

ACP Advice to EIOPA on proportionality areas in the Annual Work Programme 2027

INTRODUCTION

In accordance with Article 1(7) of Regulation (EU) No 1094/2010, EIOPA established the Advisory Committee on Proportionality (the “ACP”). The ACP shall advise EIOPA as to how, in full compliance with applicable rules, EIOPA’s actions and measures should take account of specific differences prevailing in the sector, pertaining to the nature, scale and complexity of risks, to business models and practice as well as to the size of financial institutions and of markets to the extent that such factors are relevant under the rules considered.

The Committee shall assess the proportionality aspects set out in Article 1(7) of Regulation (EU) No 1094/2010 concerning the applicable regulatory framework and shall advise EIOPA in which specific areas proportionality can be improved or prioritised and give advice on possible elements to be explored by EIOPA.

The ACP has delivered Advice since 2020 covering a number of different areas of the Solvency II Directive, IORP II Directive, SFDR, IRRD, IDD and the AI Act. The content of these pieces of Advice focuses on Level 2 and Level 3 Guidelines and RTS, not on Level 1.

After consideration of EIOPA planned activities for 2027, the ACP decided to address in its Advice proportionality considerations on the implementing measures envisaged under the Retail Investment Strategy (RIS). The RIS is expected to generate a substantial Level 2 and supervisory workload for EIOPA, particularly in the following areas addressed in this Advice, namely:

- Value for Money: developing technical standards, methodologies, benchmarks/reference criteria and supervisory guidance for assessing whether insurance-based investment products (IBIPs) deliver fair value to retail investors;
- Consumer disclosures and PRIIPs reform: work on revised disclosure requirements including the PRIIPs Key Information Document (KID), digital disclosures and ensuring consistency between the PRIIPs and IDD frameworks;
- Supervisory convergence and data/reporting: guidance to National Competent Authorities (NCAs), market monitoring tools and potentially new reporting frameworks linked to RIS implementation;
- Ensuring that insurance distributors act in the best interests of their customers - payment/receipt of inducements related to Insurance-based investment products (IBIPs); and
- Simplification of the customer journey, including “simple advice”.

Most of this work will arise after entry into force of the Level 1 legislation, which is currently expected in January 2027 with EIOPA then developing technical advice for the Commission on the associated delegated acts, drafting implementing and regulatory technical standards and issuing guidelines and supervisory measures during the following implementation phase (roughly 2027–2029).

The present advice is addressed to EIOPA and focuses on those aspects of the RIS implementing measures where the largest impact in the area of proportionality is expected for external stakeholders. The ACP identified the above-mentioned areas to provide advice reflecting on the priorities of EIOPA, as well as resource availability and that notwithstanding the fact that finalization of the RIS Level 1 text is on-going at the political level, the European Commission has sent EIOPA [a request for technical advice on the possible content of delegated acts under the IDD in the context of the RIS.](#)

RETAIL INVESTMENT STRATEGY

The Retail Investment Strategy (RIS) is one of the key consumer-facing building blocks of the Savings and Investments Union (SIU). The SIU seeks to channel more household savings into capital markets and long-term investments, while the RIS seeks to create the conditions for this by improving consumer trust, participation and outcomes in retail investment markets. This is to be achieved by making it easier and safer for retail investors to participate in EU capital markets by ensuring they receive investment products that offer good value for money, clear and comparable information, and are distributed in their best interests.

Whereas the Commission's original legislative proposal in May 2023 was accompanied by an Impact Assessment of the proposed implementing measures, the text of the legislative proposal has substantially changed during the course of political negotiations. Its implementation introduces also new conduct of business obligations for insurance undertakings and insurance intermediaries.

