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Independent insurance brokers' activity specifics: the EU experience and problems in Lithuania

Abstract

The subject of the article is topical because independent insurance brokers are a very important element in the insurance system. Their work depends on the interests of the insured and they are not representatives of any insurance company. However, there is a problem in practice that the business model of independent insurance brokers deviates from the core nature of these entities – independence. This situation is attributable to the payment system of independent insurance brokers. Such complicated system of payment in practice causes some problems associated with other aspects of independent insurance broker's activity – professional responsibility and civil liability.

Analysis of insurance brokers' activity disclosed the main problems and possible solutions to problematic aspects. The opportunities for improvements of insurance brokers' payment system and professional liability insurance: to change existing payment system determining salary payment duty for client; to restrict insurers' and brokerage firms' commitment agreements; to validate the convergence of the commission; to create possible alternative means of compensations; to insure civil liability not in the same market where they operate but in the market of another country.

Keywords: insurance, insurance system, insurance market, insurance brokers.

JEL Classification: G22, G23.

Introduction

Insurance brokerage is a type of activity currently serving about 80 per cent of insurance operations in the developed world and is increasingly developing in Lithuanian insurance market. After having a look to the practice of a number of European countries, we will see that without insurance brokers there is a very small number of insurance contracts concluded. Insurance brokers, being key people, facilitate selection and purchase of insurance, as well as render services to insurance companies and customers which simplify the insurance selection process.

Insurance brokers who know the insurance market, its products, prices and providers as well as understand the needs of insurance customers well, gain a unique role. In the broad sense the activity of insurance brokers brings benefits to the overall economic development at the national and international level. In the narrow sense the main task of insurance brokers is quality sales of insurance services. It is the activity of independent insurance brokers which raises more practical problems and uncertainties which require assessment.

1. The concept and the role of insurance brokers in the insurance system

The concept of insurance brokers is defined differently by different authors. In a general sense insurance

brokers are assistants whose main task is to help the parties to agree as well as to cooperate in executing the concluded insurance contract. This general definition covers different individuals who, together with policyholders and insurers, are significant members of the insurance scheme. T. Talutis (2007, p. 118) extends the definition of insurance brokers. According to the author, the insurance intermediary is a person, who oneself being neither the insurer nor the policyholder, based on relevant agreements with another person prepares and concludes the insurance contract or helps to carry it out. The author, in order to present a more detailed definition of insurance brokers, notes that they are not the parties of the insurance contract but highlights their involvement in the execution of the insurance contract. It is assumed that such activity of insurance intermediaries is their key feature. Also D. Andriukaitis (2009, p. 83), describing insurance brokers, emphasizes that they can also be engaged into auxiliary activity by being involved into administration or execution of insurance contracts which have already been concluded as well as administration of insured events.

The initial function of the activity of the insurance broker is concluding contracts with insurance companies. This contract is sometimes called the brokerage/mediation agreement. V. Krasnov (2007) describes it as an agreement between the insurer and the intermediary, or between the intermediary and another intermediary for the conclusion of insurance contracts with policyholders on behalf of the insurer, reception of premiums and provision of other related services. After the contract is concluded with the insurer, the insurance broker can start to search and attract more clients. One of the most important functions is to sign contracts with policyholders and to

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select optimal insurance products or insurance coverage paying attention to both quality and price. If an offer is presented by a licensed insurance broker, then at least three offers from different insurers for the same insurance product should be submitted.

As it has already been mentioned, the process by which an insurer finds a buyer of an insurance service (or vice versa) is not so simple. The modern insurance intermediary market demands the support from brokers who help both insurers and policyholders to select the best combination of insurance services. According to G. King (p. 60), the contemporary customers have become more experienced with the insurance market; therefore, they want to get the “added-value” to traditional services rendered by insurance brokers. It is believed that for the insurer it is difficult to assess all individual risks of clients, therefore, brokers perform the risk analysis by themselves and pass this information to insurers, who can improve operational efficiency based on this data. Insurance experts J.D. Cummins and N.A. Doherty (2005, p. 11) agree with that by arguing that the primary purpose of insurance mediation is to analyze the insurance market, to select for policyholders the most suitable insurers based on skills, capacity, financial resources and the degree of risks incurred as well as to assess customer risks and help policyholders to choose from many competing proposals. According to the authors, the main mission of insurance brokers is to increase the competitiveness of price and quality of insurance services by providing services to the largest possible range of clients.

