The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

Response to EIOPA's consultation on Methodology on Value for Money benchmarks

Executive summary

BETTER FINANCE welcomes and supports EIOPA's ongoing work on a supervisory toolkit to assess the value for money offered by unit-linked and hybrid insurance products. Since its creation, BETTER FINANCE has been fighting for regulatory and supervisory action to improve the returns of long-term and pension saving products. As BETTER FINANCE research shows, high costs of packaged products, in particular in the insurance sector, often result in poor long-term performance and the loss of purchasing power for retail investors.

EIOPA's consultation paper[1] suggests a three-pronged approach:

- clustering of unit-linked and hybrid insurance products based on essential product features;
- selection of relevant qualitative and quantitative indicators together measuring the "quality" of a product;
- setting the indicator levels that should be considered as benchmarks.

It is important to note that EIOPA sees these benchmarks as a complementary tool in a broader value for money assessment.[2] In this context, EIOPA intends for these benchmarks to be used by manufacturers as a self-assessment tool in their product testing, and by supervisors to identify outliers in terms of value for money, which should be subject to enhanced supervision. BETTER FINANCE, however, strongly argues in its response that these benchmarks must also be made public and constructed as a tool to better inform retail investors and facilitate product comparisons (see section "3. How benchmarks should function").

On the suggested process for product clustering, BETTER FINANCE suggests that products should be clustered essentially based on the underlying unit, with each unit plus its wrapper constituting a 'product' for the purpose of the benchmarks (see section "4. Product clustering").

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[1] European Insurance and Occupational Pensions Authority, *Value for Money Benchmarks Methodology*.

[2] European Insurance and Occupational Pensions Authority, *Supervisory Statement on Value for Money*; European Insurance and Occupational Pensions Authority, *VfM Methodology*.

On the selection of value for money indicators, BETTER FINANCE stresses the need to go beyond mere peer-group comparisons and include indicators of product's performance compared to inflation and to the investment objective of the product (see sections "5. Value for Money indicators" and "6. Benchmark settings").

For performance and cost indicators, it is critical that EIOPA does not use —as intended— the data from the PRIIPs KIDs, as they are only future projected performances with 4 scenarios not weighted by probability, and based on the last 5-year performance.

EIOPA should use instead (like the French NCA who already started its own "value for money" process on unit-linked products) the actual historical performance of products AND their benchmark chosen by the manager over the recommended holding period or longer. These data are mandatory and standardized at the EU level[3]

Finally, BETTER FINANCE argues that data for the calibration of the benchmarks should be collected for all products on the market, not merely a sample (see section "7. Data collection").

3. How benchmarks should function

In this section of its consultation paper, EIOPA states the general objectives that the creation of value for money benchmark pursues, and how this fits into its broader strategy to enhance value for money in life insurance products.

Q1: Stakeholders are invited to provide inputs and views as to how value for money benchmarks should work and their usefulness for product comparability

We support the objective that EIOPA assigns to the proposed benchmarks on value for money in unit-linked and hybrid insurance. We indeed share EIOPA's assessment that there is an urgent need for more harmonised guidance to implement product oversight and governance (POG) requirements and address consumer detriment arising from products the costs and charges of which are disproportionate to the benefits these products bring to customers. Like EIOPA, we consider that such products do not offer value for money to the target market.

While the EU legislation has not yet defined the notion of 'value for money' in the context of retail investment products, we share EIOPA's view, expressed in its Supervisory Statement of November 2021 that "unit-linked products offer value for money when costs and charges are proportionate to the benefits [...] to the identified target market as well as reasonable, taking into account the expenses born by the provider" (EIOPA, 2021, Supervisory Statement, §3.2).

Such a principle-based definition, however, needs to be operationalised to enable effective daily implementation of this consumer-centric approach and its supervision. The proposed benchmarks constitute an essential element of this operationalisation: As EIOPA states in the consultation paper, these benchmarks will "assist NCAs in identifying products with higher value for money risks" and

[3] Delegated Regulation (EU) 2021/2268 of 6 September 2021 amending the Delegated Regulation (EU) 2017/653 on the PRIIPs KID

assist “product manufacturers in identifying comparable offers in the market to determine if their products offer value — by making sure all costs are due” (CP, §1.2). In this respect, we strongly welcome EIOPA’s statement that “[b]enchmarks should not be considered a safe harbour” and even those falling within the benchmark range must still show compliance with POG rules.

