



Press Release

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EIOPA ISSUES RECOMMENDATIONS TO IMPROVE CONSUMER PROTECTION IN THE UNIT-LINKED MARKET

- *Conflicts of interest arising from monetary incentives and remuneration between providers of asset management services and insurers identified in the unit-linked market must be prevented from adversely affecting the interests of customers.*
- *Interests of customers must be safeguarded by insurers under general principles included in existing and upcoming European Union law.*
- *National competent authorities have to provide guidance to insurers on how to apply the principles included in the Insurance Distribution Directive and Solvency II Directive when it comes to conflicts of interest arising from monetary incentives.*

Frankfurt, 11 December 2017 – The European Insurance and Occupational Pensions Authority (EIOPA) published today an Opinion on monetary incentives and remuneration between providers of asset management services and insurers.

The Opinion is a follow-up on [EIOPA's thematic review](#) published on 26 April 2017 that assessed potential risks for consumers due to monetary incentives and remuneration payments from asset managers to insurance undertakings in the unit-linked market. The thematic review concluded that monetary practices between asset managers and insurance undertakings are significant and widely spread across the European Union. In this regard, EIOPA identified risks of consumer detriment relating to unmitigated conflicts of interest and to how the assets of unit-linked policies are managed by insurers.

The aim of the Opinion is to promote consistent supervisory practices, to support insurance undertakings in addressing the conflicts of interest resulting from the monetary incentives and to ensure that sound principles are used in managing unit-linked products.

Existing and upcoming European Union law, including the Insurance Distribution Directive and the Solvency II Directive, already include general principles such as the duty to always act honestly, fairly and professionally in accordance with the best interests of customers or to take all appropriate steps to prevent, identify, mitigate and manage conflicts of interest. These principles also apply to conflicts of interest resulting from monetary incentives received from asset managers and to the management of unit-linked products.

National competent authorities are expected to provide clarifications to insurers on how to apply these legal principles when it comes to conflicts of interest arising from the monetary practices as well as their practical application to the management of unit-linked products. National competent authorities should provide guidance on organisational or administrative arrangements to prevent conflicts of interest from adversely affecting the interests of policyholders and to manage unit-linked products in the best interest of policyholders, in addition to disclosure enhancements, mitigating the risk of information asymmetries leading to uninformed choices of consumers.

Gabriel Bernardino, Chairman of EIOPA, said: *"The Opinion addresses risks for consumers arising in the unit-linked market and sets out supervisory actions to ensure insurers act in accordance with the best interests of their customers. By clarifying supervisory expectations and providing guidance to the market, EIOPA aims for greater supervisory convergence which will result in better outcomes for consumers. Going forward, EIOPA and the national competent authorities will continue to assess how market practices evolve to consider whether further measures are needed to ensure fair practices across Europe and by that increase trust in unit-linked products."*

The Opinion is available on [EIOPA's website](#).

Notes for Editors:

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.

Unit-linked product is an insurance contract, which is a combination of life insurance product with an 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.