

Supervision of insurance intermediaries

August 2024



Actions needed for sales, compliance, risk management and internal audit

What is new?

The Federal Council has enacted the revised Insurance Supervision Act (ISA) and the revised Insurance Supervision Ordinance (ISO) with effect from 1 January 2024. One of the aims of the partial revision is to strengthen consumer protection by introducing new licensing and conduct rules for insurance intermediaries. These new rules for the supervision of intermediaries create practical challenges for the insurance industry.

Insurance intermediaries are now subject to a so-called mandatory type classification: Intermediaries are either tied or untied. Those who are untied have a fiduciary relationship with the policyholder and are directly supervised by FINMA.

Tied intermediaries are supervised by the insurance companies. This reflects the legal liability of insurers under civil law for "their" (tied) intermediaries. For its part, FINMA explained its expectations of insurers in FINMA Supervisory Notice 05/2024. It has become clear that: insurers' supervisory obligations are very extensive and will require considerable effort to implement.

Common challenges

Check your need for action using the following questionnaire:



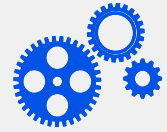
01

Are you aware of your duties under the revised ISA with regard to intermediary regulation?



02

Has your company evaluated the impact on tasks, competencies and responsibilities (AKV) and adapted the processes and ICS to meet the new requirements?



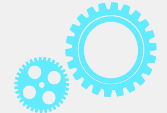
03

Have you examined whether your insurance intermediaries are classified as tied or untied intermediaries?



04

From an organizational perspective, how do you ensure that tied insurance intermediaries are appropriately organized as legal entities?



05

What steps do you take to ensure that your company only works with intermediaries who can guarantee compliance with the legal requirements?



06

Have you assessed which "back office" staff are also active in brokerage and are subject to corresponding requirements such as training and further education?



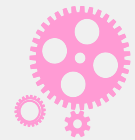
07

Have you updated your internal training materials and training courses ("Academy") to the new legislation on intermediaries? Are you able to provide sufficient teaching staff for a training campaign?



08

To what extent do you ensure that insurance intermediaries properly manage conflicts of interest?



09

Can your complaints and quality management recognize conspicuous complaint patterns and cancellations? In other words: Are you able to identify misconduct on the part of intermediaries?



10

Have you made sure that tied insurance intermediaries fulfill the information requirements under Article 45 ISA?



11

How do you make sure that tied insurance intermediaries comply with the new information and documentation obligations when selling qualified life insurance policies and carry out an appropriateness check?



12

Do you also have broker chains (sub-brokerage) in mind?



Supervisory duties of insurance companies


In supervising your tied insurance intermediaries, as an insurer you must distinguish between points to be checked before entering into a working relationship and those that must be monitored after the working relationship has been

established. At the same time, you must ensure that you do not work with untied intermediaries that do not have the necessary registration.

Supervisory duties	Before accepting the mandate	During the mandate
Tied intermediaries		
Professional qualification: Training and continuing professional education	×	×
Personal suitability: good reputation (extract from the criminal and debt collection register)	×	(X)*
Requirements for corporate governance: "Clean" organization	×	×
Financial security: professional liability insurance	×	(X)*
Ensuring compliance with information requirements		×
Measures to prevent improper behavior and conflicts of interest	×	×
Intermediaries intermediaries		
FINMA registry entry of all untied intermediaries (natural and legal persons)	×	×

* The insurer must be notified of any changes without delay.

Areas of action for insurers

 Data on intermediaries	Partner management	Quality management	Assurance
Overview and inventory of all tied and untied intermediaries by means of initial data collection	Measures to ensure compliance with the above-mentioned duties by means of processes, systems and first-line controls	Monitoring of sales activities (complaints, cancellations, etc.)	Monitoring of the supervision of intermediaries by the assurance functions (compliance, risk management and internal audit)

How KPMG can help

Support for sales functions

- 01** Gap analysis of compliance with the new insurance intermediary supervision and design of action plans right up to their implementation
- 02** Realignment of sales and sales processes, incl. internal working principles and intermediary-related tasks, competencies and responsibilities
- 03** Support in creating an inventory of your intermediaries (internal/external sales force, tied/untied)
- 04** Creation of training materials, organization of training

Support for assurance functions

- 01** Support for the compliance and risk management function as well as for Internal Audit (co-sourcing or outsourcing)
- 02** Presentation and introduction of the KPMG audit program relating to the supervision of intermediaries
- 03** Assistance with the onboarding and ongoing monitoring of intermediaries
- 04** Development of an effective ICS, adjustment of related directives

Your contacts

KPMG's Center for Insurance Regulation is a source of in-depth information on the current regulatory framework, regulatory developments and challenges.

Besuchen Sie das KPMG's Center for Insurance Regulation

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