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Survey on EIOPA Consultation Paper regarding draft Advice on certain aspects relating to retail investor protection

Fields marked with * are mandatory.

Introduction

On 27 July 2021, the European Commission sent to EIOPA a Call for Advice on certain aspects relating to retail investor protection.

The Call for Advice covers the following six areas:

- Addressing and enhancing investor engagement with disclosures;
- Drawing out the benefits of digital disclosures;
- Assessing the risks and opportunities presented by new digital tools and channels;
- Tackling damaging conflicts of interest in the sales process;
- Promoting an affordable and efficient sales process; and
- Assessing the impact of complexity in the retail investment product market

The Commission has requested EIOPA to deliver its Advice to the Commission services by 30 April 2022 so that the Commission can factor this into its on-going work on its Retail Investment Strategy, which aims to improve consumer outcomes and increase consumer participation in capital markets.

EIOPA welcomes comments on the Consultation Paper regarding its draft Advice on certain aspects relating to retail investor protection.

Comments are most helpful if they:

- respond to the question stated, where applicable;
- contain a clear rationale;
- and describe any alternatives EIOPA should consider.

Please send your comments to EIOPA **by 25 February 2022**, responding to the questions in the following survey.

Contributions not provided using the survey or submitted after the deadline will not be processed and therefore considered as they were not submitted.

Publication of responses

Your responses will be published on the EIOPA website unless: you request to treat them confidential, or they are unlawful, or they would infringe the rights of any third party. Please, indicate clearly and prominently in your submission any part you do not wish to be publicly disclosed. EIOPA may also publish a

summary of the survey input received on its website. Please note that EIOPA is subject to Regulation (EC) No 1049/2001 regarding public access to documents and EIOPA's rules on public access to documents. (https://www.eiopa.europa.eu/about/accountability-and-transparency/public-access-documents_en)

Declaration by the contributor

By sending your contribution to EIOPA you consent to publication of all information in your contribution in whole/in part – as indicated in your responses, including to the publication of your name/the name of your organisation, and you thereby declare that nothing within your response is unlawful or would infringe the rights of any third party in a manner that would prevent the publication.

Data Protection

Please note that personal contact details (such as name of individuals, email addresses and phone numbers) will not be published. EIOPA, as a European Authority, will process any personal data in line with Regulation (EU) 2018/1725. More information on how personal data are treated can be found in the privacy statement at the end of this material. www.eiopa.europa.eu/privacy-statement_en

Remarks on completing the survey

Choice of internet browsers

Please use preferably Firefox or Chrome for best speed of the online survey whilst ensuring use of the latest version of the browser.

Saving a draft survey

After you start filling in responses to the survey there is a facility to save your answers. HOWEVER, PLEASE NOTE THAT THE USE OF THE ONLINE SAVING FUNCTIONALITY IS AT THE USER'S OWN RISK.

As a result, it is strongly recommended to complete the online survey in one go (i.e. all at once).

Should you still proceed with saving your answers, the online tool will immediately generate and provide you with a new link from which you will be able to access your saved answers.

It is also recommended that you select the "Send this Link as Email" icon to send a copy of the weblink to your email - please take care of typing in your email address correctly. This procedure does not, however, guarantee that your answers will be successfully saved.

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In the last section of the survey, you can also share additional material by clicking on "Select file to upload". Several documents (e.g. Word, Excel, Pdf) can be uploaded. However, note that each document / file is limited to 1MB or less in size.

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You will have the possibility to print a pdf version of the final responses to the survey after submitting it by clicking on "Download PDF".

You will automatically receive an email with the pdf file. Do not forget to check your junk / spam mailbox.

Limit of characters for the answer of each question

There is a limit of 5,000 characters for the answer of each question, including spaces and line breaks. If your answer exceeds the limit, you can upload your answer as additional material (see "Uploading document(s)" mentioned above).

