

---

CHAMBERS GLOBAL PRACTICE GUIDES

---

# Insurance & Reinsurance 2026

---

Definitive global law guides offering  
comparative analysis from top-ranked lawyers

## **Liechtenstein: Law and Practice & Trends and Developments**

Alexander Ospelt, Lukas-Florian Gilhofer,  
Vivianne Auer and Laura Bayer  
Ospelt & Partner Attorneys at Law Ltd



# LIECHTENSTEIN



## Law and Practice

### Contributed by:

Alexander Ospelt, Lukas-Florian Gilhofer, Vivianne Auer and Laura Bayer  
**Ospelt & Partner Attorneys at Law Ltd**

## Contents

### 1. Basis of Insurance and Reinsurance Law p.4

1.1 Sources of Insurance and Reinsurance Law p.4

### 2. Regulation of Insurance and Reinsurance p.4

2.1 Insurance and Reinsurance Regulatory Bodies and Legislative Guidance p.4

2.2 Writing of Insurance and Reinsurance p.5

2.3 Taxation of Premium p.6

### 3. Overseas Firms Doing Business in the Jurisdiction p.6

3.1 Overseas-Based Insurers or Reinsurers p.6

3.2 Fronting p.7

### 4. Transaction Activity p.7

4.1 M&A Activities Relating to Insurance Companies p.7

### 5. Distribution p.7

5.1 Distribution of Insurance and Reinsurance Products p.7

### 6. Making an Insurance Contract p.7

6.1 Obligations of the Insured and Insurer p.7

6.2 Failure to Comply With Obligations of an Insurance Contract p.8

6.3 Intermediary Involvement in an Insurance Contract p.8

6.4 Legal Requirements and Distinguishing Features of an Insurance Contract p.8

6.5 Multiple Insured or Potential Beneficiaries p.9

6.6 Consumer Contracts or Reinsurance Contracts p.9

### 7. Alternative Risk Transfer (ART) p.9

7.1 ART Transactions p.9

7.2 Foreign ART Transactions p.10

### 8. Interpreting an Insurance Contract p.10

8.1 Interpretation of Insurance Contracts and Use of Extraneous Evidence p.10

8.2 Warranties p.10

8.3 Conditions Precedent p.10

### 9. Insurance Disputes p.11

9.1 Insurance Disputes Over Coverage p.11

9.2 Insurance Disputes Over Jurisdiction and Choice of Law p.11

9.3 Litigation Process p.11

9.4 Enforcement of Judgments p.11

9.5 Enforcement of Arbitration Clauses p.12

9.6 Enforcement of Awards p.12

9.7 Alternative Dispute Resolution p.12

9.8 Penalties for Late Payment of Claims p.12

9.9 Insurers' Rights of Subrogation p.12

### 10. Insurtech p.13

10.1 Insurtech Developments p.13

10.2 Regulatory Response p.13

### 11. Emerging Risks and New Products p.13

11.1 Emerging Risks Affecting the Insurance Market p.13

11.2 New Products or Alternative Solutions p.13

### 12. Developments in Insurance Law p.14

12.1 Significant Legislative or Regulatory Developments p.14

**Ospelt & Partner Attorneys at Law Ltd** is a full-service law firm established in 1997 that advises clients in the following areas: corporate law/foundation and trust law, litigation and arbitration, business and commercial law, commercial contract law/M&A, business criminal law, banking and capital markets/insurance law, employment law, IP/IT law, and gambling and casino law. The firm's eleven-strong team includes three partners, has extensive experience represent-

ing ultra-high net worth individuals and serves both international and national clients. It has firm roots in Liechtenstein, where it provides dedicated services to local and international clients and companies. Jointly with its affiliated trustee and corporate services provider Legacon Treuhand Anstalt, Ospelt & Partner Attorneys at Law employs high levels of expertise to support its clients.

## Authors



**Alexander Ospelt** has been the owner and board member of Legacon Trust Establishment and Ospelt & Partner Attorneys at Law in Schaan, Liechtenstein, since 1997. Before that, he worked at Liechtenstein's

Permanent Representation to the UN in New York and practised at the Princely Court of Justice. He holds a law degree from St. Gallen University and a doctorate in Law. Dr Ospelt has authored publications on European law and led cases before the EFTA Court. He has held leadership positions in various associations and companies, including as Honorary Consul of Belgium since 2017.



**Lukas-Florian Gilhofer** completed his legal studies in Tyrol (Austria) and Copenhagen, focusing on both law and economics. He joined Ospelt & Partner Attorneys at Law in 2025, where he consolidated the firm's M&A

practice. Prior to this, Lukas-Florian worked at one of Liechtenstein's largest law firms. Before relocating to Liechtenstein in 2021, he gained significant experience at renowned business law firms in Vienna, Tyrol and Salzburg, and continues to advise clients on matters with an Austrian nexus. Lukas-Florian also serves as a public notary in the Principality of Liechtenstein. He regularly publishes scholarly articles in national and international journals and lectures at various universities.



**Vivianne Auer** Vivianne Auer joined Ospelt & Partner Attorneys at Law in 2022 and advises clients as an attorney working with the firm's M&A and insurance and reinsurance practice. She has extensive

experience supporting insurance and reinsurance clients on regulatory, corporate and M&A matters, and regularly works on major cross-border transactions. Over the years, she has acquired in-depth insight into the Liechtenstein market and its specific regulatory and transactional requirements. Before joining the firm, Vivianne gained significant legal experience in Austria and abroad, including a semester at the Australian National University, an internship at an international law firm in Barcelona, and subsequent work at a Viennese commercial law firm.



**Laura Bayer** completed her legal studies in Austria, gaining extensive experience at renowned Austrian and Swiss law firms. Her practice focuses on corporate law, insurance and reinsurance law, civil law, criminal law,

and public and administrative law, particularly construction, planning, and environmental matters. In 2025, she joined Ospelt & Partner Attorneys at Law as a legal associate. Before this, she worked across a wide range of legal areas, with a strong emphasis on real estate, business, and public law. During her studies, she served as a legal assistant at a leading law firm in Vienna. Laura completed her judicial clerkship in the district of the Vienna Higher Regional Court.

## Ospelt & Partner Attorneys at Law Ltd

Landstrasse 99  
P.O. Box 532  
9494 Schaan  
Principality of Liechtenstein

Tel: +423 236 1919  
Fax: +423 236 19 15  
Email: [info@ospelt-law.li](mailto:info@ospelt-law.li)  
Web: [www.ospelt-law.li](http://www.ospelt-law.li)

**OSPELT & PARTNER**  
RECHTSANWÄLTE AG / ATTORNEYS AT LAW LTD.

## 1. Basis of Insurance and Reinsurance Law

### 1.1 Sources of Insurance and Reinsurance Law

The Principality of Liechtenstein is a civil law country. Due to its geographical location in the heart of Europe and its particularly small size, the principality's legal system is widely influenced by its neighbouring countries, Switzerland and EU member state Austria, and particularly the latter in the area of insurance law. Austrian and European case law therefore play a significant role in insurance law in Liechtenstein. The main sources of insurance and reinsurance law in the Principality are as follows.

