SILESIAN UNIVERSITY OF TECHNOLOGY PUBLISHING HOUSE

SCIENTIFIC PAPERS OF SILESIAN UNIVERSITY OF TECHNOLOGY 2026
ORGANIZATION AND MANAGEMENT SERIES NO. 252

CUSTOMER NEEDS ASSESSMENT – IN THE RECOMMENDATION OF THE PFSA CONCERNING INSURANCE DISTRIBUTION

Marta KARPIŃSKA-BIELEC

Uniwersytet WSB Merito w Poznaniu; marta.karpinska@poznan.merito.pl, ORCID: 0000-0002-0033-900X

Purpose: The aim of this article is to present the obligation of insurance companies and their cooperating insurance distributors to assess customer needs under the current legal framework, to compare it with the principles set forth in the 2025 draft of the KNF's recommendations for insurance companies regarding insurance distribution, and to evaluate the impact of the proposed recommendations on insurance companies, cooperating insurance distributors, and customers.
Design/methodology/approach: The article was written using a legal-dogmatic approach.
Findings: The proposed changes highlight the need for insurance companies to take a proactive approach in identifying customers' current needs and requirements, thereby preventing the practice of trying to fit the customer to the insurance product rather than the other way around. These changes mean that assessing customer needs, which has often been treated merely as a formal obligation, will become a substantive obligation, the failure to fulfill which will be easy to prove. In the short term, the changes may increase the number of administrative sanctions imposed on insurance distributors and the number of civil claims filed by customers related to mis-selling. In the long term, however, they will result in a better match between products and customers, and thus in higher service quality, a better standard of advice, and greater trust in the financial sector.
Research limitations/implications: The limitations arising from the nature of the study were identified, and directions for further research were proposed.
Practical implications: The implementation of the draft will standardize the customer needs assessment process, which will increase compliance obligations for insurance companies and change the compensation model for insurance distributors.
Social implications: The implementation of the draft will help reduce the incidence of mis-selling in the sale of insurance policies, significantly improving the customer experience and boosting public confidence in the financial market.
Originality/value: To date, no academic study has been conducted comparing the assessment of customer needs and requirements as a tool for preventing mis-selling under the current legal framework with the Polish Financial Supervision Authority's (KNF) proposed recommendation for insurance companies regarding insurance distribution.
Keywords: customer needs assessment, mis-selling, insurance distribution.
Category of the paper: Research paper.

1. Introduction

The obligation to assess customers needs and requirements when concluding an insurance contract was introduced in 2018 by the Act of December 15, 2017, on Insurance Distribution, hereinafter referred to as the "U.D.U." (cons. text, Journal of Laws of 2026, item 12). The main objective of the aforementioned Act was to standardize customer protection regardless of the insurance distribution channel, and in particular to protect customers against so called mis-selling. The term "mis-selling" in insurance distribution refers to the offering of services that are not tailored to the needs and capabilities of customers, such as: financial situation, desired investment duration, customer age, acceptable risk level, and level of knowledge about the financial market. Mis-selling can occur both in the sales process and in marketing activities.

Although the obligation to assess customer needs is a noble idea, it has proven difficult to implement in practice both for insurance distributors (including insurance companies, insurance agents, agents offering supplementary insurance, and insurance brokers) and for customers. Insurance distributors had to establish procedures within their own companies to ensure that their employees and other entities cooperating with them in the course of their business activities would adhere to specific ethical standards of work in order to ensure proper fulfillment of the obligation. Customers, on the other hand, depending on the type of insurance distributor and distribution channel, received information about products of the same type at varying levels of detail, as neither the process nor the scope of information gathered during the needs assessment had been standardized.

In February 2025, a draft recommendation by the Polish Financial Supervision Authority (KNF) for insurance companies regarding insurance distribution, hereinafter referred to as the "draft," was submitted for public consultation. The draft aims to enhance the protection of customers' interests by ensuring uniform and consistent application by insurance companies of legal provisions regarding insurance distribution and by eliminating irregularities identified by the KNF related to the low value of the insurance products offered (KNF, 2025).

