KNF recommendations for insurance undertakings

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INSURANCE DISTRIBUTION

KNF recommendations on insurance distribution: Key information

On 26 June 2026 the Polish Financial Supervision Authority (KNF) issued its Recommendations for Insurance Undertakings on Insurance Distribution. The document is a major step in the process of clarifying the rules for distribution of insurance products on the Polish market and sets new standards which insurers will need to comply with.

The June 2026 recommendations (KNF Resolution no. 190/2026) replace the Guidelines for Insurance Undertakings on Insurance Distribution of 24 June 2014.

Legal basis and nature of KNF recommendations

The June 2026 recommendations were issued under Art. 365(1)(2)(a)–(c) of the Insurance and Reinsurance Act of 11 September 2015, which authorises the regulator to issue recommendations directed to insurance undertakings, for purposes including ensuring that their operations comply with the law and combatting infringement of the interests of policyholders, insureds and beneficiaries.

KNF recommendations do not constitute a source of universally binding law, because the Polish Financial Supervision Authority does not have legislative powers. They are in the nature of "soft law," i.e. non-authoritative, non-normative administrative acts. Their primary function is to set market standards and to indicate what the regulator regards as the proper interpretation of the binding regulations.

Although failure to comply with the recommendations does not in itself constitute grounds for imposing sanctions, the wording of the recommendations reflects KNF's oversight approach. But in practice, failure to implement the recommendations may trigger oversight actions, leading to a finding of infringement of the regulations, and, in turn, imposition of sanctions against the insurance undertaking. The recommendations thus serve mainly a communication function, indicating to market players the manner of applying the regulations expected by the regulator.

Under Art. 365(5) of the Insurance and Reinsurance Act, KNF recommendations are issued in line with the principle of "comply or explain." This means that insurers that don't follow the recommendations or don't plan to implement them should instead present the manner in which they intend to achieve the aims set by KNF.

Deadline for implementing the June 2026 recommendations

Insurers should apply the recommendations issued in June 2026 by 1 July 2027 at the latest, except for recommendation 7.9 concerning the savings portion of an insurance product, which should be applied at the latest by 1 July 2028.

If an insurance undertaking does not intend to comply with the manner of operation indicated in the June 2026 recommendations, then, in line with the "comply or explain" principle, it should inform the KNF Office by 15 July 2027 at the latest of the manner in which it intends to achieve the aims for which the recommendations were issued. The information received from insurers will then be disclosed on the regulator's website.

Purpose of the June 2026 recommendations

As stated in the justification for the document, the recommendations are intended in particular to:

- Ensure uniform and consistent compliance with the law by insurance undertakings
- Eliminate identified irregularities in insurance distribution, whether conducted directly or through insurance intermediaries or undertakings referred to in Art. 2 of the Insurance Distribution Act of 15 December 2017 (i.e. distributors of certain add-on coverage for products, lost baggage, trip cancellation etc)
- Combat the offering of insurance products that do not meet customers' demands and needs
- Combat the offering of insurance products that do not provide customers with appropriate value.

Addressees of the recommendations

The recommendations are directed to:

- Polish insurance undertakings
- The main branches of foreign insurance undertakings, taking into account the specifics of their organisation, related to the statutorily defined

functioning within the structure of the main branch of the positions of director and deputy director of the main branch

- Foreign insurance undertakings with their registered office in other member states of the European Union or member states the European Free Trade Association which are parties to the Agreement on the European Economic Area, conducting insurance activity in the territory of the Republic of Poland under the rules set forth in the Insurance and Reinsurance Act, pursuant to the freedom of establishment (via a branch) or the freedom to provide services—and, with respect to recommendations 4 through 28, under the principle of the general good.

Moreover, recommendations 11–23 will apply as relevant to cooperation by insurance undertakings with entities entered in the register of intermediaries in another EU member state, conducting agency or brokerage activity in Poland via a branch or, under the freedom to provide services, in a manner other than via a branch.

Subject matter of the June 2026 recommendations

The recommendations cover a broad range of insurance distribution issues, particularly involving:

- Duties of the insurance undertaking's management board and supervisory board
- Organisation of the insurance undertaking's distribution activities
- The construction of insurance products in the context of their value for the customer
- Evaluation of customers' demands and needs, as well as other information obligations in the distribution process performed by personnel conducting the insurance undertaking's distribution activities
- The insurance undertaking's cooperation with agents, brokers, and undertakings referred to in Art. 2 of the Insurance Distribution Act
- Group insurance contracts
- Conflicts of interest
- Internal control systems, the internal audit function, and the compliance function.