However, we strongly believe, contrary to what the Consultation Paper suggests, that the benchmarks should be used to enhance information to prospective customers (see reply to Q4)

Q2: Stakeholders are also invited to share whether they agree on what the benchmarks are and are not.

We support the proposal that benchmarks should be established for clusters of products with similar essential features to ensure comparability (§ 3.2) and that they can be used to identify underperforming unit-linked and hybrid products (§ 3.3).

We agree that benchmarks should include several key indicators rather than a single metric (§3.4), but the number of indicators must be limited to indicators that reflect the main purposes of the product, to facilitate comprehension, especially by retail investors.

We agree that benchmarks should facilitate communication with supervisors (§3.5), but they should primarily drive supervisory action. Consistent underperformance should trigger inquiry and possibly regulatory action.

EIOPA’s proposed benchmarks lack an external, objective benchmark for assessing product performance against underlying assets. This could be remedied by integrating unit managers’ investment objectives into assessments: Virtually all unit managers set themselves an investment objective, either explicit or implicit; the gap between that objective and the actual performance should be an indicator included in the benchmarks, as well as the ability of the product to offer positive real net returns over varying holding periods (i.e., beat inflation and at least preserve the purchasing power of savings).

In line with EIOPA’s consumer-centric approach, we argue against separating indexed from actively managed units into different clusters for products that are otherwise similar (asset type, SRI class). Such distinction would distort market representation and undermine benchmark integrity. It’s crucial to ensure the clustering process accurately reflects market realities and consumer preferences, fostering transparency and informed decision-making.

Q3: Do you already have similar tools in your market that would serve the same purpose?

There currently exists, to our knowledge, no systematic benchmarking tool to assess the value provided to customers by life insurance products and compare it with that offered by products with similar characteristics. The creation of such benchmarks, however complex methodologically, is, therefore, much welcome from the point of view of retail investors, provided that the results of this benchmarking exercise are made available, with all necessary precautions, to retail investors (see our response to question 4 below).

In May 2023, the German NCA, BaFin, published a substantial "Guidance Notice" ("Merkblatt") on the supervision of conduct of business of life insurers.[4] While not directly addressing the issue of creating benchmarks, this Guidance Notice outlines the criteria that are crucial for assessing the value for money across all categories of life insurance. In its Guidance Notice, BaFin notes that "purely unit-linked products and hybrid products are regularly advertised as also enabling policyholders to participate in the opportunities associated with return-oriented investments. The increased return expectation this entails must be taken into account in the formulation of the return target for the respective target market" (Guidance Notice, §17). We share this view: the target market for those products is usually one that is looking for long-term returns higher than those of classic 'profit participation' products; systematically failing to live up to that expectation should at least constitute a basis for enhanced supervision and potential supervisory action.

In France, the ACPR and the insurance companies launched at the end of 2022 a joint initiative to identify outliers among unit-linked life insurance products[5]. This exercise is limited to the unit-linked element of multi-option products (MOPs): The French approach identifies 27 clusters by crossing asset classes with SRI levels. We suggest that similarly focusing on the unit-linked element of MOPs would simplify EIOPA's framework.

Q4: While EIOPA indicated that initially it will not publish the benchmarks, stakeholders are also invited to share views as to whether the benchmarks should be published or not already in the first initial phase.

BETTER FINANCE strongly opposes keeping benchmarks confidential and advocates for their public disclosure. These benchmarks would serve as the first tool for consumers to compare products, crucial for eradicating underperforming products and improving unit-linked and hybrid life insurance markets in Europe.

Informed consumer investment decisions are key to driving market improvement. Access to benchmark information would benefit consumers with varying levels of financial knowledge, encouraging financial education for those less experienced. Public access to benchmarks would shift reliance from manufacturers' goodwill and rare supervisory action to consumer-informed decisions.