Having defined the influence of insurance brokers’ activity on the insurance system, it can be said that insurance brokers help to solve various problems faced by insurers and policyholders. Insurance brokers are an integral part of the insurance contractual relationships, which facilitates the purchase of insurance and provides insurance companies and customers with services that simplify the insurance selection process, and it is believed that clients will always need independent advice and expert opinion.

1.1. The subjects of the insurance brokerage activity: dependent and independent insurance brokers. Insurance brokers can be classified into different types based on various criteria. With the reference to the analysis of the distribution of insurance brokers presented by different authors, it can be concluded that they are grouped under the following main features:

- ◆ the insurance broker’s relationships with and dependence on the insurer;

- ◆ the nature of the main/additional activity of the insurance broker.

In the course of this paper we will discuss only the main features of specialized insurance brokers, i.e. such insurance brokers for whom providing insurance services is the main activity. This paper will not discuss non-specialized insurance brokers, who, while being involved into their main activity, can offer insurance as an additional service.

One of the most popular criteria for the classification is relationships and dependence of the insurance broker on the insurer. According to this criterion, there are dependent and independent insurance brokers. It should be noted that classification of insurance brokers to independent and dependent basically corresponds another classification – grouping of insurance intermediaries to insurance brokers and insurance agents.

In some markets agents are independent and work with several insurance companies. In other markets agents are dependent and represent one insurance company in one area or several companies with one type of services. Agents can work in different ways: to be independent, dependent, work for an insurer or be self-employed.

Apart of the distinctive features of agents and brokers, it is necessary to mention one more characteristic – the ownership of the insurance portfolio. In the case of the insurance agent, the insurance portfolio belongs to the insurance company, while in the activity of the insurance broker, the owner of the insurance portfolio is the insurance broker. Moreover, the insurance agent may be engaged in other commercial-economic activity – not just insurance mediation.

In various countries independent insurance intermediaries have a different status and are called differently, for example, in Great Britain, Russia, France and Italy they are primarily insurance brokers, in Germany, Australia, Switzerland – insurance maklers, and in Lithuania – insurance brokerage companies.

In Lithuania the registration of insurance brokers is done in two ways. First, insurance brokers are registered, i.e. individuals, employed in insurance brokerage enterprises, who perform functions related with insurance intermediation. Insurance brokers are entered into the list of insurance brokers, which contains insurance brokers’ names and surnames, numbers of licenses issued, details of suspension of such licenses, etc. Individuals who do not possess the broker license are known as the broker assistant. Second, registration for insurance

brokerage enterprises is signified by the issued license for insurance brokerage activity. According to Article 160 Part 1 of the Law on Insurance, an insurance brokerage enterprise can be engaged into insurance mediation activities only with a license issued by the Bank of Lithuania. It is issued to a specific insurance brokerage enterprise for an indefinite period of time, but cannot be transferred to any other person.

2. Business conditions of independent insurance brokers in Lithuania and the European Union

Each state establishes its distinctive conditions for the activity of insurance brokers, their peculiarities are based on the national law and specifics of the country's insurance market. As insurance brokerage services often extend beyond national borders, we will discuss below the practice of other countries, mostly EU member states, in the field of the payment system for insurance brokers and the professional civil liability. The existing system of remuneration in practice causes certain problems, which are related with other aspects of services provided by independent insurance brokers, for example, professional duties or civil liability. Due to the existing circumstances, the quality of consulting services rendered by insurance brokers is affected negatively; therefore, such situation does not correspond neither intermediaries' interests, nor customers' expectations.

2.1. Payment system for independent insurance brokers. Insurance intermediation, as any other commercial activity, is carried out in order to make profit, i.e. this activity is charged. The remuneration received by independent insurance brokers has certain characteristics, which leads to the complexity and opacity of the payment system of remuneration for insurance brokers that in turn can cause misapplication in terms of their clients' money.