Contact details

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- Luxembourg
- Malta
- Netherlands
- Norway
- Poland
- Portugal

- Romania
- Slovak Republic
- Slovenia
- Spain
- Sweden
- Other

Survey on Consultation Paper regarding Advice on certain aspects relating to retail investor protection

Do you have any general comments on the Consultation Paper?

We strongly welcome that EIOPA - via this consultation - again addresses the very difficult and important issue of product complexity versus product simplification which is crucial from the consumer's perspective.

Therefore we want to stress again that "product complexity" must not be limited to the "criteria originating from the securities market". For sure any investment decision is - from customer's perspective - a very complex one with or without an "insurance wrapper". But an IBIP is -in comparison to a retail investment product - even much more "complex", because it contains the "insurer wrapper" as well, i.e. it combines long-term savings / investment procedures with a biometric risk coverage (mainly death and disability). And during the payout phase the biometric risk coverage of longevity is included. In consequence the mostly opaque mechanisms of costs and of possible benefits not only for the investment part of the premiums, but for the biometric risk coverage as well have to be taken into consideration when assessing the "complexity" of an IBIP. That is why any IBIP has to be considered as a very "complex" product by its fundamental product design. The possible application of the principle of proportionality, in order to reduce any information and monitoring duties by distributors and product providers for apparently less complex IBIPs, should therefore be guided by the over-arching premise of preventing from consumer detriment.

Addressing and enhancing investor engagement with disclosures and Drawing out the benefits of digital disclosures

Q1. What do you consider currently to be the most burdensome duplicative requirements between the different legislative frameworks? Do you consider there to be any duplicative disclosures which EIOPA have identified above between different legislative regimes to be not particularly burdensome for insurance undertakings or insurance intermediaries to comply?

Identities, contact details and addresses are not particularly burdensome formal information requirements which should be maintained (cf. tables 1 and 2, p. 12/13 of CP).

Q2. EIOPA can see some specific benefits in disapplying a number of disclosure requirements in the Solvency II Directive and the Distance Marketing of Consumer Financial Services Directive and rationalising any remaining requirements in the IDD. Do you agree with this approach?

With regard to information requirements (general and pre-contractual) IDD, PRIIPs and DMFSD are the most important regulations, because according to them the direct contact to the customers by product providers and distributors is established. That is why - as EIOPA states - a solution to address the duplication of disclosures could be to distinguish more the purpose of these documents and details of the information disclosed i.e. the PRIIPs KID including more generalised information, while personalised disclosures currently under Solvency II being transferred to IDD, as Solvency II is primarily not a conduct of business directive. Therefore we agree with EIOPA's proposals of reducing the duplicities related to IBIP term, product features, taxes, risks, payments and costs (identical and partially identical information requirements, cf. tables 1 and 2, p. 12/13 of CP). But there should be an obligatory hint given in Solvency II and DMFSD documents that these information requirements can be found in documents based on IDD and PRIIPs regulations.

Q3. Notwithstanding the proposed approach set out in Q2, do you consider that there is an element of personalization under the provisions in Solvency II Directive that would justify delivery of personalized information separately and in addition to the generalized information in the PRIIPs KID?

Yes, we agree with EIOPA's proposal to separate personalized information requirements for IBIPs in the PRIIPs KID from general product information requirements based on Solvency II. Therefore it could be considered to limit the scope of Solvency II pre-contractual disclosures under Article 185 to "pure protection" life insurance products as the scope of the Solvency II disclosures includes also pure protection life insurance products and since they are not IBIPs, consumers of such products do not receive other standardised EU level disclosures. Hence, for these products, the generalised information required under Solvency II provisions could be kept and moved into the IDD (cf. CP, p.15).

Q4. Do you agree that to address the current gap on periodic disclosures, it makes sense to require the disclosure of an "annual statement" which could include information on paid premiums, past performance, current value of the savings, as well as adjusted projections?

