it:

   a. There are objective (test-like) systems for direct assessment
   b. There are no direct assessment methods, so that evaluation is impossible
   c. There may be indirect indicators, based on fulfillment of assigned objectives
   d. Unfortunately, the only gauge is a study of complaints and claims.

21. Intermediaries’ qualifications are related to the tasks they perform, so that:

   a. Good performance provides strong evidence that they are qualified
   b. To know whether they perform well, it is necessary to know what training they have had, whether they play by the rules, and whether they keep proper books and records and follow oversight mechanisms
   c. Both a and b are correct
   d. Neither a nor b is correct.

22. Which of the following activities does NOT fall within the jurisdiction of the supervisory authority, with regard to assessing the training that intermediaries receive:

   a. Analysis of business activity records
   b. Review of training programs
   c. Onsite observation of the intermediary’s work
   d. Examination of the complaints filed against an intermediary’s professional conduct.

23. Which of the following insurer activities, in relation to its intermediaries, has nothing to do with the assessment of their training:

   a. Onsite observation of their performance
b. Analysis of business activity logs
c. Holding of examinations to test their knowledge
d. The distribution of rules, regulations, and circulars.

24. Knowledge of legal standards and provisions regarding the confidentiality of client data is:

a. A nonessential complement to an intermediary’s training
b. A highly necessary training requirement, given that insurance contracts are often issued on the basis of sensitive personal information
c. An absurd requirement, based on an overdose of protectionism, which merely complicates sales operations.
d. None of the above.

Case Study 7
At a meeting of insurer B’s intermediaries to discuss their situation, the following statements were made:

- “Everything I am and everything I know, I owe to myself, without anybody’s help.”
- “They convene us to talk about new and increasingly complex products, and when you ask them to explain something you didn’t understand, they change the subject and you lose the gist of the explanation.”
- “They bring along lots of audiovisual equipment, diagrams, tables, and transparencies; they explain three or four things and then vanish, and you are left with the same amount of knowledge as you had before.”
- “They prefer to visit the more experienced intermediaries. That way they don’t waste their energy on us and they achieve their sales targets.”

Indicate the significance of each statement and the motivation behind them. What could be done in company B and in the insurance sector as a whole if these sentiments are widely held? What could supervisory authorities or self-regulatory organizations (discussed in section E) do to improve the situation?

Case Study 8
Insurer D has selected eight people to be its agents, on an exclusive basis, in the motor vehicle insurance line. All eight have the same profile: a degree in law, but no professional experience or knowledge about insurance or the insurer. They were selected on the basis of their university degree and personal qualities. Design their initial training program.
Case Study 9
Insurer E has selected 12 of its experienced agents to whom it will offer the opportunity to become agent-entrepreneurs. To that end, they will receive an office belonging to the insurer and appropriate equipment. These agents will focus on serving small business enterprises. Design the training program for these agent-entrepreneurs.

Case Study 10
Mr. JV wants to become an insurance broker. How should he proceed, what training should he have, and what requirements will he need to meet?
E. Monitoring and supervising intermediaries

Performing the distribution function is effectively what insurance agents do for insurers and what brokers do for their clients. Performing it incorrectly can have negative repercussions, harming not just the credibility and prestige of the insurer, the intermediary, and insurance as an institution, but also the very solvency of the insurer. That is called “distribution risk.”

Distribution risk is defined as the set of factors affecting the marketing of products and services that, under certain conditions and, in particular, if they are poorly handled and controlled by the insurer concerned, can damage the insurer’s solvency.

Studying the factors that affect distribution risk enables the supervisory authority to act in the appropriate inspection area. The factors fall into 10 categories: legal, network management, business structure, technological, dependency, counseling and service, training, insurance transactions, credit, and fraud. These risk factors and the supervisory actions to deal with them have not yet been addressed in detail by IAIS standards or guidance papers. The discussion here suggests how supervisors might deal with these issues.

Legal factor

Distribution risk arises if an intermediary does not act in accordance with legal and contractual requirements.

Monitoring and supervision by the insurer

An insurer has an interest, either directly or indirectly, in knowing that its intermediaries are legally authorized to act as intermediaries and to carry out their activities in accordance with both legal and contractual requirements. The insurer may verify in public registers that intermediaries comply with general legal obligations, such as registration or licensing. The insurer should also ensure that its relationships with its intermediaries are correctly documented in the business (agency or brokerage) contracts between them and that those contracts are kept up to date and in order.

For tied intermediaries, where an insurer has a more direct legal responsibility for the intermediary’s actions, it may require that intermediaries submit financial statements or other documentation (such as official accounting ledgers and vouchers showing compliance with tax obligations or social security payment) to demonstrate compliance.

Finally, the insurer should provide its tied intermediaries with up-to-date information regarding compliance with the legal provisions that concern them both directly
and indirectly, for instance, with respect to protection of personal data, consumers’ rights, the prosecution of money laundering, and the like.

**Monitoring and Supervision by the Supervisory Authority**

In many jurisdictions the supervisory authority is empowered to inspect and to review agency or brokerage contracts between insurers and intermediaries and, in general, any documentation in their files.

The authority may also be able to require documentation attesting to intermediaries’ compliance with their legal obligations (operating licenses, tax return and payment vouchers, accounting ledgers, financial statements, social contributions, and the like).

**Network management factor**

An insurer’s management of its network of intermediaries includes such functions as recruiting, selecting, and hiring intermediaries, developing procedures for working with intermediaries, and providing intermediaries with clear objectives.