The aim of this article is to present the obligation of insurance companies and their cooperating insurance distributors to assess customer needs under the current legal framework, to compare it with the principles set forth in the 2025 draft of the KNF's recommendations for insurance companies regarding insurance distribution, and to evaluate the impact of the proposed recommendations on insurance companies, cooperating insurance distributors, and customers. The article was written using a legal-dogmatic approach.

2. Customer needs assessment at U.D.U.

The obligation of an insurance distributor to assess the customer's needs and requirements prior to concluding an insurance contract is regulated in Article 8(1) U.D.U. It is noted that this is a "new generation" obligation, as it provides the customer with personalized coverage, in contrast to the "previous generation" obligations which were informational in nature, formulated in general terms, and directed at the so called average consumer (Sokoli, 2025). The average consumer model assumes that the consumer is rational, well-informed and attentive (Wiewiórowska-Domagalska, Kunkiel-Kryńska, 2019). In the case of the financial market, characterized by a high degree of product complexity, it is difficult to assume that every consumer will thoroughly analyze an insurance contract proposal and draw rational conclusions from it. Therefore, when formulating new obligations, the legislature is increasingly moving away from the model of the average consumer toward the model of the vulnerable consumer, who is more susceptible to having their economic interests compromised by a professional and, consequently, requires broader legal protection (Mikłaszewicz et al., 2025). It can be assumed that the duty to assess the client's needs protects vulnerable consumers, as it shifts the burden of ensuring their interests from the client to insurance distributors (Szpurko, 2025).

The obligation to assess the client's needs provides a broader scope of protection than the consumer protection mentioned above, as the legislature used the term "client" in Article 8(1) U.D.U. Thus, protection is extended not only to the consumer that is, a natural person entering into an insurance contract with an insurance distributor, the subject of which is not directly related to their business or professional activity, but also to a client that is a company or a sole proprietorship.

Extending protection to all categories of customers and providing individualized protection for each customer represents a significant departure from other regulations. Prior to the introduction of the obligation to assess customer needs, since 2016 there has been only a general regulation protecting consumers purchasing financial services, contained in the Act of February 16, 2007, on Competition and Consumer Protection, hereinafter referred to as the "U.K.K." (cons. text Journal of Laws of 2025, item 1714). Pursuant to Article 24(2)(4) of the U.K.K., a practice infringing upon the collective interests of consumers is deemed to be offering consumers financial services that do not meet the needs of those consumers, as determined based on information available to the business regarding the characteristics of those consumers, or offering such services in a manner inconsistent with their nature.

This means that protection against mis-selling, as defined in this article, applies to consumers not in individual cases of infringement, but only when the infringement concerns the collective interests of consumers such as, for example, a poorly designed needs assessment survey. However, this does not account for situations where a single employee, in order to receive the highest possible bonus, engages in mis-selling with respect to customers purchasing

various insurance products, or with respect to customers who are not consumers, in order to avoid penalties. Given this definition of mis-selling, it was difficult for insurance distributors to establish procedures that would guarantee the identification of individual consumer needs. (Paduszyńska, 2019).

The introduction of the requirement to assess customer needs in U.D.U. was intended to address the aforementioned gap in the protection of individual customers; however, due to its vague wording, the practical implementation of this requirement raised doubts. Beyond the obligation to conduct such an assessment, the legislator merely points to the necessity of providing the client with objective information about insurance products in an understandable form to enable them to make an informed decision. Despite the importance of this obligation, the legislator does not specify the scope of the information to be provided to the client, nor does it outline how such an assessment should be conducted or how the process should be documented. U.D.U. also does not define the concepts of needs and requirements, leaving them open to interpretation by insurance distributors. It is indicated that, with respect to a specific client, a need should be understood as the primary value provided by a specific product, while requirements concern the product's parameters and the manner in which it will be used (Serwach, 2019).