Yes, we fully agree with EIOPA's proposal of an annual statement following to the criteria made in no. 45 of the CP (p. 17): "it could make sense to disclose to the consumer an adjusted projection of the investment, based on the current value of the investment. If the return has been lower than it had been assumed in the projections, the projection could be corrected using as data the current real value of the "savings pot" and the past performance of the investment in the calculation." (p.18).

Additionally to the reference to PBS of IORPs and PEPP we stress that following to article 155 of the German insurance contract law (§ 155 VVG - Versicherungsvertragsgesetz), all these criteria are fixed for the obligatory annual statement by life insurers including the statement of projected outcomes if the policyholder asks for an exemption of premiums from now on.

Q5. Do you agree with the proposed list of "most vital" product and intermediary information? If not, what elements do you identify as being "most vital", that is essential information that is most critical for consumers to read?

Yes, we agree with the proposed list of "most vital" information following to no. 71 on p. 24 of CP. It is useful to implement a layered approach of key information outlined in no. 68 of p. 23 of CP.

Q6. Do you currently see specific issues with misleading advertisements and marketing material in relation to the sale of insurance-based investment products (IBIPs), which would merit specific regulatory treatment and if so, which aspects?

Yes, there is one major concern with regard to interest rates published for IBIPs in advertisements and marketing materials. Independently of having included full or reduced guarantees in most cases it is not stressed that the interest rate does only apply on the investment part of the premiums and not on the gross premiums paid by the policyholders. Entry and ongoing costs as well as biometric risk costs (if included, for ex. death and disability) strongly reduce the investment part of the gross premium (from 10% up to 40%). In consequence there is always the danger of "monetary illusion" for the policyholders. It ought to be stipulated that advertisements of life insurers clearly stress the difference of gross premiums and investment part of the premiums, and that the latter has to be fully disclosed as it is calculated. This new obligation would constitute an important step for the better assessment of "value for money" for the future policyholders.

Assessing the risks and opportunities presented by new digital tools and channels

Q7. Do you agree on the current level of development of the market for online platforms distributing IBIPs? If not, please could you provide examples of where you see evidence of online platforms selling IBIPs at present and how you see this impacting the customer journey and if possible, any quantitative data you can provide on this distribution channel.

Yes, we agree with EIOPA's conclusions on digital platforms for IBIPs as pointed out for potential developments and for certain risks to consumers (cf. CP, p. 40). For Germany in May 2021 the most comprehensive study on insurtechs was published by the NEWPLAYERSNETWORK (linked to Versicherungsforum Leipzig, supported by the University of Leipzig):

Website: www.newplayersnetwork.jetzt/insurtech-ubersicht/

Insurers, brokers and technical support providers (cyber security, data mining and protection, automated claims procedures, etc.) for insurers are included in this study. The study will be updated regularly.

There are a lot of commercial websites for insurance tariffs comparisons in Germany like these ones:

- check24.de
- verivox.de
- Transparent-beraten.de
- Toptarif.de
- Tarifcheck.de
- Vergleichen-und-sparen.de

They are mostly directly registered as brokers following to IDD. The problems we see with regard to the lack of transparency and to conflicts of interest are explained in our comment to Q 8.

Q8. Do you see the potential for the growth of open architecture models for the sale of IBIPs in the future and if so, in relation to which types of products?

We do not have any additional empirical data on the potential growth of insurtechs linked to the sale of IBIPs (cf. our comment on Q 7), but we can make the following two assessments:

- The Berlin based insurtech VANTIK will offer PEPP as soon as they are available on the German market. Its founder, Til Klein, was member of EIOPA's Expert Group on PEPP in 2020/21. Website: vantik.com
- Nearly all German life insurers offer their IBIPs and pension products via online contract conclusion. Allianz for ex. has even created an own specialized sub-company for offering its latest pension product only via a website: allvest.de

So it is quite obvious that independently if offered by an insurtech or by a website of the insurer itself, the online distribution channels for IBIPs and pension products are supported and growing.