In the view of the ACP, a crucial element of the work on the RIS Implementing Measures will be the need to promote the objective of Simplification and Burden Reduction (SBR) for relevant stakeholders, but without compromising appropriate levels of consumer protection. SBR can, naturally, take different forms and outputs i.e. it is not just about reducing burden for industry, but also burdens on NCAs and on consumers (e.g. as regards information overload). Ultimately, there does not necessarily need to be a trade-off between SBR and consumer protection in terms of lowering standards, as SBR can focus on adapting the *process* for how those standards are achieved, whilst still ensuring good *outcomes* for consumers.

In the same way, proportionality under the RIS should not be about lowering consumer protection standards or creating exemptions, but about adapting the process for how those standards are achieved. This involves tying proportionality to objective risk factors such as the level of: (i) product risk & complexity, (ii) risk of consumer harm and (iii) distribution risk. Consumers facing higher risks should benefit from stronger protection and firms should demonstrate that simplified processes still lead to equivalent consumer outcomes.

A proportionate framework should recognise that, while consumer protection objectives remain unchanged, the means of demonstrating compliance and the supervisory approaches used to assess it may need to reflect differences in product characteristics, distribution channels, market structures and national contexts in order to achieve equivalent consumer outcomes effectively and efficiently across Member States.

Finally, notwithstanding the need to ensure proportionality in the way regulatory obligations apply to products and firms such as product governance and transparency requirements, proportionality is also relevant in terms of a risk-based approach to supervision, which concerns the prioritisation and intensity of supervisory efforts and resources. Accordingly, a lower supervisory priority in a particular

area should not be understood as implying any relaxation of, or exemption from, the applicable regulatory requirements.

Possible areas for proportionality enhancement/review (based on current legislation):

The areas proposed reflect the priorities identified, as well availability of resources both within NCAs and in insurance undertakings and insurance intermediaries, and the fact that the Level 1 text is not yet published in the Official Journal and may present insurance undertakings and insurance intermediaries with challenges as the implementing legislation itself continues to evolve.

1. Value for Money Benchmarks for IBIPs

The RIS introduces a framework under which manufacturers will be required, as part of their product oversight and governance processes, to assess whether the costs and charges of their products are justified and proportionate having regard to the performance and other benefits for the identified target market, including the guarantees and insurance coverage of biometric and other risks, characteristics, objectives, the identified target market, distribution strategy and strategy of the IBIP. EIOPA will develop Union-wide Value for Money benchmarks for IBIPs to help NCAs identify products whose costs and performance appear out of line with comparable products. Competent authorities may, on an individual basis and upon demand, make the relevant benchmark available to an undertaking or intermediary in the context of a supervisory check or enforcement proceeding concerning the value for money of a particular IBIP. A product's position relative to the relevant Union supervisory benchmark may inform the competent authority's assessment and, where appropriate, prompt further supervisory scrutiny of whether its costs and charges are justified and proportionate.

The benchmarks themselves do not constitute price caps and do not automatically prohibit products from being marketed. Rather, they serve as a supervisory tool to support a dialogue between insurance undertakings and insurance intermediaries if they act as manufacturers, and supervisors to assess whether retail investment products deliver value to consumers. EIOPA is tasked with developing and regularly reviewing the benchmarks, taking into account product characteristics, risk, investment strategy and other relevant features. NCAs will use the benchmarks as part of their oversight and enforcement activities.

The Commission's Call for Advice asks EIOPA to develop criteria for assessing whether IBIP costs and charges are justified and proportionate and therefore provide value for money, building on EIOPA's existing Value for Money work. EIOPA should also ensure coherence with supervisory benchmarks, PRIIPs work and proportionality, and propose necessary changes to the POG Delegated Regulation 2017/2358.

Both in developing its technical advice to the Commission on the Value for Money assessment carried out by product manufacturers, the Value for Money benchmark framework under the RIS and subsequently applying it, the ACP is of the view that EIOPA could place a strong emphasis on proportionality to ensure that what is required from insurance undertakings and

insurance intermediaries is balanced and in line with the supervisory objectives resulting from this framework, and therewith avoiding operational burden.