- National statutory provisions
- The Insurance Supervision Act (VersAG) and its corresponding supplemental Insurance Supervision Ordinance (VersAV) govern the legal framework for supervisory activities by state authorities.
- The Insurance Contract Act (VersVG) sets out the legal framework for the conclusion of insurance contracts.
- The Civil Code (ABGB) establishes the general civil law framework that covers insurance and reinsurance contracts.
- The Insurance Distribution Act (VersVertG) and its corresponding supplemental Insurance Distribution Ordinance (VersVertV) determine the legal framework for the distribution of insurance and reinsurance products.
- The International Insurance Contract Law Act (iVersVG) sets out which law applies to cross-border insurance contracts. International provisions

- *The agreement between the Principality of Liechtenstein and Switzerland on direct insurance and insurance intermediation* – this mutually recognises the supervision system and introduces a passporting/notification process comparable to the system within the EEA. As a result, Liechtenstein offers the unique opportunity to insurers and insurance intermediaries to provide cross-border services to the EEA and to Switzerland without the need to obtain additional licences.
- *EU directives and regulations* – the Principality of Liechtenstein is not an EU member but is part of the European Economic Area (EEA), together with Iceland and Norway. This means that EU directives and regulations do not apply to Liechtenstein directly. Instead, they follow a special process of incorporation and implementation. However, due to its EEA membership, directives and regulations are an important source of insurance law in Liechtenstein.

## 2. Regulation of Insurance and Reinsurance

### 2.1 Insurance and Reinsurance Regulatory Bodies and Legislative Guidance

The Insurance Supervision Act (VersAG), with its corresponding Insurance Supervision Ordinance (VersAV) and the Financial Market Supervision Act (FMAG), make up the core statutory provisions for supervisory activities in Liechtenstein.

The VersAG regulates direct insurance and reinsurers, as well as non-life and life insurers, with the conse-

quence that the same rules apply. However, there are special provisions for certain types of insurers. Special provisions apply to the consolidated supervision of insurance groups and insurance conglomerates (Article 194 et seq of the VersAG). Consolidated group supervision applies in addition to individual supervision by the Liechtenstein Financial Market Authority (*Finanzmarktaufsicht Liechtenstein*, FMA) of Liechtenstein insurers (or other regulated Liechtenstein entities).

(Re-)insurers as well as insurance intermediaries must be licensed by the FMA before they can conduct insurance business. The FMA supervises all activities of Liechtenstein (re-)insurance and insurance intermediaries and, in this context, also ensures proper supervision of the cross-border activities of Liechtenstein (re-)insurance intermediaries in the EEA and Switzerland. The FMA carries out its activities on the basis of the FMAG and the VersAG.

The FMA ensures the stability of the Liechtenstein financial market, the protection of clients, the prevention of abuse, and the implementation of and compliance with recognised international standards. For this reason, it takes a strict approach to ensure that insurers comply with the applicable laws and supervisory rules. In principle, however, and based on to our experience, the FMA cooperates with the regulated companies.

The international cooperation of the FMA is naturally strongly influenced by Liechtenstein's membership in the EEA, and Liechtenstein is also closely involved in the European supervisory structure. The FMA has observer status in all three European financial supervisory authorities: the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), and the European Securities and Markets Authority (ESMA). The FMA is also a member of the most important global supervisory bodies. These include the International Organisation of Securities Commissions (IOSCO), the International Association of Insurance Supervisors (IAIS), and the International Organisation of Occupational Pensions Supervisors (IOPS).

## 2.2 Writing of Insurance and Reinsurance

In principle, the insurer and reinsurer, within the scope of application of the VersAG, must obtain an insurance licence from the FMA before engaging in any regulated activities regardless of the policyholder's objective – ie, writing insurance and/or reinsurance business (Article 11 paragraph 1 of the VersAG). The main licence requirements are set out in Articles 12 and 13 of the VersAG. The VersAG differentiates between direct insurance activities and reinsurance activities. Excess layer insurance is not a further category of insurance activities under the VersAG.

According to Articles 12 and 13 of the VersAG, the main criteria for obtaining a (re-)insurance licence are the complete transmission of a licence application and a business plan.

The following list provides an overview of essential declarations and documents that must be included in the licence application.

- The statutes of the company. The company must be established in the legal form of a public limited company, a European company (SE), a cooperative or a European cooperative society (SCE) (Article 14 paragraph 1 of the VersAG)). Only registered shares are permitted for public limited companies.
- The organisation and local scope of activity of the company and, if applicable, the group or financial conglomerates to which the company belongs.
- The opening financial statements of the most recent three business years of the shareholders and, if applicable, a consolidated report.
- Evidence that eligible basic own funds are available to cover the absolute floor of the Minimum Capital Requirement; pursuant to Article 51 paragraph 2 of the VersAG, the Minimum Capital Requirement must not fall below the following amounts:
  - EUR2.5 million or the equivalent in Swiss francs for non-life insurance companies, including captive insurance companies;
  - EUR3.7 million or the equivalent in Swiss francs for non-life insurance companies, including captive insurance companies, if all or several of the risks listed in one of classes ten to 15 in Annex 1, letter A, are to be covered;

- EUR3.7 million or the equivalent in Swiss francs for life insurance companies, including captive direct insurance companies; and
- EUR3.6 million or the equivalent in Swiss francs for reinsurers, with the exception of captive reinsurers, for which a minimum capital requirement of at least EUR1.2 million or the equivalent in Swiss francs applies. Evidence that the company will be able to hold eligible own funds to cover the Solvency Capital Requirement.
- Evidence that the company will be able to hold eligible basic own funds to cover the Minimum Capital Requirement.
- The identity and amount of investment of the shareholder(s), whether direct or indirect, whether natural or legal persons who have qualifying holdings in that undertaking or who can influence the company by other means, such as strong linkages.

Article 3 of the VersAG provides relief in terms of certain requirements to operate a so-called “small” insurer, and the extent to which the VersAG applies to small insurers is governed by Article 4.

## 2.3 Taxation of Premium

The Swiss Federal Stamp Duty Act also applies in Liechtenstein. As a result, stamp duty on premium payments (insurance premium tax (IPT)) is levied on insurance policies that are part of the domestic portfolio of a domestic (Liechtenstein or Swiss) insurer or that a domestic policyholder has taken out with a foreign insurer that is not subject to supervision in Switzerland or Liechtenstein. IPT is payable either by the domestic insurer or, if there is no domestic insurer involved, by the domestic policyholder, who will then have to declare and pay the stamp duty. The IPT amounts to 5% on the cash premium (2.5% on the cash premium for life insurance), and the levy claim arises with payment of the premium.

Premium payments for certain personal insurance policies, such as life insurance policies with periodic premium payments, as well as for certain health, accident, disability and unemployment insurance policies, are exempt from the levy.

Reinsurance is tax exempt. Reinsurance premium payments therefore do not attract IPT.

Liechtenstein, aligned with Swiss VAT rules, treats insurance services as VAT-exempt. The IPT thus functions as the primary indirect tax on insurance activity.

Overall, the regime distinguishes clearly between direct insurance, subject to IPT unless exempt, and reinsurance, which remains outside the scope of premium taxation.

## 3. Overseas Firms Doing Business in the Jurisdiction

### 3.1 Overseas-Based Insurers or Reinsurers

The domestic activities (in Liechtenstein) of foreign insurers are explicitly regulated by the Insurance Supervision Act (Article 112 et seq of the VersAG) and are therefore also subject to regulatory requirements and supervision.

