

**EIOPA thematic review of consumer protection issues in the unit-linked market emerging from the business interlinkages between providers of asset management services and insurance undertakings**  
**Implications for AAE**

EIOPA has carried out a Europe wide survey (218 insurance undertakings operating in 28 states) with a view to considering the following issues:

- existence, magnitude and structure of monetary incentives and remuneration (from asset managers to insurance undertakings)
- way in which insurance undertakings structure their unit-linked products
- measures taken or not taken by insurance undertakings to address conflicts of interest and act in the best interests of customers

The review found that:

- monetary practices are widespread and significant. 81% of participating undertakings receive monetary incentives and remuneration from asset managers. 69% of undertakings do not disclose these amounts and 61% retain them.
- analysis of how insurance undertakings manage unit-linked fund assets revealed significant inconsistencies and potential issues with the selection and monitoring of assets. 25% of undertakings do not have a formal process for selecting investment vehicles while 32% do not have monitoring processes. A significant proportion of unit-linked assets are invested by undertakings in funds paying higher levels of monetary incentives and remuneration.
- there is evidence to conclude in general that poor or inconsistent mitigation of conflicts of interest could lead to material consumer detriment

Several sources of potential consumer detriment have been identified arising from the findings, as follows:

- no or poor disclosure
- cost to policyholders
- poor investment outcomes
- reduced and unsuitable offering

Actuaries are involved in the design of unit-linked insurance and investment products offered by insurance undertakings. They are also involved in the reporting on and reserving for these products and in identifying and addressing associated risks. As a consequence, the existence of the practices identified in the EIOPA review and the potential for consumer detriment associated with them should be considered by the AAE with a view to considering

- (i) inputting to the ongoing EIOPA work in this area and
- (ii) whether the AAE should have a role in guiding its members in this area.

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