**Monitoring and Supervision by the Insurer**

In recruiting, selecting, and hiring tied insurance intermediaries, insurers are governed by criteria that vary depending on the regulatory framework and on whether the intermediaries are individuals or legal entities.

These criteria have to do with:

- Personal, professional, or business background
- Rectitude and solvency
- Ability to work effectively with people in the target market.

Insurers may build these criteria into their selection policies and procedures, for example, establishing ideal profiles of insurance agent candidates. The absence of such policies or procedures—or their sporadic or partial application—can result in a poorly performing network of intermediaries.

Insurers should pay special attention to why intermediaries who are coming from other insurers left their previous job in order to prevent incompetent (or dishonest) intermediaries from remaining in the market by “bouncing” from one insurer to another.

Written rules or procedures are also required to detail facets of the functional relations between the insurer and the intermediaries.
For commercial reasons insurers typically require tied intermediaries to commit to achieving business goals, which may be quantitative (a certain number of policies sold or amount of revenue from insurance premiums) or qualitative (client segmentation, selling high priority products, promoting the company image). Any such goals should be clearly communicated with the intermediaries and commitment to them secured not only to fulfill the insurer’s projections, but also to maintain and reinforce its image and stability.

**Monitoring and supervision by the supervisory authority**

Insurers should establish and follow certain procedures and controls to ensure proper contracting of intermediaries and to protect the interests of the contracting parties. As part of its evaluation of internal controls, the supervisory authority can verify:

- Compliance with licensing and registration requirements
- Existence of written agreements with every intermediary that clearly identify the parties to the contract, its purpose, the rights and obligations of both parties, the target area to be served, the products to be marketed by the intermediary, the rights to exclusiveness of the insurer (for tied intermediaries), the economic arrangements, the duration of the contract, the manner in which it can be terminated, and the competent jurisdiction in the event of disagreement or dispute
- Assessment of newly appointed intermediaries’ reputation, professional record, and lack of previous dismissals on the grounds of incompetence or punishment.

The supervisory authority can verify that working rules, procedures, or applications exist and assess how effectively they are conveyed to intermediaries and followed in practice.

The supervisory authority can also observe whether an insurer’s managers use oversight instruments properly, whether each intermediary has a marketing plan, whether performance indicators or ratios are tracked in practice, and whether oversight and activity monitoring records are kept.

Unless the supervisory authority receives a complaint, as long as the insurer maintains adequate internal controls (see ICP 10) the supervisory authority has no controlling powers over working procedures and the pursuit of a company’s objectives in deregulated markets because such matters pertain to how an insurer runs its business. Accordingly, in considering an insurer’s efforts in network management observation and counseling are often more appropriate than any form of control or punishment. Nevertheless, the supervisory authority is ultimately responsible for ensuring that regu-
lations on insurance intermediation are complied with; corrective action may be needed to achieve this objective.

**Business structure factor**

Insurers typically devote resources to support intermediaries. In striving to operate efficiently and effectively, these resources are generally tailored to the volume of business and the needs of the intermediaries.

**MONITORING AND SUPERVISION BY THE INSURER**

Insurers generally have a support structure capable of facilitating the activities carried out by their intermediaries and contributing to the fulfillment of their objectives. This support may include both logistical support (tangible material resources, procedures, information technology tools, internal regulations) and the support of supervisors (coaching and steering).

Insufficient support (in relation, always, to intermediaries’ capacity, the area in which they work, and the objectives set) may lead to incorrect behavior. While such support may be particularly important for recent appointees, supervisors sometimes tend to devote more time and attention to the well-established and more productive intermediaries for whom they are responsible.

**MONITORING AND SUPERVISION BY THE SUPERVISING AUTHORITY**

The supervisory authority can verify whether an insurer’s logistical support matches the volume and needs of its tied intermediaries by conducting on-site inspections of support activities and by observing the number, frequency, and nature of visits made by marketing supervisors to intermediaries.

With other intermediaries the supervisory authority can verify that business support provided by insurers does not impair the intermediary’s independence (or that clients receive enough information to make an informed decision). This can be done, for example, by seeking to identify pacts with particular insurers or investigating concentration of a brokered portfolio in one or a few insurers.

Consistent with the discussion in the previous section, most of the responsibility for assessing the adequacy of this type of support lies with the insurers.
**Technological factor**

This factor relates to the appropriateness and adequacy of the technological resources used by intermediaries, as well as the security of computer systems and equipment.

The information technology and computer systems used by intermediaries should ensure swift and accurate handling of the operations and processes involved in exchanging data with the insurer (mainly policy issuance, claims, and accounting).

The operators of these resources need to know how to use them appropriately and to grasp the operating requirements related to both the intermediary’s and the insurer’s working procedures and various standard office software programs.

Intermediaries should recognize and deal with risks that could harm their computer systems or hardware, organizing in-house security drills, establishing and enforcing standards, checking the security of installations and hardware (access to data and control over information), analyzing working procedures and data communications, establishing rules governing access to information, and complying with legal requirements regarding security of information.

**Monitoring and Supervision by the Insurer**

Insurers have an important role in establishing working procedures with their intermediaries. They may also be involved in recommending hardware characteristics and capacities, which are key to the security and effectiveness of operations. Accordingly, insurers may exercise direct or indirect oversight, for example, examining incidents that occur, lack of compliance with deadlines, errors and their causes, and deviations from established procedure.