Direct insurers domiciled in another EEA Member State may establish a branch in the Principality of Liechtenstein according to the passporting/notification system within the EEA. Third-country insurers require a licence under the VersAG in order to take up insurance activities in Liechtenstein.

Third-country insurers must obtain a permit in accordance with the VersAG to commence insurance activities in Liechtenstein. A third-country insurer may only be granted a licence to take up insurance activities in Liechtenstein if it meets the requirements set forth in Article 117 of the VersAG.

Liechtenstein and Switzerland mutually recognise the supervision system and introduced a passporting/notification system comparable with the system within the EEA. As a result, Liechtenstein offers the unique opportunity to insurance companies and insurance intermediaries to provide cross-border services to the EEA and Switzerland without having to obtain additional licences. The mutual recognition does not cover (pure) reinsurance, as this business is, in any case, exempt from authorisation requirements between the two jurisdictions.

Foreign-incorporated insurers that carry out reinsurance business only in Switzerland are not subject to Swiss regulation. Consequently, Liechtenstein reinsurers may operate in Switzerland without authorisation. The same applies for reinsurance business from Switzerland to Liechtenstein: insurers that only carry out reinsurance business in Liechtenstein are exempt from supervision there, provided that they are subject to equivalent supervision in their home country.

Operating an insurance or insurance intermediary activity without a licence constitutes a misdemeanour under Article 257 of the VersAG and Article 82 of the VersVertG. Anyone who conducts insurance business in Liechtenstein without the appropriate permission of the FMA may be punished by the District Court with imprisonment or a fine. The FMA is entitled to publish information on the application of the final penalty.

### 3.2 Fronting

“Fronting” refers to an arrangement where a licensed, admitted insurer issues (underwrites) an insurance policy in its own name but immediately cedes the entire risk (or most of it) to another insurer or captive/reinsurer. The fronting insurer must be licensed and authorised in the jurisdiction where the policy is issued. If the ultimate risk-bearer (reinsurer/captive) is not licensed locally, the arrangement relies on the fronting insurer’s licence – which then brings the usual obligations (solvency, reporting, governance) under, for example, supervisory law in Liechtenstein. As long as these obligations are met, fronting is feasible.

## 4. Transaction Activity

### 4.1 M&A Activities Relating to Insurance Companies

Given with the size of the country, transaction activity has been noticeably high recently. Several insurance groups have restructured, consolidated and realigned their group operations. Further, several private equity investors have been active buyers of insurers and reinsurers, including, in particular, businesses in run-off (and these buyers have become increasingly accepted by FMA as qualified or controlling investors in insurers).

## 5. Distribution

### 5.1 Distribution of Insurance and Reinsurance Products

Anyone who takes up or pursues the distribution of insurance and reinsurance products in Liechtenstein or from Liechtenstein is subject to licensing requirements under the Insurance Distribution Act (VersVertG). The VersVertG covers the activities of insurance brokers – who act in the interests of the customer and are not tied to a specific insurer – and agents – who act on behalf of or are bound to one or more insurers – as well as the direct distribution of insurance products by insurer. Brokers may not conduct business for insurers that are not licensed to conduct business in Liechtenstein. The requirements for approval of distribution activities are regulated in Article 6 et seq of the VersVertG.

Activity as a tip provider – where the provider simply gives information to the insurer with regard to potential clients and vice versa but does not otherwise interfere with or facilitate the conclusion of the contract – is not licensable under the VersVertG.

Exemptions from licensing requirements are available for intermediaries that distribute products as an ancillary activity, if certain conditions (such as the complementary nature of the insurance with the services provided by the firm and a maximum premium for the insurance product) are met.

## 6. Making an Insurance Contract

### 6.1 Obligations of the Insured and Insurer

Annex 4 of the VersAG sets forth a detailed catalogue of information that insurers are required to disclose to the policyholder prior to the conclusion of the insurance contract and throughout the duration of the contractual relationship. This information must be provided irrespective of whether the policyholder qualifies as a consumer or otherwise. The information is either included in the application form issued by the insurer or given to the applicant before the application form is submitted. The applicant has the opportunity to review and study all general terms and conditions before making a commitment. If these information

requirements are not met, the policyholder is not bound by the application and can cancel the contract within four weeks of receiving the insurance policy and information on the right of cancellation.

In return, the applicant must inform the insurer in writing, by means of a questionnaire or other written request, of all facts relevant to the assessment of the risk insofar as they are known or become known to them at the time of the conclusion of the contract. The insured party must not intentionally or negligently conceal material facts about the risk (breach of the duty of disclosure) when concluding the contract. If it does so, the insurance company may demand adjustment of the contract or cancel it within four weeks of discovery of the breach. If the insured event has already occurred, the liability does not apply if the event is attributable to the concealed or misrepresented risk.

## 6.2 Failure to Comply With Obligations of an Insurance Contract

The insurance company has a duty to provide information in accordance with Article 3 of the Insurance Contract Act (VersVG). The general and special insurance conditions and the necessary information must either be included in the insurance contract or made available to the applicant in another way before the insurance application is submitted. Article 3 paragraph 2 of the VersVG provides that, if this requirement is not met, the applicant is not bound by the application. After conclusion of the contract, the policyholder may withdraw from the contract if the duty to provide information has been violated. The right of withdrawal expires at the latest four weeks after receipt of the policy, with information on the right of withdrawal included. Article 65 of the VersVG provides a second right of withdrawal in the life insurance sector. To fulfil its legal obligation, the insurer is required to carry out notification on both rights of withdrawal.

In return, the applicant must inform the insurer in writing, by means of a questionnaire or other written request, of all facts relevant to the assessment of the risk insofar as they are known or become known to them at the time of the conclusion of the contract. According to Article 6 to 8 of VersVG, the insured party must not intentionally or negligently conceal material facts about the risk (breach of the duty of disclosure)

when concluding the contract. If it does so, the insurance company may demand adjustment of the contract or cancel it within four weeks of discovery of the breach. If the insured event has already occurred, the liability does not apply if the event is attributable to the concealed or misrepresented risk.

## 6.3 Intermediary Involvement in an Insurance Contract

Insurance intermediaries are subject to supervision by the FMA and require its approval before engaging in insurance distribution. They must conduct business according to the provisions of the Insurance Distribution Act (VersVertG). Insurance intermediaries are required to provide their customers with the information set forth in Article 37 (2) of the VersVertG.

Intermediaries must disclose to the customer whether they work exclusively for certain insurers (only selling their products), which would make them agents, or whether they conduct a “balanced and personal investigation” of the market as an independent intermediary, making them brokers.

## 6.4 Legal Requirements and Distinguishing Features of an Insurance Contract

An insurance contract is a legally binding continuing obligation contract between the insurer and the policyholder in which the insurer undertakes to provide financial protection against various risks (the risk of an uncertain event occurring) in return for the payment of premiums. Accordingly, the essential feature of an insurance contract from a civil and regulatory perspective is the assumption of a risk by the insurer.