In Lithuania it is common that insurance brokerage enterprises and insurers conclude cooperation agreements. They not only foresee general mutual principles of business relationships, grant brokers with the right to perform certain legal actions on behalf of the insurer, but also discuss the procedure of remuneration payment. Despite the fact that from the economical point of view, the remuneration to the independent insurance broker is paid by the client (the policyholder), in financial terms it is done by the insurer, therefore, the insurer tries to compensate their future costs related with the remuneration payment by calculating premiums, in other words the remuneration paid for the broker is included in premiums and is a part of them. Similar payment system for independent insurance brokers

exists in other EU countries. In Germany there is a general agreement institute, i.e. when such an agreement between the insurance broker and the insurer is concluded, the right to claim the remuneration arises from the insurer. The situation is similar in Austria. Under the Makler Law Article 30 Part 1, when the brokerage agreement between the broker and the insurer is concluded, the insurer pays the remuneration in all cases (T. Talutis, 2009, p. 204-205). However, there are countries which apply such system of payment for independent brokers when the commission remuneration is paid for the broker by the service recipient, i.e. the insured. Such remuneration payment method is chosen by many insurance brokers in England despite the fact that in this country over a long period of time a common attitude has formed that the insurer is the one who must pay the remuneration, unless the agreement between the policyholder, the broker and the insurer foresees that the remuneration for insurance brokerage services has to be paid by the policyholder, and, therefore, the insurance contract has lower insurance premiums which reflect the absence of the fact of the insurer's obligation to pay a commission to the intermediary.

There are cardinal examples, such as Finland, where independent insurance brokers are generally prohibited to receive remuneration from the insurer since 1 September 2008. Of course, agreement between the parties can set other remuneration payment procedures, for example, the client and the insurance brokerage enterprise are free to agree and to put the customer under the remuneration payment obligation.

However, there are authors (Cummins, Doherty, 2005) who believe that the conflict of interests may be avoided even in the case when the commission is paid for the independent insurance broker by the insurer. Insurance experts state that the most important is integrity of intermediaries towards clients. The authors advise the intermediaries to negotiate about the fees but not the commission; in this case the fee in particular will monitor the intermediary's incentive to act on behalf of the client and, thus, the value for the policyholder will be created.

In the context of the topic discussed, it should be noted that, according to foreign insurance economists (Cummins, Doherty, 2005), one of the most effective ways of promoting the insurance market is contingent commissions. Lithuanian authors agree with them (A. Lezgovko, P. Lastauskas, 2008, pp. 129-130) thinking that the negative consequences of contingent commissions

should not occur if the intermediary plans one's future. The contingent commission is a special bonus to the commission paid to intermediaries by the insurer based on the number of clients found and premiums paid for the insurance policy. The insurance experts supporting the contingent commission system claim that contingent commissions facilitate the entrance of new insurers to the market. In addition, the remuneration system for the insurance broker based on premium/bonus and commission promotes them to transfer reliable information to the insurer about clients. However, there are opponents who claim that contingent commissions would have a negative impact on the activity of insurance brokers (A.K. Schnyder, H. Heiss, 1995). First of all, independent insurance brokers would be interested to limit their objective analysis of offered insurance contracts available in the market only to those insurers who pay additional commissions. Second, there would be obvious threat for an independent insurance broker to breach their professional duties, which can lead to the emergence of professional liability. Third, remuneration paid to the independent insurance broker is an integral part of the insurance premium; therefore, the latter will increase because insurers who wish to compete with other insurers would also start to offer additional commission.

Thus, the problems related with payment of remuneration to independent insurance brokers mainly derive from the fact that legally the remuneration is paid not by the client but by the insurer who includes remuneration costs to the insurance premium. As a result, independent insurance brokers are not interested to perform a detailed analysis of customer needs and to compare conditions of insurance contracts offered by various insurers, because this activity may be not reimbursed if the insurance contract is not concluded. In the regard, some experts (A. Mukhopathyay, 2005, p. 42) offer to bring the fundamental change to the existing remuneration payment system by shifting to new systems of payment the remuneration to insurance brokers, for example, such as those when the client pays fees for services rendered directly to the broker regardless the results.