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[4] Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), *Guidance Notice 01/2023 (VA) on Aspects of Conduct of Business Supervision for Savings Products*, Frankfurt-am-Main, June 14, 2023. https://www.bafin.de/SharedDocs/Veroeffentlichungen/EN/Merkblatt/VA/mb_01_2023_wohlverhaltensaufsichtliche_aspekte_va_en.html

[5] France Assureurs, *Assurance vie : France Assureurs invite ses membres à renforcer l'examen des unités de compte référencées dans leurs contrats*, Press release, Paris, December 7, 2022. https://www.franceassureurs.fr/espace-presse/les-communiques-de-presse/assurance-vie-france-assureurs-invite-ses-membres-a-renforcer-lexamen-des-unites-de-compte-referencees-dans-leurs-contrats/.

We see a risk that a benchmarking process that on which policyholders are not consulted nor informed leads to a workstream largely disconnected from the consumer-centric approach that EIOPA is promoting. The lack of consultation with policyholder representatives by the French ACPR is in this sense an example that highlights the need for transparency in benchmarking initiatives and the need for EIOPA to reverse the paternalistic view that supervisors and product providers too often seem to hold towards retail investors.

Even if initial benchmarks are complex, efforts should focus on presenting them in a consumer-friendly manner. Works on the methodology itself should have as an end-goal the disclosure of the benchmark to consumers, as a way to ensure that it is consumer-oriented by design. Benchmark indicators could be integrated into revised PRIIPs Key Information Documents, whereby benchmark indicators could be displayed alongside key product information. Having such consumer-oriented benchmarks would certainly benefit future debates on the much needed thorough revision of the PRIIPs Regulation.

4. Product clustering: Ensuring comparability

In this section of the consultation paper, EIOPA explains how it intends to create clusters of similar products. A set of "essential features" is defined, the various combinations of which delimiting groups of products. Products in different groups would then be deemed too qualitatively different for comparing them, while products inside the same group should then be comparable as they share the same essential characteristics.

Q5: Stakeholders' views on the approach to product clustering are sought.

BETTER FINANCE generally supports the proposed approach to product clustering. Grouping products based on a limited number of structural, essential features ensures that only comparable products are being compared with each other. We welcome the proposal to calibrate the benchmarks at the EU level, which will help tackle the problem of highly expensive markets constituted along national lines.

The number of relevant features used for product clustering must be strictly limited: the more criteria there shall be, the more product comparability will be lost. Should the list of features be open, it is inevitable that product providers will call for ever more granularity, to the point that clusters will be so small that the they become irrelevant.

In no case should levels of costs or performance be considered as criteria for product clustering. Similarly the management style of the underlying unit (passive vs. active) should not constitute a criterion for clustering: from a consumer perspective, the way in which the underlying investment is managed is irrelevant: it makes no qualitative difference in terms of what benefits customers may expect from their products, only a quantitative difference in terms of the costs they bear in relation to the management of the unit, and the financial performance of the investment. It is our strong belief that two products that have similar characteristics except for the management style are comparable and that this comparison should be made to assess the value offered by each product.

Since there will inevitably be cases in which it is unclear what cluster a particular product belongs to, we argue that writing a clear explanation of the choice of cluster must be required as part of the

POG requirements: it would enable supervisors to examine the manufacturers' arguments for their choice of cluster, challenge erroneous or unsubstantiated arguments and, if needed, require a change of cluster.

Q6: Do you agree with the essential and additional criteria for product clustering? Should additional criteria be collected?

While we generally agree, several points warrant further discussion and clarification.

First, the death coverage criterion distinguished between low and high coverage: a third category of products with no death coverage at all should be added to better reflect the reality of the market in some countries. Note that this should come with a breakdown of the premium between the investment part, the death coverage part, and the part paying for contract administration.

Second, the SRI class criterion proposed by EIOPA uses three intervals only, which may not adequately reflect the market. A more fine-grained categorisation, like that used by the French ACPR, with up to 6 intervals based on SRI classes (depending on asset classes) offers more nuance and would lead to more appropriate comparisons.

Third, asset type should be an essential feature, given its importance on the performance of the product. As regards the asset types listed by EIOPA, we note that "AIF" is not an asset type but a legal form of investment funds, which should probably be replaced with a "hedge funds" category; also, the "other" category might be better labelled as "mixed assets".

