



Press Release

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EIOPA TO LAUNCH EU-WIDE THEMATIC REVIEW OF MARKET CONDUCT

- *The exercise aims to identify whether some aspects of how underlying investments are chosen for unit-linked products, could lead to consumer detriment.*
- *The thematic review will cover 60% of the unit-linked life insurance market in each participating country.*
- *The review is part of EIOPA's strategy towards a comprehensive risk-based and preventive framework for conduct of business supervision.*

Frankfurt, 5 July 2016 – The European Insurance and Occupational Pensions Authority (EIOPA) is launching an EU-wide thematic review of market conduct among insurance companies operating in the unit-linked life insurance market. The review aims to cover 60% of each national market in terms of both gross written premiums and assets of unit-linked funds.

The purpose of the review is to identify potential sources of consumer detriment stemming from the relationships between insurers and providers of asset management services. In particular, EIOPA intends to analyse how remuneration paid by asset managers to insurers could influence their choice of investments and how this choice could impact policyholders.

The thematic review focuses on three key issues:

- Existence and characteristics of monetary incentives and remuneration.
- How insurance undertakings address conflicts of interest.
- How insurance undertakings structure unit-linked life insurance products.

The thematic review will be conducted in close cooperation with National Competent Authorities (NCAs). NCAs will identify participating insurance companies, gather the relevant data and information in their national market and also serve as a primary contact point for insurers in case of questions. EIOPA will manage and coordinate the EU-wide exercise as well as prepare the final in-depth analysis of the results of the thematic review.

Participating insurance companies are expected to report back by September 2016 and the results of the thematic review will be disclosed in early 2017.

Gabriel Bernardino, Chairman of EIOPA, said: *"EIOPA's Consumer Trends Reports have highlighted the relations between insurers and asset managers in the unit-linked market as one possible source of consumer detriment. To meet its objective of preventive consumer protection, EIOPA needs to gain a deeper understanding of the monetary incentives and conflicts of interest when insurers select the underlying investments. A focused thematic review is therefore the right tool for an in-depth EU-wide investigation: it will build a coordinated understanding of the market practices, point at potential problems and how widespread they are.*

This thematic review is an important step in the effective roll-out and implementation of EIOPA's strategy towards a comprehensive risk-based and preventive framework for conduct of business supervision."

Note for Editors:

Unit-linked product – insurance contract, which provides a combination of life insurance and investment, where the risks for the investment part are borne by the policyholder.

EIOPA's Consumer Trends Reports have identified several consumer protection issues relating to unit-linked products. One of the issues identified was the conflicts of interest arising from the selection of the underlying funds in the structuring of unit-linked products. Concerns raised were that some life insurance undertakings were choosing underlying funds to offer on the basis of those which provided the highest remuneration to the insurance undertaking from asset managers. The existence of conflicts of interest of such a nature could seriously undermine the workings of the market if left unmitigated, and thus result in consumer detriment.

Thematic reviews are used to target a specific financial activity or product potentially causing consumer detriment or creating a barrier to the effective functioning of a retail market/delivery of good consumer outcomes. They allow investigation by EIOPA into a specific risk, leading to an in-depth analysis which can help to explore issues that go beyond one national market, building a coordinated understanding across the European Union. Thematic reviews, along with consumer trends report, deep and effective market monitoring and retail risk indicators, are a building block of EIOPA's Strategy towards a comprehensive risk-based and preventive framework for conduct of business supervision.

The **European Insurance and Occupational Pensions Authority (EIOPA)** was established on 1 January 2011 as a result of the reforms to the structure of supervision of the financial sector in the European Union.

EIOPA is part of the European System of Financial Supervision consisting of three European Supervisory Authorities, the National Supervisory Authorities and the European Systemic Risk Board. It is an independent advisory body to the European Commission, the European Parliament and the Council of the European Union.

EIOPA's core responsibilities are to support the stability of the financial system, transparency of markets and financial products as well as the protection of insurance policyholders, pension scheme members and beneficiaries.