In Q7 we have listed some online brokers in Germany who offer insurances (some of them offering other products and services as well). There are two major problems linked to these brokers. First often they do not fully disclose how important is the market percentage of the companies they include in their comparisons with regard to the entire insurance market in a special sector. There are even examples that these brokers exclude insurance companies, if these companies do not accept the commission rate the brokers want to receive for any contract intermediation. The second problem is that this kind of "kick back" commissions are usually not fully disclosed to the customers, so in fact it is not clear at all what is the total sum of commissions or other inducements which are charged for any contract conclusion. There had already been several judicial proceedings on these issues between insurers and these online brokers like between HUK-Coburg and Check24.

Q9. Do you share EIOPA's assessment of the types of risks that could arise in the context of the growth of more diverse distribution channels for IBIPs? Are there any risks which you see arising, but which EIOPA has not identified in this paper?

Yes, we agree (especially no. 101, p. 36, and no. 107, p. 38 of CP). Particularly with regard to "more granular consumer data combined with AI" we stress the following concern: In principle it is possible that "usage-based insurances" may result in a stronger segmentation of customers in a positive way. Telematics-based motor insurances especially for beginners may sanction the risk-averse way of driving by a decrease of premiums and on the contrary a very risky way of driving by an increase of premiums. In the same way people with disability and risk life insurances based on fitness trackers may benefit from premium reductions (or home owners who implement smart house solutions against burglary, water or fire damages etc.).

But these positive outcomes are only possible under far-reaching prerequisites fulfilled by the insurers with regard to the promotion of public awareness, of consumer education and of consumer rights, especially of a high level of transparency towards the customers. If this is not the case this ever stronger segmentation will inevitably lead not only to the detection of high-risk customers but to their exclusion, no matter if it is justified or not.

If the segmentation and even individualization of customers and tariffs are overdone, this is contradictory to the principles of insurance itself. The basis of insurance is the law of the large numbers. Only if the collective basis for a tariff cohort is large enough, any kind of calculation of probability is valid enough (and based on that any kind of calculation of premiums). We definitely foresee the danger that Big Data will mostly be used either as marketing-gag or as a means in order to detect and exclude possible high-risk customers via the data which are collected by the distributors.

Tackling damaging conflicts of interest in the sales process

Q10. Do you agree with EIOPA's analysis of differences between IDD and MiFID II? Are there any other differences not mentioned which you consider to be relevant?

Yes, we agree with EIOPA's analysis (especially no. 119-125, p. 46-48 of CP). With regard to the different wording in MIFID II and IDD relating to inducements and conflict of interest, we nevertheless stress the necessity of aligning the IDD requirement ("no detrimental impact") to the more stricter wording of MIFID II ("enhancement of quality of advice"), even though it is difficult to find empirical examples. IBIPs are investment products like any other "packaged" retail investment products, and that is why they are submitted all together to the same PRIIPs regulation since 2014. In consequence there is no substantial reason why there should be any difference in the judicial requirements of IDD and of MIFID II for the obligation of inducements not to create any conflicts of interest. Additionally we refer to the announcements of BaFin ("BaFin-Aufsichtsschwerpunkte 2021", Mai 2021) to strictly analyse the importance of inducements in the light of IDD-conform distribution of life-insurances, as this has already been done in 2017 and 2019 for payment protection insurances.

Q11. Do you have any views on EIOPA's analysis of the structure of different distribution models for the sale of IBIPs in the EU?

We agree with this analysis (especially no. 108, p. 43, and no. 115 and 117, p. 44, of CP). BdV is located in Hamburg, in consequence our main focus is on the German insurance market. Germany unfortunately belongs to those EU national markets in which commission-based remunerations for insurance intermediaries are still the most important ones. We already pointed out (cf. comment on Q 10) that even BaFin stressed the importance of ongoing analyses of possible conflicts of interest due to inducements for life-insurances being not aligned to IDD requirements. Even though a full ban of commissions for the distribution of life-insurances seems not to be achievable on the national level, BdV had repeatedly asked for the introduction of a legal cap of commissions (2,5% of the sum of total premiums being paid until maturity) for the distribution of life insurances (cf. BdV press release of 6 January 2022 and other PRs before).