2.2. Professional civil liability insurance. The independent insurance broker has to perform the insurance contract properly and not to violate duties given to them. Lack of customer consultation leading to the conclusion of the insurance contract which does not satisfy customer needs, selection of the insurer having financial difficulties, delayed transfer of received premiums to the insurance company – these are the situations when the

question of the professional qualification of the independent insurance broker should be addressed. There is a trend emerging – every year the number of insurance brokers who passed the qualifying exam is decreasing, which poses a threat to the policyholder as in Lithuanian insurance market operate insurance brokerage assistants who have no licenses and professional qualifications that meet the requirements of quality insurance brokerage services.

However, high professional qualification cannot guarantee that customers will be advised with sufficient care and discretion, and that clients will not suffer a loss because intermediaries will fail to perform their professional obligations or to perform them properly. Therefore, by being involved to the brokerage activity, independent insurance brokers incur the civil liability – professional civil liability – the liability to the third parties (the policyholders or insurers) for the caused damage to the insured party due to unsatisfactory performance of professional duties through genuine error, negligence and errors. It should be noted that by analyzing the professional liability of insurance brokerage companies, this article does not aim to describe in detail the conditions of emergence of professional civil liability. They are only mentioned in the context of the services provided by the intermediaries in order to reveal the peculiarities of the insurance brokers' activity, also separate issues, related with the indicated conditions, are emphasized which are relevant to the relationships of insurance brokerage companies, clients and insurers.

Since it is the insurance brokerage company who concludes contracts with clients and insurers, therefore, the professional civil liability pertains to the insurance brokerage company (legal entity) but not to an individual employed in the insurance brokerage company or engaged in an elected position and rendering insurance brokerage services. According to the Resolution No. 03-160 adopted by the Bank of Lithuania on 24 September 2013, it makes up 1.241.486 EUR per one insured event and 1.875.927 EUR for all insured events per year, in addition to this, the franchise cannot exceed 10.000 EUR, which can be much for a Lithuanian insurance broker. However, these amounts can be justified because independent insurance brokers have a right to act not only in their own country, but also in other European Union member states; so, smaller amounts would not be sufficient to protect the interests of clients.

The requirement to have the professional liability insurance is established in Great Britain, Germany, Austria, France, Finland, Italy, Netherlands, Spain, Sweden, Poland, Latvia and others. In other states, such as Estonia, Ireland, Hungary, not only the

professional civil liability insurance is possible, but also a contract for an adequate security to such an insurance. In some countries (Austria, Germany, Finland, Italy, Netherlands, Poland, Latvia and others) minimal insurance sums exist; other countries, for example, Sweden, Great Britain, have chosen greater coverage. Lithuania is among such European Union countries that provide independent insurance brokers with a possibility to choose the only measure to compensate possible losses, i.e. professional civil liability insurance.

3. Independent insurance brokers' assessment criteria

By summarizing the scientists' attitudes to insurance brokers encountered in the literature as to independent brokerage subjects, several key findings can be identified which reason the selection of the object of the performed study and the structure of the research.

Based on the theoretical peculiarities of independent insurance brokers mentioned and highlighted above, the following hypotheses of the study are raised:

- ◆ Payment system of remuneration for independent insurance brokers is not properly organized; therefore, there may be possibilities to improve it.
- ◆ The modern payment system of remuneration for independent insurance brokers satisfies the insurance brokers operating in the insurance market.
- ◆ The conditions of the existing professional civil liability insurance are not suitable for Lithuanian insurance brokers in the current situation in the insurance market.

$$n = \frac{t^2 \times N \times p \times (1-p)}{\Delta^2 \times N + t^2 \times p \times (1-p)} = \frac{1.96^2 \times 847 \times 0.5 \times (1-0.5)}{0.05^2 \times 847 + 1.96^2 \times 0.5 \times (1-0.5)} = 264. \quad (1)$$

Here t – a coefficient depending on the value of reliability (level of reliability 95%, (5% error), $t = 1.96$); N – the size of the researched population (the number of Lithuanian insurance brokers); p – part of the sampling units with the reference character (usually $p = 0.5$, i.e. 50%); Δ – error margin (determined by dividing error by 100; $\Delta = 0.05$)¹.