The latest set of KNF guidelines contains 30 main recommendations, which are clarified through further detailed recommendations. The principal recommendations are as follows:

PRINCIPAL RECOMMENDATIONS	
Insurance undertaking's management board and supervisory board	
Recommendation 1 (+ 3 detailed recommendations)	The management board of the insurance undertaking shall ensure the development, implementation, regular review and updating of rules for insurance distribution, covering the totality of insurance distribution issues, and shall also ensure proper execution of the rules.
Recommendation 2 (+ 3 detailed recommendations)	The management board of the insurance undertaking shall periodically conduct an assessment of the execution of the insurance distribution rules, and notify the supervisory board of the results of the assessment.
Recommendation 3 (+ 2 detailed recommendations)	The supervisory board of the insurance undertaking shall oversee the execution of the insurance distribution rules.
Organisation of insurance distribution activities	
Recommendation 4 (+ 4 detailed recommendations)	The insurance undertaking shall ensure that its distribution activities are performed solely by distribution personnel meeting the conditions set forth in the Insurance Distribution Act, and that distribution personnel are knowledgeable about the insurance product and the target market for the product.
Recommendation 5 (+ 2 detailed recommendations)	The insurance undertaking shall have internal policies and solutions in place for overseeing distribution personnel in their performance of the insurance undertaking's distribution activities.
Recommendation 6 (+ 2 detailed recommendations)	The insurance undertaking shall ensure that the manner of compensating distribution personnel is consistent with the duty to act in the best interests of customers.
Construction of insurance products	
Recommendation 7 (+ 16 detailed recommendations)	The insurance undertaking shall ensure that it distributes products with appropriate value for the customer.
Insurers' obligations to customers involving insurance distribution by their own staff	
Recommendation 8 (+ 11 detailed recommendations)	The insurance undertaking shall ensure the proper conduct, form, and documentation of the customer demands and needs analysis.
Recommendation 9 (+ 3 detailed recommendations)	The insurance undertaking shall have solutions in place ensuring that the proposed insurance contracts meet the customer's demands and needs for insurance protection.

PRINCIPAL RECOMMENDATIONS	
Recommendation 10 (+ 3 detailed recommendations)	In performing its informational obligations, the insurance undertaking shall enable customers to familiarise themselves with information and documents.
Insurers' cooperation with agents	
Recommendation 11 (+ 3 detailed recommendations)	The insurance undertaking's oversight of agents shall include effective verification that they meet the conditions for performing agency activity.
Recommendation 12 (+ 4 detailed recommendations)	The insurance undertaking shall have internal policies and solutions in place to ensure the accuracy of data entered at its request in the register of agents.
Recommendation 13 (+ 2 detailed recommendations)	The insurance undertaking shall provide support to agents in ensuring that the agency activities they perform comply with the legal regulations and the best interests of customers.
Recommendation 14 (+ 3 detailed recommendations)	The insurance undertaking shall oversee the quality of informational materials directed by agents to customers, including advertising and marketing materials, used by agents in connection with performance of agency activities for or on behalf of the undertaking.
Recommendation 15 (+ 2 detailed recommendations)	The insurance undertaking shall ensure that the manner of compensating agents by the undertaking is consistent with the agents' duty to act in the best interests of customers.
Recommendation 16 (+ 3 detailed recommendations)	The insurance undertaking shall support agents in meeting their training obligation, in the case of persons required to undergo training, and shall oversee execution of this obligation.
Recommendation 17 (+ 3 detailed recommendations)	The insurance undertaking shall oversee compliance by cooperating agents with the obligation to hold civil liability insurance or an insurance guarantee, as required by the Insurance Distribution Act.
Recommendation 18 (+ 3 detailed recommendations)	If the insurance undertaking entrusts the distribution of insurance to a group of agents, including agents operating in a consortium, it shall take measures to ensure that their activities comply with legal regulations and the best interests of customers.

PRINCIPAL RECOMMENDATIONS	
Recommendation 19 (+ 2 detailed recommendations)	If irregularities are found in the agent's activities due to the agent's lack of proper supervision of a natural person conducting agency activities, the insurance undertaking shall take action.
Recommendation 20 (+ 6 detailed recommendations)	The insurance undertaking shall exercise effective oversight of agents.
Insurers' cooperation with brokers	
Recommendation 21 (+ 2 detailed recommendations)	The insurance undertaking shall cooperate with brokers on the basis of clear rules.
Recommendation 22 (+ 2 detailed recommendations)	The rules for compensating brokers adopted by the insurance undertaking shall reflect the specific nature of brokerage activity.
Recommendation 23 (+ 2 detailed recommendations)	The insurance undertaking shall document its cooperation with brokers.
Insurers' cooperation with undertakings referred to in Art. 2 of the Insurance Distribution Act	
Recommendation 24 (+ 5 detailed recommendations)	In cooperating with undertakings referred to in Art. 2 of the Insurance Distribution Act, the insurance undertaking shall take steps to ensure that they properly perform their obligations to customers.
Recommendation 25 (+ 2 detailed recommendations)	The insurance undertaking shall ensure that in carrying out their informational obligations, the undertakings referred to in Art. 2 of the Insurance Distribution Act enable customers to familiarise themselves with information and documents.
Recommendation 26 (+ 2 detailed recommendations)	The insurance undertaking shall ensure that the manner of compensating undertakings referred to in Art. 2 of the Insurance Distribution Act is consistent with the duty to act in the best interests of customers.
Group insurance contracts	
Recommendation 27 (+ 4 detailed recommendations)	In the case of group insurance contracts, the insurance undertaking shall take steps to ensure that information is passed on concerning insurance coverage or denial of coverage, as well as the terms of the insurance.

