MFSA MALTA FINANCIAL SERVICES AUTHORITY

Media Release

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MFSA Highlights Key Findings from Outcomes Based Supervision Review of Corporate Tied Insurance Intermediaries

Supervisory assessment identifies strengths, gaps, and expectations for insurance undertakings and TIIs ahead of 2027 follow-up review.

The Malta Financial Services Authority (MFSA) has issued a Dear CEO Letter presenting the results of its first year of the *Outcomes-Based Supervision (OBS) thematic review* on corporate Tied Insurance Intermediaries (TIIs). The review forms part of the Authority's 2025 Supervisory Priorities and aims to ensure that TIIs maintain high standards of conduct, transparency, and consumer protection.

The MFSA assessed 31 corporate TIIs authorised to distribute long-term (life) insurance products, examining their sales processes, disclosures, governance, remuneration structures, client interactions, and oversight arrangements. The review also evaluated the responsibilities of insurance undertakings appointing TIIs.

Key findings from the MFSA's review:

1. **Sales Processes:**

Most TIIs adhered to requirements such as conducting demands and needs assessments and providing relevant disclosures. However, some gaps were identified, including limited awareness of certain disclosure obligations, and insufficient record-keeping of client meeting notes.

2. **Remuneration:**

While most TIIs are remunerated solely through commissions, a minority charged additional client fees without always having the documented procedures required to justify and classify these fees. The MFSA emphasised the need for transparency and monitoring of remuneration structures to avoid conflicts of interest or mis-selling practices.

3. **Client Contact & Cross-Selling:**

26% of TIIs conducted cold calls, and 23% carried out home visits. The MFSA reiterated that TIIs shall not exert undue pressure or influence on clients, and must ensure compliance with Conduct of Business Rulebook requirements. The review also highlighted concerns around pension product switching encouraged through cold calling.

4. **Advisory vs Non-Advisory Sales:**

While TIIs authorised to provide investment advice were able to evidence suitability testing requirements, some non-advisory TIIs lacked adequate evidence of appropriateness testing or displayed uncertainty about what constitutes regulated advice.

5. **Sustainability Preferences:**

Most TIIs regulated to sell on advice demonstrated a sound understanding of assessing sustainability preferences, whilst ensuring that instances where clients decided to amend their sustainability preferences were clearly documented.

6. **Complaints Handling:**

71% of TIIs clearly explained the required procedures, though several were not sufficiently familiar with the role of the Arbiter for Financial Services.

Next Steps

The MFSA expects all TIIs reviewed to address identified gaps during 2026, with a follow-up assessment planned for 2027. Insurance Principals are reminded of their responsibility to ensure strong oversight, regular monitoring of intermediaries, and appropriate training for staff and TIIs. The Dear CEO Letter serves as guidance for the entire market, including TIIs not directly assessed in 2025.

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 Strategic Statement, 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.