



## FAUSTO PARENTE

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### RIS value for money benchmarks & simplification – boosting consumer outcomes

EIOPA supports the European Commission's Retail Investment Strategy (RIS) proposal, particularly the Value for Money (VfM) framework. If properly calibrated, RIS can bring significant benefits by mobilising consumers' capital into investment products offering VfM, improving consumers' financial health and deepening European capital markets.

EIOPA's 2024 Eurobarometer survey highlights key barriers discouraging EU consumers from purchasing insurance-based investment products (IBIPs): high costs (17%), lack of understanding (15%) and poor performance (10%). Low cost (37%), good returns (34%) and ease of communication with providers (29%) are seen as most important in perceiving VfM. EIOPA's Cost and Past Performance (C&PP) Report shows that while costs have not risen despite inflation, the reductions seen in the investment funds have yet to materialize in IBIPs markets.

In this context, EU VfM supervisory benchmarks contribute to objective product pricing, ensuring costs and charges are justified and proportionate

to performance, benefits, and product features such as guarantees and biometric risk coverage. Benchmarks help National Competent Authorities (NCAs) prevent products lacking VfM from being marketed to consumers, supporting a more data-driven, risk-based and independent supervisory assessment, which a self-regulatory approach could not achieve. EIOPA's work shows benchmarks are achievable - products from many markets are similar and concentrated in a small number of clusters, enabling the creation of sub-clusters and considering additional specificities.

RIS negotiations are occurring alongside discussions on simplification, burden reduction and the development of the Savings and Investments Union. Simplified, sustainable regulation or business models can enhance consumers' financial health. While RIS is essentially product-agnostic, retail investor participation could also increase with the development of a simpler savings product with a pan-EU label and reduced documentation/distribution requirements to help bridge the widening savings gap.

When simplifying, a pragmatic, evidence-based perspective is essential, prioritizing collective EU interests over national priorities. The rationale behind product-sensitive benchmarks applicable to all markets where products are commercialized, is that EU consumers pay similar prices for products with similar returns/services, facilitating the development of the single market – a “one stop shop” for firms rather than multiple parallel regimes. EIOPA's C&PP Report shows that cross-border business benefits consumers only in some corridors, while in others, cross-border products are costlier than domestic ones.

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#### How Value for Money benchmarks and simplification can boost consumer outcomes.

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EIOPA sees potential for simplifying RIS. A dual system with peer grouping and benchmarks, plus a supporting database, would be duplicative and increase the burden for supervisors, manufacturers and distributors. They would need to stay updated on developments around each tool, whose interplay is unclear, potentially causing to supervisory challenges if they lead to diverging VfM evaluations. Moreover, providing access to sensitive, commercial data not

publicly available, would be costly and add little value, given the existing IT infrastructure already.

EU supervisory benchmarks help reduce burden for firms, especially for smaller ones lacking resources for detailed peer-grouping. EIOPA would develop these benchmarks, in collaboration with NCAs, allowing firms to use them as a simple tool to assess consumer risk.

Simplification requires pragmatic, evidence-led steps while ensuring good outcomes. EIOPA's recent mystery shopping exercise revealed a need and clear opportunities to simplify the customer investment journey. Advised sales, which involve a suitability assessment, can involve a lengthy, cumbersome onboarding process for the distributor to gather data about the customer's situation before making a personalised recommendation. Our findings show that longer processes do not necessarily improve consumer outcomes, which are often driven by other factors such as product availability.

Bringing a stronger focus in the regulatory framework on achieving good consumer outcomes, rather than on rigid, procedural requirements could be a step forward. Also, introducing more proportionality – considering the distributor's service, the specific distributed product customer type and the necessary personal data – could also bring benefits. Simplification in this area could be particularly benefit SMEs struggling to meet all the requirements.

In conclusion, this is a crucial opportunity to make simplification meaningful in RIS and boost retail investor participation. However, based on our experience with the limitations of NCAs in ensuring sufficient 'pre-emptive' corrective action and compensation for consumers, the regulatory framework will only be effective if properly implemented. Strong European supervisory convergence, as well as robust ex post enforcement powers, are equally important.