**Monitoring and Supervision by the Supervisory Authority**

The supervisory authority’s role in respect of this risk has less to do with technological adequacy, which is very directly related to an insurer’s in-house procedures, than with compliance with overall security requirements or protocols established in domestic legislation. Generally speaking, this involves verifying the existence of a security policy, security arrangements, training in security issues, physical and environmental security, the handling of operations and communications, control over access to information, upkeep of installations, data protection, and the like.
Dependency factor

This distribution risk factor refers to the degree of interdependence between an intermediary and an insurer. Situations may arise in which an intermediary holds a controlling position in the insurer, through a stake in its equity, thereby in practice curtailing its freedom and obliging it, for instance, to agree to cover undesirable risks.

Intermediaries can also attempt to exert control over an insurer if their client portfolio contains a particularly important client or brings the insurer a significant amount of revenue. This may lead to demands for preferential treatment not in line, for example, with the insurer’s underwriting standards or its claims acceptance policy.

Monitoring and supervision by the insurer

Insurers can establish a policy or internal controls to prevent inappropriate influence by an intermediary.

Monitoring and supervision by the supervisory authority

When evaluating the suitability of an insurer’s owners, the supervisory authority should consider whether an intermediary with a controlling interest in an insurer would pose a significant risk to the insurer’s prudent operation. The supervisory authority could also, for example, examine compliance with the insurer’s underwriting and claim payment policies and limits in order to identify whether inappropriate exceptions have been made.

Counseling and service factor

The counseling factor is tantamount to tailoring the product to the client’s needs. Service includes assisting in the correct handling of claims.

Monitoring and supervision by the insurer

To monitor and supervise the level of advice and service to clients, insurers may take both proactive and reactive steps. Proactive measures range from adopting clear and comprehensible terms of insurance policies to requiring that intermediaries be familiar with the meanings of various policy clauses, as well as with legal provisions and insurer guidelines on consumer rights and protection of the insured. Reactive measures focus on examining complaints and claims.
Normally, these proactive and reactive measures are taken by customer service departments or policyholders’ ombudsmen.

**Monitoring and Supervision by the Supervisory Authority**

It is routine practice in many jurisdictions to require complaints to be submitted to the appropriate department of the insurer or brokerage house before the supervisory authority would become involved in the matter.

Corrective actions by the supervisory authority should vary according to the seriousness of the intermediary’s conduct. The following actions can be considered especially serious:

- Providing inaccurate or inappropriate information to clients taking out insurance, the insured, beneficiaries, or the insurers that may be regarded as a grave breach of general laws and regulations on intermediation
- Providing partial (biased) information
- Conducting practices that are detrimental to the rights of people taking out insurance, the insured, beneficiaries, or the insurers
- Intermediating on behalf of entities not authorized to operate in the jurisdiction
- Using names reserved for insurers
- Delegating functions to unauthorized assistants.

Punishments or corrective actions can include:

- Cancellation of license or registration
- Temporary suspension from practicing the profession
- Publicizing of the conduct constituting a breach of regulations
- Fines
- Private or public admonishment
- Criminal prosecution
- Obligation to take training or refresher courses, rehabilitation plans, portfolio transfers, and the like.

Because the insurer that tied intermediaries (agents) serve is ultimately responsible for their conduct, the supervisory authority may also be empowered to impose sanctions on insurers that consent to or fail to punish inappropriate or illicit conduct on the part of their intermediaries.
**Training factor**

**MONITORING AND SUPERVISION BY THE INSURER**

The basic requirement for intermediaries to practice is adequate training. As indicated in the previous section, insurers in many jurisdictions are supposed to be responsible for training their tied intermediaries, while other intermediaries (such as brokers) are responsible for their own training.

Tied intermediaries are often required to undertake a practical apprenticeship, learning the trade in the company of an experienced professional (coach) for a given period of time before starting to offer products on their own.

The effectiveness of such an apprenticeship is generally assessed by the insurer that the tied intermediary serves.

Initial evaluation of the adequacy of training often entails examining compliance with the training schedule or program for newly appointed tied intermediaries of the insurer: dates of studies, materials used, the training curriculum, evaluations conducted, amount invested in training per intermediary, results, and the number of aptitude certificates issued.

Checking new intermediaries’ activity logs and the progress reports issued by their coaches is also a way to evaluate the instruments used to monitor the apprenticeship process.

In principle, the training needed to obtain training and apprenticeship certificates should adequately prepare tied intermediaries to begin plying their trade.

**MONITORING AND SUPERVISION BY THE SUPERVISORY AUTHORITY**

The supervisory authority can use aptitude exams to gauge the adequacy of training. Passing the exam would certify that intermediaries possess enough basic knowledge to exercise the profession. For most intermediaries this mandatory evaluation would be conducted directly or through training centers or institutions approved by the supervisory authority.

The insurers that tied intermediaries work for would have primary accountability for the adequacy of training, although the supervisory authority can follow up by inspecting the insurer’s training plans and programs for intermediaries and verifying compliance with them, ascertaining the dates on which training was given, and examining progress reports, the results of tests, and the number of aptitude diplomas or certificates issued.

In addition to checking the contents of the insurance theory training courses, the supervisory authority can evaluate the apprenticeship program for newly appointed intermediaries, for example, by examining and verifying progress reports and activity logs.
**Insurance transactions factor**

The operations of an intermediary should support proper underwriting and risk selection, complete and accurate contract documentation, and overall adherence to the insurer’s in-house rules.

**MONITORING AND SUPERVISION BY THE INSURER**

The insurer may have written rules of procedure defining and regulating operations for key processes for the intermediaries’ work: risk selection, underwriting, hiring, and claims. If so, the internal oversight departments of the insurers, such as internal audit, are responsible for assessing the adequacy of these procedures and ensuring compliance.