$$\Delta = \sqrt{\frac{t^2 \times p \times (1-p) \times (N-n)}{N \times n}} = \sqrt{\frac{1.96^2 \times 0.5 \times (1-0.5) \times (847-115)}{847 \times 115}} = 0.08. \quad (2)$$

Since Δ (delta) is a permissible inaccuracy, i.e. the difference between the screening group and general population average, it can be stated that having the

The study was conducted by carrying out a questionnaire survey. The questionnaire items reflect on the place of independent insurance brokers in the insurance market, their opinion on the current payment system of remuneration for insurance brokers and the main problems of the insurance brokerage. The questionnaire consisted of 17 questions.

As the survey of independent insurance brokers covered the analysis of remuneration system of Lithuanian insurance brokers and their professional civil liability, one of the most important criteria for selection of respondents was the possession of the insurance broker's license, because the study was an attempt to summarize insurance brokers' experience and opinion on the, researched aspect.

The method chosen for data collection was the survey method (an anonymous questionnaire) which allows to highlight general provisions of the researched. The survey was conducted by standardized methodologies, i.e. quantitative data were collected showing general trends.

The questionnaire survey was conducted by e-mail. In spite of the opinion that such questionnaires receive little response, it is believed that this form is the most suitable for such research due to its convenience and shorter operating time because all Lithuanian insurance brokers were surveyed. Questionnaires were sent to all Lithuanian licensed brokers. However, the survey revealed that some of the letters did not reach the addressee, the questionnaire was viewed by 311 insurance brokers, 115 of them answered it.

In the light of the results obtained, the sample volume was tested by applying the following formula:

Thus, the sample of 264 respondents guarantees with the probability of 95 percent that the error of the results is not more than 5 percent, i.e. when the sample is of 264 and the distribution of results of 50/50, the real answer value falls within the range [48, 52] with 95 percent probability. The error margin can be expressed by the sample volume (2) formula:

volume of the sample of 115 and general population of 847, the research findings and the results can be based on 8 percent error accuracy. Thus, the presented selection model with small general population guarantees proper evaluation of characteristics of population and calculation of sampling error.

¹ A. Valackienė, 2004.

The main problem faced by researchers was that the insurance brokers were reluctant to take part in the survey. Although confidentiality of data was ensured, it should be noted that just from the wording of the survey theme the majority got an impression that they will have to reveal their trade secrets.

4. The analysis of the problems of Lithuanian independent insurance brokers' activity

There were 115 insurance brokers surveyed by the questionnaire. 43 percent of the insurance brokers were ordinary employees, 23 percent – middle-level managers and 17 percent each – business owners and hired executives.

The majority of respondents (40 percent) work in companies which operate more than 10 years, 35 percent – in companies which operate from 5 to 10 years, 15 percent – in companies which operate from 3 to 5 years, 7 percent – in companies which operate from 1 to 3 years and the remaining 3 percent in companies which operate less than 1 year.

The biggest part of the surveyed brokers (40 percent) work in micro-enterprises, which employ up to 10 employees, and only 3 percent work in large companies with more than 250 employees.

The vast majority of the surveyed insurance brokers (90 percent) have higher university education, 5 percent – college, 2 percent – secondary, 2 percent were students and 1 percent of the interviewed had professional education.

Having analyzed the distribution of surveyed brokers by age, it was noted that 39 percent were at the age of 31 to 40 years old, 35 percent – from 25 to 30 years, 14 percent – from 41 to 50 years old, 7 percent – from 51 to 60 years old, 4 percent – younger than 25 years old, and 1 percent – older than 60. By gender the brokers participating in the study distributed fairly evenly – 58 percent were women and 42 percent – men.

4.1. The results of the analysis of the Lithuanian insurance brokers' remuneration system. For the purpose of the analysis of the results, the respondents were divided into certain groups. The main criterion for the division was the respondents' position in the company, also other important criteria – such as the size and the maturity of the company where the broker is employed – were chosen.

