ACTUARIAL ASSOCIATION OF EUROPE

CONSUMER PROTECTION WORKING GROUP

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Valéry Jost

Value for Money

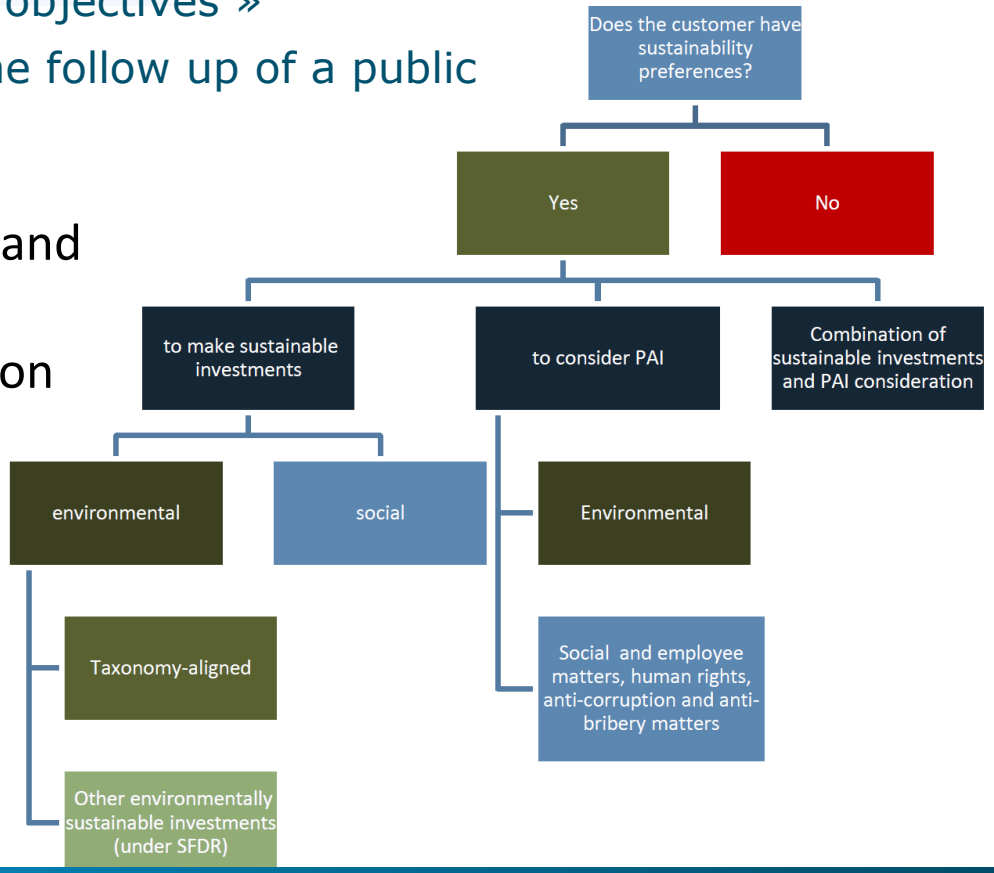
- Previous steps :
  - Consultation by EIOPA (13 April 2021) : response from AAE and exchanges with EIOPA
  - EIOPA was willing to develop a quantitative model for assessing the value for money of a savings insurance product – AAE advised to be very cautious with regards to such an approach since the concept of value for money itself cannot be expressed in an easily way through quantitative measurements.
  - Eventually (or not ?) EIOPA proceeded through a Supervisory statement "on assessment of value for money of unit-linked insurance products under product oversight and governance" on 30 November 2021.
- Next steps
  - EIOPA does not seem to have renounced a quantitative approach
  - The significance of this text is important : it induces a very formal process for the design and pricing of the products, the choice of unit linked funds, the handling of complexity (multi options products)
  - At least one National Supervision Authority initiated market's "challenging" based on this document
- Remark : Examination of the EIOPA Cost and Past performance annual report evidenced rather questionable topics regarding the sampling of the products, inducing a possibly distorted view of the market situation

Sustainability

- In order to address the concept of sustainability in a holistic way, the European authorities completed a lot of existing legal provisions with a systematic reference to sustainability
- This is the case for the Insurance Distribution Directive (IDD). Regulation : « it takes into account the objectives, interests and characteristics of customers, including any sustainability-related objectives »
- Guidance (and not Guidelines) in the follow up of a public hearing on 6 May.

« (…)As a second step: For points **(a)** and **(b)**, consider what would be the minimum proportion respectively of:

- investments aligned with the EU Taxonomy;
- investments considered "sustainable investments" under the SFDR (…) »



PRIIPs (Packaged Retail Insurance based Investment Products)

- New RTS for PRIIPS will entry into force on 1st January.
- It entails significant evolutions for the calculation of performance scenarios. Although the new approach remains quite questionnable, their results should be less misleading than the former one.
- Another important change lies in the fact that the information disclosed by asset managers will comply with the PRIIPs Key Information Document requirements.

- On 29 April, the ESA's issued an advice to the European Commission regarding the review of the level 1 regulation.
- Recommendation to include a new section addressing the potential sustainable investment objectives of the Priips.
- A major concern for multi options products hindering the faculty for the insurer to rely on the documentation (KID) provided by the asset manager. In its response to the call for evidence launched by EIOPA, in December 2021, AAE promoted an open approach preserving the present equilibrium.

Retail investor protection

- In January 2022, EIOPA launched a consultation in order to prepare its advice to the European Commission regarding the Retail investor protection. AAE answered namely regarding the questions about complexity. The more nuanced approach of complexity promoted by AAE appears to have been taken into accoulnt in further communications by EIOPA.
- Final report has been published by EIOPA on 29 April 2022.
- In March 2022, European Commission launched a "Targeted consultation on options to enhance the suitability and appropriateness assessments". The consultation considered an ambitious and disrupting framework, where the consumer could obtain from any (?) advisor a "transferable" investment profile and an advice for the allocation of its savings and could subsequently seek for any other professional in order to finalize or to implement this allocation. AAE did not answer, deeming the main points out of its competences scope.
- During the summer, the CEPS published a study realized for the European Commission : "Disclosure, inducements, and suitability rules for retail investors study". A rich document, still to be discussed within the WG…

Some takeaways from the last legal trends

- European authorities are in capacity to build ambitious and sophisticated legal frameworks. They show that they are very sensitive to the climatic emergency and able to react very quickly.
- Nevertheless, the regulation appears often to be very complex, as recognized by the European commission regarding the climatic regulation.
- The accumulation of legal provisions exacerbates a recurring concern about the efficiency of the consumer's information. Therefore European authorities endeavoured to tackle this problem either by suppressing redundancies (and potential contradictions) between texts, either by seeking for directly understandable content.
- Those attempts remain under way. But a more binding approach for insurers seems close to emerge. Prescriptions about product design and pricing could partly relay the classical information obligations.
- The use of supervisory statement should draw the attention. Since "supervising the supervisors" is one of the missions assigned to EIOPA, EIOPA is entitled to issue recommendations to local supervisors. Nevertheless, it induces at the same time indirect but explicit obligations towards insurers.

ACTUARIAL ASSOCIATION OF EUROPE

Actuarial House

1 Place du Samedi

1000 Brussels

Belgium

www.actuary.eu

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