**MONITORING AND SUPERVISION BY THE SUPERVISORY AUTHORITY**

The supervisory authority can verify that the insurers have adequate rules governing the aforementioned procedures, that they are properly conveyed to the intermediaries, and that intermediaries abide by them.

In some jurisdictions and for particular lines of business, the supervisory authority is required to verify that the general, particular, and specific clauses in the insurance contracts and complementary documentation (requests for insurance, proposals, declarations of risk) of the insurers meet the specifications required by law, especially with regard to identification of the parties, description and identification of the risks covered, what is not covered, amounts of coverage, premiums, payment of premiums, and delivery and signature of the person taking out the insurance or the insured.

**Credit factor**

Intermediaries are frequently involved in collecting and disbursing funds, such as receivables pending collection and payments of claims. Controls should be in place to ensure that these funds are properly handled and accounted for.

**MONITORING AND SUPERVISION BY THE INSURER**

There are several ways that the credit factor may be monitored and supervised by the insurer. For example, an insurer may require that:
- The intermediary keep the official accounting ledgers required by general business law appropriately and up to date
- Collections from clients and remittances to the insurer be recorded in corresponding entries in the accounts, with the vouchers for collections, payments, and transfers remaining in the hands of the intermediary, who is obliged to present and deliver collection receipts to the policyholders
- Intermediaries keep an account of dealings with each insurer, recording the economic transactions between the two and showing up-to-date credit or debit balances
- Intermediaries’ debit balances not exceed a certain percentage of the total volume of their portfolio
- Balances in the hands of an intermediary be properly secured, for example, deposited in a safe or bank, and be subject to verification at any time
- Receivables be collected within an established timeframe
- Intermediaries support and assist with the procedures needed to obtain payment by direct debit from clients’ accounts
- Intermediaries never issue premium receipts that have not been issued or authorized by the insurer
- An intermediary pay client claims only on express orders of the insurer, and following the remittance of cash by the insurer or against a credit balance in his possession in favor of the insurer, with the payment in the amount determined by the insurer.

The insurer verifies the intermediary’s compliance with these obligations by keeping accounts with each of its intermediaries.

**MONITORING AND SUPERVISION BY THE SUPERVISORY AUTHORITY**

The supervisory authority should have appropriate means for timely supervision of the application of these measures to protect policyholders’ money.

Thus, many supervisory authorities inspect the current accounts that insurers keep with their intermediaries to track their balances, verifying observance of limits on average balances pending remittance to the insurer, as well as the collection methods used, the existence of original receipts for premiums, and a proper match between amounts remitted and amounts collected and commissions deducted.

Illegal or inappropriate withholding or appropriation of sums to be used to pay premiums or claims by an intermediary is an especially grave breach and should be dealt with accordingly.

Some jurisdictions demand separate accounts for the intermediary’s own funds and those that belong to the insurer; alternative approaches are described above.
In some jurisdictions financial collateral or liability insurance may be required, for example, for independent intermediaries, to ensure recovery of the sums for which they were temporary depositories in the event that those funds are improperly used.

**Fraud factor**

Because a dishonest intermediary may commit fraud against an insurer, either during the underwriting process or with respect to claims, insurers should adopt measures to prevent this from occurring. (See ICP 27: Fraud and ICP 28: Anti–money laundering and controlling the financing of terrorism, and the related modules, for further information.)

**Monitoring and supervision by the insurer**

An insurer should have objective mechanisms for avoiding fraud, especially when insurance contracts are taken out. Some of these mechanisms may be automated.

One technique is controls that accurately and reliably record the moment (date and time) and place—and before whom—a request for insurance or declaration of loss is filed. An appropriate numerical record, that cannot later be altered, precludes the possibility of pre-dating requests for insurance so that they appear to be prior to declarations of loss and thereby prevent an intermediary from collaborating with a customer to secure insurance after a loss has occurred.

Another procedure is to verify, also by automated means, any inconsistencies in the declaration of risk of a request for insurance that suggest an attempt to hide unfavorable circumstances regarding the risks described, perhaps with assistance from the intermediary, who is familiar with the terms of the policy.

Other control methods focus on procedures: checking whether the request for insurance form was filled in by the applicant or by someone else (normally the intermediary), whether the applicant’s signature is authentic, whether all sections of the application or declaration have been filled in, whether the medical examination (for life or health insurance) was properly carried out, whether the risk inspection (for insurance against damage to property) was actually and correctly carried out, and so on.

To detect claims fraud involving an intermediary, insurers have or could have several monitoring procedures, some automated, others not. One is the aforementioned numerical record to avoid pre-dating. Another is systematically checking the frequency of claims among policyholders of each intermediary.

Finally, the experience acquired by the insurers’ claims processors and those who work with them (experts, doctors, attorneys, private detectives, and even the security forces in the different countries) is also important in detecting attempts to falsify insurance claims.
The natural reaction of insurers that discover attempts at fraud by their intermediaries is to dismiss them.

**Monitoring and Supervision by the Supervisory Authority**

The supervisory authority is entitled to verify insurers’ appropriate use of the detection tools at their disposal.

In most, if not all, jurisdictions an attempt to commit fraud is a criminal offense under domestic laws, even if insurance fraud is not explicitly mentioned. Hence, insurers should be encouraged to report suspected fraud to the competent authorities.

In private insurance it is also possible to report the attempt by an intermediary to commit fraud to the supervisory authority for possible administrative sanctions.