The insurance contract typically outlines the terms and conditions of the insurance coverage, including its scope, duration and the amount of the premiums. The insurer is obliged to provide the policyholder with a contract document (the policy or, in the case of a contract amendment, an addendum), which sets out the rights and obligations of the parties. It must also provide the policyholder, at their request, with a copy of the declarations contained in the application documents or otherwise made by the applicant and on the basis of which the insurance contract was concluded.

## 6.5 Multiple Insured or Potential Beneficiaries

An insurance contract can contain multiple insured parties or beneficiaries. A collective insurance contract is generally described as a legally uniform contract that insures several persons or several independent objects. It might be an indication of the existence of a collective insurance contract if, for example, the insured party is different from the policyholder.

Liechtenstein's Insurance Contract Act (VersVG) explicitly allows a policyholder to designate another person/third party as a beneficiary. The third-party beneficiary can be entitled to the entire insurance benefit, or just a portion of it. This means that parties who are not themselves the insured parties (eg, tenants, subcontractors, or mortgagees) can be designated as beneficiaries if named by the policyholder. Under Liechtenstein law, when an insurance contract is concluded for the benefit of a third party:

- the beneficiary can be designated without the insurer's consent;
- upon occurrence of the insured event, the beneficiary acquires an independent right against the insurer (not just a mediated claim through the policyholder); and
- the policyholder usually retains the right to revoke or change the beneficiary unless an irrevocable designation is expressly agreed.

## 6.6 Consumer Contracts or Reinsurance Contracts

Under Liechtenstein law, there is a clear distinction between direct insurance contracts for consumers and reinsurance contracts, which are executed with reinsurers. Consumer insurance contracts are governed by VersVG and include specific protections such as disclosure obligations, information duties, and possible withdrawal rights. Consumer policies are covered by the Consumer Protection Act (*Konsumentenschutzgesetz*, KSchG) which grants different rights for the policyholders, such as various rights of withdrawal from an insurance contract.

For example, Article 4 of the KSchG entitles consumers to withdraw within 14 days after the contract has been concluded. Article 5 of the KSchG allows consumers to withdraw in the event of misapprehension.

The KschG also sets down a list of contract components considered to be unfair, and which are inadmissible for policyholders. Concerning clauses in pre-formulated terms and conditions, Sections 864a and 879 (3) of the ABGB must be observed. The use of unfair terms in pre-formulated terms and conditions of consumer contracts is dealt with in Article 8 of the Act against Unfair Competition (*Gesetz gegen den unlauteren Wettbewerb*, UWG) and Article 8 of the KSchG.

In contrast, reinsurance contracts, which involve an insurer transferring risk to a reinsurer, are not subject to the VersVG; instead, they are governed primarily by general contract law and regulatory rules. Consequently, the consumer protection provisions that apply to standard insurance contracts do not apply to reinsurance agreements, which are typically negotiated between professional entities and allow for greater contractual flexibility.

## 7. Alternative Risk Transfer (ART)

### 7.1 ART Transactions

Alternative Risk Transfer (ART) primarily encompasses the transfer of insurance risks to capital market investors through securitisation, including, for example, the issuance of insurance-linked securities (ILS) such as catastrophe bonds (cat bonds) or industry loss warranties (ILWs). ART transactions are generally permitted in Liechtenstein.

ART transactions can constitute either reinsurance or direct insurance, depending entirely on who assumes the risk and how the parties structure the transaction. There is no single classification that applies to all ART structures. They are subject to Liechtenstein's insurance supervisory regime.

To transfer risk, the insurer or reinsurer and a special purpose vehicle (SPV) generally enter into an agreement established specifically for this purpose. The insurer or reinsurer transfers its risk to the SPV and the SPV undertakes to pay an agreed amount upon the occurrence of a specified trigger. The SPV then issues bonds in the capital market, the term, interest, and repayment of which are linked to the occurrence of that trigger.

## 7.2 Foreign ART Transactions

Liechtenstein does not automatically classify an ART contract written abroad as “reinsurance” simply because the issuing jurisdiction calls it such. The decisive question for Liechtenstein regulatory and solvency purposes is: does the arrangement, in substance, transfer insurance risk from a (re)insurer?

- if the answer is yes, Liechtenstein treats the ART contract as reinsurance for supervisory, accounting, and solvency purposes.
- if no, the ART contract is not treated as reinsurance and is instead classified under the appropriate regulatory regime (financial instrument, derivative, securitisation, investment product, etc).

The place of domicile or the qualification of the counterparty as a (regulated) reinsurer abroad is not decisive.

## 8. Interpreting an Insurance Contract

### 8.1 Interpretation of Insurance Contracts and Use of Extraneous Evidence

Under Liechtenstein law, the general principles governing the interpretation of contracts apply equally to insurance contracts. No distinction is drawn between the interpretation of consumer contracts and that of commercial contracts. As a primary rule, the common intention of the parties at the time of contract formation prevails insofar as such intention can be established. Where no actual concurrence of intention can be determined, the contract or the relevant provision must be interpreted according to its ordinary meaning, having regard to the purpose of the agreement.

However, interpretation is not confined to the literal wording where this would fail to reflect the parties’ true intentions. The contract may be construed *contra verba* where necessary to give effect to the parties’ actual intent, ascertained within the recognised framework of contractual interpretation. Where a clear meaning nevertheless cannot be derived, the declaration of intent must be interpreted in accordance with the principles of good faith and honest commercial practice (supplementary interpretation).

Pursuant to Section 914 of the ABGB, contractual gaps in an otherwise validly concluded agreement may be filled by the courts, provided such gaps were left by the parties, typically unintentionally. The courts assess how the parties would reasonably have regulated the matter had they been aware of the omission, taking into account customary practice and the presumed intention of the parties. Supplementary interpretation under Section 914 of the ABGB does not, however, extend to the *essentialia negotii* of the contract. Where ambiguities persist, Section 915 ABGB provides that unclear provisions are to be interpreted to the detriment of the party who formulated them – in practice generally the insurer.

### 8.2 Warranties

Liechtenstein law does not recognise “warranties” as a distinct category of insurance term in the common law sense (ie, strict conditions precedent whose breach automatically discharges the insurer from liability). Therefore, a clause is not treated as a “warranty” simply because it is labelled as such, and there is no special statutory definition of “warranty” in insurance contracts.

Any clause that imposes a duty on the policyholder – such as risk-increasing restrictions, obligations to notify, safety obligations, or pre-contractual disclosure duties – is interpreted using the general principles of contract interpretation under the ABGB, in particular Sections 914 et seq of the ABGB.

Warranties are generally treated like other contractual clauses, but ambiguities are typically construed against the party drafting them, similar to the “*contra proferentem*” principle. If a warranty is breached – eg, the insurer fails to provide the promised additional coverage – the insured party can assert rights under the contract, potentially including claims for performance or damages.

### 8.3 Conditions Precedent

In Liechtenstein, parties to an insurance contract may agree that the liability of the insurer is subject to the condition that the policyholder has complied with certain specific obligations – ie, obligations or circumstances that must be fulfilled before the insurer’s liability arises. Typical examples include timely

risk notification, compliance with safety measures, or payment of the premium. Conditions precedent in an insurance contract do not require explicit designation as such, but they must be clearly and unambiguously drafted.