One way to achieve this would be to streamline the benchmarking framework by focusing on the indicators that are most relevant for assessing consumer outcomes and product value. Reducing the number of clusters and removing metrics that provide limited additional supervisory insight would help improve the transparency, usability and efficiency of the framework thereby reducing unnecessary burden on NCAs, while allowing firms to concentrate resources on relevant data to gain insight.

Proportionality could also be reflected in the methodology used to identify the products that fall within the scope of the benchmarking exercise. Rather than requiring extensive data collection across a broad universe of products, EIOPA could adopt a more risk-based approach focused on the IBIPs *“most commonly purchased by customers”* in line with the indication provided in the RIS Directive¹. Such an approach would ensure that supervisory resources are directed towards the products most relevant to retail investors while reducing reporting burdens associated with products that have limited market significance. In line with the approach suggested in the RIS Directive of *„progressively building on the experience gathered over time in order to broaden coverage and refine their quality”*², the ACP advises EIOPA to move away in the future from a sample-based approach to a full market view as technology evolves and EIOPA starts leveraging on data from the European Single Access Point (ESAP), thereby being able also to potentially introduce minimum materiality thresholds in the future³.

In addition, EIOPA could further embed proportionality by ensuring that reporting and data collection requirements are commensurate with the size, complexity and risk profile of insurance undertakings and insurance intermediaries. Particular attention could be paid to avoiding unnecessary duplication of reporting obligations where relevant information is already available through existing supervisory frameworks such as Solvency II or fully rely on publicly available data in the PRIIPs KID. Any new reporting requirements should be subject to a strict *“report once, use many times”* principle. EIOPA should prioritise the reuse of data already available through existing disclosure, prudential or supervisory frameworks before introducing new reporting obligations. New data requests should be justified by a clearly demonstrated supervisory need that cannot reasonably be fulfilled through existing datasets.

Smaller undertakings with limited product ranges might face high implementation costs when adapting systems and governance processes to new benchmarking requirements. A proportionate approach could therefore seek to minimise operational burdens by relying as far as possible on existing datasets e.g. leveraging existing industry initiatives such as the existing European Product Template (EPT) with raw data underlying the PRIIPs KID, focusing on the most decision-useful

¹ See recital 17 of the proposal for a RIS Directive (28 May 2026): *“In view of the extent of diversity of insurance-based investment product offerings, the development of Union supervisory benchmarks by EIOPA should be an evolutionary process, beginning with the insurance-based investment products most commonly purchased by customers and progressively building on the experience gathered over time in order to broaden coverage and refine their quality”*.

² See also recital 17

³ N.B. Introducing materiality thresholds could be particularly beneficial in identifying IBIPs such as Multi-Option Products falling in the scope of the value for money benchmarking exercise where there is scope for a very wide array of investment options available to the customer.

indicators and tailoring reporting expectations to the nature and scale of the business. This would allow supervisory resources and industry efforts alike to be concentrated on areas that present the greatest potential impact on consumer outcomes.

In addition, providing insurance undertakings and insurance intermediaries with sufficient regulatory certainty will be essential for the effective implementation of the framework. EIOPA could therefore publish the Value for Money benchmark methodology, including key indicators, calculation methods and product categorisation criteria, well in advance of its application. Early publication would allow firms to adapt internal systems, improve data quality and better understand supervisory expectations before benchmarks are formally applied. This would not only reduce implementation costs but also support greater consistency and comparability of the data submitted across the market.

Proportionality could also be reflected in how the benchmark results are subsequently used in supervisory practice. Given the diversity of IBIPs across the European market, Value for Money benchmarks would primarily serve as a risk-identification and supervisory screening tool, rather than as an automatic trigger for supervisory intervention. This supervisory assessment of products could take into account their level of Gross Written Premium (GWP), their specific investment strategies, target markets (including the level of vulnerability of the target market (for example, if the target market is only High Net Worth Individuals (HNWIs)), guarantees, biometric risk coverage or distribution models. The outcome of this assessment could allow for deprioritisation of less relevant products for follow-up actions and/or allow certain products to legitimately deviate from benchmark ranges. Insurance undertakings and insurance intermediaries should therefore be given an opportunity to explain the characteristics and rationale of products that fall outside benchmark parameters before any supervisory conclusions are reached. Such an approach would help ensure that benchmarks support supervisory dialogue, rather than replace the need for it, thereby avoiding the risk that the benchmarks create *de facto* price regulation or discourage product innovation.