Table 8 summarizes the issues and techniques that could be considered by both insurers and supervisory authorities with respect to the monitoring and supervision of distribution risks.

**Self-regulatory organizations**

Monitoring and supervision of distribution risk factors are not always left entirely to the insurers or the supervisory authority. Many countries have organizations that are devoted to research and studies or to the collegial defense of the interests of the profession, that represent business interests, or that voluntarily perform self-regulatory functions in respect of certain insurance sector elements or activities, including insurance intermediation. These self-regulatory organizations can encourage their members to establish minimum training standards, to track the number of intermediaries and their continuance in the sector, and to monitor exclusiveness by sharing information to prevent tied intermediaries from operating for more than one insurer in the same insurance line. They may help draft professional ethics codes, work to improve the public image of the profession, defend the interests of the profession, promote better service to policyholders, and propose standard management programs to facilitate transparency.

Supervisory authorities should maintain regular, open contact with these organizations to promote consistent goals and interests, while safeguarding the spirit of the rules and regulations. For that to come about, proactive efforts might be made to achieve a rapprochement, dialogue, encouragement, and support for these organizations, while respecting their initiatives, provided that they are designed to improve the sector, and publicly demonstrating the supervisory authority’s institutional support.

Many of the national associations of insurance intermediaries are members of the World Federation of Insurance Intermediaries (WFII). Its website at www.wfii.org includes additional information on the role of insurance intermediaries. WFII, an IAIS
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<tr>
<th>Factor</th>
<th>Monitoring by the insurer</th>
<th>Monitoring by the supervisory authority</th>
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<tbody>
<tr>
<td>Legal</td>
<td>• Verifying that the intermediary fulfills legal obligations</td>
<td>• Requiring intermediaries to submit their agency or brokerage contracts</td>
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<td></td>
<td>• Updating agency and brokerage contracts</td>
<td>• Verifying compliance with legal observations in the public registers.</td>
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<td></td>
<td>• Conveying legal provisions that affect intermediary activities.</td>
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<tr>
<td>Network management</td>
<td>• Systematically applying selection policies and procedures</td>
<td>• Verifying compliance with hiring, licensing, and registration requirements</td>
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<tr>
<td></td>
<td>• Writing rules and performance procedures</td>
<td>• Observing professional record</td>
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<td></td>
<td>• Clearly conveying production objectives to intermediaries (agents only).</td>
<td>• Observing and counseling on (not necessarily supervising) working procedures and monitoring objectives</td>
</tr>
<tr>
<td>Business structure</td>
<td>• Providing logistical support and supervision arrangements</td>
<td>• Verifying onsite the suitability of resources and the number, frequency, and nature of visits by the insurer’s supervisors (in regulated markets).</td>
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<td></td>
<td>• Providing supervisors for assistance.</td>
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<tr>
<td>Technology</td>
<td>• Recommending equipment</td>
<td>• Verifying compliance with general security protocols required under domestic law.</td>
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<td></td>
<td>• Studying incidents, timeframes, errors and their causes, and deviations.</td>
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<tr>
<td>Dependence</td>
<td>• Communicating policy in writing to cover such situations.</td>
<td>• Establishing and supervising a significant or controlling interest.</td>
</tr>
<tr>
<td>Counseling and service</td>
<td>• Ensuring clear and understandable terms for policies and consumer protection provisions</td>
<td>• Taking corrective measures to address inaccurate information, partiality, improper practices, unauthorized intermediation, and the like. (Corrective measures include cancellation of registration, suspension, admonishment, fines, and public reporting of the breach.)</td>
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<tr>
<td></td>
<td>• Studying complaints and claims.</td>
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<tr>
<td>Training</td>
<td>• For tied intermediaries, providing courses, practical apprenticeship and evaluation by the insurer</td>
<td>• Directly evaluating intermediaries via exams of their level of knowledge</td>
</tr>
<tr>
<td></td>
<td>• For independent intermediaries, making intermediaries responsible for their own training.</td>
<td>• Indirectly evaluating tied intermediaries by inspecting insurers’ programs and plans and compliance with them and verifying progress reports, evaluations, results, certificates and diplomas.</td>
</tr>
<tr>
<td>Insurance transactions</td>
<td>• Writing rules on key procedures for working with intermediaries.</td>
<td>• Supervising insurance contracts and accompanying documentation.</td>
</tr>
<tr>
<td>Credit</td>
<td>• Maintaining separate accounts with each intermediary</td>
<td>• Imposing sanctions when sums are withheld for personal use</td>
</tr>
<tr>
<td></td>
<td>• Overseeing balances, payments pending, debiting of premium payments, of payments for claims, and commissions.</td>
<td>• Inspecting intermediaries’ accounts</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• In some jurisdictions, requiring collateral of independent intermediaries.</td>
</tr>
<tr>
<td>Fraud</td>
<td>• Adopting objective detection systems</td>
<td>• Verifying measures adopted by insurers to deal with fraud</td>
</tr>
<tr>
<td></td>
<td>• Ensuring controls and records to prevent pre-dating, avoid inconsistencies, verify key components of procedures (declaration, signature, effective existence of medical examination or risk inspection)</td>
<td>• Issuing administrative sanctions against intermediaries who commit fraud.</td>
</tr>
<tr>
<td></td>
<td>• Dismissing dishonest intermediaries.</td>
<td></td>
</tr>
</tbody>
</table>

observer, represents the interests of intermediaries in dealings with other international organizations that are involved in insurance issues.
Summary of this section