Fourth, we question the inclusion of "presence of ongoing advice services" as an additional feature. All IBIP providers charge ongoing administration costs that are intended to cover changes made to the contract upon request from the customer, including changes of investment strategy. Since a change of investment strategy necessarily implies the provision of advice, we can conclude that all products should offer "ongoing advice services".

Finally, we disagree with including the "presence of digital tools which enable constant communication with customers" as an additional feature. The presence of communication tools appropriate to the target market, who may have difficulties using digital tools, should be a basic requirement for all providers.

Q7: Do you agree with the proposed approach to use the additional criteria to either develop more detailed clusters or to provide qualitative considerations on how to take these elements into account when looking at the benchmarks?

We generally upon the rationale for creating the proposed clusters (CP §§ 4.9 and 4.11). However, in order to ensure reliable and meaningful comparability of products, the number of clusters should be as limited as possible.

If the possibility to create additional clusters is not limited, product providers might use, or rather, abuse this possibility, continuously creating all kinds of product "innovations" aiming at hindering any broad and reliable comparison of value for money as much as possible. That is why the number of essential and additional product features should strictly be limited (see our comment on Q5).

Q8: Do stakeholders think that for MOPs Option 1 would suffice or that Option 2, which would be more substantial in terms of reporting but also more precise and granular, should be preferred?

BETTER FINANCE cannot support any of the two options as both seem to ignore the market reality of markets dominated by MOPs that often include hundreds of units. We note that in the French value for money assessment tool, clustering is done by unit rather than by contract, which seems a more realistic approach. Indeed, most of the proposed essential criteria for product clustering, and those that BETTER FINANCE would like to see included (asset type) relate to the unit; it would then make sense to consider a product as a unit plus its wrapper.

It would then be possible to cluster all products in the same manner as the difference between classic products and MOPs becomes irrelevant. The essential features are mostly those characterising the unit and a very few fundamental features of the wrapper, and the costs to be considered are those of the unit plus the wrapper (with the wrapper costs constituting an indicator for the cost element of the benchmark), in line with EIOPA's consumer-centric approach.

In this approach, data for the benchmark calibration should be collected for each 'product' (i.e., unit plus wrapper), so that the benchmark truly reflects the universe of investment options available to the customer.

Q9: For Option 2 do you think the clustering approach should be revised by focusing more on the underlying options and less on some of the other essential product features?

BETTER FINANCE does not agree with this proposal. As the performance scenarios of underlying options cannot be predicted with satisfactory certainty, the other essential product features are all the more important for the value for money assessment.

Q10: For option 2 do you think that the inclusion of the profit participation investment option in the asset class feature is appropriate for a correct interpretation of hybrid products?

BETTER FINANCE does not support the use of Option 2. However, should this option be used, then, yes, it would be appropriate to include the profit participation investment option in the asset class feature, provided that the customer has the possibility to treat the profit participation fund as an investment option (if the profit participation fund in a mandatory risk mitigation element, then its value has to be assessed as a capital guarantee attached to the wrapper).

We note that even "classic" profit participation life insurance products now include several investment options corresponding to different levels of guarantee offered, and these "levelled" guarantees make these products comparable to hybrid products.

5. Value for Money Indicators

In this section of the consultation paper, EIOPA lists the (quantitative) indicators that it suggests to capture the various constitutive elements of the "quality" of an IBIP and measure how much value it is likely to bring to its target market.

Q11: Stakeholders are invited to provide feedback on the use of VfM Methodology Level II indicators, are these a good fit for the benchmarks? Should Level I indicators be used?

In the sense that Level II indicators provide a comprehensive and nuanced understanding of value for money, they can be considered as a good fit for the benchmarks.

Nevertheless, be it as Level I and Level II indicators, PRIIPs KID indicators must be avoided, owing to their poor quality and misleading nature. Indeed, the PRIIPs KID does not include actual costs and performance data, but projections, which we criticise on two accounts.

First, there are no actual, long-term data about the performance of the product nor that of the benchmark chosen by the manufacturer of the unit; instead, there are only performance scenarios based only on the last five years of performance, leading to highly incorrect and misleading indications. The IRR PRIIPs methodology should, therefore, be avoided.