In conclusion, the ACP considers that a proportionate Value for Money framework should seek to balance robust consumer protection with operational practicality. By focusing on the most relevant indicators, applying a risk-based approach to IBIP selection and ensuring sufficient predictability through early methodological transparency, EIOPA could strengthen the credibility and effectiveness of the benchmark framework, while minimising unnecessary complexity for market participants.

2. Consumer Disclosures – Revision of the PRIIPs KID and use of specific disclosure formats

Revision of the PRIIPs KID

The RIS will substantially revise the PRIIPs KID with a view to making it more consumer-friendly and digitally usable. Key changes include:

- A new "product at a glance" section highlighting the most important information upfront;
- Simplified and more comparable cost disclosures;
- Greater use of layered and digital disclosures, including machine-readable formats;
- Some additional flexibility to present information such as performance scenarios in ways that are easier for retail investors to understand.

The overall objective is to make the KID clearer and more useful for investment decisions, while reducing information overload. This objective will be bolstered by a requirement in RIS for the revised KID to be consumer-tested before it is finalised. Furthermore, the ACP suggests also testing new requirements with a sample of market participants and supervisors before rolling out into the broader market.

The ACP sees the revision of the PRIIPs KID as an opportunity to embed proportionality and has reflected its views in both general and specific observations:

General observations

Proportionality should be reflected in the overall volume of information presented to retail investors. One of the recurring findings from consumer testing exercises is that more information does not necessarily lead to better decision-making. In revising the KID, EIOPA should place emphasis on prioritising the information that is most relevant to consumers' investment decisions and avoid requiring the inclusion of disclosures that add limited practical value. A proportionate approach would focus on improving the clarity, prominence and usability of key messages, using the aforementioned consumer testing as a basis for this, rather than increasing the amount of information displayed. This would help ensure that the KID becomes a genuinely consumer-friendly document rather than evolving into a compliance-driven disclosure exercise.

Proportionality could also be enhanced through a more systematic use of layered disclosures and digital communication tools. Rather than requiring all information to be presented within a single document, the PRIIPs KID could, in the same way as the "PEPP at a glance" section for the PEPP Key Information Document, focus on the most essential information for the purchase decision (such as the type of product, the target market, the risk level, the potential return/performance, the total costs and the recommended holding period), while additional details, and, any more technical explanations, (such as performance scenarios/assumptions, detailed cost breakdowns, biometric risk premiums and guarantees etc.) are made available through digital layers or supplementary materials with a clear structure or user-friendly visuals. Such an approach would allow consumers who wish to obtain more detailed information to do so, while ensuring that the essential information remains concise and accessible for the average retail investor. This would be particularly relevant for more complex products where balancing completeness and comprehensibility remains a challenge.

Proportionality could be promoted through greater consistency, where appropriate, between the PRIIPs KID and other disclosure frameworks applicable to retail investment products. Where similar information is already required under sectoral legislation, duplicative disclosure requirements could be avoided, where possible. A more harmonised approach across retail investment disclosures would reduce implementation burdens for firms, improve consistency for consumers and support the broader objectives of the Retail Investment Strategy by making disclosures easier to compare and understand across different product types.

Specific observations

In revising the PRIIPs KID under the RIS, EIOPA could further embed proportionality according to the extent to which PRIIPs present the same level of complexity, risk or consumer challenge. A more differentiated disclosure framework could therefore be considered, whereby products are grouped into broad categories, such as simple versus complex products, or capital-protected versus market-linked products. This would allow disclosure requirements to be calibrated according to the characteristics of the product rather than applying a uniform approach across the entire PRIIPs universe. Such differentiation could improve the relevance of information provided to consumers while reducing unnecessary complexity for products that are easier to understand and compare.