This section has delved into various distribution risk factors that have a direct bearing on the process of marketing insurance products and services, in which intermediaries perform an essential role. The following risk factors were defined:

- **Legal:** noncompliance with general or contractual rules and regulations
- **Network management:** selection, recruitment, and hiring of unsuitable intermediaries, noncompliance with or failure to follow working procedures, and lack of clarity in conveying objectives to intermediaries
- **Business structure:** inappropriate or insufficient resources for the distribution of products or services and lack of logistical or supervisory support
- **Technology:** inadequate development of technological resources and lack of security in information systems and hardware used by intermediaries
- **Dependency:** a controlling interest by intermediaries in an insurer, weakening its position (this can happen when intermediaries are financially or entrepreneurially important individuals or legal entities)
- **Counseling and service:** lack of tailoring of the product offered to the needs of the client and incorrect advice or service
- **Training:** absence of training programs for intermediaries or inadequate monitoring of them and lack of apprenticeship programs and coaching leading to professionally improper conduct by the intermediary
- **Insurance transactions:** underwriting mismatches, shortcomings in contract documentation, and lack of compliance with insurers’ internal regulations
- **Credit:** risk of improper appropriation of funds handled by the intermediary
- **Fraud:** illicit acts by the intermediary to defraud the insurer or policyholders when an insurance contract is drawn up or a loss is declared.

The definition of each distribution risk factor was accompanied by descriptions of the monitoring and supervision systems that could be used by the insurers and by the supervisory authority.

The section concluded with a reference to the important role of the self-regulatory organizations found in the insurance sector of many jurisdictions and their contribution to the reduction of distribution risks.
Exercises

25. To verify that its intermediaries abide by the law, an insurer:
   a. May require them to submit financial statements and other documents showing that they fulfill legal obligations
   b. May check with public registries to see whether specific requirements are met
   c. Both a and b are correct
   d. The authorities, not the insurer, are entitled to conduct such verification.

26. With regard to the legal obligations of intermediaries and those of insurers in relation to the intermediaries, the supervisory authority:
   a. May be entitled to require intermediaries to submit the contractual documents showing their links to the insurers they serve
   b. May directly assess only certain aspects of compliance with legal obligations by consulting public registers
   c. Both a and b are correct
   d. Must constantly update the brokerage or agency contracts in its possession.

27. Appropriately adhering to established working procedures helps to ensure that a network of intermediaries will function properly, so:
   a. Insurers should have written procedures, which they should communicate to intermediaries and require intermediaries to follow
   b. The supervisory authority must oversee the suitability of and compliance with these procedures
   c. The supervisory authority is not empowered to oversee compliance with procedures or to assess their suitability and should abstain from any direct or indirect intervention in this area
   d. None of the above statements is entirely correct.

28. With respect to the security of the information systems used by intermediaries:
   a. Intervention by the supervisory authority is essential, given that it guarantees the effectiveness of transactions
   b. The supervisory authority neither has, nor should have, any powers in this regard
   c. The supervisory authority may inspect the security of the information systems indirectly, by verifying that the security protocols required by law are observed
   d. None of the above is correct.
29. A major risk related to the distribution of insurance by intermediaries lies in their “counseling and service.” Which of the following best defines “counseling?”

a. Offering a product tailored to client needs
b. Providing clients with a perfect explanation of the terms of the policy they have signed
c. Answering any queries a client has after signing the policy
d. Assisting clients in the event of a loss.

30. What is the most serious breach of an intermediary’s counseling and service duties?

a. Failure to make regular visits to clients for portfolio maintenance
b. Failure to keep a record of activities
c. Failure to keep files on clients
d. Delegating functions to unauthorized third parties.

31. With respect to the training of intermediaries,

a. The supervisory authority is neither empowered nor able to ascertain the effectiveness of a practical apprenticeship for newly appointed intermediaries prior to the start of their activities
b. The supervisory authority may verify the existence of a practical apprenticeship program by analyzing the insurer’s progress and activity reports
c. There are no reliable ways of certifying a practical apprenticeship
d. A practical apprenticeship is an on-the-job affair. One is always learning something new. Thus, it is not essential to take part in practical activities with a supervisor or more experienced agent before beginning to visit clients.

32. Indicate which statement is INCORRECT. To avoid acts of fraud by intermediaries,

a. Insurers adopt automated fraud detection indicator systems
b. It is best for intermediaries not to be too well versed in the details of policies in order to avoid advising their clients on how to defraud the insurer
c. Supervision of procedure is an appropriate tool to use
d. A decisive part is played by claims processors and other professional staff.
F. Posttest

To check your understanding of the topic of intermediaries, please answer the following questions. When you have finished, assess the adequacy of your responses by reviewing the relevant sections of the module.

1. Provide five keywords explaining the role of intermediaries.

2. Why is it important to regulate intermediation?

3. How much supervision of intermediaries is necessary?

4. What are the most common types of insurance intermediaries?

5. Is a car dealer selling insurance an intermediary?

6. Explain the concept of competitive level playing field. How can regulation help keep or create a competitive level playing field?

7. What is the objective of licensing or registration?

8. What are the normally expected qualifications of an intermediary and how can they be assessed?

9. When might an intermediary be authorized to conclude insurance contracts on behalf of an insurer? What risks should insurers be aware of in such circumstances?

10. What is the appropriate scope of an inspection of the controls and conduct of intermediaries?

11. How could you assess the adequacy of controls established by a particular insurer with respect to the selection, contracting, and oversight of intermediaries?