Second, there are no actual data about the costs of the product for the investor, only a "reduction in yield" (RiY) metric, estimated based on one of the four future performance scenarios, and only for the holding period recommended by the unit's manufacturer.

Instead, EIOPA's benchmarks should use the actual historical performance and total costs of the units, which are already available, being disclosed in a standardised format by all EU unit managers in compliance with Delegated Regulation (EU) 2021/2268 of 6 September 2021.

Furthermore, we wish to indicate that the cost-to-premium ratio is not so relevant as a metric as the cost-to-total value of the product's unit: the largest costs are indeed usually trailing costs and calculated on assets accumulated rather than on premiums paid.

Q. 12: Stakeholders' views on the proposed indicators are sought, including on the intervals at which the indicators need to be assessed.

BETTER FINANCE agrees with the proposed intervals for the life benefit and cost components (5 years, half RHP, full RHP), as the benchmarks must enable an assessment of the value for money offered to a customer who may surrender their policy earlier than the RHP. We would also suggest an additional assessment beyond the RHP, to assess the quality of the product for policyholders who have a time horizon longer than the RHP. The rationale for this view is that, first, not all customers within the target market have the same initial investment horizon and, second, life events may lead policyholders to surrender their contracts earlier or later than intended, for which they should not be disadvantaged.

The first assessment after 5 years seems appropriate, considering that most cases of early surrender happen within the first five years of the contract. Initial entry costs and the frontloading of charges that we see in some business models substantially reduce the proportion of the gross premiums that are effectively invested in the early years of the contract, thereby significantly reducing the overall performance. It is important that the benchmarks enable a proper assessment of this performance-reducing effect in those early years; a calculation of indicators after 1 year would provide an even clearer picture of the effect of entry costs, specifically.

Q. 13: Stakeholders are invited to also provide feedback as to which indicators work best for which cluster/product features.

We generally agree that the proposed indicators are relevant for all categories of IBIPs, with the exception of the biometric risk benefit/premiums paid ratio for the death risk component.

As BaFin notes in its Guidance notice 01/2013 of June 2023, a product includes a significant death coverage, the value for money of this death coverage should be assessed separately from the investment part of the product. EIOPA's proposal to include two different indicators for the "life benefit component" and the "death benefit component" seem to go in the same direction, but fail to draw an essential conclusion regarding the indicators: separating the analyses requires assessing the life benefit in relation to the amount of premiums effectively invested in capital markets, while assessing the death benefit should be done in relation to the part of the premium that is paid towards this death coverage.

This requires, first, that product providers disclose for each product the breakdown of premiums in three categories: the part that is invested into the underlying investment units, the part that is paying for the death coverage, and the part charged to cover contract administration.

Then, for the life benefit component, a more appropriate indicator would be the ratio between surrender value and the amount invested (i.e., the "investment" part of the premiums). Similarly, the death benefit component indicator should be the ratio of the biometric risk benefit to the amount of premiums paid towards death coverage.

Q.14: Do you believe additional indicators should be measured?

Yes. First, we call for the addition of performance indicators under the life benefit component that would measure the performance of the product against inflation (real net return) and against the underlying capital market (average gap to investment objective of the unit) over the proposed intervals (5 years, half RHP, full RHP) and further. This is necessary to remedy the shortcomings a the peer-group benchmarking proposed by EIOPA (see our response to Q17 below). As BaFin puts it in its Guidance Notice "life insurers should assess whether the members of the target market seek not only a positive return after costs, but also a positive return after costs and inflation" because if they do, then, "the policyholders in the target market would then, as a rule, seek at least a return that is equivalent, for exempla, to a reasonable inflation expectation"6 Including "real net returns" as an indicator would enable to assess the value offered by the product to such a target market.