It is worth noting the significant differences between insurance distributors. An insurance company may require its own employees to assess a client's needs according to a specific procedure. However, in the case of insurance agents and brokers, the matter is not so straightforward. In the case of an insurance agent, the insurance company may specify in the agency agreement the procedures for assessing the client's needs that the agent must follow. It should be emphasized, however, that an insurance agent is an independent entrepreneur who, pursuant to Article 760^1 § 1 of the Act of April 23, 1964, Civil Code, must follow the instructions of the principal—in this case, the insurance company—that are reasonable under the circumstances (cons. text, Journal of Laws of 2025, items 1071, 1172, 1508).

Therefore, it is possible that an insurance agent will apply their own procedures for assessing the client's needs, especially in the case of a multi-insurer agent who offers products from at least two insurance companies within the same line of business. In the case of an insurance broker, pursuant to Article 32(1)(4) U.D.U., they have a statutory obligation to conduct a thorough analysis of insurance products available on the market in sufficient numbers to develop a recommendation for the most appropriate policy. However, since an insurance broker acts on behalf of the client, no insurance company may impose a client needs assessment procedure on the broker.

The aforementioned concerns and the irregularities identified in the market prompted the Polish Financial Supervision Authority (KNF) to draft a proposal, which is discussed in more detail below.

3. Customer needs assessment in the draft

In the draft, the supervisory authority proposed a number of measures to address irregularities in the conduct of customer needs assessments; due to the length of this article, we have limited ourselves to discussing the most important ones.

The draft specifies that the insurance company is responsible for the conduct, form, and documentation of the customer needs analysis, referred to as "APK" for short[1]. At the same time, it stipulates that the insurance company is obligated to supervise insurance agents with regard to the performance of the APK[2]. The draft does not address how an insurance broker should conduct the APK.

It was initially established that an insurance company should inform the customer of the consequences of failing to provide information or providing information that is inconsistent with the facts[3]. In the past, the consequences of failing to conduct the APK were debated in legal scholarship. Doubts were raised regarding the practice of insurance distributors presenting customers with standard forms for waiving the APK to sign (Kucharski, 2020). It was pointed out that a customer's refusal to complete the APK should be an exception, not the rule. It was emphasized that such a refusal could pertain both to answering a question regarding a specific circumstance e.g., due to the need to disclose sensitive data and to refusing to complete the entire APK, e.g., due to lack of time (Kucharski, 2020). Furthermore, it was noted that assessing the client's needs and requirements is in the client's best interest, and therefore the client's informed decision not to undergo this assessment, even though it may be disadvantageous to them, is permitted (Orlicki, 2019).

The draft stipulates that the inability to identify a customer's needs prior to entering into a contract for example, due to a refusal to provide information precludes the presentation of a proposal to enter into an insurance contract[4]. The minimum scope of information has also been specified, that an insurance company must obtain as part of the APK. This includes: the circumstances for which the customer wishes to be covered; the expected sum insured; and any specific characteristics or circumstances of the customer, in order to assess whether they limit the insurance company's liability[5]. However, an insurance company may offer an insurance contract only if the customer belongs to the target group, or, if the customer does not belong to that group, only if the APK indicates that the product is suitable for the customer[6]. It can be presumed that, before offering a contract, the insurance company will also obtain from the customer the information necessary to verify whether the customer belongs to the target group for the product in question.

[1] Recommendation 10.
[2] Recommendation 18.
[3] Recommendation 10.1 and 10.2.
[4] Recommendation 10.10.
[5] Recommendation 10.8.
[6] Recommendation 11.1.

At the same time, the draft specifies the procedure to be followed if the APK reveals that none of the insurance products in the portfolio meet the customer's needs, or if several products are suitable for the customer's needs and requirements. In the absence of a suitable insurance product, the insurance company may not offer the customer a contract[7]. This solution is intended to prevent the insurance company from proposing alternative insurance products that are only partially suitable, which, given the authority and professionalism of the insurance company, may lead the customer to believe that since they have received a proposal to enter into a contract, it fully meets their requirements and needs. However, if the insurance company determines that several insurance products are suitable for the customer's needs, it is obligated to present them to the customer, clearly outlining the differences[8].