The analysis of the data received from the respondents revealed that the insurance brokers employed in different positions evaluate the insurance brokers' working benefits in a statistically similar way. Also, there were no statistically significant differences in the opinions of the interviewed who were divided into groups according to the size of the company. It shows that insurance brokers working in both smaller and

larger companies evaluate their working benefits in the market in a statistically similar way.

Meanwhile, the analysis of the opinion of respondents of different age about the working benefits of insurance brokers revealed one interesting fact that the respondents' opinions got significantly different only at two aspects – older insurance brokers comparing to younger insurance brokers as a greater advantage see the feature of insurance brokers to be independent insurance intermediaries, who can provide the policyholders with summarized, concentrated and reliable information. Thus, between the respondents' age and the main feature of the insurance broker – independence – there is a direct link, i.e. the older the broker is, the more they appreciate the opportunity to work independently and represent all insurance companies. Meantime, among the insurance brokers of different age there were no statistically significant differences in the opinion about the other work benefits.

During the survey the respondents were asked to evaluate at a 5-point scale the main problems of the insurance brokers' activity (1 – do not hinder business at all, 5 – hinder business very much). The obtained results show that, according to the opinion of the surveyed brokers, the control of the Bank of Lithuania (estimate – 2.08) and difficult entering to the insurance market (estimate – 2.30) hinder their business the least, followed by a bit more impeding factors such as lack of qualification (estimate – 2.57), obtaining of favorable insurance conditions (estimate – 2.59), software at different insurance companies (estimate – 2.78), not easy to receive good commissions (estimate – 2.95), while the most impeding factors to brokerage business are high competition (estimate – 3.05), public distrust (too low public awareness) (estimate – 3.32) and the image not formed (estimate – 3.24).

The respondents asked about other problems mostly identified such ones as failure to comply with the insurance broker ethics, difficulties in retaining customers, dissemination of negative information about brokers, a large number of small companies, unfair competition, low brokerage commissions and lack of knowledge.

During the survey the respondents had to evaluate at a 5-point scale different statements relating to the insurance brokers' remuneration system (1 – strongly disagree, 5 – strongly agree). The analysis of the results showed that insurance brokers mostly agree on the statements that the remuneration of independent insurance brokers is the remuneration based on the result and that the insurance broker is a representative of the insured but not the insurer. Meanwhile, the least support received the statements claiming that from the economic point of view the payer of the intermediary's remuneration should be the insurer (Figure 1).

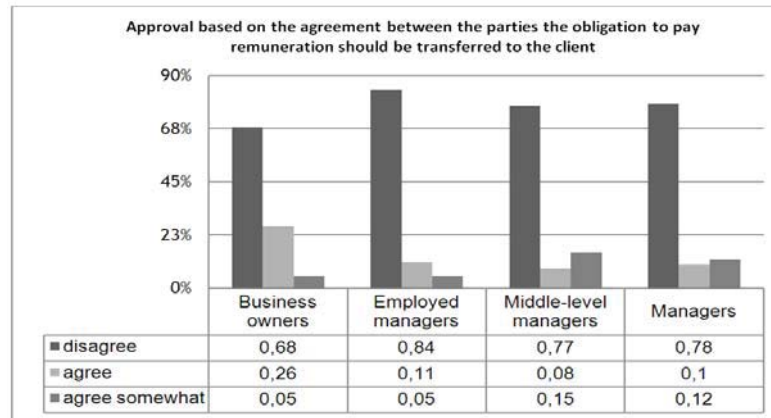


Fig. 1. Distribution of insurance brokers, broken down by office, according to their approval that the obligation to pay the remuneration should be transferred to the client

After dividing assessments of the statements, related with the payment system of remuneration for insurance brokers, according to the respondents' duties, and performing calculations, it can be concluded that the difference of opinions of the insurance brokers employed in different positions is statistically significant only at one statement – ordinary company employees more than business owners, hired executives or middle-level managers agree that the modern complex payment system of commissions for insurance brokers in practice leads to certain problems.