BdV-Website:

<https://www.bunderversicherten.de/presse-und-oeffentlichkeitsarbeit/pressemitteilungen/bdv-fordert-bafin-zu-haerterem-vorgehen-gegen-ueberhoehte-provisionen-auf>

Q12. Has EIOPA captured, in your view, all relevant policy options? Do you agree with the different pros and cons listed for these options and the potential impacts indicated for these options? Are you in favour of any particular options or combination of options? Are there any other policy options and pros and cons to be considered in your view?

Yes, we mostly agree with the pros and cons of the proposed options. We particularly stress the following issues (following to no. 131, p. 50-57, of CP):

- No.1: Refining existing rules in the IDD on inducements: It is crucial to support those NCAs which have stated "that the existing criteria in the Level 2 legislation are currently too vague to be effectively supervised." Article 29 (1) (c) of IDD clearly stipulates that "where the customer so requests, an itemised breakdown of the costs and charges shall be provided." In consequence we advocate that for the refinement of the inducements disclosures, level 2 adjustments may be sufficient.

- No. 2: Further enhancing disclosure of inducements to consumers and making the concept of an "inducement" easier to understand for consumers: an additional explanation of the concept of an "inducement" is helpful, but it should be part of the layered information approach following to Q 5 above. In the "most vital" information there should be a hint where to find additional information on this topic. In this way the possible danger "that this information is not absorbed by consumers" will be excluded.

- No. 3: Further bolstering rules on inducements at the product design phase ... and enhanced conduct supervision/enforcement by NCAs: We stress the crucial assessment made by EIOPA that "mis-selling may also be the result of poor product design ... and a lack of monitoring activities performed by product manufacturers". We fully support EIOPA's proposal of leveraging existing work developed on target market identification, distribution strategies and remuneration practices to address undue costs being charged to policyholders. The specific benefits in looking at the whole product lifecycle clearly outweigh the potential disadvantages of possibly necessary amendments of other relevant EU regulations (cf. p. 52/53 of CP).

- No. 4: Introducing a mandatory concept of "independent advice" into the IDD and introducing a ban on the payment/receipt of inducements for independent advice in line with MiFID II: This is one of the most important changes to be introduced to IDD which we fully support. Following to article 2 (1) (15) of IDD "'advice' means the provision of a personal recommendation to a customer". In consequence this definition of advice does not take into consideration, if that advice is given "on the basis of an analysis of a sufficiently large number of insurance contracts available on the market" or not (cf. article 20 (3) of IDD). We have always considered this lack of legal definition as a crucial mistake and therefore strongly welcome this proposal for change. Policyholders need to know if advice is based on a fair comparison of products available on the markets or not. Nevertheless it is correct to take into consideration the fact that "in some Member States, the border lines between brokers and agents may be blurred". This is the case in Germany as well. That is why the broker ought to explain to the customers that there are two different ways of paying the distribution costs: traditional commissions or fee-based remuneration with premiums net of costs. There should be the legal obligation for any distributor to explain to the customers which way of distribution costs will be chosen when making the contract conclusion. When implementing the IDD, the German legislator has even introduced a third possibility: if a fee-based "advisor" is not able to select an IBIP net of commissions for the customer, he is allowed to "forward" the commission which he receives from the insurer to the policyholder.