Proportionality could also be reflected in the underlying calculation methodologies. Certain PRIIPs methodologies, for example those relating to transaction costs, have proven complex to calculate, explain and supervise. EIOPA could therefore explore opportunities to simplify these methodologies where, doing so, would not materially reduce the quality of information available to consumers. A more proportionate approach could seek to strike a balance between methodological sophistication and consumer comprehension, recognising that increasingly complex calculations do not necessarily translate into better consumer outcomes. Simplification could also improve consistency across manufacturers and enhance comparability between products.

Particular consideration should also be given to Multi-Option Products (MOPs), which continue to present specific disclosure challenges. EIOPA could therefore explore how to best achieve a proportionate disclosure approach, in particular for the new RIS requirements, such as a new tool to facilitate research and comparison among different investment options⁴. Such approaches could aim to preserve comparability and transparency while ensuring better disclosures for retail investors, which should be implemented in a proportionate manner. More generally, the objective should be to provide consumers with sufficient information to understand the key differences between options without creating complexity that may ultimately undermine the usability of the KID.

In conclusion, a proportionate revision of the PRIIPs KID should seek to improve consumer understanding rather than increase the volume of disclosure. By calibrating requirements to product complexity, simplifying presentations and methodologies where appropriate, and

⁴ N.B. The requirement under the revised PRIIPs Regulation on product manufacturers to provide investors with tools adapted to retail investors that facilitate research and comparison among the different investment options that they offer, only applies where the product manufacturer does not provide a KID for each underlying investment option within the PRIIP, but instead provides a generic description of the underlying investment options because all product information required with regard to each investment option cannot be provided within a single, concise stand-alone document.

adopting a proportionate approach for multi-option products, EIOPA could support the RIS objective of more effective retail investor disclosures by market participants.

Disclosure formats

When developing the various disclosure formats required under the RIS, EIOPA has an important opportunity to embed proportionality not only in the content of disclosures, but also in their overall design and presentation. A key consideration should be ensuring that consumers receive information that is relevant and understandable without being overwhelmed by excessive detail. The objective should be to strike an appropriate balance between comprehensiveness and usability, recognising that more information does not necessarily lead to better consumer outcomes.

One way of achieving this is through the use of layered disclosures. Rather than requiring all information to be presented upfront in a single document, consumers could first be provided with a concise summary of the most important product features, risks, costs and key conditions, while more detailed information remains easily accessible through additional layers. Such an approach would allow disclosures to remain relevant and comparable across products while avoiding complexity, particularly for simpler or lower-risk products.

The increasing use of digital disclosures provides a further opportunity to apply proportionality in practice. Digital formats can make it easier to tailor the presentation of information to consumers' needs, for example through expandable sections, interactive tools, visual dashboards and on-demand access to more detailed explanations. By leveraging digital capabilities, EIOPA can support disclosure frameworks that remain robust and informative while reducing information overload and improving consumer engagement. This would help ensure that disclosure requirements are proportionate both from the perspective of firms that must produce them and consumers who ultimately need to understand and use the information.

3. Supervisory Reporting on cross-border insurance distribution activities

Under the RIS, EIOPA will be expected to develop technical standards specifying:

- The format, templates and procedures for reporting cross-border insurance distribution activities.
- The detailed information to be reported, including data on host Member States, business volumes, product types, customer numbers and complaints.
- The practical arrangements for transmitting and sharing information between insurance distributors, national competent authorities and EIOPA.

