



The European Federation of Insurance Intermediaries

La Fédération européenne des intermédiaires d'assurances

## BIPAR PRINCIPLES

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# Transparency in insurance

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### **BIPAR, the European Federation of Insurance Intermediaries**

is a non-profit European organisation grouping professional associations of insurance intermediaries in Europe. It presently has a membership of 47 national associations, established in 31 countries, and represents some 80,000 insurance agents and brokers, employing in all about 250,000 people.

Founded in Paris in 1937, BIPAR has been established in Brussels since 1989. It is today the official and recognised voice of insurance intermediaries with the European Institutions.

## INTRODUCTION (integral part of the principles)

Regarding these principles the following should be considered:

- The overall price of an insurance solution (insurance premium) includes various factors (risk premium, administrative costs, acquisition costs, insurer's profits, re-insurance costs, taxes,...) of which the remuneration<sup>(1)</sup> for intermediation can be one. The overall price should be considered by the client in relation to the quality of the insurance and the nature and value of the related services.
- The intermediaries sector is highly competitive and existing modern regulation and competition protects the consumer effectively. Competition and regulation mitigates importantly and effectively conflicts of interest. Where conflicts would arise, intermediaries should, as in every economic activity, identify them and manage and mitigate them in a way which is commensurate with the nature of the business and the conflict.
- BIPAR is aware that insurance is a complex business with many aspects. Intermediaries, through their know-how and services, add real value to the process for the client and for the insurer in the interest of the client. The complexity of the sector could create the perception of a lack of transparency in some cases. In order to deal with that concern and in order to further enhance trust, BIPAR developed the principles below.
- It should be recognized that in many markets, regulation, legislation (common law or specific regulation), individual or industry initiatives which reflect some or all of the principles, adapted to national market circumstances, are already in place.
- BIPAR believes that further regulation is not desirable. Regulation would be more expensive for the society than industry led initiatives. Industry led initiatives can be more flexible, efficient and better adapted to market circumstances.
- National associations, members of BIPAR, are invited to develop a policy which reflects the principles and to modulate the details of the principles to take into consideration existing national regulation, complexity of the product, market circumstances, fair competition and level playing fields. BIPAR requires the same level of transparency from alternative forms of distribution to ensure a level playing field.

<sup>(1)</sup> Remuneration means any form of brokerage, commission, fee or other compensation in connection with an intermediation activity.

## Principles on transparency in business insurance <sup>(1)</sup>

1. Intermediaries should provide business insurance buyers with sufficient and clear information to make informed decisions about the purchase of insurance products and about the nature of their services.
2. Intermediaries should inform the clients about the existence of underwriting powers and delegated authorities in relation to the contract.
3. Clients are entitled to request information regarding any remuneration an intermediary has received as a result of placing the insurance business and regarding any other aspect of the insurance premium. BIPAR requires the same level of transparency from alternative forms of distribution to ensure a level playing field.
4. Intermediaries should inform business clients about the nature of their remuneration.
5. Intermediaries will, upon request of the business client, disclose their remuneration related to the contract. BIPAR requires the same level of transparency from competing alternative forms of distribution to ensure a level playing field.

<sup>(1)</sup> The definition of business insurance for the purpose of these principles will be developed in the future. At this moment, national associations, members of BIPAR, are invited to define business insurance in function of the national market circumstances and to modulate the details of the principles to take into consideration existing national regulation, complexity of the product, market circumstances, fair competition and level playing fields.

## **BIPAR principles for transparency for life with investment element products**

1. Intermediaries should provide insurance buyers with sufficient and clear information to make informed decisions about the purchase of insurance products and about the nature of their services.
2. Intermediaries should inform clients about the existence of underwriting powers and delegated authorities in relation to the contract.
3. Clients are entitled to request information regarding any remuneration an intermediary has received as a result of placing the insurance business and regarding any other aspect of the insurance premium.
4. BIPAR is of the opinion that transparency about the costs related to a life insurance with an investment element (making clear the difference between the premium paid and the actual invested part of the premium) is desirable.
5. Intermediaries will disclose their remuneration in relation to the contract upon request of the client.
6. BIPAR requires the same level of transparency from alternative forms of distribution and from substitutable (or comparable) investment product providers and their distributors or intermediaries to guarantee the level playing field and to ensure comparability.

## **BIPAR principles on transparency in private insurance**

1. Intermediaries should provide insurance buyers with sufficient and clear information to make informed decisions about the purchase of insurance products and about the nature of their services.
2. Intermediaries should inform clients about the existence of underwriting powers and delegated authorities in relation to the contract.