- No. 5./6. Full ban on the payment/receipt of inducements and

intermediate options: We support the idea of a ban or at least a restriction the payment/receipt of inducements in the case of "execution-only sales". Even if in the German market until now we could not find any example of this special category of IBIPs, there may be many cases in other EU member states. Additionally we fully support the idea of introducing a cap on the payment/receipt of commissions and inducements for any kind of IBIPs. For many years our organisation advocates this "cap of commissions" ("Provisionsdeckel"; cf. comment on Q 11), and even the national NCA (BaFin) supports this amendment (cf. BaFin Annual Conference in April 2021).

In conclusion we fully support EIOPA's proposed advice that there is "the need for more to be done to tackle damaging conflicts of interest arising throughout the product lifecycle of an insurance-based investment product, to address the risk of inducements leading to product bias and materially impacting the cost-efficiency and "value for money" of IBIPs. (...) A specific empowerment at Level 2 to develop this further and/or the scope for accompanying Level 3 measures to promote supervisory convergence could be particularly beneficial in this respect" (cf. p. 59 of CP).

Promoting an affordable and efficient sales process

Q13. Where do you see the most significant overlaps lie between the demands and need test and suitability assessment and what can be done to address these overlaps?

The most significant overlaps between the demands and needs test following to article 20 (1) of IDD and the suitability assessment following to article 29 (1) of IDD consist in the assessments of the current status quo of the "financial situation" of the policyholder (i.e. existing biometric risk coverages, liquid reserves and long-term investments, and especially "including that person's ability to bear losses, and that person's investment objectives" and "risk tolerance"). There is no overlap linked to the obligation of the distributor to "obtain the necessary information regarding that person's knowledge and experience in the investment field relevant to the specific type of product or service offered or demanded".

As the demands and needs test is obligatory for life and non-life products as well, with regard to IBIPs the focus of this test should be laid on the biometric risk coverage (longevity, death and disability). In consequence all questions with regard to long-term savings and investments should be part of the suitability assessment.

Q14. Do you see scope for streamlining the suitability assessment and in what way, could digitalisation be harnessed to make advice on IBIPs more affordable?

The suitability assessment should not repeat any questions on the biometric risks, but be focussed on necessary questions with regard to long-term savings and investments coverage (cf. our comment on Q 13). The capital market "risk tolerance" of the policyholder can only be assessed in that way, and that makes the difference to any non-life risk assessments which are primarily biometric. This approach should be technically neutral. Digitalization may help for the calculation of different performance scenarios of the investment part of the premiums following to the "risk tolerance" of the policyholder.

Q15. Do you see any specific risks for consumers in streamlining the advice process further?

We do not see any possibilities for streamlining the advice further. IBIPs are strongly "complex" products by which a policyholder may only gain some investment benefits - if any -, if the concluded contract is held until maturity. That is why target market assessments for these packaged products should be maintained. Only with regard to the investment part of the premium of IBIPs, for example hybrid products (cf. EIOPA's Report on Costs and Past Performances 2021, p. 28-30 and p. 35/36), are usually so complex that there are not fully understandable for the customers, sometimes even not for the intermediaries.

Additionally in most contracts the biometric risk is undervalued and the investment part is overdone, in order to increase the premiums to be paid, and therefore the cancellation rate is high. In most cases it would have been better to strictly separate the coverage of biometric risks (especially death and disability by separate insurance contracts) from the long-term investment procedures which can be used for additional retirement provision. In fact IBIPs by their "product design" are contradictory in themselves to this fundamental "best advice". So potential policyholders should at least be made aware of these two different "risk" dimensions (biometric and investment parts) by an advice which should be as "best" as possible - given the prevalent product offers.

Q16. What is your view on possible demand-side solutions to facilitate the provision of affordable advice on the sale of IBIPs and support wealth management, such as financial guidance and what benefits could this bring?

Any efforts undertaken on EU or national levels to increase financial education are helpful of course. But it should be clear, even the best level of financial education on the "demand-side" by customers / consumers does not solve the problem of "complex" products. This is all the more true as the level of financial education strongly depends on the general level of education, and there will always be a strong "social stratification" of customers.

