

## General good rules for insurance intermediaries

**Important legal information:** *the information provided here is only of general nature and is intended to inform market players and consumers about the general requirements defined for insurance practices in Lithuania. Detailed and general mandatory requirements are set out in legislative acts, which are officially published in the official language.*

Imperative legal norms which are mandatory for insurance intermediaries providing insurance mediation services in the Republic of Lithuania are stipulated in the Law Concerning Approval, Coming to Force and Implementation of the Civil Code of the Republic of Lithuania No. VIII-1864 of 18 July 2000, the Law on Insurance No. IX – 1737 of 18 September 2003, No. X-1137, the Law on Consumer Protection No. No I-657 of 10 November 1994, the Law on Compulsory Motor Third Party Civil Liability Insurance of 17 May 2007 and other legislation. This overview provides only key legal acts and their provisions. The current editions of the legislation and their translations are published on the web site <https://www.e-tar.lt>

### I. Civil Code

The Civil Code regulates general issues concerning conclusion of agreements, their legal force, form, content, execution, termination and other relevant issues, and regulates insurance relations (Articles 6.155 – 6.228, 6.989 – 6.1018).

### II. Law on Insurance

The Law on Insurance stipulates compulsory conditions for insurance agreements, particularities concerning insurance benefit payments, automatic extension of the validity of an insurance agreement, non-payment of insurance premiums and particularities of individual insurance agreements and other issues (Articles 90-134).

The procedure of the transfer of an insurer's portfolio to another insurer is governed in Article 49.

There is an obligation for an insurer to manage investment directions in order to achieve the best result for the policyholder, the insured or the beneficiary. An insurer is not entitled to charge a fee for management of an investment direction if this service is not provided (Art. 90<sup>4</sup>).

Article 92 of the Law on Insurance describes the requirement to publish insurance policy conditions on the website of the insurance undertaking.

Article 98 regulates issues concerning payment of insurance benefits.

The insurance benefit must be paid within 30 days from the day of receipt of all the information important for establishing the fact, circumstances and consequences of the insured event as well as the amount of the insurance benefit. If the event is an insured event and if the policyholder and the insurer disagree on the amount of the insurance benefit, at the request of the policyholder, the insurer must pay the amount on which the parties agree where establishment of an exact amount of the benefit lasts for more than three months. The insurer must prove the circumstances which release it from payment of the insurance benefit or give it the right to reduce the benefit. When the insurer refuses to pay the insurance benefit or reduces it, it must provide the policyholder, beneficiary or injured third party a detailed and motivated explanation of the reasons for such a decision. Where the insurance benefit has not been paid within 30 days from the report about the insured event, the insurer must provide to the policyholder (beneficiary or injured third party) a detailed account in writing about the progress of the investigation of the insured event, except for the cases of lack of data or information only from the policyholder (beneficiary or injured third party) and the policyholder (beneficiary or injured third party) has already

been notified of documents or information that must be provided by this person for the purposes of investigation of an insured event.

Article 115<sup>1</sup> of the Law on Insurance establishes the obligation to distribute the costs related to the conclusion of the life assurance contract in equal parts and deduct them from insurance premiums paid by the policyholder within a period that is no shorter than 3 years from the conclusion of the insurance contract.

Article 116 establishes the obligation to disclose all of the insurance contract fees expressed, *inter alia*, in absolute terms.

The Law on Insurance establishes the requirements for the calculation of surrender value in the case of life assurance contract (Article 126).

The Law on Insurance establishes the duty for the insurer or insurance intermediary to assess the suitability and appropriateness of particular insurance based investment product (Art. 158<sup>3</sup>). The appropriateness test shall be performed in any case when the insurance based investment product is being sold without advice (no exemption for non-complex products).

Having regard for Article 191 of the Law on Insurance, the supervisory authority shall draw up compulsory instructions for insurance undertakings, branches of third country insurance undertakings and recommendations for an insurance undertaking of another European Economic Area Member State which provides services or has established a branch in the Republic of Lithuania, regarding administration of the list of tied intermediaries of another European Economic Area Member State, control of their professional civil liability insurance and professional training of the employees of these tied insurance intermediaries the obligations of which cover insurance mediation activities.

### **III. Law on Consumer Protection**

Law on Consumer Protection stipulates that national language shall be obligatory in all public external and internal inscriptions of trade and service supply premises intended for consumers, including the names of trade and service supply premises.

Service suppliers must follow fair business practices while offering to buy or rendering services to consumers. Services should be offered in such a manner that commercial nature of the offer would be clear to the consumer.

The insurers must follow the dispute settlement out-of-court rules established in the Section 6 of the Law on Consumer Protection. The Bank of Lithuania settles disputes regarding financial services which are provided for in the Republic of Lithuania Law on the Bank of Lithuania.

The insurers must follow the supply of financial services under contracts concluded using means of communication rules established in the Section 8 of the Law on Consumer Protection.

### **IV. Law on Compulsory Motor Third Party Liability Insurance**

This law regulates issues concerning conclusion, termination, expiry, entering into force and validity of compulsory motor third party liability insurance agreements, insurable amounts, payment of benefits, a membership in the Motor Insurers' Bureau of the Republic of Lithuania and other issues. Other important legal acts regulating the compulsory motor third party liability insurance are the following:

1. Resolution No. 795 "Concerning Approval of Regulations for Assessment of Damage Inflicted due to a Road Accident and Payment of Compensation" adopted by the Government of the Republic of Lithuania on 23 June 2004.

2. Resolution No. 992 "Concerning Deductions from Compulsory Motor Third Party Liability Insurance Premiums" adopted by the Government of the Republic of Lithuania on 13 August 2001.

3. Resolution No. N-47 “Concerning the Approval of the Standard Conditions for Compulsory Motor Third Party Liability Insurance Agreements” of the Insurance Supervisory Commission of the Republic of Lithuania of 23 April 2004”.

## **V. Law on The Prohibition of Unfair Business-to-consumer Commercial Practices**

Law on The Prohibition of Unfair Business-to-consumer Commercial Practices No X-1409 of 21 December 2007 imposes prohibition on unfair business-to-consumer commercial practices and establishes the types and cases of unfair commercial practices.

## **VI. Other legal acts**

1. Resolution No. 03-91 “On the Approval of the Rules of the Disclosure of Information Provided by the Insurance Distributors to the Insured” adopted by the Board of the Bank of Lithuania on 12 June 2018.

2. Resolution No. 03-98 “On the Registration of the Insurance, Reinsurance Intermediaries and Ancillary Insurance Intermediaries” adopted by the Board of the Bank of Lithuania on 12 June 2018.

3. Resolution No. 03-93 “On the Approval of the of Requirements for the Competence of Insurance and Reinsurance Distributors and Development of it, the Criteria of Control and Assessment of the Competence, the Description of the Procedure for the Recognition of Competence” adopted by the Board of the Bank of Lithuania on 12 June 2018.