PRINCIPAL RECOMMENDATIONS	
Conflicts of interest	
Recommendation 28 (+ 5 detailed recommendations)	The insurance undertaking shall identify and manage conflicts of interest.
Recommendation 29 (+ 9 detailed recommendations)	Insurance distribution shall be the subject of assessments conducted within the internal control system, including by the insurance undertaking's internal audit function and compliance function.
Recommendation 30 (+ 3 detailed recommendations)	The insurance undertaking shall monitor petitions and complaints

Summary

The KNF recommendations from June 2026 will greatly contribute to maintaining order on the insurance market in Poland. Although the recommendations do not constitute a source of universally binding law, in practice they set the standards expected by the regulator in the area of insurance distribution, and will impact the organisation of sales processes at insurance undertakings and their cooperation with intermediaries. Implementation of the recommendations should help consolidate market practices, increase transparency, and strengthen the protection of customers. They may also drive major organisational and product changes on the part of insurers, particularly in the area of designing insurance products and assessing their value for customers.

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KNF recommendations and foreign insurers

Must foreign insurance companies operating in Poland under the freedom to provide services or the freedom of establishment comply with the Polish regulator's new standards for insurance distribution?

26 On 26 June 2026 the Polish Financial Supervision Authority (KNF) adopted its new Recommendations for Insurance Undertakings on Insurance Distribution. The document is addressed not only to domestic insurers, but also to foreign insurance undertakings from the European Union or the European Economic Area doing business in Poland under the freedom of establishment or the freedom to provide services. But with respect to these foreign entities, the recommendations apply only insofar as they arise under principles of the "general good."

This reservation is of great practical importance. It means that not all of the recommendations will apply to insurance undertakings conducting cross-border operations under a "European passport." But determining which recommendations are binding on which entities raises a number of doubts in interpretation. These doubts arise mainly from the lack of a precise definition of principles of the general good, and from difficulties determining which provisions of Polish law further these principles.

Below we examine what principles of the general good are, and their relevance for application of the KNF recommendations by insurers operating in Polish territory.

Fundamental principles of functioning of the common insurance market in the EU

To properly understand the significance of principles of the general good, we should first go back to the fundamental rules governing the functioning of the common insurance market in the European Union.

An insurance undertaking that has obtained a licence to operate in one member state can also operate in the territory of other member states without the need to obtain an additional licence there. This entitlement arises under the so-called European passport and includes operating under the freedom of establishment (by opening a branch) as well as operating under the freedom to provide services.

The freedom of establishment and the freedom to provide services are among the fundamental principles upon which the EU's common insurance market rests. As a rule, the member states cannot introduce measures hindering the exercise of these freedoms. Exceptions are permissible only when justified under EU law. One of the key justifications is protection of the general good by the host country. Consequently, regulations pursuing aims of the general good are an element of the national legal system that is also binding on foreign insurance undertakings from other EU countries.

Relying on jurisprudence from the Court of Justice of the European Union, the European Commission has identified the grounds that must all be fulfilled for a national measure restricting the freedom of establishment or the freedom to provide services to be consistent with EU law. Such a measure:

- Must involve an area that has not been harmonised at the level of EU law
- Must serve to protect the general good
- Cannot be discriminatory
- Must be objectively necessary to achieve the defined aim
- Must be proportional to attainment of the aim, and
- May be applied only when the aim of the general good is not already protected by the regulations binding on the service provider in the country where it is established.

These principles are vital for determining the scope within which a foreign insurance undertaking exercising a European passport can be subjected to the laws of the host country. Such an entity may be required to comply with the regulations of the country where it is operating only insofar as the regulations pursue the aims of the general good and meet the requirements arising out of EU law.

The notion of the "general good" under EU law

The "general good" is not defined in the Insurance Distribution Directive ((EU) 2016/97), the Solvency II directive (2009/138/EC), or any other act of EU law. It is a construct developed primarily in the case law of the Court of Justice, and its scope has evolved along with the growth of the case law. The Court of Justice has consciously left the notion undefined, so that its application can be tailored to the facts of the specific case.

In its jurisprudence, the Court of Justice holds that in areas that have not been harmonised at the level of EU law, considerations of the general good may justify restrictions on the freedom of establishment or the freedom to provide services.

Aims of the general good which have been recognised to date include, for example:

- Protection of employees (including social protections)
- Protection of consumers
- Protection of public order
- Protection of intellectual property rights
- Ensuring the consistency of the tax system
- Protection of national historical and cultural heritage.