If a condition precedent is breached, the insurer generally may deny coverage to the extent that the condition was essential for the occurrence of the insurer's obligation. Minor or ambiguous breaches are often interpreted in favour of the insured party, particularly in consumer insurance contracts. Clear drafting and proper documentation of compliance are therefore critical to ensure enforceability and avoid disputes.

## 9. Insurance Disputes

### 9.1 Insurance Disputes Over Coverage

In Liechtenstein, disputes over insurance coverage are primarily governed by the Insurance Contract Act (VersVG). It sets out the rights and obligations between insurers and policyholders. If no mutual agreement can be reached, coverage disputes are generally resolved before the ordinary civil courts.

According to Article 38 of the VersVG, claims arising from an insurance contract expire five years after the insurer's obligation to pay arises (eg, occurrence of the insured event). This five-year period applies to contractual performance claims, such as claims for insurance benefits. Consumer contracts involve individual policyholders and are subject to specific protective rules under the VersVG. Reinsurance contracts, by contrast, are negotiated between professional market participants and are governed by general civil law principles, without the application of consumer protection rules.

According to Article 74 (1) of the VersVG, the policyholder is entitled to designate a third party as beneficiary without the consent of the insurance company. Any beneficiary is entitled to assert the insurance claim directly against the insurance company, once the insured event has occurred.

### 9.2 Insurance Disputes Over Jurisdiction and Choice of Law

Under Liechtenstein law, insurance disputes concerning jurisdiction and choice of law are generally governed by the contract, but with important exceptions for consumers: policyholders in consumer insurance contracts may sue at their place of residence, even if the contract designates a different forum, limiting exclusive forum clauses favouring the insurer. Parties may freely choose the applicable law, provided mandatory provisions are not overridden; in consumer contracts, statutory protections of the home jurisdiction cannot be circumvented.

International conventions such as the Hague Convention on Choice of Court Agreements (2005) and the Lugano Convention are applicable in cross-border disputes, particularly for recognition and enforcement of foreign judgments. Reinsurance and commercial insurance contracts between professional parties are primarily governed by the contract terms and general private law principles.

### 9.3 Litigation Process

In Liechtenstein, insurance law litigation begins with filing a claim before the competent court. The litigation process involves each party mutually exchanging their standpoint via written statements. Evidence is taken during oral court meetings. The litigation process terminates with a verdict in first instance. In civil matters, the judicial system in Liechtenstein is structured across three levels: cases are initially heard by the Princely Court of Justice followed by appeals to the Princely Court of Appeal, and, ultimately, the Princely Supreme Court. Liechtenstein does not maintain specialised courts, while the Constitutional Court functions as an extraordinary appellate body. All courts are located in Vaduz.

### 9.4 Enforcement of Judgments

Domestic final judgments can be enforced in Liechtenstein directly, whereas foreign judgments require recognition and enforcement by a Liechtenstein court. The Liechtenstein Enforcement Act (EO) regulates the execution of court judgments, arbitral awards, and provisional measures. Under Article 52 EO, foreign judgments are enforceable in Liechtenstein only if such enforcement is permitted by applicable treaties

or mutual agreement, and provided that the fundamental principles of Liechtenstein law were observed during the foreign proceedings. Due to the absence of a vast network of international agreements, final judgments issued against a Liechtenstein domiciled party in a foreign court (other than in Austria or Switzerland) are not automatically recognised or enforceable in Liechtenstein. By contrast, foreign arbitral awards are recognised, and enforcement in Liechtenstein is possible under the 1958 New York Convention, which entered into force in Liechtenstein on 5 October 2011.

A choice of forum is permitted if expressly agreed between the parties. This agreement must be presented to the court and only has legal effect if it relates to a specific dispute or disputes arising from a defined legal relationship (eg, an insurance contract). However, for insurance-related disputes, if the policyholder resides in Liechtenstein or the insured interest is located in Liechtenstein, any reference to a foreign court is null and void. In these cases, the courts in Vaduz have exclusive jurisdiction. Compliance with this rule is observed ex officio, including in enforcement or insolvency proceedings.

## 9.5 Enforcement of Arbitration Clauses

An arbitration agreement may be established either as a standalone contract or as a clause within a broader agreement. It can cover any monetary claim that falls under the jurisdiction of the ordinary courts, meaning that, in principle, all commercial disputes can be resolved through arbitration. The parties are free to specify the applicable legal framework and the rules of law that the arbitral tribunal should apply, as well as the procedural principles governing the arbitration. Additionally, the parties may agree to adopt specific procedural regulations, such as the Liechtenstein Arbitration Rules, for the conduct of the proceedings.

## 9.6 Enforcement of Awards

In Liechtenstein, an arbitral award issued within the country is treated as an enforceable title, allowing the prevailing party to seek enforcement directly through the competent court without the need for prior judicial recognition.

Regarding the enforcement of foreign arbitral awards, the New York Convention on Recognition and Enforce-

ment of Foreign Arbitral Awards (NYC) applies, and makes foreign arbitral awards enforceable in Liechtenstein under the contractual regime. Foreign arbitral awards have to be recognised in principle.

The requesting party must submit to the Liechtenstein court the duly authenticated signature of the award and the signature of the arbitration agreement, together with the application for recognition or enforcement (Article IV, paragraph 1 of the NYC).

## 9.7 Alternative Dispute Resolution

Under the principle of freedom of contract, contractual parties are free to agree to settle disputes out of court. Alternative dispute resolution methods, such as arbitration or mediation, are well established in Liechtenstein.

## 9.8 Penalties for Late Payment of Claims

Liechtenstein law does not provide specific statutory penalties for late payment of claims. However, policyholders may claim damages under general obligations law and courts may award default interest. Usually, consumer contract default remedies are interpreted in favour of the policyholder, while contractual late-payment penalties are generally enforceable, if clearly drafted.

## 9.9 Insurers' Rights of Subrogation

After making an insurance payment, insurers have the right of subrogation. This means that the insurer assumes the rights of the policyholder and can assert all rights or claims that the policyholder has against a third party responsible for the damage. This allows the insurer to reclaim the amount it has paid from the liable party.

The scope of this right is limited to the actual amount paid under the insurance contract, so the insurer cannot claim more than the compensation it provided. The policyholder is generally required to cooperate, and must not settle with the third party in a way that prejudices the insurers subrogation rights.

Contractual agreements or statutory provisions may restrict subrogation, and the insurer must assert its rights within the applicable limitation period, typically five years from the date it becomes aware of the claim.

These rules ensure that insurers can recover funds while respecting the rights and obligations of the policyholder and any contractual limitations.

## 10. Insurtech

### 10.1 Insurtech Developments

In the Principality of Liechtenstein, the domestic market is small. Liechtenstein has a small population and limited domestic “retail demand”, so insurers’ efforts will need to target cross-border/high-net-worth/niche clients.

“Insurtech” has proven to be key to facilitating retail activities, and refers to the use of modern technology in the insurance business. Examples are digital brokers, online sales and data-driven underwriting. Insurtech been a particularly important driver of innovation, with new actors entering or preparing to enter the market, as well as established market participants breaking new ground. We expect AI to accelerate the speed of these developments. Market participants benefit from the regulator’s proactive and open approach, as well as from the FMA’s considerable experience in this field.

