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MFSA Identifies Weaknesses in the Distribution of Insurance-Based Investment and Retirement Products

2026 mystery shopping exercise highlights areas for improvement in customer assessments, disclosures, product comparisons and sales practices.

The Malta Financial Services Authority (MFSA) has published the key findings of its 2026 mystery shopping exercise examining the distribution of insurance-based investment products ("IBIPs") and retirement products by tied insurance intermediaries ("TIIs").

The exercise identified recurring weaknesses across the sales process, including inconsistent completion and documentation of customer demands and needs assessments, insufficient evidence supporting appropriateness assessments, shortcomings in pre-contractual information, and inadequate explanations of product costs, risks and features.

The MFSA also identified instances where comparisons with competing products were not sufficiently objective or substantiated, communications risked creating the impression that investment advice was being provided, and discussions emphasising tax-related incentives above actual needs.

Exercise Covered a Substantial Share of the Market

The exercise comprised 17 mystery shopping interactions with selected TIIs distributing such products. The selection followed a risk-based approach, with particular focus on distribution models involving corporate TIIs and sales practices relying significantly on cold-calling.

The exercise covered approximately 50% of applicable TIIs, representing approximately 58% of IBIP-related gross written premiums reported to the MFSA.

The assessment focused on the pre-contractual stage of the customer journey, including the quality of information provided, demands and needs assessments, product comparisons, disclosure of risks and costs, and the distinction between factual product information and regulated investment advice.

MFSA Sets Expectations for Stronger Distribution Practices

The MFSA expects Insurance Undertakings and TILs to ensure that customer assessments are carried out adequately and documented, product information and comparisons are objective and balanced, and customers receive relevant pre-contractual documentation sufficiently in advance of making an investment decision.

The Authority also expects distributors to clearly distinguish between factual product information and regulated investment advice, and to present potential returns, risks, costs, product features and tax considerations in a fair, clear and balanced manner. Insurance undertakings are expected to maintain effective governance, oversight, training and quality assurance arrangements over their distribution networks. The MFSA also encourages firms to consider periodic mystery shopping of their own distribution channels as a complementary oversight tool.

The MFSA will continue to monitor industry practices through its ongoing supervisory activities, including further mystery shopping exercises, and may consider regulatory action against TILs and their principals where shortcomings are identified.

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.