In the ACP's view, while the cross-border reporting framework under the RIS already incorporates an important proportionality safeguard through the 500-customer threshold, proportionality can also be reflected in the design of the reporting requirements themselves. EIOPA could consider whether reporting obligations can be calibrated not only in terms of whether firms are required to report, but also in terms of the level of detail expected from different types of firms. For example, insurance distributors, above the 500 customer threshold, but with smaller cross-border activities (based on activity thresholds such as cross-border premium volume, share of total business conducted cross-border, number of host Member States or number of consumer

complaints arising from cross-border business) or lower-risk business models (e.g. no complex IBIPs distributed, no significant conduct concerns and no material consumer complaint trends) could be subject to less granular reporting requirements, while more extensive reporting could be reserved for larger firms or those presenting greater consumer protection risks. The ACP also suggests the possibility for considering further differentiation in the type of reporting according to the type of customer (notwithstanding the lack of a customer classification regime in the IDD) or type of insurance risk covered.

Proportionality could further be supported through the use of clear and simple definitions, streamlined reporting templates and a reporting framework that is closely aligned with supervisory objectives. Data requests should take account of the size, nature and complexity of firms' cross-border activities. At the same time, EIOPA could seek to maximise the reuse of information already available through existing supervisory reporting channels and avoid duplication of data requests. Such an approach would reduce compliance costs for firms while ensuring that NCAs continue to receive the information necessary to identify emerging risks and oversee cross-border business effectively.

4. Ensuring that insurance distributors act in the best interests of their customers – payment/receipt of inducements related to IBIPs

EIOPA has been asked to provide technical advice to the Commission on delegated acts relating *inter alia* to:

- the criteria for assessing compliance of insurance intermediaries and insurance undertakings paying or receiving inducements with the obligation to act honestly, fairly and professionally in accordance with the best interests of the customer, in respect of advice given on an independent basis
- The conditions under which inducements are considered to provide a tangible benefit to the customer; and
- The methodology and criteria for assessing whether inducements are proportionate to the value delivered through the product and related services
- the criteria to have an appropriate inducement clawback mechanism in case the product lapses or is surrendered at an early stage or in case the interests of the customer have been harmed as a result of non-compliance of the insurance intermediary or insurance undertaking with investor protection requirements.

One of EIOPA's most significant tasks will be translating the high-level Level 1 concept of “tangible benefit” into operational criteria that firms and NCAs can apply consistently.

In the ACP's view, when developing the Level 2 measures on inducements under the RIS, EIOPA can embed proportionality by ensuring that the regulatory framework focuses on the risks that inducements create for consumers. The objective should be to preserve the consumer protection benefits of the “best interest” requirements, while avoiding unjustified compliance burdens that might reduce access to advice and distribution, particularly for smaller firms and consumers with more limited investment amounts. The key considerations should, therefore, be whether the remuneration is proportionate to the value of the services and benefits provided to the customer, and creates incentives that are compatible with acting in the customer's best interests.

A proportionate approach could begin with the calibration of the “tangible benefit to the customer” and “best interest” requirements. While the underlying principles should apply consistently across the market, the evidence expected from insurance undertakings or insurance intermediaries distributing IBIPs to demonstrate compliance will need to take into consideration the complexity of the product, the distribution model and the nature of the inducement concerned. Simpler products (for example, those IBIPs eligible for “simple advice” under RIS with a simpler customer journey), lower-risk distribution arrangements and inducements that are unlikely to create material conflicts of interest might not need to be subject to the same level of documentation and governance requirements as more complex products or remuneration structures that pose a greater risk of consumer detriment.

Consideration should be given to ensuring that the “tangible benefit to the customer” test should not be defined solely by reference to the provision or availability of particular services (e.g. annual reviews, online portals, newsletters, periodic contacts, etc.). In this regard, experience with the MIFID II “quality enhancement” framework test may provide useful insights into how an appropriate balance should be achieved between considering the services provided and the benefits they deliver to customers in practice, in order to discourage a more process-oriented approach to compliance. Therefore, the ACP considers that EIOPA could advise the Commission to incorporate evidence of customer outcomes and customer value into the assessment. A more proportionate approach would be to make outcome evidence a supporting factor rather than a mandatory requirement, and to rely primarily on information that firms already collect. For example:

- Complaints: use existing complaints data rather than requiring new customer outcome surveys;
- Churning/replacements: use existing replacement registers and supervisory data where available;
- Policy reviews: require evidence that review processes exist and are actually carried out, rather than measuring the outcome of every review;
- Ongoing service: demonstrate that promised services (e.g. annual reviews, portfolio rebalancing discussions, retirement reviews) were delivered, without needing to prove the financial impact of each interaction;
- Persistency: use persistency as a contextual indicator rather than a target metric, recognising that low lapse rates are not always good and high lapse rates are not always bad.

The criteria could focus therefore on *“How does the service improve the customer’s decision-making, product suitability or ongoing management of the IBIP?”*. The existence of a service provided, therefore, would be relevant, but not sufficient. In addition, the ACP points to the fact that, in order to ensure that inducements paid/received remain proportionate to the value of the services and benefits provided to the customer throughout the duration of the contract, the distributor should also be able to provide evidence, when requested by a national competent authority, of services provided on a regular basis for the whole duration of the contract such as ongoing advice or portfolio management which offer a “tangible benefit to the customer” and the level of the inducements paid/received are also proportionate to the ongoing services being provided.

A further proportionality safeguard would be to apply the framework at the *service model* level, rather than the *individual customer* level. Instead of asking: "*Can the firm demonstrate a tangible benefit for every customer?*", consideration could be given as to whether the focus should instead be: "*can the firm demonstrate that its advised distribution model is reasonably designed to deliver tangible benefits to the target market?*". This is much closer to the logic of IDD product oversight and governance requirements and avoids creating unnecessarily challenging evidential burdens.

A further safeguard would be to allow different forms of evidence depending on the type of benefit claimed. For example:

Claimed benefit	Possible evidence
Protection needs analysis to identify the customer's protection gaps/insurance needs	Advice process and documentation
Initial suitability advice	Suitability process and file reviews
Ongoing service	Records of reviews and customer contacts
Retirement planning support	Review framework and customer engagement

5. Simplification of the customer journey, including "simple advice"

The RIS Directive introduces a lighter form of suitability assessment or "simple advice" (as used by the Commission in its Call for Advice to EIOPA) "based on a more limited set of data collected for the suitability assessment"⁵ for the distribution of certain well-diversified, non-complex and cost-efficient products, reflecting a recognition that the same level of information gathering on the customer during the onboarding process and assessment may not be necessary in all circumstances by the insurance distributor.

Therefore, "given the diversified nature of the advised products, advisors should not be required to obtain and assess information from the clients or customers relating to their knowledge and experience or existing portfolios"⁶. This is consistent with the RIS objective of facilitating retail participation while simplifying the customer journey for lower-risk products while preserving appropriate consumer protection safeguards.

The Commission asks EIOPA in its Call for Advice to simplify and streamline the IBIP investor journey, particularly suitability, appropriateness and reporting, by:

- limiting information collection to what is necessary and proportionate;
- considering a broad scope of IBIPs to fall under a "simple advice" regime, without compromising appropriate standards of consumer protection
- considering a broad scope for simple advice without weakening consumer protection; and
- simplifying records, statements and periodic reporting.

⁵ See recital 8 of the latest version of the RIS Directive

⁶ Ibidem, see recital 8

In the ACP's view, the RIS creates an ideal opportunity for EIOPA to embed proportionality into the customer journey by ensuring that suitability assessments are more calibrated to the complexity of the product, the risks involved and the nature of the consumer decision being supported. EIOPA's implementing work can build on this principle and the lessons learned from its Mystery Shopping exercise on the distribution of IBIPs, by developing a framework that preserves consumer protection, while reducing unnecessary friction in the advice process.