### 10.2 Regulatory Response

The FMA has set up an own department a dedicated “FinTech Unit/Regulatory Laboratory” to help both traditional financial firms and new fintech/insurtech companies to launch and operate, suggesting a regulatory environment geared toward innovation and flexibility.

Additionally, it is worth mentioning that Liechtenstein supports innovation via what is called the “innovation framework” – including legal forms, friendly corporate-law options (foundations, protected-cell companies, “venture cooperative” LVC), and institutional support (innovation clubs, regulatory sandbox-type environment). By doing so Liechtenstein lowers the barriers to establishing financial (including insurance) innovation ventures.

## 11. Emerging Risks and New Products

### 11.1 Emerging Risks Affecting the Insurance Market

#### Cyber-Attacks and ICT/Third-Party Operational Risk

Due to the use of AI, cyber-attacks have gradually become more powerful, more scaled, more sophisticated, more precise, faster, and therefore harder for cybersecurity to detect or block.

Cyber-attacks can therefore be included in emerging risks for the insurance market, with the financial sector – Liechtenstein’s most important business sector – being a key target. Incidents can damage business continuity and cause mass claims (eg, for business interruption). Beyond cyber-attacks, other ICT-related incidents can compromise the security of network and information systems, adversely affecting the availability, authenticity, integrity, or confidentiality of data. The CrowdStrike Falcon case in summer 2024 highlighted how events such as faulty updates can also lead to extensive disruptions and restrictions. ICT-related incidents can pose threats to individual companies and jeopardise the stability of the entire financial system. Trends such as decentralised work arrangements, digital business models and the adoption of cloud computing further exacerbate these risks.

Against this backdrop, management of ICT third-party risk is increasingly critical. The implementation of the Digital Operational Resilience Act (DORA) in the Principality of Liechtenstein in 2025 highlights the growing significance of these issues. DORA not only encompasses comprehensive regulations for ICT risk management, handling of ICT-related incidents, testing digital operational resilience and managing ICT third-party risk, but also expands the regulator’s supervisory tools. The FMA is now equipped with sharper supervisory powers – ie, the ability to demand reporting, run audits, impose sanctions or corrective measures and require contingency planning – which helps safeguard the stability and integrity of the financial sector against cyberthreats and ICT disruptions.

### 11.2 New Products or Alternative Solutions

From the perspective of the insurer, new policy types have been developed in respect of emerging risks,

such as policies to cover computer and network hacking risks, data or identity theft or loss of reputation. That said, Liechtenstein insurance products still show substantial room for development in this area.

## 12. Developments in Insurance Law

### 12.1 Significant Legislative or Regulatory Developments

The Liechtenstein FMA has made Value for Money (VfM) a core supervisory priority for insurers, embedding it into its Product Oversight and Governance (POG) framework. Products with weak customer value, excessive costs, or unfair commission structures will face increased scrutiny and possible intervention. A new POG Guidance (FMA-M 2025/3), effective from 2026, will align Liechtenstein practice with European standards and place strong emphasis on customer benefit, target market definition, cost-benefit balance, and ongoing product monitoring, particularly for unit-linked life insurance.

Insurers must demonstrate transparent pricing, proportionate costs, justified commissions, robust product testing, scenario analysis, and lifecycle monitoring, including handling of cancellations, conflicts of interest, and distributor incentives.

The FMA expects proactive internal VfM assessments, data-driven monitoring of customer outcomes, and effective, proportionate governance rather than purely formal compliance.

For insurers operating in Liechtenstein, this means deeper integration of VfM and POG into governance, customer-centric product design, continuous performance monitoring, and timely corrective action where products fail to deliver fair value.

## Trends and Developments

### Contributed by:

Alexander Ospelt, Lukas-Florian Gilhofer, Vivianne Auer and Laura Bayer  
**Ospelt & Partner Attorneys at Law Ltd**

**Ospelt & Partner Attorneys at Law Ltd** is a full-service law firm established in 1997 that advises clients in the following areas: corporate law/foundation and trust law, litigation and arbitration, business and commercial law, commercial contract law/M&A, business criminal law, banking and capital markets/insurance law, employment law, IP/IT law, and gambling and casino law. The firm's eleven-strong team includes three partners, has extensive experience represent-

ing ultra-high net worth individuals and serves both international and national clients. It has firm roots in Liechtenstein, where it provides dedicated services to local and international clients and companies. Jointly with its affiliated trustee and corporate services provider Legacon Treuhand Anstalt, Ospelt & Partner Attorneys at Law employs high levels of expertise to support its clients.

## Authors



**Alexander Ospelt** has been the owner and board member of Legacon Trust Establishment and Ospelt & Partner Attorneys at Law in Schaan, Liechtenstein, since 1997. Before that, he worked at Liechtenstein's

Permanent Representation to the UN in New York and practised at the Princely Court of Justice. He holds a law degree from St. Gallen University and a doctorate in Law. Dr Ospelt has authored publications on European law and led cases before the EFTA Court. He has held leadership positions in various associations and companies, including as Honorary Consul of Belgium since 2017.



**Lukas-Florian Gilhofer** completed his legal studies in Tyrol (Austria) and Copenhagen, focusing on both law and economics. He joined Ospelt & Partner Attorneys at Law in 2025, where he strengthened the firm's M&A

practice. Prior to this, Lukas-Florian worked at one of Liechtenstein's largest law firms. Before relocating to Liechtenstein in 2021, he gained significant experience at renowned business law firms in Vienna, Tyrol and Salzburg, and continues to advise clients on matters with an Austrian nexus. Lukas-Florian also serves as a public notary in the Principality of Liechtenstein. He regularly publishes scholarly articles in national and international journals and lectures at various universities.



**Vivianne Auer** Vivianne Auer joined Ospelt & Partner Attorneys at Law in 2022 and advises clients as an attorney working with the firm's M&A and insurance and reinsurance practice. She has extensive

experience supporting insurance and reinsurance clients on regulatory, corporate and M&A matters, and regularly works on major cross-border transactions. Over the years, she has acquired in-depth insight into the Liechtenstein market and its specific regulatory and transactional requirements. Before joining the firm, Vivianne gained significant legal experience in Austria and abroad, including a semester at the Australian National University, an internship at an international law firm in Barcelona, and subsequent work at a Viennese commercial law firm.



**Laura Bayer** completed her legal studies in Austria, gaining extensive experience at renowned Austrian and Swiss law firms. Her practice focuses on corporate law, insurance and reinsurance law, civil law, criminal law, and public and administrative law, particularly construction, planning, and environmental matters. In 2025, she joined Ospelt & Partner Attorneys at Law as a legal associate. Before this, she worked across a wide range of legal areas, with a strong emphasis on real estate, business, and public law. During her studies, she served as a legal assistant at a leading law firm in Vienna. Laura completed her judicial clerkship in the district of the Vienna Higher Regional Court.