But this is not a fixed list. The scope of the concept of general good is expanded upon by the Court of Justice as it considers new cases, and depends on the circumstances of the specific case.

The general good in Polish insurance regulations

Under Polish insurance law, the notion of the "general good" is expressly used in the Insurance Distribution Act, which implements the IDD into the Polish legal system. Under that act, the principles of the general good are defined as "the fundamental legal standards concerning the performance of insurance distribution or reinsurance distribution in the territory of a given member state of the European Union, intended for entities with their registered office or residence in another member state of the European Union, interested in performing insurance distribution or reinsurance distribution via a branch, or in some manner other than via a branch within the exercise of the freedom to provide services, in the territory of that member state of the European Union." So, although the act does formally include a definition of "principles of the general good," it does not specify what values or aims fall within that category.

This issue is dealt with differently in the Insurance and Reinsurance Act, which implements Solvency II. Although the directive itself does use the term "general good," the Polish act does not adopt this term directly.

Under Art. 146(3) of the Solvency II directive, the supervisory authorities of the host member state shall inform the supervisory authority of the home member state of "the conditions under which, **in the interest of the general good**," that business must be pursued in the host member state. A corresponding provision is found in Art. 206(2) of the Insurance and Reinsurance Act, under which KNF shall provide information to the competent authority of the other member state on the conditions for performance of insurance activity in the territory of the Republic of Poland by a foreign insurance undertaking, operating through a branch.

Meanwhile, Art. 205(1) of the same act provides that a foreign insurance undertaking from another EU member state conducting insurance activity in Poland shall apply the provisions of Polish law to the extent necessary to protect "the **overriding public interest**."

The notion of the "overriding public interest" is defined by a cross-reference to the Act on the Rules for Participation by Foreign Undertakings and Other Foreign Persons in Commerce in the Territory of the Republic of Poland. It extends in particular to:

- Protection of public order, public safety, and state security
- Protection of public health
- Protection of the financial stability of the social insurance system
- Protection of consumers, service recipients and employees
- Honesty in commercial transactions
- Combatting abuses
- Environmental protection
- Protection of intellectual property
- Implementation of aims of social and cultural policy
- Protection of the national historical and artistic heritage.

Comparing this list to the aims of the general good recognised in the jurisprudence of the Court of Justice, it is apparent that the two concepts overlap to a great extent. This means that although the Insurance and Reinsurance Act does not use the term "the general good" as such, in interpreting the act the scope of this concept intersects or even coincides with the notion of the "overriding public interest."

How does KNF understand the principle of the general good?

Both the IDD and the Insurance Distribution Act require KNF to publish information on its website on the rules for the general good that are applicable to the performance of insurance distribution and reinsurance distribution activity in the territory of Poland.

To meet that obligation, KNF has published "Information on 'General Good' Rules with Regard to Conducting Insurance Mediation Activities in the

Republic of Poland." This document includes a list of regulations which in KNF's view further the protection of the general good and therefore should be observed by foreign insurance distributors operating in Poland under a European passport. At the same time, KNF expressly warns that this publication does not constitute an exhaustive source of information on all national regulations applicable to such activity.

KNF has also published a document entitled "Information on 'General Good' Rules," intended for insurance undertakings in EU member states and in EFTA member states that are parties to the Agreement on the European Economic Area. This document plays an analogous role, identifying regulations which in the regulator's view pursue aims of the general good and apply to foreign insurance undertakings operating in Poland.

Here too KNF stresses that the published information is not exhaustive. It primarily covers regulations directly related to the performance of insurance activity. It does not include regulations from other legal fields which under certain circumstances also serve to protect the general good.

Thus if a given regulation is mentioned in these documents published by KNF, a foreign insurer or insurance distributor can generally assume that in KNF's view the regulation serves to protect the general good. Conversely, the failure to mention a regulation in these documents does not necessarily mean that the regulation does not further the aims of the general good and cannot apply to foreign entities operating in Poland.

What relevance do principles of the general good have for application of the KNF insurance distribution recommendations?

The discussion above raises the key question: must a foreign insurance undertaking operating in Poland under the freedom of establishment or the freedom to provide services apply all of the KNF recommendations on insurance distribution?

As a rule, no.

The mere fact that the recommendations are also addressed to foreign insurance undertakings doesn't mean that all of the recommendations set forth in the document apply to entities operating under the freedom of establishment or the freedom to provide services. KNF expressly states that with respect to such undertakings, the recommendations apply **only insofar as they involve the general good**.

In practice, this requires an analysis of the specific recommendations. A foreign insurance undertaking should assess whether the duties arising under a given recommendation affect areas in which the host country may impose requirements consistent with EU law, that is, whether they serve to protect the general good and whether they meet the criteria developed in the jurisprudence of the Court of Justice of the European Union.

But conducting that assessment is no easy task. The "general good" is an indefinite notion, and the limits of the host country's competence are not always obvious. This means that foreign insurance undertakings need to select one of two solutions.