This position had recently been confirmed, too, by Aleksandra Maczynska, Executive Director of Better Finance in Brussels, as one of the speakers at ESAs high-level conference on financial education and literacy of 01 February 2022: <https://www.eba.europa.eu/calendar/esas-high-level-conference-financial-education-and-literacy>

So best way to offer affordable advice consists in offering simple products, i.e. standardized, cost-efficient and transparent products which can easily be sold online and by robo-advice (as intended by the forthcoming PEPP). Of course any kind of automated decision tree tool or even AI-based robo-advice must be controlled by independent institutions for not having included the "bias" for final contract conclusion of non-appropriate high-commissioned IBIPs.

Assessing the impact of complexity in the retail investment product market**Q17. Do you agree with EIOPA's interpretation of complexity and cost efficiency in light of the changing market environment?**

Yes, we agree with EIOPA's analysis of product complexity and cost-efficiency as outlined in no. 164, 166 and 168 of CP (p. 70/71). From our perspective there are three main dimension of complexity of IBIPs:

- opaque combination of biometric risk coverage and capital markets based investments. MOPs increase the complexity of the "insurance wrapper" even more.
- opaque structures of various cost categories (distribution, administration and biometric costs).
- opaque with profit mechanismus (no, partial or full guarantees depending on the terms and conditions of the contract).

Additionally we stress the importance of EIOPA's assessments related to product complexity pointed out in no. 187-190 of CP (p. 77-79), which are particularly relevant from the consumer's perspective. This is all the more crucial under the conditions of the ongoing low interest rate phase and of additionally accelerated inflation, under which the "search for yield" can only be realized by much more risky investments (cf. EIOPA's recent Consumer Trends Report; cf. no. 186 of CP, p. 77). But as pointed out above, "product complexity" must not be limited to the "criteria originating from the securities market" (cf. our comment on Q 15).

Q18. Do you agree with EIOPA's assessment of the types of products and/or products features which could be considered simpler?

Yes, we agree with EIOPA's proposal (cf. no. 171, table 1, p. 72, of CP) to "disentagle" the following three dimensions:

- Level of market / counterparty risk of the product.
- Level of complexity of the underlying features and operating of the product.
- Level of complexity in the understanding of the product from the perspective of an average customer.

It is right to point out that "product simplicity is not equivalent to a low exposure to market risks" (no. 170, p. 171, and no. 173, p. 73 of CP), therefore the reliable assessment of the "risk tolerance" of the customer by the distributor is fundamental in order to ensure the "suitability" of the recommended IBIP (cf. our comment on Q 14).

Q19. How would you, as an external stakeholder, define simpler and cost-efficient products? Could you please provide concrete examples of products that you consider simpler and cost-efficient?

First we stress that we fully agree with EIOPA's conclusions pointed out in the last Costs and Past Performances Report (cf. no. 191 of CP, p. 93). These conclusions show the ongoing severe issues of opaque costs and charges of IBIPs which continue to cause severe detrimental impacts for policyholders.

That is why - secondly - we think that - up to now - the PEPP Regulations (especially recital 8 and article 4 of 2019/1238/EU and articles 12 to 17 of 2021/473/EU) are the best examples for defining "simple, cost-efficient and transparent" pension products. The requirements for costs and charges of the Basic PEPP ought to be applied to IBIPs as well.

But because there are not yet any PEPPs available on the market (start only in March 2022), in consequence the only already existing "packaged" retail investment products which we consider as simple and cost-efficient as possible are ETFs (Exchange Traded Funds) - under the condition that they fulfill the requirements of the EU regulations of UCITs (like 2009/65/EC and others). ETFs may be used for long-term savings of retirement provision accompanied by separate policies for biometric risk coverage of death or disability or long-term care (cf. our comment on Q 15).