To avoid the appearance of conducting a risk assessment without actually analyzing the client's needs merely for the purposes of regulatory oversight or potential litigation the draft explicitly lists the circumstances that do not constitute a risk assessment. These include, among others, a customer statement certifying that the insurance company has obtained the information necessary for the APK, the submission of an insurance application, or the fact that an insurance contract has been concluded[9].

The draft does not specify the form in which the APK is to be conducted, but it does establish an obligation to document the conducted APK in a manner that ensures the preservation of the information and data obtained by the insurance company[10]. It is emphasized that the collected documentation is intended to allow the insurance company to reconstruct the process[11]. The retention period for the documentation is also specified until the statute of limitations expires for claims arising from the concluded insurance contract[12].

To ensure that insurance agents and their employees also comply with the proposed recommendations, insurance companies have been required to include provisions in their agency agreements that allow for verification of the insurance agent's compliance with the rules for conducting and documenting APK as recommended by the insurance company[13]. Since not all agents personally perform distribution activities, to ensure that their employees properly fulfill APK related duties, insurance companies have been required to use only those agents who supervise the performance of activities by OFWCAs (natural persons performing agency activities).

The draft does not address the situation where an insurance company distributes products through a multi-agent. Differences may arise in the recommended methodology for conducting APKs among various insurance companies, e.g. regarding the information collected. Therefore,

[7] Recommendation 11.2.
[8] Recommendation 11.4.
[9] Recommendation 10.20.
[10] Recommendation 10.17.
[11] Recommendation 10.19.
[12] Recommendation 10.22.
[13] Recommendation 18.3 and 18.4.

a multi-agent wishing to fulfill the obligations related to conducting APK for the insurance companies it represents will, in extreme cases, have to perform several APKs before proposing specific products to a client. It appears that in such a case, the multi-agent will be required to develop an internal procedure allowing for the conduct of its own preliminary APK to narrow down the number of products, and then conduct separate APKs in accordance with the rules of the selected insurance companies.

4. Conclusions and practical and social implications of the draft's implementation

If the draft were to take effect in its current form, it would help reduce the scale of mis-selling in the conclusion of insurance contracts, thereby significantly improving the customer's situation. The proposed solutions clearly indicate the need for insurance companies to take a proactive approach in identifying the customer's current needs and requirements, preventing the practice of matching the customer to the insurance product rather than the other way around. These changes mean that the APK, which has often been treated as a mere formality, will become a substantive obligation, the failure to fulfill which will be easy to prove. The importance of the APK is underscored by the exhaustive list of circumstances that cannot be considered a proper conduct of the APK, which prevents the mere appearance of fulfilling the obligation.

The most significant change is the prohibition on offering insurance contracts to customers without first conducting a risk assessment based on up to date information and documenting the risk assessment process. This change benefits the customer because, if there is no insurance product suitable for their needs and requirements, they will not receive an ill-fitting product that creates the illusion of coverage. The obligation to update data will also eliminate situations where suitability or unsuitability is based on historical data. This change may also be beneficial for the insurance company, as if a client initiates legal proceedings due to an unsuitable insurance contract, a documented APK can help the insurance company discharge itself from liability by demonstrating the data on which it based its decision to offer the product.

The draft's prohibition on offering insurance contracts that do not meet the customer's requirements and needs should be expanded to include a mandatory requirement to inform the customer of the reasons for refusing to offer a contract, in order to minimize the risk of an insurance gap. This could allow some customers to verify the feasibility of the requirements they set for an insurance product such as those involving a very high sum insured with a disproportionately low premium and, as a result, to align their expectations with market realities.

It is advisable to specify the minimum scope of information that an insurance company is required to determine as part of the APK. Standardizing the scope of information collected under the APK to this minimum extent appears to be a reasonable compromise between the need to obtain necessary information and the burden of the obligation on the customer. For simple, standard insurance products, this minimum scope of information helps prevent mis-selling without overburdening the customer with paperwork. However, for more complex products, the insurance company may freely expand the list of questions within the scope of the APK.

