

Abstrakt v anglickém jazyce

Theoretical and Practical Aspect of Unit-linked Insurance

Abstract

Unit-linked insurance (ULI) is the most widely sold type of life insurance in the Czech Republic; frequently, however, this product is sold to clients without respecting their investment profile and financial needs (mis-selling); mis-selling, in turn, results in the loss of confidence in the system of financial distribution and its efficiency. Even though the current legislation offers tools to mitigate mis-selling (not only) of ULI, in practice such legal regulation proves to be insufficient. The causes of this relate to both the distributors and their customers, as well as to the financial products themselves.

Behavioural research has proven marked shortcomings in the economic and legal understanding of a human being as a *homo economicus*, i.e. as a rationally acting agent. A number of studies evidence that people oftentimes demonstrate limited rationality, which negatively impacts financial distribution, in that these cognitive errors may be purposefully and skilfully abused by distributors who use their marketing and sales strategies to the clients' disadvantage. In this respect, this thesis analyses the current financial-political customer protection doctrines; the status of the ULI customer protection, nevertheless, remains unclear.

ULI is a product combining both the returnable and insurance method of financial practice; hence, its effects have to be scrutinized for the key attributes of both of these methods. We conclude that such insurance products should be clearly distinguished from investment products which, unlike ULI, are based on speculative risk. This paper also offers a critical analysis of positive law and identifies key legal instruments which unequivocally define ULI as an insurance product. Upon juxtaposing our theoretical and practical findings, we conclude by offering a critical assessment of new legal regulations that pertain to ULI distribution and of their impact on eliminating the practice of mis-selling.

Key words: unit-linked insurance, distribution, suitability