HOW THE INSURANCE INTERMEDIARIES’ SECTOR CONTRIBUTES TO “A UNION THAT STRIVES FOR MORE”

Insurance intermediaries bring risk solutions close to people and businesses in Europe.
How the insurance intermediaries’ sector contributes to “A Union that strives for more”

An economy that works for people

“Strengthening our social market economy is acutely important at a time when we are redesigning the way our industry and our economy work. This starts with strengthening the backbone of our economy: our small and medium-sized enterprises (SMEs).”

Ursula von der Leyen
(“A Union that strives for more - My agenda for Europe - Political Guidelines for the next European Commission 2019-2024”)

Broadly speaking, in the EU, the insurance intermediation sector is divided into three major sub-sectors:

1. A (few) global and multinational business insurance intermediaries;
2. SME size domestic intermediaries that provide services to larger and medium-sized companies;
3. The smaller intermediaries which focus mainly on serving the “small” end of the business spectrum and the personal lines market.

Insurance intermediaries in the EU employ altogether many hundreds of thousands of employees locally.

Insurance intermediaries bring risk solutions to all sectors in the European economy. Insurance is important for the social and economic development of a country in particular, where the need to ensure health care and supplementary pension increases.

What added value do insurance intermediaries bring?

SMEs and other enterprises are exposed to cyber related risks, environmental risks, business continuity, credit, export, liability and other risks in the modern and highly competitive European marketplace.

Insurance brokers and agents offer to SMEs efficient and sustainable risk solutions, know-how, service and advice in relation to all above-mentioned areas but also, for example, on how to improve working conditions of their employees through a high level of complementary social protection, or how to become actors in the energy transition.

What added value do insurance intermediaries bring to the European economy?

Insurance intermediaries:

- help realise the single insurance market:
  o they enable insurers to expand in other Members States
  o they enable clients to find insurance all over Europe.
- help SMEs in all sectors to export.
- help to make insurance more cost efficient and are drivers of competition in the sector.
A European Green Deal

“I intend to put forward a strategy for green financing and a Sustainable Europe Investment Plan. I want Europe to strive for more when it comes to social fairness and prosperity. This is our Union’s founding promise.”

Ursula von der Leyen

("A Union that strives for more - My agenda for Europe - Political Guidelines for the next European Commission 2019-2024")

Insurance intermediaries are mostly SMEs or small, locally-based family businesses that employ local people.

The “mutualization” character of the sector contributes to the sustainability objectives. The premium and commission system, for example, mutualises costs for insurance and risk advice and related service.

The proximity of insurance intermediaries with their clients, citizens and firms, enables intermediaries to raise awareness and to promote sustainable finance and insurance-related products or solutions to retail investors and consumers.

Local insurance intermediaries are the irreplaceable “face” of insurance for individuals and families.

Intermediaries favor the development of insurance protection in relation to, for example, natural catastrophes either through providing advice to clients or by advising local and national policymakers on effective risk transfer mechanisms.

As regards mutualisation, intermediaries develop so-called “niche” offers for customers whose risks are aggravated and therefore more difficult to insure (floods, young drivers, etc.). In these situations, intermediaries federate these communities of policyholders and provide them with insurance covers that are adapted and economically sustainable.
A Europe fit for the digital age

"I want Europe to strive for more by grasping the opportunities from the digital age within safe and ethical boundaries."

Ursula von der Leyen
("A Union that strives for more - My agenda for Europe - Political Guidelines for the next European Commission 2019-2024")

In the insurance value chain, intermediaries have harnessed technology for years to optimise the speed, fluidity, efficiency and traceability of transactions.

While technology is an integral component of the functioning of insurance intermediaries with respect to the customer-insurer and third-party service provider relationship, intermediaries add to the interaction of the human factor.

Through an intermediary, the customer can choose a range of services and customer experiences via a wide variety and combination of tools and systems (apps, web, telephone, face-to-face meetings) in combination with insurance.

The tax, regulatory and supervisory framework should continue to consider intermediaries as an ecosystem that can offer a variety of services in the insurance and risk value chain to insurers and clients.

The digitalisation of the sector requires an activity-based regulatory approach and flexibility in the business models, for example, in terms of compensation/remuneration models and in terms of cooperation between intermediaries.

As BIPAR represents more than one million intermediaries who are using digital platform services and products, we wish to continue to be associated in the further developments of the new Digital Act and in the developments of a European Fintech strategy that will support the new EU digital policy in the financial sector. With or without technology, insurance intermediaries are and will continue to be at the customer’s side at their most important moments.

Intermediaries favor the development of insurance protection in relation to cyber risks.
How the insurance intermediaries’ sector contributes to “A Union that strives for more”

A stronger Europe in the world

"I want Europe to strive for more by strengthening our unique brand of responsible global leadership."

Ursula von der Leyen
("A Union that strives for more - My agenda for Europe - Political Guidelines for the next European Commission 2019-2024")

Thanks to intermediaries, the European insurance market can export its capacity and know-how worldwide.