From the perspective of insurance companies and other insurance distributors, formalizing the APK procedure will impose new obligations and create new risks. The draft stipulates that the insurance company is responsible for the conduct, form, and documentation of the APK, and obligates it to supervise agents in this regard; however, it does not specify which entity bears responsibility for the mismatch between the insurance product and the client's needs and requirements due to an incorrectly conducted APK. Resolving this issue is particularly important in the case of multi-agent insurance brokers, who, by the nature of their business, will use different APK procedures.

It is difficult to predict the scale of refusals to present a contract proposal due to the lack of an insurance product in the portfolio that meets the client's needs and requirements. It appears that if this phenomenon becomes widespread, the new rules governing the conduct of the APK may lead to changes in the remuneration policies for insurance distributors to account for the completion of a needs and requirements assessment that does not result in an offer being presented. It may also create a temptation to formulate APK questions in such a way that the insurance product is suitable for as many customers as possible.

5. Summary

The concept of a personalized assessment of a client's needs and requirements is highly significant and necessary in light of the decline in trust in the financial market in recent years. The draft fills gaps in the law by addressing issues that are controversial in legal doctrine, although it does not resolve all uncertainties. For instance, the draft does not address the consequences of an erroneous APK on the validity of an insurance contract, does not separately regulate automated APK, nor does it account for a client's deliberate waiver of APK. It must be acknowledged, however, that the proposed standardization of APK rules, as well as making its superficial implementation more difficult, enhances client protection against mis-selling. It is important to exercise caution here so as not to cross the line between ensuring customer safety through the use of standard APK procedures and the possibility of their individual adaptation, as excessive formalization may lead to the creation of an insurance gap.

From the perspective of insurance companies, the implementation of the bill will lead to higher compliance costs due to the standardization and formalization of APK processes, and will also change the compensation model for insurance distributors working with them. It will also generate new risks related to liability for improperly conducted APK, which in the short term may increase the number of administrative sanctions imposed on insurance companies and civil disputes with customers regarding mis-selling. In the long term, however, these changes will result in better product customer matching, and thus higher service quality, improved advisory standards, and greater trust in the financial sector.

From the perspective of insurance distributors working with insurance companies, the most significant changes will affect multi-agency insurance brokers. To reliably fulfill their APK obligations toward all the insurance companies they represent, they will need to develop internal procedures allowing them to conduct their own preliminary APK to narrow down the number of products, and then conduct separate APKs in accordance with the rules of the selected insurance companies. This may result in a longer APK process, thereby discouraging clients from using their services, as well as a higher number of errors leading to the multi-agent's civil liability. For insurance agents, the greatest risk will be the shift from a quantity based to a quality based compensation model, as well as insurance company recourse claims arising from mis-selling. The smallest changes will affect insurance brokers, who, under the current legal framework, are required to conduct an in depth analysis of the client's needs and requirements to prepare a brokerage proposal. Therefore, the entry into force of the draft legislation will not result in significant changes to their operations.

With regard to customers' situations, the implementation of the project will reduce the risk of mis-selling and improve the alignment of products with customers' needs. Thanks to the standardized APK documentation process, customers will have a stronger legal position in the event of a dispute with an insurance company. At the same time, excessive formalization may cause frustration among some customers and lead them to opt out of purchasing voluntary insurance policies. In the short term, changes to the APK process may lead to higher prices for insurance products, which could widen the insurance gap. In the long term, however, this is likely to result in the elimination from the market of insurance products that do not meet customer needs and their replacement with new, more appropriate products. The concept of an in depth APK can also be viewed positively from the perspective of increasing customers' financial literacy, as they can verify their own insurance requirements and needs by analyzing the questions.