We believe that the benchmarks should also include, where appropriate, the biometric costs of longevity. Biometric costs of longevity, though only relevant for the pay-out phase of IBIPs, are very important. The pay-out phase does not seem to be part of EIOPA's proposal: the proposed benchmarks are only relevant for the contribution phase. From our point of view this would constitute a severe lack of supervisory activity. For pension products like annuities the life-long pension pay-outs are in fact the only relevant option for policyholders, and therefore the appropriateness of assumptions and calculations of longevity are of utmost importance for the final amount of pay-outs. For products with a death risk coverage, supervisors usually ask the actuaries to over-calculate by some margin the longevity, to constitute capital buffers. But this actuarial "over-calculation" must remain limited and any gains from this over-calculation (so-called "biometric risk

[6] BaFin, Guidance Notice 01/2023 (VA), §15.

benefits") must timely be reimbursed to the policyholders. Only supervisory are able to control this conduct of actuarial business duly.

Q.15: In case option 2 for MOP is chosen, do you think that more appropriate indicators applicable only to the single investment options should be identified?

Please refer to our response to Q9.

Q16: Do you agree with the proposal of using PRIIPs KID assumptions for the moderate scenario for the calculations of the indicators? Should an additional scenario (point in time) be included to evaluate the current performance of the product?

Please refer to our reply to Q11 as to why we oppose the use of indicators based on the PRIIPs KID methodology.

We would further note that choosing the moderate scenario over the over PRIIPs KID scenarios does not have any rational foundation in the absence of any indication that this would be the most probable scenario for that particular product. Should the PRIIPs moderate scenario be used, disclosure of the assumed underlying interest rates (benefit rates) shall be made mandatory.

6. Benchmark settings

In this section, EIOPA explains, in broad terms, how it intends to define what levels of the selected indicators should be considered as the benchmarks. EIOPA suggests to use percentiles of the distribution of products within a cluster to define a range of values within which products would be considered as within the benchmarks. We argue that the absence of an external benchmarks, acting as a yardstick to measure performance independently from the peer group, is a major flaw of the approach.

Q17: Do stakeholders agree to use percentiles to define benchmarks?

The use of percentiles can be useful for assessing the costs and performance of a specific product in comparison to similar products on the market (peer group benchmarking).

Nevertheless, a benchmark relying only on peer group comparisons tells us nothing about the performance of the entire group compared to the underlying assets: if the whole cluster is composed of products performing better than the capital market in which they are invested, a peer group benchmark will have products in the tail of the distribution subject to enhanced supervision while they are perfectly acceptable in terms of value for money. Conversely, and more worrying, if a whole cluster performs poorly, products that offer insufficient benefits are likely to escape supervisors' radar because they would fall within the percentile range being considered as the benchmark. This is why we call for the integration of performance indicators independent from the peer group, acting as a yardstick to measure the performance of each product individually and that of the group as a whole.

Two such indicators should be included.

First, a calculation of the actual real net return of the investment, that is, a measure of the surrender value after discounting the cumulated effect of inflation over the varying holding periods. For most retail investors the most basic purpose of a saving product is to preserve the purchasing power of savings; for these investors, a negative long-term real return is evidence of a failing product. Including this indicator would, therefore, make it possible to better assess the suitability of a product with the objectives and needs of a target market, starting with whether this target market prioritises the preservation of the purchasing power of its savings.

Second, the benchmarks should include an indicator measuring the performance of the underlying capital market. This could be done by requiring the disclosure of the unit manager's investment objective (if not already disclosed) and calculating the average difference between actual performance and investment objective of the product. If the average reveals that the product consistently fails to reach its objective, that is another strong piece of evidence of poor value for money.

Q18: Do stakeholders agree that percentiles should be defined once the data is available and that such percentiles should be adjusted as relevant?

For indicators used for peer group comparison (see our response to Q17), yes, it makes sense to first collect an initial complete data set, analyse these data and define which percentiles constitute appropriate qualitative thresholds in terms of acceptable value for money offer of a product.

Q19: In stakeholders' views are there some minimum/maximum percentiles which should be used?

Please refer to our response to Q17 regarding the shortcomings of a purely peer-group benchmarking. Percentiles only bring information that is relative to the peer group, therefore, depending on the ultimate use one makes of the benchmarks, setting minima or maxima in terms of percentiles may not make sense. For singling out which products out to be further scrutinized, systematically targeting the tail of the distribution makes sense. However, if the objective is to determine which products should be subject to supervisory action, a minimum or maximum percentile may in some cases lead to too many or too few products being targeted.

