

## **Changes in Insurance Brokerage Activities:**

### **The most relevant rules regarding dependent multiple agents as of 1 January 2016**

#### **Act No. LXXXVIII of 2014 regulates insurance brokers in a separate book emphasising the importance of such insurance market operators**

The new law amongst others now clarifies the types of insurance brokers. Previously an agent who sold the insurance products of only one company or non-competing products of more companies qualified as a **dependent** agent and all other insurance brokers with certain exceptions were **independent**. A significant element in the new legislation is that as of 1 January, 2016 those who were previously considered as independent multiple agents now will qualify as dependent insurance brokers. This will imply changes in operational and liability rules. Substantially the most important difference between a dependent and an independent agent is that an independent agent represents the client, acts on his behalf while in case of a dependent agent emphasis is placed on the relationship with the company, the agent represents the insurance firm.

#### **A New Type of Insurance Brokers**

Within the group of dependent insurance brokers the so called „**dependent multiple agents**” represent a separate category. Those insurance brokers will qualify such who simultaneously sell competing products of several insurance companies on the basis of agency agreements concluded with insurance firms. In accordance with the new rules, multiple agents shall no longer declare that they act as independent intermediaries and they shall not pursue independent insurance brokerage activities either including giving advice on the selection of a specific product. **A dependent multiple agent shall no longer advise the client on choosing one specific insurance policy but can only recommend product categories.** Therefore the agent shall only advocate the competing accident-, home- or life insurance policies of different companies. It is particularly important that within a certain product category, a dependent multiple agent shall make a comparative presentation on a “sufficient number” of competing products. The law does not specify what a sufficient number is, but in our opinion if the multiple agent introduces at least three competing products within the product group, it will meet the necessary legal requirements.

#### **No Influencing of Clients**

The presentation shall be detailed and free from client influence so that the client himself select the product must suitable. Furthermore, the client shall provide a written declaration certifying that the insurance broker made a comparative presentation on the products within a given product group (for each product group separately) and that he himself selected the most appropriate insurance policy on the basis of the presentation.

### **New Needs Assessment Sheets as of March**

If prior to the conclusion of an insurance agreement the dependent multiple agent uses its own needs assessment sheet during the appraisal of clients, we recommend updating this sheet in accordance with the above rules. Finally, we would like to highlight that it is time to prepare for the application of the regulations of the National Bank of Hungary effective as of 1 March, 2016 regulating the content of life-insurance needs assessment sheets.