The first is to adapt their operations to comply with all requirements in force in the host country, regardless of whether they arise under principles of the general good or not. This approach mitigates the risk of a dispute with the regulator or customers, but often entails significant organisational and financial costs and results in assuming obligations extending beyond the requirements of EU law.

The second solution is for the undertaking to make its own assessment of the scope of application of principles of the general good and to implement only those duties which, under EU law, can effectively be applied against foreign insurance undertakings operating in Poland under a European passport. This approach is consistent with the construction of the common market, but carries the risk that KNF or the Polish courts might reach a different conclusion.

In the event of a dispute, the insurance undertaking could rely directly on EU law and the case law from the Court of Justice, arguing that the specific obligation imposed on it does not meet the conditions for regarding it as a measure furthering the general good. This assessment would ultimately rest with the national court, although if the court had doubts on how to interpret EU law it could seek a preliminary ruling from the Court of Justice.

It should be borne in mind that the KNF recommendations are a form of "soft law." They do not constitute a source of universally binding law, and generally do not impose new legal obligations on insurance undertakings. They do, however, set forth KNF's supervisory expectations for the manner of applying the relevant regulations, and indicate the practices which the regulator regards as consistent with the proper functioning of the insurance market.

The recommendations operate under the principle of "comply or explain." This means that an insurance undertaking may adopt solutions other than those indicated in the recommendations, so long as it is in a position to justify its approach and to show that it will achieve the aims of the specific recommendation in some other way. Undertakings should submit this information by 15 July 2027 to the KNF Office, which will then post the information on the KNF website.

In our view, in practice this means that a foreign insurance undertaking may submit its own position to KNF concerning the scope of application of the KNF recommendations, particularly by indicating which recommendations, in the undertaking's assessment, apply in light of the principles of the general good, and the manner in which the undertaking intends to meet the aims defined by KNF. This approach will facilitate a dialogue with the regulator and mitigate the risk of a differing interpretation of the scope of duties arising under the recommendations.

The Polish Financial Supervision Authority expects insurance undertakings to implement the new Recommendations for Insurance Undertakings on Insurance Distribution by 1 July 2027 at the latest. There is an exception for recommendation 7.9 involving the savings portion of an insurance product, which should be applied by no later than 1 July 2028.

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Customer needs analysis under the KNF insurance distribution recommendations

One of the areas touched on in the new insurance distribution recommendations issued by the Polish Financial Supervision Authority (KNF) is the analysis of customers' demands and needs, regulated in the Insurance Distribution Act of 15 December 2017. This requirement is vaguely phrased in the act, leading to numerous irregularities in the process of identifying insurance customers' demands and needs, and consequently the proposal of insurance products to customers not suited to their actual insurance needs.

The Insurance Distribution Act requires insurers in Poland to conduct a customer needs analysis, but does not clearly state which specific information should be obtained from the customer, how the insurance company should document the analysis, what to do if the customer refuses to provide the requested information, or finally, how to analyse the customer's needs in the case of policy renewals or group insurance. The KNF Recommendations for Insurance Undertakings on Insurance Distribution, issued in June 2026, fill these gaps and should help ensure that customers' needs are properly met.

The regulator also found it necessary to include in the recommendations a definition of a customer needs analysis, which is not included in the act. Under the recommendations, a customer needs analysis is defined as "actions undertaken by an insurance distributor under Art. 8(1) of the Insurance Distribution Act, involving determination of the customer's demands and needs for insurance protection, with the aim of proposing an insurance policy to the customer corresponding to those demands and needs."

In this article we analyse how the recommendations modify the rules for conducting a customer needs analysis in two key insurance distribution channels: by employees of the insurer and by agents.

Duties of insurers conducting their own insurance distribution

The requirements for insurance companies conducting insurance distribution via their own distribution staff are set forth in recommendations 8–10.

Under current hard law in Poland, insurers' duties involving customer needs analysis are set forth only in Art. 8(1)–(3) of the Insurance Distribution Act.

But this provision doesn't say much. It requires distributors to determine the customer's demands and needs (based on information obtained from the customer) and to provide the customer with objective information about the insurance product in a comprehensible form. This should enable the customer to take an informed decision on conclusion of the insurance policy or insurance guarantee agreement.

Beyond that, the act requires that the insurance policy or insurance guarantee agreement proposed to the customer must be consistent with the customer's demands and needs for insurance or guarantee protection.

The new KNF recommendations significantly expand on these obligations. Below we examine in Q&A form the main areas which have been clarified through issuance of the new recommendations. These issues were not previously covered by the earlier KNF recommendations or by the Insurance Distribution Act itself.

What should insurers take into account when drafting a customer needs analysis?

When preparing a customer needs analysis, the insurance company should address, among other things:
- The type of insurance product and the features of the product
- The scope of information essential to identify the customer's demands and needs, and the sources of this information
- The key exclusions and limitations on liability provided for in the given product
- The distribution channel, the manner of reaching the customer, and the manner of obtaining information on the customer needs analysis.