12. How could you assess the adequacy of safeguards established by a particular intermediary to protect clients’ money that it handles?

13. What corrective actions might be taken by a supervisory authority to deal with concerns about intermediaries? Under what circumstances would each be appropriate?

14. Summarize the requirements of ICP 24.
G. References

The following references are useful complements to this module.


———. 2000. La dirección de agencias. Madrid. Covers functions of the insurer’s marketing supervisor, including a description of an agent’s career (recruitment, selection, training, motivation, supervision, and local marketing).


———. 2002b. “Estudio de investigación cualitativa sobre formación de agentes de seguros.” Informe n° 856. Madrid. Research into a sample group of companies based on focus groups of new, established, and veteran agents from different geographical areas. Identification of training needs and the training “gap” between supply on the part of the insurers and the real demand from new, established, and veteran agents.


———. 2003. Introducción a las técnicas de venta de seguros. Madrid. Describes the sales process in the insurance business, the profession of insurance agent; market research, approaching clients, interviews, detection of insurance needs, proposing insurance solutions, closing a sale, post-sale activity; and code of professional conduct.

DGSFP (Dirección General de Seguros y Fondos de Pensiones, Spain). “Normativa de mediación de seguros y reaseguros privados (anteproyecto de Ley de Mediación).” Madrid.


NAIC (National Association of Insurance Commissioners). Various model laws and regulations regarding the licensing and management of intermediaries are available for purchase at http://www.naic.org/store_pub_legal.htm#model_laws.


Appendix I. ICP 24

ICP 24 Intermediaries
The supervisory authority sets requirements, directly or through the supervision of insurers, for the conduct of intermediaries.

Explanatory note

24.1. In many insurance markets, intermediaries serve as important distribution channels of insurance. They provide the interface between consumers and the insurer. Their good conduct is essential to protect consumers and promote confidence in insurance markets. For this reason, intermediaries should be directly or indirectly supervised. Where intermediaries are directly supervised, the supervisory authority should be able to conduct on-site inspection when needed (refer to ICP 13 EC f).

24.2. Intermediaries include all those who are engaged in insurance intermediation activities.

Essential criteria

a. The supervisory authority requires intermediaries to be licensed or registered.
b. The supervisory authority requires intermediaries to have adequate general, commercial and professional knowledge and ability as well as having a good reputation.
c. If necessary, the supervisory authority takes corrective action, including applying sanctions, directly or through insurers, and canceling the intermediary’s licence or registration, when appropriate.
d. The supervisory authority requires an intermediary who handles client’s money to have sufficient safeguards in place to protect these funds.
e. The supervisory authority requires intermediaries to give customers information on their status, specifically whether they are independent or associated with particular insurers and whether they are authorized to conclude insurance contracts on behalf of an insurer.
f. The supervisory authority or other authority must have powers to take action against those individuals or entities that are carrying on insurance intermediation activity without license or registration.
Appendix II. Selected providers of insurance education

This list includes the organizations that make up the European Conference of the National Institutes for Professional Insurance Education.

**Austria**

Bildungswerk der Österreichischen Versicherungswirtschaft (BÖV)
Schwarzenbergplatz 7
A -1030 Wien
Phone: 43 1 71156 210
Fax: 43 1 71156 273
Email: boevbw@asn.netway.at

**Belgium**

INSERT insurance services & training
Square de Meeûs 29
B-1000 Bruxelles
Phone: 32 2 547 57 02
Fax: 32 2 547 59 70
Website: www.insert.be
Email: info@insert.be

**Cyprus**

Insurance Institute of Cyprus
23. Zenon Sozos Street,
P. O. Box 22648,
1516 Nicosia - Cyprus
Tel. 003572761530
Fax 003572764559
Email: insur.ins@cytanet.com.cy
**Czech Republic**

Czech Insurance Association  
Na Porici 12  
CZ -11530 Praha 1  
Phone: 420 2 24875622  
Fax: 420 2 24875612  
Website: www.cap.cz  
Email: sekretariat@cap.cz

**Denmark**

The Danish Insurance Institute  
Rungsted Strandvy 107  
DK-2960 Rungsted Strandvej  
Phone: 45 45 16 50 50  
Fax: 45 45 76 59 59  
Website: www.fh.dk

**Finland**

Finnish Insurance Training Centre.  
Bulevardi 28  
SF-00120 Helsinki  
Phone: 358 9 680 40 260  
Fax: 358 9 680 40 235

**France**

Ecole Nationale d'Assurances (ENAss)  
8, Rue Chaptal  
F-75009 Paris  
Phone: 33 1 44 63 58 03  
Fax: 33 1 40 82 90 79
Germany

Berufsbildungswerk der Deutschen Versicherungswirtschaft (BWV) e.V
Arabella Street, 29
81925 München
Phone: 49 89 92 20 01 30
Fax: 49 89 92 20 01 44
Website: www.bwv-online.de

Greece

Greek Institute for Insurance Education (EIAS)
Syngrou Ave. 106
11741 Athens
Phone: 301 92.19.660/-666-684
Fax: 301 92.19.917

Hungary

National Insurance Training Centre, Biztositas Oktatasi Intézet
Fehérvari u. 179
H -1119 Budapest
Phone: 36 1 208 12 25
Fax: 36 1 208 12 37
Website: www.mabisz.hu

Ireland

The Insurance Institute of Ireland
39 Molesworth Street (Insurance House)
IRL- Dublin 2
Phone: 353 1 677 25 82
Fax: 353 1 677 26 21
Website: www.insurance-institute.ie
**Italy**