Insurance intermediaries help exporters in all sectors of the European economy in finding insurance solutions for the export of goods or services.

The European insurance intermediation market is widely recognized for its know-how and delivers services around the world for projects both in terms of risk management, risk transfer, compliance and management of claims.

Every international transaction of an insurance intermediary can be considered as an illustration of European sophisticated regulation and supervision in the insurance sector. In this respect, intermediaries not only contribute to the European economy but also to the promotion of the European brand.

Overregulation or changing regulation should be avoided in order to ensure that our sector can concentrate on quality of service and innovation. The sector is also increasingly impacted by rules that are imposed from outside Europe either on the sector itself or on the clients of the sector.
Promoting our European way of life and a new push for European democracy

“...we need more transparency throughout the legislative process. I will work together with the European Parliament and the Council to make this happen. Citizens should know who we, as the institutions who serve them, meet and discuss with and what positions we defend in the legislative process.”

Ursula von der Leyen
(A Union that strives for more - My agenda for Europe - Political Guidelines for the next European Commission 2019-2024)

As a European Federation we group over 50 national associations and represent hundreds of thousands of professionals who are also citizens.

We do our best to ensure that our messages are clear, consistent, transparent and with a single voice. With such an approach, we hope to facilitate the dialogue with policymakers and help them understand our sector and its people’s needs, concerns and positions.
THE FUTURE

Some aspects to be considered from a regulatory perspective

**Insurance intermediation is an eco-system not a linear process**

In the digital world, more than ever before, intermediaries (sometimes in cooperation with other tech or non-service providers) increasingly carry out administrative, technical and other activities which otherwise are done by the insurers or the clients.

This model increases the efficiency of the insurance process.

In this respect, it is important that insurers and customers continue to have the choice on how to remunerate intermediaries for their work. None of the remuneration systems should be banned. The different systems should continue to co-exist in transparent competition. The role of an intermediary is not limited to "distribution", "sales" or "advice". The activity-based approach regulation is important as it offers legal certainty.

**Insurance is not investment**

It is important that current and future legislation reflect the difference between insurance and investment.
Sustainable integration of technology requires an activity based, stable regulatory approach

Digitalisation of the sector requires regulatory flexibility in terms of business models (for example, in compensation/remuneration models). New models and ways of cooperation are developing. In order to avoid unfair competition and ensure legal certainty, regulation should guarantee a level playing field.

Also, in this respect, intermediation should be considered as an ecosystem rather than a linear process.

This principle will help a smooth, gradual integration of the new technologies in the market without negative disruption by ensuring consumer protection and legal certainty for all those who are innovating.

Promoting, also at national level, consistent and broad application and supervision of the activity-based philosophy endorsed in the IDD or MiFID II, is the best way to facilitate innovation and ensure legal certainty for start-ups (whether tech or non-tech) and former start-ups that are looking to scale up their business.

Regulatory stability is necessary to reduce compliance and administrative costs and to create legal certainty and trust for business and citizens.

Regulatory stability and time to implement new rules are the best guarantees for legal certainty and proportionality in an SME context.
How the insurance intermediaries' sector contributes to "A Union that strives for more"

SUMMARY

How do intermediaries help insurance work for people and businesses?

The importance of the insurance sector in Europe is well known.

At a time when, on the one hand, risks of all kinds are multiplying and, on the other hand, when the increasingly indebted public authorities can no longer fully cover the risks associated with old age and illness, the role of the insurance sector is more than ever of importance.

Insurance is not only about insurance companies and regulators, but also about intermediaries, agents and brokers. In an increasingly digital society people still need or appreciate the human factor.

The digital environment impacts the business model, and intermediaries and other service providers increasingly take over administrative, technical and other activities from insurers and clients.

The intermediaries' work is not limited to “distribution” or “advice” but it also includes, for an important part, facilitation and optimisation of processes and services in between the client, the insurer and other service providers.

In order to ensure that the sector and the customers can take full advantage of digitalisation, there should be a level playing field, stable activity based regulation and flexibility in the compensation and remuneration systems of intermediaries. The IDD allows for this and is, in our opinion, future and digital proof for many years to come.
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About BIPAR

BIPAR is the European Federation of Insurance Intermediaries. It groups 50 national associations in 30 countries. Through its national associations, BIPAR represents the interests of insurance agents and brokers and financial intermediaries in Europe.

Apart from some large multinationals, the insurance intermediation sector consists of hundreds of thousands of SMEs and micro-type operators. It accounts for 0.7% of European GDP, and over one million people are active in the sector. Insurance and financial intermediaries facilitate the insurance and financial process for several hundreds of millions of customers. The variety of business models, the high level of competition and the geographical spread in the sector ensure that everyone in Europe has easy access to tailor-made insurance and financial services.

BIPAR is a member of the World Federation of Insurance Intermediaries (WFII). Founded in Paris in 1937, BIPAR has been established in Brussels since 1989.

For more details: www.bipar.eu

Source: BIPAR member associations, 2018
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