Q20. Do you consider, as an external stakeholder, that other measures could be more effective in ensuring cost efficiency? Examples of such measures could include amending the wording of the POG Delegated Regulation and state more clearly that, in the product testing, manufacturers should also assess whether costs may be too high and hence not to fit for any target market

From the very beginning of consultations on forthcoming regulations of PRIIPs and PEPP we have always insisted on our assessment that the Reduction in Yield is not a reliable aggregate figure for measuring and ensuring cost efficiency. This is mainly due to the fact that the calculation of the RiY is solely based on assumed returns which are not even disclosed and put in relation to other figures (absolute or percentages).

Instead of the RiY we had proposed the use of the "Reduction in Wealth" method which was eventually introduced by the PEPP Regulation for the Pension Benefit Statement (2021/473/EU, Annex III, Part III, no. 30): "The 'Reduction in Wealth' shall be calculated as the difference between the projected accumulated savings at the end of the accumulation and the projected accumulated savings at the end of the accumulation period in a cost free scenario. The difference shall be disclosed in monetary and percentage terms relative to the projected accumulated savings." We strongly advocate to use the RiW as aggregate cost figure for all IBIPs as well for the accumulation as for the decumulation phases.

Of course we fully support EIOPA's proposal of amending the wording of the POG Delegated Regulation in order to state more clearly that, in the product testing, manufacturers should also assess whether costs may be too high and hence the product may not fit for any target market (cf. our comment on Q 12, no. 3).

Q21. Do you agree with the advantages and disadvantages of the different options proposed? Are there additional aspects which should be highlighted?

Yes, we mainly agree with these assessments (cf. chapter 5.4 of CP) and want to particularly highlight the following issues from the consumer's perspective:

- For products identified as more complex, more guidance is necessary
 - defining product monitoring requirements and the type of remedial actions to be taken including the need for the manufacturer to provide financial redress,
 - in case consumers detriment materialises under Article 7.3 of the POG Delegated Regulation, when mis-selling materializes because of mistargeting marketing in relation to complexity.
- The main objective of making such requirements more proportional would be to incentivize providers and distributors in developing less complex products as well as limiting the burden on consumers to ensure the envisaged outcomes are achieved. This should be targeted with the view of facilitating access, whilst not lowering requirements, for less complex IBIPs.
- It is important to note, however, that more proportional advice should not result in a lower level of consumer protection.
- In particular, it would be envisaged that for simpler products targeted at retail investors with less experience more targeted information would be provided.
- Introduction of restrictions or a ban on inducements (cf. our comments on Q 11 and on Q 12, no. 5/6): Indeed, it could prevent the most excessive pricing abuses without harming product diversity and innovation too much if the caps are properly calibrated and the different categories of products to which they apply adequately defined. The objective would be to allow supervisors to monitor whether the proportionality between the services offered, costs incurred and the costs charged to the consumers has been met.

In conclusion we encourage EIOPA to advocate option 3 as pointed out on page 89 of CP.

Additionally we want to stress again that "product complexity" must not be limited to the "criteria originating from the securities market". For sure any investment decision is - from customer's perspective - a very complex one with or without an "insurance wrapper". But an IBIP is - in comparison to a retail investment product - even much more "complex", because it contains the "insurer wrapper" as well, i.e. it combines long-term savings / investment procedures with a biometric risk coverage (mainly death and disability). And during the payout phase the biometric risk coverage of longevity is included. In consequence the mostly opaque mechanisms of costs and of possible benefits not only for the investment part of the premiums, but for the biometric risk coverage as well have to be taken into consideration when assessing the "complexity" of an IBIP. That is why any IBIP has to be considered as a very "complex" product by its fundamental product design (cf. our comments on Q 15 and Q 17 above). The possible application of the principle of proportionality, in order to reduce any information and monitoring duties by distributors and product providers for apparently less complex IBIPs, should therefore be guided by the over-arching premise of preventing from consumer detriment.

The evidence for the responses should be provided in the textboxes below the respective questions. However, if you have evidence in a format other than text (e.g. Excel file), please upload the file here.

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