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MFSA Launches 2022 Consumer Education Programme with Investment Awareness Campaign

In line with its commitment to protect and educate consumers of financial services, the MFSA has launched an information campaign on insurance-based investment products (IBIPs).

Given the rising popularity of these financial instruments, the campaign aims to provide consumers with essential information on how these products work and what they should look out for before investing in them.

IBIPs are made up of both an insurance and investment component, which means that consumers are buying a life insurance policy and, meanwhile, part of the premium that they are paying is being invested in the financial markets. Since these products may be more complex than others, consumers need to have a heightened awareness of the risks involved and a deeper understanding of their own level of commitment, especially when it comes to monitoring the performance of their insurance-based investment product.

Through a series of explainer videos on its website and social media pages, the MFSA is introducing consumers to the different types of IBIPs that they can invest in, as well as the tools at their disposal in order to take informed decisions, one of these being the Key Information Document (KID). Service providers must make the KID available to all prospective investors in good time and before the product is sold. This is a standardised, consumer-friendly and short document which allows investors to compare products being offered by different service providers, containing details such as the type of clients the product is suitable for, a risk indicator (between 1 and 7), when the premium should be paid and the recommended holding period – which is usually between 10 to 15 years in the case of IBIPs.

MFSA's Deputy Head of Conduct Supervision, Sarah Pulis, states that: "Insurance-based investment products have become widely popular in the market, and as a regulator we understand that consumers might find it challenging to understand the risks and opportunities tied to them. The product providers that manufacture these products are required by our regulations to ensure that these are manufactured taking into account the needs objectives and characteristics of their target markets".

Consumers also need to be confident that they fully understand the characteristics of the product, including any potential risks before they make a purchase.

The MFSA's consumer awareness initiatives also complement the regulator's efforts to ensure that both the product providers and those that distribute such products do this with the best interests of the customer at the forefront of their mind.

Last year the Authority conducted several onsite inspections among licensed entities selling IBIPs in order to assess whether these were meeting policyholders' expectations. Through these inspections, which covered several insurance undertakings, insurance intermediaries and insurance brokers, the MFSA looked at the sales processes more closely to verify whether these were in line with the applicable regulatory requirements. The Authority also carried out inspections at insurance companies which manufacture IBIPs, focusing on their product oversight and governance arrangements, particularly when it comes to the establishment of the target market for each of their products and their monitoring of whether the products were sold to that market.

This consumer education campaign is only one of a series of similar initiatives which the MFSA undertakes on an ongoing basis to raise the public's awareness and safeguard the interests of financial services' consumers, so they can be better informed and be in a position to make better financial choices.

A guide to insurance-based investment products and the risks involved is available on the MFSA's website at www.mfsa.mt/ibips.

About MFSA

The Malta Financial Services Authority (MFSA) is the single regulator of financial services in Malta, covering banks, insurance companies, investment services, trusts and pensions. In 2018, the MFSA became the first European regulator to develop a framework to regulate virtual financial assets. The MFSA's mission, as enshrined in its Vision 2021, is to enhance its position as an independent, proactive and trustworthy supervisory authority with the main purpose of safeguarding the integrity of markets and maintaining stability within the financial sector, for the benefit and protection of consumers. The MFSA licenses over 2,000 entities to operate in the financial services sector.



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