---

## Ospelt & Partner Attorneys at Law Ltd

Landstrasse 99  
P.O. Box 532  
9494 Schaan  
Principality of Liechtenstein

Tel: +423 236 1919  
Fax: +423 236 19 15  
Email: [info@ospelt-law.li](mailto:info@ospelt-law.li)  
Web: [www.ospelt-law.li](http://www.ospelt-law.li)

**OSPELT & PARTNER**  
RECHTSANWÄLTE AG / ATTORNEYS AT LAW LTD.

## Supervisory Prioritisation of “Value for Money” and Product Oversight Governance (POG)

The Liechtenstein regulator – the Liechtenstein Financial Market Authority (FMA) – explicitly lists “Value for Money” in its 2025 supervisory priorities for the insurance sector. This prioritisation appears to be part of a broader supervisory philosophy that seeks to ensure that insurance products offer genuine economic value, that policyholders are not exposed to unfair pricing structures, and that products deliver benefits that are proportionate to their cost. The FMA is to implement its value-for-money approach in its overall POG strategy. POG has been a high-ranking supervisory priority since it was first highlighted by the FMA as a trend in regulatory practice in 2022.

In 2026, the FMA will also release new Guidance (FMA-M 2025/3) for insurance undertakings on its POG approach to focus on the value-for-money theme. There will therefore likely be a trend towards increasing supervisory activities in the area of POG. The FMA’s intentions are clear: to identify insurance products that do not provide sufficient value to policyholders and to take “appropriate measures” to improve, reformulate, or potentially restrict such products. The FMA therefore places itself in line with the overall trend in Europe. Its annual reports and risk-priority papers emphasise that products showing persistent mismatches between premiums and benefits – such as those featuring very low claims ratios, limited coverage value, excessive charges, or disproportionate commission structures – will attract regulatory attention.

### New FMA-M 2025/3 Guidance

The FMA-M 2025 Guidance is to be published in early 2026 and is aimed at supporting insurance undertakings in the development, testing, and monitoring of their products, contributing to regulatory compliance, and ensuring appropriate customer benefits. The Guidelines are based mainly upon European law POG stipulations and serve to promote the uniform and consistent application of regulatory requirements by insurance undertakings within the EEA.

The main focus lies on the determination of appropriate customer benefit, the consideration of critical aspects while developing insurance products, the

handling of conflicts of interest, and the supervision of distribution activities.

### *Appropriate customer benefit*

As part of the product approval process, insurance undertakings are required to determine whether an insurance product delivers an appropriate level of customer benefit. This entails assessing whether the product is suitable for, and meets the needs of, the defined target market. Throughout its entire life cycle, the product must continue to align with the identified needs, objectives, and characteristics of that target market.

Customer benefit is determined based on a holistic assessment of the product and its key features. In this context, the value of the product’s essential characteristics must be assessed in an appropriate and proportionate manner. While monetary aspects are a central consideration, non-monetary features that may be relevant to the target market may also be considered, including, for example, sustainability objectives, contractual flexibility, and ancillary services provided by the insurance undertaking.

In the case of unit-linked life insurance products, particular emphasis must be placed on the reasonableness of costs. Specifically, an appropriate balance must be maintained between the costs incurred by the insurance undertaking and the costs charged to the consumer. Higher costs must be justified by a demonstrable added value for the target market, reflected in corresponding product features or additional services. Depending on the needs, characteristics, and objectives of the target market, product testing must also take into account relevant external factors, such as the effects of inflation or the applicable tax framework.

A favourable price–performance ratio for unit-linked products may be assumed where the costs and charges are proportionate to the benefits provided – namely investment performance, guarantees, insurance coverage, and services – when assessed from the perspective of the defined target market and in light of the costs borne by the provider.

Insurance undertakings must be able to demonstrate the existence of a structured and transparent price-

ing process. This includes evidence that costs and charges are properly identified, assessed, and justified, and that they are not excessive. In addition, insurance undertakings are required to carry out appropriate and sufficiently robust product testing to ensure that the product delivers value for money for the target market over its entire lifetime. This obligation is complemented by the requirement to conduct regular reviews of costs, investment performance, guarantees, coverage, and services. Products must also be classified according to their level of complexity, with the granularity of the target market definition reflecting the complexity of the product.

For medium- and long-term products, insurance undertakings must ensure that the product meets the needs of the target market not only at the point of sale but throughout the full duration of the contract. As the needs, objectives, and characteristics of the target market may evolve over time, product testing must incorporate mechanisms to account for such changes.

### *Target market*

The target market consists of a defined group of consumers sharing common interests, objectives, and characteristics. A specific target market must be identified for each insurance product, and the risks associated with that target market must be identified and assessed. In addition, a negative target market must be defined, identifying those consumer groups for whom the product is not suitable. The degree of granularity of the target market definition must correspond to the complexity of the insurance product: the more complex the product, the more detailed the target market definition must be.

To determine product complexity, each product must be classified according to an appropriate complexity scale. Insurance undertakings are required to establish clear criteria indicating the circumstances and factors considered when assessing complexity, as well as those characteristics which, from the manufacturer's perspective, inherently indicate a high level of complexity. The assessment of complexity must be based on the product's essential features and functioning, including potential scenarios that may arise

in connection with the conclusion and performance of the insurance contract.

The processes for determining the target market must incorporate appropriate methodologies, such as market research. Insurance undertakings must also document whether, and to what extent, adjustments to the product design or to the target market definition are required where testing indicates that the product may not be suitable over the medium to long term.

Furthermore, insurance undertakings are required to assess the risks relevant to the respective target market. In the case of unit-linked life insurance products, particular attention must be paid to cross-border risks, which must be expressly identified and taken into account.

### *Costs and returns within product testing, product features, customer benefit, and scenario analyses*

Product testing must ensure that insurance products deliver appropriate value for money (VfM) for the target market throughout their entire life cycle. This requires a comprehensive, consumer-focused assessment of the interaction between costs, returns, and key product features, considering additional factors such as inflation where relevant.

Insurance undertakings are required to apply structured quantitative indicators to assess costs and performance, including surrender values relative to paid premiums, net returns (IRR), biometric risk benefits, and cost measures such as the Reduction in Yield (RIY). These indicators support both an understanding of product functioning and a robust demonstration that costs are proportionate to the benefits provided. Surrender values should, at appropriate stages, exceed paid premiums, cost indicators should be kept as low as possible, and higher costs must be justified by clear added value for the target market.

Beyond quantitative metrics, product testing must evaluate whether higher-cost features or additional services genuinely meet the needs, objectives, and characteristics of the target market under realistic scenarios. Product assessments must also reflect the specific conditions of the host Member State in which the product is marketed.

For complex or higher-risk products, manufacturers are expected to conduct scenario and sensitivity analyses to assess how changes in assumptions, costs, risk profiles, or recommended holding periods affect the product's risk–return profile and value development. Where appropriate, stochastic modelling may be used to quantify risks and support decision-making. Overall, product testing and scenario analysis together must demonstrate that products offer sustainable and appropriate value for money for the intended target market over time.

### *Consideration of selected aspects in the manufacture of products*

When designing insurance products, insurance undertakings must take into account specific factors that may materially affect customer benefit and value for money for the target market.

### *Cancellation and persistence*

Where it can be expected that a significant proportion of the target market will cancel contracts before the end of the savings phase, this must be reflected in the assessment of customer benefit. Scenario analyses should incorporate realistic cancellation assumptions for typical contract constellations and identify the point in time at which early termination is likely to occur. From that point onward, the product must continue to provide adequate customer benefit for consumers who cancel. For products with recurring premiums, analyses must also consider premium payment compliance, not solely contract persistence. For long-term products, VfM assessments are typically conducted around half of the recommended holding period, with average contract endurance serving as an alternative reference metric.