Istituto per la Ricerca e lo Sviluppo delle Assicurazioni (IRSA)
Corso Italia 17
20122 Milano
Phone: 39 02 7230 4217
Fax: 39 02 7230 4242

**Malta**

Malta International Training Centre
Second Floor Office 11
Europa Centre
Floriana VLT 15
Phone: 356 21 230831 / 356 21 233931
Fax: 356 21 244638
Website: www.mitcentre.com
Email: info@mitcentre.com

**Netherlands**

NIBE-SVV
Herengracht 205
1016 BE Amsterdam
Phone: 31 20 520 85 38
Fax: 31 20 520 86 06
Website: www.nibesvv.nl

**Norway**

Forsikringsakademiet
(The Norwegian Academy of Insurance)
Postboks 2555 Solli
N-0202 Oslo
Phone: 47 22 04 86 51
Fax: 47 22 44 00 79
Website: www.forsakad.no
Portugal

Associação Portuguesa de Seguradores (APS)
Departamento Formação
Rua Rodrigo da Fonseca, 41
P-1250-190 Lisbon
Phone: 351 213 848 114
Fax: 351 213 831 423
Website: www.apseguradores.pt

Russian Federation

Institute of Insurance
27 Tchaikovskii Street 62 K508
RUS-191123 St. Petersburg
Phone: 7 812 273 24 00
Email: insur@winmail.econ.pu.ru

Spain

Investigación Cooperativa entre Entidades Aseguradoras y Fondos de Pensiones (ICEA)
Lopez de Hoyos, 35
E-28002 Madrid
Phone: 34 91 411 35 62
Fax: 34 91 562 35 08
E-Mail: icea@icea.es
Website: www.icea.es

Centro de Estudios del Consejo Colegios Mediadores de Seguros (CECAS)
Diputacio 180 - 7º A
E-08011 Barcelona
Phone: 34 93 323 09 43
Fax: 34 93 451 87 34
Website: www.cibercecas.com
**Sweden**

Financial Education  
Box 45106  
S-104 30 Stockholm  
Street address: Sveavägen 63  
Phone: 46 (0) 8 736 91 29

**Switzerland**

Association pour la Formation professionnelle en Assurances AFA/VBV  
Case Postale 8625  
CH-3001 Bern  
Phone: 41 31 328 26 26  
Fax: 41 31 328 26 28  
Website: www.vbv.ch

**United Kingdom**

The Chartered Insurance Institute (CII)  
20 Aldermanbury  
London EC2V 7HY  
Phone: 44 171 417 4401  
Fax: 44 171 972 0037  
Website: www.cii.co.uk

This list includes other, non-European institutions and associations with training departments.

**Argentina**

Asociación Argentina de Compañías de Seguros  
25 de mayo, 565, Buenos Aires  
Phone: 43127990  
Fax: 43126300
Bolivia

Asociación Boliviana de Aseguradores
Loayza 250, 5º. La Paz. Bolivia
Phone: 328804 / 310056
Fax: 379154

Brazil

Fundación de Educación Nacional de Seguros (FUNENSEG)
Rua Senador Dantás, 74, 3º y 4º centro. Río de Janeiro
www.funenseg.com.br

Canada

Advocis, The Financial Advisors Association of Canada
350 Bloor Street East, 2nd Floor
Toronto, ON M4W 3W8
Phone: 1-416 444-5251
Toll Free: 1-800-563-5822
Fax: 1-416 444-8031
Email: info@advocis.ca
www.advocis.ca

The Insurance Institute of Canada
18 King Street East, 6th Floor
Toronto, ON M5C 1C4
Phone: 1-416-362-8586
Fax: 1-416-362-4239
Email: genmail@iic-iac.org
www.iic-iac.org

Chile

Escuela de Seguros
Rebeca Matte 18. Santiago
Phone: 562 222 46 09 / 222 5203
Fax: 562 2228788
Colombia

Fasecolda
Carrera 7ª, 26 – 20, P. 11. A. A. 5233. Bogotá
Phone: 571 2108080
Fax: 571 2107041

Mexico

AMIS
Francisco I. Madero, 21, Col. Tlatopac, San Ángel, México DF, CP 01040
Phone: 56626161
Fax: 56628036

Paraguay

Asociación Paraguaya de Compañías de Seguros
15 de agosto esq. Lugano. Asunción. Paraguay
Phone: 446474
Fax: 444343

United States

The American College
270 S. Bryn Mawr Avenue
Bryn Mawr, PA 19010
Phone: 1-888-263-7265; (LUTC) 1-877-655-5882
Fax: 1-610-526-1465; (LUTC) 1-610-526-1170
www.theamericancollege.edu

American Institute for Chartered Property Casualty Underwriters
The Insurance Institute of America
720 Providence Road; P.O. Box 3016
Malvern, PA 19355-0716
Phone: 1-800-644-2101
Fax: 1-610-640-9576
Email: cserv@cpcuia.org
www.aicpcu.org
Appendix III. Answer key

Pretest

1. d  
2. d  
3. b  
4. a  
5. c  
6. c  
7. a  
8. c  

Exercises

1. c  
2. b  
3. d  
4. b  
5. b  
6. c  
7. b  
8. d  
9. d  
10. c  
11. a  
12. d  
13. d  
14. c  
15. d  
16. c  
17. c  
18. c  
19. d  
20. c  
21. c  
22. c  
23. d  
24. b  
25. c  
26. c
27. a  
28. c  
29. a  
30. d  
31. b  
32. b