Press Release

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EIOPA PUBLISHES AN EU-WIDE THEMATIC REVIEW OF CONSUMER PROTECTION ISSUES IN THE UNIT-LINKED MARKET

- *The Thematic Review assesses potential issues for consumers due to monetary incentives and remuneration payments from asset managers to insurance undertakings in the unit-linked market.*
- *70% of the unit-linked market measured by assets under management participated in the Review.*
- *Widespread and significant payments from asset managers to insurance undertakings were detected.*
- *Poor or inconsistent mitigation of the conflicts of interest can lead to material consumer detriment.*
- *As a next step, EIOPA is analysing the necessity of further regulatory or supervisory actions.*

Frankfurt, 26 April 2017 – The European Insurance and Occupational Pensions Authority (EIOPA) published today a Thematic Review on consumer protection issues in the unit-linked market due to business interlinkages between providers of asset management services and insurance undertakings.

EIOPA has highlighted in its previous Consumer Trends Reports the potential conflicts of interest created in unit-linked products by monetary incentives and remuneration paid to the insurance undertakings by asset managers. To fulfil its mission and in line with its strategy towards a comprehensive risk-based and preventive framework for conduct of business supervision, EIOPA, in close cooperation with the National Competent Authorities, carried out this European Union-wide Thematic Review with the objective to assess the possible sources of potential consumer detriment in more detail. The results of the Thematic Review can be summarised as follows:

- Payments between asset managers and insurance undertakings are widespread: 81% of participating insurance undertakings received monetary incentives and remuneration from asset managers.
- The payments in the Review sample totalled 3.7bn EUR in 2015. The estimate for the entire market is 5.2bn EUR.
- Around 70% of participating insurance undertakings do not disclose to policyholders the monetary incentives and remuneration received.
- Around 60% of participating insurance undertakings retained the monetary incentives and remuneration received.
- Insurance undertakings invest a significant proportion of unit-linked assets in funds that pay higher levels of monetary incentives and remuneration.
- Insurance undertakings typically have general policies in place to ensure they act in the best interests of customers, with specific reference made to conflicts of interest. However, the implementation of these policies varies significantly.
- The selection of asset managers and investments is in some cases constrained by existing business relations with asset managers and not following proper governance processes.

The Thematic Review provides an insight into how the unit-linked market is developing: where risks for consumers are emerging; the root causes of the risks; the possible scale of the risks; and final impacts for consumers. The results are based on information about the existence, magnitude and structure of monetary incentives and remuneration gathered from 218 insurance undertakings operating in 28 Member States from across the European Economic Area. In addition, evidence was gathered on how insurance undertakings structure their unit-linked products, and which measures they take to address conflicts of interest and to act in the best interests of customers. The sample of participating insurance undertakings represents around 70% of the unit-linked market, measured by assets under management.

Gabriel Bernardino, Chairman of EIOPA, said: *"This Thematic Review is the first European Union-wide in-depth analysis of consumer protection issues in the unit-*

linked market. The highlighted monetary practices raise concerns around potential conflicts of interest, which if not addressed properly could seriously undermine the functioning of the market, and result in consumer detriment. Besides the regulatory changes already under way, through the Insurance Distribution Directive and the Key Information Document for Packaged Retail Insurance Investment Products, EIOPA is now assessing, including through workshops and discussions with stakeholders, if further regulatory or supervisory actions need to be taken so that identified conflicts of interest are avoided or properly mitigated."

The full Thematic Review Report in English is available on EIOPA's Website.

Notes for Editors:

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

Thematic reviews are used to target a specific financial activity or product 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 reports, deep and effective market monitoring and retail risk indicators, is 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.