Also, the difference of opinions of insurance brokers employed in the different-sized companies was not statistically significant. This shows that regardless of the size of the company where the insurance brokers are employed, they evaluate their role in the market in a statistically similar way. A similar situation is with the opinion of insurance brokers of different age. This indicates that there is no statistically significant relationship between the age of the insurance brokers and assessment of their role, and that insurance brokers of different age evaluate the market situation in a statistically similar way.

The specified reasons for approval/non-approval were grouped according to general characteristics into categories. Among the most frequently mentioned reasons for such non-approval it was mentioned that people in Lithuania are not ready for that and will have a negative attitude to the innovation, i.e. clients are not “mature” for that yet and the insurance market is not ready for such changes.

4.2. The analysis of Lithuanian independent insurance brokers' professional civil liability insurance. During the survey the hypothesis was framed that the conditions of the existing professional civil liability insurance are not suitable for Lithuanian insurance brokers in the current situation in the insurance market. Therefore, it was

intended to clarify what the insurance brokers' opinion about the existing professional civil liability of insurance brokerage enterprises, insurance and franchise sums and possible compensation measures is.

The analysis of the obtained results showed that the insurance brokers mostly agreed to the fact that the professional civil liability insurance and guarantee sums can be justified, and that in Lithuania apart of the professional civil liability insurance must occur other means of compensation of possible damage. Meanwhile, the least it was agreed on the fact that the professional civil liability insurance and guarantee sums are too big for the Lithuanian insurance broker; Lithuanian insurance brokers have to insure their civil liability not in the same market where they operate, but in the market of another country, and that the contingent commissions to the remuneration of intermediaries can lead to the emergence of professional civil liability.

When analyzing the assessments about the professional civil liability insurance done by insurance brokers employed in different positions, it was noted that the opinion of these insurance brokers was different in a statistically significant way at one statement – business owners and middle-level managers agree in a more statistically significant way than hired executives and ordinary employees that the sums of professional civil liability insurance and guarantee are too big for the Lithuanian insurance broker. Meanwhile, these insurance brokers' opinions on other factors related with the professional civil liability insurance did not differ in a statistically significant way.

During the study it was interesting to know if the size of the company influences the distribution of answers about the professional civil liability insurance. Therefore, an important aspect in the research of the question was the size of the

companies. The performed calculations show that the opinions of these brokers were different in a statistically significant way at two statements – insurance brokers of smaller companies agree in a more statistically significant way than employees of bigger companies that the sums of professional civil liability insurance and guarantee are too big for the Lithuanian insurance broker; while insurance brokers of bigger companies agree in a more statistically significant way than brokers of smaller companies that the sums of professional civil liability insurance and guarantee can be justified. Opinions on other statements related with the professional civil liability insurance did not differ in a statistically significant way.

Having summarized all the obtained results, it can be concluded that the examined aspects of the professional civil liability insurance, i.e. the insurance and guarantee sums, depend on certain respondents' characteristics, i.e. the respondent's position, their age and the size of the company they are employed. It was found that there is a causal relationship between these characteristics and the conditions of the professional civil liability insurance. Also it is important to note that the statement that contingent commissions added to brokers' remuneration can lead to the emergence of professional civil liability did not receive significant respondents' support.

4.3. Independent insurance brokerage activity prospects and opportunities for improvement. As already mentioned before, insurance brokers, who know the insurance market, its products, prices and understand the needs of insurance customers well, play an important role in the insurance market. It is confirmed by the study results. The majority of the respondents (60 per cent) evaluated the role of the independent insurance broker as very important, 37 per cent – important and only 3 per cent – less important. It should be noted that there were no brokers who assessed their role in the market as unimportant.

Having analyzed the obtained results, we saw that in order to facilitate the brokers' activity, the most acceptable solution is the proposal to strengthen the selection of insurance brokers as specialists and requirements applicable to them as well as to review and amend the legislation governing the insurance brokerage activity and the Law on Insurance (estimate 3.05). Such a large percentage of the respondents can be explained by the fact that professional requirements to the insurance broker are high and, therefore, their selection should be strict in order to avoid professional mistakes as much as possible. The study participants by answering to this question pointed out other perspectives. They claim that the code of insurers and brokers' cooperation ethics should be formalized, the commission fee to

the broker should be bigger than to the dependent agent, the supervising authority would supervise and control the unfair insurers' activity and cooperation with brokers, as well as to unify the applicable commission payments. In this case, it is necessary to point out that a part of insurance brokers, however, believe that the unification of the applied commissions will improve the insurance brokerage business.

