



FI Supervision

Distribution of Life Insurance

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Summary

Finansinspektionen's (FI) analysis shows that the majority of the distribution on the life insurance market occurs through external distribution channels. It is therefore important for insurance firms to fulfil their responsibility to choose suitable distribution channels for the target market and follow up that the insurance products are distributed to the proper target group.

There is a risk in insurance distribution that the products consumers buy are not suitable given their needs and circumstances. Purchasing an unsuitable product can have particularly serious consequences with regard to life insurance for savings purposes, which constitutes the majority of the life insurance market.

In order to reduce the risk that consumers will buy unsuitable insurance products, there are a number of provisions regarding the distribution of insurance. These provisions include requirements on oversight and governance of products that entail, for example, that insurance firms must choose distribution channels that are suitable for the target market defined by the firm for its products and follow up that the insurance products are distributed to the right target group.

FI has conducted an in-depth analysis to get a detailed view of distribution on the life insurance market. This analysis will serve as a basis for the authority's risk assessment and planning of future supervision based on the insurance distribution rules.

External distributors represent the majority of the distribution in the part of the life insurance market that the analysis focuses on. Insurance intermediaries are the dominant distribution channel. Distribution via credit institutions is particularly common for unit-linked insurance, often through firms in the same group as the insurance firm. There are large variations between the 20 firms included in FI's analysis. While a clear majority primarily rely on external distribution channels, there are firms that to a large extent distribute their insurance without intermediaries. The number of external distributors the insurance firms use varies from a few to several hundred.

Since external distribution dominates the market, it is very important that insurance firms take responsibility for the distribution channels they choose and the control they should exercise over these channels. What this means in practice varies between firms, for example depending on the number of external distributors used. In 2020 and 2021, FI intends to conduct investigations based on the rules regarding product oversight and governance. The insurance firms' responsibility for their distribution channels will be a central focus in this supervision.



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