Since the draft recommendation is still in the consultation phase with market participants, changes to its content cannot be ruled out. It is also worth noting that recommendations are acts of so called "soft law," also referred to as "soft law with hard effects" (Maśniak, 2015). They are applied in accordance with the "comply or explain" principle, which means that if an insurance company does not intend to comply with the recommendations, it must inform KNF of this fact, indicating how it intends to achieve the objectives for which the KNF issued

the recommendations. This means that insurance companies may apply their own legal solutions to achieve the objectives of the recommendations. In light of the above, it should be proposed that, in view of the doubts raised, the legislature clarify Article 8 U.D.U., which should serve as a starting point for further analysis.

References

1. Act of April 23, 1964, Civil Code (consolidated text, Journal of Laws of 2025, items 1071, 1172, 1508).
2. Act of December 15, 2017, on Insurance Distribution (consolidated text, Journal of Laws of 2026, item 12).
3. Act of February 16, 2007, on Competition and Consumer Protection (consolidated text Journal of Laws of 2025, item 1714).
4. KNF (2025). *Projekt rekomendacji KNF dla zakładów ubezpieczeń dotyczący dystrybucji ubezpieczeń.* Warszawa.
5. Kucharski, B. (2020). O rezygnacji z analizy wymagań i potrzeb klienta w dystrybucji ubezpieczeń. *Prawo Asekuracyjne*, *nr 2(103)*, pp. 25-26, 32-33.
6. Maśniak, D. (2015). Rekomendacje i wytyczne KNF – dialog nadzorowany, czyli „miękkie prawo" z twardym skutkiem. *Prawo Asekuracyjne, nr 2(83)*, p. 3.
7. Mikłaszewicz, P., Dybiński, J., Jakubowski, A., Orzeł-Jakubowska, A. (2025). In: W. Borysiak (eds.), *Kodeks cywilny. Komentarz*, *wyd. 34, art. 221*. Retrieved from: https://sip-1legalis-1pl-100000dg801ba.han.wsb.poznan.pl/document-full.seam?documentId=mjxw62zogi3danjqg4zdoojoobqxalrxha4toobzgi4a&refSource=guide&legalActDocumentId=mfrxilrsgm4tanjoobqxalrrga3doojtgyzc45tfoixdembtga3a, 18.01.2026.
8. Orlicki, M. (2019). Analiza potrzeb klienta – rzeczywista czy pozorna? *Prawo Asekuracyjne, nr 2(99)*, p. 33.
9. Paduszyńska, M. (2019). Misselling jako nadużywanie zaufania klienta na rynku finansowym, *Annales. Ethics in Economic Life, Vol. 22, No. 3*, p. 50.
10. Serwach, M. (2019). Ustawowy obowiązek oceny potrzeb i wymagań klienta w ubezpieczeniach odpowiedzialności cywilnej. *Prawo Asekuracyjne, nr 2(99)*, p. 38.
11. Sokoli, E. (2025). Obowiązki eksploracyjno-doradcze – drugi poziom ochrony konsumenta. In: K. Południak-Gierz, P. Tereszkiewicz (eds.), *Umowa ubezpieczenia. Nowe technologie i prawo konsumenckie*, *rozdz. II § 2 pkt I*. Retrieved from: https://sip-1legalis-1pl-100000dg801ba.han.wsb.poznan.pl/document-full.seam?documentId=mjxw62zogi3danbzgu3domrogeyc4mroge&refSource=tocbook, 18.01.2026.

12. Szpurko, N. (2025). Postawy agentów i OFWCA wobec obowiązku przeprowadzania analizy potrzeb i wymagań klienta – badanie jakościowe. *Prawo Asekuracyjne, nr 2(123)*, p. 114.
13. Wiewiórowska-Domagalska, A., Kunkiel-Kryńska, A. (2019). In: K. Osajda (eds.), *Ustawa o przeciwdziałaniu nieuczciwym praktykom rynkowym*, *wyd. 1, art. 2*. Retrieved from: https://sip-1legalis-1pl-100000d1f0d81.han.wsb.poznan.pl/documentfull.seam?documentId=mjxw62zogi3damrsgyydgnboobqxalruga2dsnbsha3q&refSource=toc#srodtyt9, 15.01.2026.