### *Rebates and conflicts of interest*

In unit-linked life insurance, insurance undertakings may receive rebates from fund providers, typically derived from fund management fees. High management fees may undermine customer benefit and therefore require careful scrutiny. Where rebates are paid, insurance undertakings must assess whether such arrangements create inappropriate or inadmissible incentives, such as favouring funds with higher rebates or applying differentiated commission rates. Rebates must be appropriately reflected in prod-

uct design, for example through reduced premiums or surplus-sharing mechanisms, and must deliver a demonstrable benefit to consumers. Insurance undertakings also remain responsible for ensuring compliance with any applicable disclosure and rebate surrender obligations.

### *Ongoing product monitoring*

Insurance undertakings must conduct regular reviews and continuous monitoring to ensure that products always meet the needs, objectives and characteristics of the target market. Monitoring must identify events that materially affect product features, risk coverage, guarantees, or overall value, including changes in macroeconomic conditions, inflation, investment strategies, or cost structures. Both ad hoc and structural developments may trigger product reviews to ensure continued added value for consumers. Product monitoring should be supported by appropriate quantitative and qualitative indicators, such as costs, investment returns, cancellation and loss ratios, commission levels, application and claim rejection rates, and consumer complaints. Clear thresholds for intervention and corresponding remedial measures must be defined to enable early identification of issues and timely action. Monitoring should take into account both external factors (eg, legal, tax, economic, or regulatory changes) and internal factors (eg, complaints, litigation, reputational risks, or distribution changes).

### *Conflicts of interest, misguided incentives*

Insurance undertakings and intermediaries must implement appropriate organisational and administrative measures to identify, prevent, and manage conflicts of interest in insurance distribution at an early stage. Such conflicts may arise between insurers or intermediaries and consumers, between affiliated entities and consumers, or among consumers themselves. In the distribution of insurance-based investment products, permanent and proportionate organisational arrangements are required, supported by written policies that reflect the nature, scale, and complexity of the undertaking. These policies must clearly describe how conflicts – particularly those linked to remuneration – are identified, mitigated, and, where necessary, escalated. Where existing measures are insufficient, firms are required to introduce alternative safeguards. Disclosure of conflicts to consumers

is permitted only as a last resort, where organisational measures cannot adequately protect customer interests. Conflicts of interest must be documented on an ongoing basis, reviewed regularly, and reported to management.

Closely linked to conflicts of interest are misguided incentives. Incentives, particularly commissions, are considered detrimental where they risk influencing distribution activities in a manner that is not aligned with the consumer's best interests. Insurance undertakings and intermediaries must therefore conduct a comprehensive assessment of remuneration structures, taking into account the level of commissions in relation to the value of the product and the service provided to the consumer. High upfront commissions, ongoing portfolio commissions, and target-based incentives – such as dynamic or graduated commissions, sales campaigns, or advance payments tied to sales volumes – require particular scrutiny, as they may create strong incentive effects that compromise the quality of advice.

Insurance undertakings of insurance-based investment products must also ensure that their distribution strategy aligns with the defined target market. This includes selecting appropriate distribution channels, providing distributors with complete and up-to-date product information, and ensuring that distributors have a sufficient understanding of the product, supported by appropriate training. Manufacturers must monitor distribution activities to ensure compliance with target market requirements and must take prompt corrective action where deviations or consumer detriment are identified.

Distributors are required to provide feedback to insurance undertakings on market developments, including instances where products appear misaligned with consumer needs or where risks or adverse effects arise during distribution. This feedback is a key element of ongoing product monitoring. Insurance undertakings must further ensure that distributor remuneration structures do not conflict with the obligation to act in the consumer's best interests and that they cooperate only with duly licensed and professionally qualified intermediaries. Ongoing verification of intermediary qualifications and systematic evaluation of customer

complaints relating to advisory quality form an integral part of effective distribution oversight and consumer protection.

## The FMA's Expectations for Internal Value Assessments

The FMA expects insurance undertakings to proactively evaluate their own product portfolios and identify weaknesses in VfM themselves, rather than waiting for regulatory instruction. Insurance undertakings are increasingly expected to prepare formal VfM assessments, or equivalent internal analyses. These assessments should justify:

- the overall cost structure of a product;
- the product's pricing methodology;
- commission and distribution costs;
- the alignment between expected benefits and actual customer needs, and
- the product's fair treatment of customers across its full lifecycle.

The FMA will likely scrutinise these assessments during supervisory engagements. For products offering investment-linked or savings components, VfM assessments must also evaluate expected returns, the impact of fees over time, and projected surrender values.

A key emerging expectation is that insurance undertakings will maintain data-driven monitoring, such as tracking claims statistics, payout ratios, complaints, lapse and persistency trends, and cross-border performance differences. Weak customer outcomes in any of these metrics can signal insufficient value.

The FMA does not assess governance arrangements on a purely formalistic basis. Rather, it examines whether governance functions are appropriate, adequately resourced, and effective in light of the insurance undertaking's nature, scale, and complexity. This proportionate approach ensures that all insurance undertakings – ranging from small cross-border providers to complex, multi-jurisdictional undertakings – implement governance arrangements that are both meaningful and effective.

The FMA's recent guidance on permitted remuneration for intermediaries – particularly in the pension and long-term savings context – highlights an increased regulatory willingness to intervene where commission structures are incompatible with customer interests. Although the guidance does not use the term “Value for Money,” it directly supports VfM outcomes by ensuring that customer funds are not eroded by unjustified distribution fees.

## Implications for Insurance Undertakings Operating in Liechtenstein

The combined impact of stronger VfM expectations and increasingly rigorous POG oversight will create a significantly more demanding environment for insurance undertakings. To comply, insurance undertakings should deepen the integration of POG and VfM principles into their internal governance frameworks. POG must be a fully integrated part of governance, not an isolated procedural requirement. Insurers should ensure that:

- risk, compliance, actuarial, and audit functions actively contribute to product reviews;
- governance committees receive meaningful product-performance data;
- decisions are documented and evidence-based; and
- POG processes include checks on VfM, target-market appropriateness, and customer outcomes.

Products should be designed with the target market clearly defined from the outset. Insurers should demonstrate:

- customer-centric design principles;
- transparency in benefits and exclusions;
- clear articulation of product value drivers;
- alignment between pricing and risk coverage; and
- effective communication of product features in customer-facing materials.

POG obligations do not end at product launch. Insurers must continuously monitor:

- claims behaviour;
- emerging risks;
- complaints;
- return-on-premium outcomes;
- persistency and lapse rates; and
- deviations from expected customer benefits.

When actual customer outcomes differ from projections, insurance undertakings must take corrective action – such as redesigning or withdrawing the product, updating pricing, or improving disclosures.

---

## CHAMBERS GLOBAL PRACTICE GUIDES

---

Chambers Global Practice Guides bring you up-to-date, expert legal commentary on the main practice areas from around the globe. Focusing on the practical legal issues affecting businesses, the guides enable readers to compare legislation and procedure and read trend forecasts from legal experts from across key jurisdictions.

To find out more information about how we select contributors, email [Rob.Thomson@chambers.com](mailto:Rob.Thomson@chambers.com)