Proportionality could be embedded into EIOPA's technical advice by recognising that not all IBIPs present the same level of complexity, risk or consumer detriment potential. Rather than applying a single set of eligibility criteria to all insurance-based investment products, EIOPA could develop a tiered framework that distinguishes between IBIPs that are "sufficiently simple that a client or customer can fully comprehend [them]"⁷ and complex IBIPs. For example, IBIPs that do not incorporate features, structures or mechanisms that materially impair a retail customer belonging to the identified target market from understanding: (a) how returns are generated; (b) the circumstances in which losses may occur; (c) the costs borne; and (d) the conditions governing access to invested premia, could be subject to the light suitability assessment, while products featuring complex guarantees, structured payoffs or extensive investment choice would remain subject to more comprehensive suitability assessments.

The light suitability assessment could, therefore, be used to focus on "consumer comprehensibility sufficient" for such a lighter assessment, rather than to focus on "product safety" as is the case for the execution-only criteria for "non-complex" IBIPs. This would support an interpretation that focuses on the overall consumer risk posed by the product, rather than excluding products simply because they contain standard insurance features.

The ACP considers that EIOPA could also apply proportionality when defining what constitutes a "well-diversified", "non-complex" and "cost-efficient" IBIP to ensure that those criteria are objective, measurable and capable of being applied consistently across Member States. Instead of requiring detailed assessments across numerous indicators, simpler products could be assessed against a limited number of key criteria that are most relevant for consumer outcomes. Existing work on Value for Money benchmarks and Product Oversight and Governance requirements such as linking to the relevant target market for the product, could be leveraged wherever possible, to ensure a consumer-centric (rather than product-centric) approach, also reducing duplication for firms and NCAs. Similarly, where products rely on standardised default investment strategies, lifecycle approaches or broadly diversified underlying funds, the diversification assessment could be simplified compared with products offering extensive investment choice or highly specialised exposures. More specifically, consideration could be given to:

- *whether "well-diversified" means at the level of the underlying investment strategy rather than requiring highly prescriptive diversification thresholds.* This could allow a wide range of investment strategies and diversified unit-linked funds to qualify, provided concentration risks remain limited in line with the Prudent Person Principle under Solvency II.
- *whether certain insurance features do not automatically make an IBIP "complex".* Products with capital guarantees, smoothing mechanisms, profit participation, or limited biometric risk cover could still qualify where these features are easy for retail customers

⁷ Ibidem, see recital 8

belong to the target market to understand and do not materially alter the product's risk-return profile. Complexity could instead focus on features such as structured payoffs, leverage, derivative-driven outcomes, extensive switching options or difficult-to-understand investment strategies.

- *whether “cost-efficiency” could be interpreted by reference to the RIS Value for Money framework rather than imposing absolute cost ceilings.* A product could qualify if it demonstrates value relative to comparable products within its market segment, even where it includes insurance elements that increase costs compared with a pure investment product.

EIOPA could also consider encouraging greater standardisation and simplification of customer journeys. Rather than requiring firms to collect extensive information through lengthy fact-finds, the lighter suitability assessment could be supported by standardised questionnaires, streamlined decision trees and digital tools designed around the specific characteristics of eligible products, whilst maintaining a technology-neutral position. Such an approach would improve consistency across the market, facilitate supervision and reduce implementation costs for firms, particularly smaller distributors. At the same time, firms should retain the flexibility to obtain additional information where this is necessary to address specific customer circumstances or product features.

Digitalisation offers a further avenue for applying proportionality: Whilst maintaining a technologically neutral approach, the ACP considers that EIOPA should not inhibit customer journeys that make greater use of digital interfaces, pre-populated information, interactive questionnaires and layered explanations that provide consumers with relevant information at the point it is needed, where this leads to better outcomes for consumers. This would help reduce administrative burdens while making the process more intuitive and accessible for consumers. Importantly, digital simplification should not merely transfer complexity onto consumers, but should be designed to support informed decision-making and effective consumer understanding, bearing in mind that there will always be a significant part of the population that will not be at ease with digital tools, we must insist that there always remain a possibility to go through the process based on paper documents with the assistance of a human advisor.