What should the insurer seek to achieve during the customer needs analysis?

When conducting a customer needs analysis, the insurance company must apply solutions enabling it to:
- Conduct the customer needs analysis in a manner understandable to the customer and enabling the customer to take an informed decision
- Determine the customer's demands and needs for insurance protection, in particular the circumstances and the period for which the customer would like to obtain insurance coverage, as well as the amount of the insurance or guarantee that will meet the customer's demands and needs

- Determine the customer's characteristics or situation, in order to assess whether the exclusions or limitations on liability conflict with the customer's demands and needs
- Propose an insurance product to the customer meeting their demands and needs, at a premium that is acceptable to the customer.

When conducting the customer needs analysis, may the insurer use information obtained from the customer in the past or from other sources?

Yes. However, the insurance company must notify the customer accordingly and allow them to verify the information. Moreover, at the customer's request, the insurer must inform the customer of the scope and sources of such information.

How should the insurance company respond if the customer refuses to provide information?

If the customer refuses to provide information required to conduct the customer needs analysis, the insurance company is required to **notify the customer of the consequences of failure to provide the information**.

How should the insurance company document the customer needs analysis?

The insurance company should document the customer needs analysis to the extent necessary to retain the information obtained from the customer or other sources and to show that the proposed insurance product is consistent with the customer's demands and needs.

Insurance undertakings may determine on their own the method for documenting and storing customer needs analysis documentation. However, when selecting such methods, they must take into account the specifics of the distribution channel in question and the form of contact with the customer.

Beyond this, the insurer should ensure the customer the possibility of obtaining answers to their questions or doubts in relation to the proposed insurance product and the process of conclusion of the contract—and thus, also in relation to the process of conducting the customer needs analysis.

How should an insurance undertaking conduct a customer needs analysis for an insurance contract concluded on someone else's account?

In such case, the insurer should obtain information from the party seeking insurance protection concerning the demands and needs of the future insureds.

With respect to group insurance policies, the insurer is also required to determine the demands and needs of the group, based on information obtained from the party seeking the insurance.

Is it also mandatory to conduct a customer needs analysis in the event of renewal or automatic continuation of an insurance contract?

No—so long as there have not been changes to the proposed product resulting in the product no longer being consistent with the customer's demands and needs. In that situation, the insurance undertaking is required to inform the customer that the renewal or automatic continuation of the contract will occur on the basis of the information in the insurer's possession, and that the customer may update the information used for evaluating their demands and needs. The insurer should also state the manner and time by which the customer can notify the insurer of their intention to update the information.

But before notifying the customer, the insurer should verify that there have not been changes in the proposed product affecting the scope of the insurance which could make it inconsistent with the customer's demands and needs identified in the analysis.

What if, based on the customer needs analysis, the insurer identifies several products meeting the customer's needs?

In that situation, the insurer may **propose all of the products to the customer, clearly indicating the differences between them**.

If the customer needs analysis shows that the customer's needs would be met by a product from a target market different from the customer's target market, can the insurer propose such a product to the customer?

Yes. In that situation the insurer may propose a product to the customer from a target market different from the customer's target market.

Insurer's oversight of agents' performance of customer needs analysis

Formally the new recommendations are addressed primarily to insurance undertakings, but their practical consequences will also be felt by other distributors, including insurance agents. Recommendations 11–20, regulating insurers' cooperation with agents and effective oversight of the distribution process, including the conduct of customer needs analysis, are of key significance for the everyday practice of agents.

Polish law treats insurance agents as a standalone category of insurance distributors. This means that agents are directly subject to the obligation to conduct a customer needs analysis under Art. 8(1) of the Insurance Distribution Act. They are also subject to other statutory regulations. But in light of the specific nature of insurance agents' activity, and the legal relationship between the agent and the insurer and the dependence it creates, the regulator decided to impose additional duties on insurance undertakings in this respect.

In KNF's view, the insurer should be the guarantor of the quality of the services performed by agents. This leads to a significant shifting of responsibility, to avoid leaving agents themselves bearing numerous regulatory obligations. Under recommendation 13, "The insurance undertaking shall provide support to agents in ensuring that the agency activities they perform comply with the legal regulations and the best interests of customers." This support is to be carried out through the issuance to agents of rules, guidelines or instructions on the agency activities they perform. Here the regulator places particular emphasis on carrying out the customer needs analysis. Moreover, to the extent agreed with the agent, the insurance undertaking's support will also cover substantive issues.

KNF has also specified what it expects from insurance undertakings deciding to entrust distribution of insurance to a group of agents, including those operating in a consortium (recommendation 18). In that case, the insurance undertaking must verify that the rules under which the members of the group cooperate ensure proper performance of customer needs analysis. The insurance undertaking must be informed of the allocation of tasks and competencies within the group of agents, and also secure the ability to exercise oversight of all members of the group it cooperates with.