One more important factor partially influencing the respondents' opinion on the issue is the size of the company. When analyzing the assessments about the proposals relating to the facilitation of activities done by insurance brokers employed in companies of different size, it was noted that the opinion of these respondent groups was different in a statistically significant way at one proposal – employees of bigger insurance brokerage companies in a more statistically favorable way than brokers of smaller companies assessed the proposal to reduce the supervision of insurance brokers and the number of institutions supervising their activity, to set clear functions. Meanwhile, opinions of insurance brokers employed in bigger and smaller companies about other proposals related to the facilitation of their activity did not differ in a statistically significant way.

Also, in this study the insurance brokers had to assess statements related with the future of the insurance broker. It should be noted that the most popular answer of all the respondents was that insurance brokers have great prospects and will gain strong positions in the market. 85 per cent of the interviewed brokers agreed with that. Great support (57 per cent) gained the prospect that in future the functions performed by brokers will change. Quite a significant number of respondents (53 per cent) believe that the bigger part of brokers will become multiagencies, i.e. specialists offering a wide range of all possible intermediary services. 32 per cent of respondents said that the current trends will continue and nothing will change in the insurance brokers' activity. It is important to note that $\frac{1}{4}$ of insurance brokers who participated in the survey agreed with the fact that for the provided services they will receive remuneration from the policyholders and 3 per cent of them said that insurance brokers will disappear. So, it can be concluded that the majority of companies evaluate their activity prospects in a positive way and believe that the insurance brokerage business is developing rapidly.

Conclusions

The analysis of the scientific literature has shown that at increasing level the modern insurance market needs intermediaries' help who could help insurers and policyholders choose the best combination of

insurance services. The role of independent insurance brokers manifests itself by the fact that they are an important link joining the parties of the contract.

Having analyzed all the available information, the study has identified two main insurance brokers' activity problems – remuneration system and professional civil liability insurance. Negative assessment received the fact that the remuneration for the independent insurance broker is paid not by their client or the client and the insurer together, but only by the insurer who adds remuneration costs to the insurance premium, which in turn can lead to negative consequences – the infringement of the policyholder interests. It is worth to mention other issues of concern of the insurance brokerage business – lack of qualification, unfair competition, lack of public trust and failure to comply with brokerage ethics.

The analysis of the results of the conducted survey related to the brokers' professional civil liability insurance showed that the major part of brokers justify big sums of professional civil liability insurance. Also, the proposal that in Lithuania apart of the professional civil liability insurance have to appear other means of compensation of possible damage was most supported.

While assessing the insurance brokerage development trends, the analysis of the survey results showed that the most popular answers of all respondents were the ones that insurance brokers have great prospects and will gain a strong position in the market as well as in the future the functions performed by brokers will

change. In this regard, it is assumed that the majority of companies their activity prospects in a positive way and believe that the insurance brokerage business is developing rapidly.

The presented findings enable to highlight the opportunities for improvement of the remuneration system for insurance brokers. In order to ensure the true independence of insurance brokerage companies, the current system of remuneration payment should be changed by transferring the obligation to pay the remuneration to the client. Of course, to shift to a new system immediately would be difficult, therefore, it is worth to start with the strict regulation of contractual relations between insurance brokers and insurers. Also, the unification of applied commissions could be legitimized. In this case, it will monitor the agent's incentives to act on behalf of the client and, so, the value to the policyholder will be created.

The obtained results of the survey are useful for all the participants of the insurance market because the topic of independent insurance brokers' work specifics and problems is important and relevant due to the increasing role of the insurance brokers in the insurance system. For this reason one study cannot cover all the information related to this topic. Because this study aimed to analyze only two aspects of the insurance brokers' activity (the remuneration system and professional civil liability insurance), therefore, the research of this topic can continue in this direction – to analyze other important aspects of insurance brokers' activity and to develop an integrated model of improving the insurance brokers' activity.

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