7. The data collection

In this section of the consultation paper, EIOPA explains that it intends to leverage the data collection process currently in place for its Cost and Past Performance report, i.e., a sample-based analysis. We argue that, to provide an accurate representation of the market, and considering that the data should be readily available to manufacturers from product testing, EIOPA should aim for collecting data about all products on the market.

Q20: Do Stakeholders think that the data collection should be expanded?

In its proposal, EIOPA suggests to build upon the data collection process established for its Cost and Past Performance (CPP) report, a sample-based approach with a coverage target of 60% of the market (CP § 7.1) and that product providers should report data on their most sold product for each product cluster.

We disagree with this approach: data should be collected for all products. As EIOPA itself notes, the intended benchmarks would only require data that "which insurance product manufacturers should have available on the requirement to carry out sufficient and adequate product testing". Since product manufacturers are required, by law, to conduct such product testing for all their products, these data should be readily available for all products and, therefore, we see no disproportionate burden in requiring reporting about all the products a provider is selling.

We would even go further and note that, were a provider unable to report such basic data about one of its products, this should be interpreted as a sign that "sufficient and adequate product testing" was in fact not conducted for that product, a serious breach of the POG requirements.

Q21: If yes, which data collection principles should be used?

See our response to Q20.

Q22: Do stakeholders foresee a significant impact in the data collection in terms of resources and time in comparison to the current Cost and Past Performance data collection?

BETTER FINANCE is not a product provider and, therefore, cannot answer this question. Nevertheless, we share EIOPA's view that the required data should already be readily available about any product for which adequate product testing was indeed carried out, so we do not imagine how the data collection could have any significant impact in terms of resources and time.

Q23: How would you assess the impact that the benchmarks methodology would have in your organisation? Please consider both the data collection and the use of the benchmarks when they will be available.

BETTER FINANCE is a consumer organisation that has among its missions to inform retail investors about the retail investment market, alert policymakers about cases of market failures, and contribute to policy debates about the regulation of, inter alia, retail investments.

We pursue this mission through evidence-based advocacy. The benchmarks, provided they are made publicly available, as we call for, would significantly help us in our mission.

8. Impact assessment

Q24: Do stakeholders agree with benefits of the proposed approach?

Yes, we agree, especially if, as we call for, the benchmarks are made available to customers and the wider public. This information would most certainly help consumers understand the impact of fees on their investments (thereby contributing to financial education) and facilitate comparisons of similar products within and across EU Member States (thereby improving competition in the IBIP market and fostering cross-border business).

The proposed benchmarks would help in making more concrete for consumers the still very abstract concept of value for money in insurance products. For this, however, these benchmarks must be designed with the objective of disclosing them to the public.

We do not see the proposed benchmarks as leading to any kind of price regulation, considering the product clustering approach and the identification of a number of qualitative as well as quantitative indicators that, together and with the additions we suggest, would adequately and holistically capture the elements that constitute the “quality” of an IBIP.

Q25: Are there additional benefits in stakeholders’ views?

The increase in transparency and the facilitation of product comparisons that these benchmarks would represent (again, if made public) could also help increase retail participation in capital markets by fostering trust.

Q26: What could be the costs of implementing Option 2?

Since BETTER FINANCE is not a product provider, we cannot answer this question.

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About BETTER FINANCE

BETTER FINANCE, the European Federation of Investors and Financial Services Users, was created in 2009 to give European consumers of financial services a voice. Supported by the European Union since 2012, BETTER FINANCE acts as an independent financial expertise and advocacy centre to the direct benefit of European financial services users. Since its constituency includes individual and small shareholders, fund and retail investors, savers, pension fund participants, life insurance policy holders, borrowers, and other financial services users, BETTER FINANCE has the best interest of all European citizens at heart. It represents about 4 million financial users through 39 organisations in 26 countries. BETTER FINANCE believes that the financial system exists to serve the real economy. For this reason, its mission is focused on restoring confidence in capital markets and financial intermediaries, promoting sustainable finance, market integrity and transparency and pushing for better financial supervision.