Under recommendation 20, "The insurance undertaking shall exercise effective oversight of agents." To this end, the insurer must have internal policies and solutions in place for monitoring agents, specifying the rules for taking up and performing oversight of agents in their performance of customer needs analysis.

Significantly, if the insurer's oversight of agents finds irregularities in the area of customer needs analysis, the insurer will be entitled to:

- Require the agent to take corrective measures
- Take its own corrective measures with respect to the agents, and
- If these measures are ineffective, impose sanctions against the agents.

Moreover, all of the insurer's oversight activities with regard to agents must be documented and retained in line with the policies adopted by the insurer.

Summary

The Polish Financial Supervision Authority's Recommendations for Insurance Undertakings on Insurance Distribution greatly expand the framework of obligations concerning the analysis of customers' demands and needs. This should translate into stronger protection for insurance customers. The new recommendations narrow the leeway insurers have enjoyed in this area under the generally worded Art. 8 of the Insurance Distribution Act. Insurance undertakings will have to develop internal procedures meeting the new requirements.

In the area of insurers' distribution of their own products, the recommendations introduce a range of requirements more specific than those provided for under the Insurance Distribution Act. When drawing up the customer needs analysis, the insurer will have to consider a number of elements, such as key exclusions and limitations on liability for a given insurance product, to make sure they are consistent with the customer's needs. Practical issues have also been addressed: for example, an insurance undertaking will be allowed to use information obtained from the customer in the past or from other sources, so long as the customer is informed and has an opportunity to verify the data. In the case of renewals and automatic continuations of insurance contracts, a full customer needs analysis will not be required so long as there have not been changes to the product affecting its consistency with the customer's needs.

The recommendations also modify the relationship between insurance undertakings and insurance agents. Under the recommendations, it is the task of the insurer to monitor the quality of services provided by agents. Insurance undertakings will have to develop guidelines and instructions for agents, provide them with substantive support, and implement an oversight system. If irregularities are found, the insurer will be entitled to require the agent to take corrective measures, take such measures itself, or ultimately impose sanctions on the agent.

All of these changes should translate into a closer match between insurance products and the customers' actual insurance needs.

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KNF recommendations on insurance distribution, and insurers' cooperation with undertakings referred to in Art. 2 of the Insurance Distribution Act

In June 2026 the Polish Financial Supervision Authority (KNF) issued its new Recommendations for Insurance Undertakings on Insurance Distribution. Although the recommendations aredirectly addressed to insurance undertakings, they are also of great importance for the cooperation between insurance undertakings and undertakings referred to in Art. 2 of the Insurance Distribution Act. These are businesses acting as distributors of certain add-on or embedded coverage for products, lost baggage, trip cancellation and the like—if they meet certain statutory conditions, these businesses are exempt from the regime of the Insurance Distribution Act.

The KNF recommendations are not a source of universally binding law, but in practice they set standards which the regulator expects insurance undertakings to comply with. Thus they impact the way that sales processes are organised, systems of control and supervision, and the rules for cooperation between insurance undertakings and undertakings referred to in Art. 2 of the Insurance Distribution Act.

What statutory obligations does an insurance undertakings have in its cooperation with undertakings referred to in Art. 2 of the act?

Under Art. 2(3) of the Insurance Distribution Act, an insurance undertaking must ensure that:

- An undertaking covered by this provision acts fairly, honestly and professionally, in accordance with the best interests of customers (Art. 7(1))
- The system for remuneration of the undertaking and the persons assisting it in carrying out its insurance distribution activity does not conflict with the duty to act in the customers' best interests (Art. 7(2))
- The information provided to customers, including advertising and marketing information, is clear, accurate and not misleading, and meets the language requirements set forth in the act (Art. 7(3))
- The proposed insurance product meets the customer's demands and needs for insurance protection (Art. 8(3))
- The customer was informed of the possibility of purchasing the product or using the service without purchasing the insurance product (Art. 10), and
- Before concluding the insurance contract, the customer received an insurance product information document (IPID).

Recommendation 24—organisation and oversight of cooperation

A key provision in this respect is recommendation 24, which specifies the manner in which an insurance undertaking should ensure that the undertakings referred to in Art. 2 of the Insurance Distribution Act perform their obligations towards customers.

The insurance undertaking should first and foremost have appropriate internal policies and organisational solutions in place concerning its cooperation with such undertakings. It should also provide them with rules, guidelines or instructions for performance of insurance distribution activities. The aim is to ensure that the insurance products proposed to customers meet their demands and needs and that the other obligations arising under Art. 2(3) of the act are properly carried out.

But the role of the insurance undertaking does not end there. It must also take informational and educational steps to ensure that the undertakings referred to in Art. 2 have an adequate level of knowledge about the insurance products they offer and their duties towards customers.

