

S U M M A R Y



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Insurance intermediaries In the borderland between marketing and mediation

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During 2008, FI has conducted a survey of the insurance intermediaries' operations. The survey has covered 850 insurance intermediaries who have answered a questionnaire containing questions about the operations.

The result shows that insurances, funds and financial instruments are currently mediated. There can be serious consequences if the consumer does not receive explicit information on which products and services may be mediated or are offered in any way by insurance intermediaries. A consumer can easily get the impression, for example, that he or she is being offered advice, even if the intermediary does not have a permit for this. The intermediary has a heavy responsibility to explain the conditions to the customer for his or her specific situation and what the intermediary has a right to do.

What is most common is that an insurance intermediary has a permit to mediate insurances and funds. FI can conclude that other financial products are being mediated in parallel with insurance and funds. For example, a number of intermediaries report that they mediate structured products. Structured products may only be mediated within the framework of an insurance or if the intermediary is associated with an investment firm. Just over half of those who have reported that they mediate structured products have replied that they are tied agents for investment firms.

Many insurance intermediaries receive a large portion of their revenues from promotion from insurance companies or investment firms. It is difficult to draw the line between marketing and mediation. For both the customer and intermediary, however, it does matter and has serious consequences if the service is considered marketing or mediation. In an overall evaluation, FI concludes that it can be a matter of mediation and not marketing in the cases in which the intermediary receives remuneration for a customer who subscribes for a certain product.

The survey shows that many intermediaries who use assistants in their operations lack guidelines for how they shall work. FI feels that in these cases there is an obvious risk that the assistants work with products and services for which they do not have expertise. Companies which use assistants in their operations should establish what the assistants are allowed to do and compile this information in written guidelines.

During the current year, FI is going to make a more in-depth review of the insurance intermediaries. FI is going to conduct onsite inspections and follow up in the areas in

which there are currently indications of deficiencies. The review includes the control of which products are mediated and a review of randomly selected customer documentation. A follow-up will also be made in the cases in which intermediaries use assistants without having guidelines for them.