

The premiums paid are invested in the underlying funds as selected by the client. Alternatively, clients may request the appointment of a specialist fund manager to select the underlying funds on an advisory or discretionary basis.

The assets related to this product are segregated for the benefit of policyholders in separate accounts of the insurance company. These separate accounts are classified as investments for the account of policyholders.

Offshore Wealth Management products allow a customer to make regular withdrawals from their policy provided there is sufficient value in the underlying fund. The death benefit is typically 100.1% of the surrender value of the policy on the death of the last life assured. Offshore Wealth Management products do not have explicit guarantees. The surrender value reflects the performance of the funds selected by the client and, therefore, the final surrender value of the policy may be less than the original investment.

The account value of Offshore Wealth Management products reflects the performance of the funds. The insurance provider earns ongoing administration and expense charges on the policy. Collected surrender charges are typically applied to recoup deferred acquisition costs.

### **Competition** **Variable annuities**

From 2012 to 2013, the competitive environment for variable annuities in Europe has experienced no significant change. Ongoing difficult economic and financial conditions have limited new product launches. In the United Kingdom, there are two competitors, Axa and MetLife. MetLife is the market leader, with a total variable annuity market solution covering both pensions and onshore bonds.

In Germany, several competitors offer variable annuity type products, but variable annuities are generally not essential to their overall offering. The main competitors are Canada Life, Axa, and Balaise. Other providers include Allianz, Swiss Life, Generali, and Friends Provident.

In France, AXA and Allianz are the only other providers offering variable annuities, with AXA leading the market.

### **Offshore bonds**

The UK offshore bond market remains highly competitive. Aegon has a 6% market share, placing it sixth. The top three providers by market share are Axa Wealth, Standard Life, and Canada Life, respectively.

### **Regulation and supervision**

Aegon Ireland is registered as a life insurance company in Ireland under the European Communities (Life Assurance) Framework Regulations 1994 (the 1994 Regulations), which implements the Consolidated Life Directive in Ireland. Aegon Ireland is regulated by the Central Bank of Ireland. As an Irish authorized life insurance company, Aegon Ireland may undertake life insurance business in any member state of the European Economic Area on either a freedom of services (FOS) or freedom of establishment (FOE) basis, subject to the notification requirements set out in the 1994 Regulations.

Aegon Ireland operates on an FOE basis in Germany (with a branch office in Frankfurt) and on an FOS basis in the United Kingdom and the Netherlands, selling life insurance products in Class III (contracts linked to investment funds) and Class I (life insurance and contracts to pay annuities on human life), excluding contracts written in Class II (contracts of insurance to provide a sum on marriage or on the birth of a child). Aegon Ireland must comply with the general good provisions that apply to insurers selling such policies in each jurisdiction.

The Central Bank of Ireland has sole responsibility for the prudential supervision and regulation of Aegon Ireland. As a consequence, Aegon Ireland's entire business, state of solvency, establishment and maintenance of technical reserves, quality of corporate governance, risk management, and internal control systems are all subject to monitoring and supervision by the Central Bank of Ireland. Aegon is required to submit annual returns to the Central Bank of Ireland and is subject to annual review meetings and themed visits. The Central Bank of Ireland has wide powers of intervention in all areas of Aegon Ireland's business.