Recommendation 24 also provides for a duty to effectively oversee the activity of these undertakings involving insurance distribution, particularly in terms of compliance with the obligations referred to in Art. 2(3) of the act. If irregularities are found, the insurer should require the undertaking to take corrective measures, or take such measures itself. If this proves ineffective, the insurer should apply appropriate sanctions against the undertaking. It should also document the oversight activities it has taken, corrective measures and sanctions.

This approach is consistent with the statutory model of responsibility. It is the insurance undertaking that bears the obligation of ensuring that an undertaking referred to in Art. 2 has acted in accordance with the requirements set forth in Art. 2(3). Consequently, it is the insurance undertaking that is responsible to the regulator for ensuring proper performance of these obligations by an undertaking cooperating with the insurer. After all, the oversight duties set out in Art. 2(3) of the act, as well as KNF sanctions for violating them, are directly addressed to the insurance undertaking—which bears regulatory liability to KNF.

Recommendation 25—informational obligations to customers

Recommendation 24 is supplemented by recommendation 25, which focuses on the manner in which undertakings referred to in Art. 2 of the act perform their informational obligations towards customers.

Under recommendation 25, the insurer must define rules for performance of informational obligations by these undertakings, and provide them with appropriate materials intended for customers—specifically the documents and information required by law, including the IPID and contract form.

Significantly, the insurer should also ensure that the contracts between it and these undertakings require the undertakings to comply with the insurer's rules and materials. This means that the manner of providing information to customers must not be left solely within the undertakings' discretion. The insurer should set the appropriate standards, provide the required materials, and ensure mechanisms forcing them to be applied in practice.

Recommendation 26—rules for remunerating undertakings

Another important element of the cooperation between insurers and undertakings referred to in Art. 2 of the act is the method of remunerating these undertakings. Under Recommendation 26, "The insurance undertaking shall ensure that the manner of compensating undertakings referred to in Art. 2 of the Insurance Distribution Act is consistent with the duty to act in the best interests of customers."

In this respect, KNF expects insurers to draw up appropriate internal policies and solutions for compensating these undertakings. These should cover at least the rules for setting and awarding base compensation or bonuses, as well as the rules for holding contests or other motivational schemes.

Of particular importance are the requirements concerning the qualitative criteria for awarding bonuses. They must be appropriate to the scale and nature of the cooperation with the given undertaking. This means that the construction of the compensation system should not be based solely on sales results, if this could lead to a conflict with the duty to act in the customers' best interests.

Recommendation 26 also imposes a duty on the insurer to periodically review its policies for remunerating such undertakings. The aim of the review is to assess whether the policies and solutions applied could negatively impact performance of the duty to act in the customers' best interests. If the review shows the need, the insurer should modify the rules it applies accordingly.

In practice this means that an insurer should pay attention not only to the amount of the undertaking's remuneration, but also the structure of the overall system of incentives. Sales contests, bonuses or special prizes should be designed to avoid creating incentives to offer customers insurance products not matching their needs, or taking actions contrary to customers' best interests.

What do the recommendations mean for undertakings referred to in Art. 2 of the Insurance Distribution Act?

From the perspective of businesses offering insurance products as an add-on to their own goods or services, recommendations 24–26 will primarily mean greater formalisation of their cooperation with insurance undertakings. These businesses can expect to see more detailed procedures, policies, instructions and materials concerning the manner of offering insurance products, providing information to customers, and performing distribution obligations.

The provisions of contracts currently governing cooperation between these undertakings and insurers may also change, particularly concerning the undertakings' duty to apply certain procedures and materials, the oversight rules, and the compensation system.

But the statutory allocation of liability will not change. The insurer will remain the entity responsible to KNF for ensuring proper implementation of the duties set forth in Art. 2(3) of the act by these undertakings. Recommendations 24–26 place the responsibility for specific organisational, informational, supervisory and remuneration obligations on the insurer, but will also have a direct impact on how activity is carried out by cooperating undertakings.

Existing contracts for distribution of embedded insurance

The recommendations may also make it necessary to review existing agency agreements concerning distribution of embedded insurance. This applies in particular to contracts providing that the distribution of insurance and cooperation between the parties must comply not only with mandatorily applicable provisions of law, but also with the requirements of soft law—which is precisely what the KNF recommendations are. KNF's adoption of new standards for organisation of these undertakings' cooperation, informational obligations, and compensation rules may render the existing contractual provisions inadequate, or may require the provisions to be updated to reflect the current regulatory expectations.

First and foremost, it is insurance undertakings that will be particularly concerned about reviewing their current contracts, but so will entities operating under a binding authority agreement (BAA)—typically these will be managing general agents (MGAs). As a rule, it is the insurance undertaking that bears the main burden of ensuring that distribution of insurance products complies with the law and with the new requirements set forth in the KNF Recommendations for Insurance Undertakings on Insurance Distribution.

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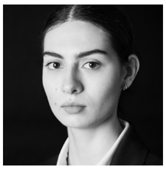

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