CONSULTATION PAPER

on Framework to address value for money risk in the European unit-linked market

13 April 2021

European Insurance and Occupational Pensions Authority

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Responding to this paper

EIOPA welcomes comments on the consultation paper on the framework to address value for money risk in the European unit-linked market.

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 provide your comments to EIOPA by 16 July 2021 via the survey which can be accessed via the following link:

https://ec.europa.eu/eusurvey/runner/EIOPA_Public_Consultation_ULM

Publication of responses

Contributions received will be published on EIOPA's public website unless you request otherwise in the respective field. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.

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[1].

Contributions will be made available at the end of the public consultation period.

Data protection

Please note that personal contact details (such as name of individuals, email addresses and phone numbers) will not be published. They will only be used to request clarifications if necessary on the information supplied.

EIOPA, as a European Authority, will process any personal data in line with Regulation (EC) No 45/2001 on the protection of the individuals with regards to the processing of personal data by the Community institutions and bodies and on the free movement of such data. More information on data protection can be found at https://eiopa.europa.eu/ under the heading 'Legal notice'.

[1] Public Access to Documents

1. Introduction

1.1. Since the first annual EIOPA Consumer Trends Report, EIOPA and its Members continue to highlight concerns with regard to some issues in the European unit-linked market (including hybrid products that combine a unit-linked component with a profit participation component and/or a capital guarantee). In fact, while concerns with value for money and product complexity are not isolated to unit-linked products, unit-linked insurance also continues to be a prominent theme in EIOPA's oversight platform work, in EIOPA's bilateral discussions with NCAs, and in EIOPA's market monitoring activities – including those focused on COVID-19. EIOPA's first comprehensive Thematic Review also focused on issues in this market. The first, second and – forthcoming – third edition of the Cost and Past Performance[2] exercise also highlight that costs for unit-linked (and hybrid) products are and continue remaining high across several European markets and such costs can have a significant impact on returns.

1.2. There are concerns that risks in the unit-linked market might be heightened because of the COVID-19 crisis:

- Given the possible future economic impact of the crisis on household income, consumers may start to surrender or lapse on their policies early – surfacing existing structural problems such as a mismatch between actual and expected returns because of the features (e.g., high risk, complex fee structure) of some unit-linked (and hybrid) products.
- In the near future, expected lower returns and market volatility can also draw further attention to the impact high costs can have – leading to possible widespread loss of confidence in the unit-linked (and hybrid) market as it has happened in the past in some Member States.

1.3. Because of the continued concerns, heightened by the COVID-19 crisis, as well as in light of the work performed by EIOPA to give an Opinion on the product intervention launched by the KNF in Poland, EIOPA and its Members performed an analysis of selected unit-linked products. This analysis confirmed existing concerns with regard to possible value for money risks in the unit-linked (and hybrid) market, whilst also highlighting that unit-linked (and hybrid) products across Europe differ also based national legal requirements, market traditions, and on the target group of consumers to which such products are sold.

1.4. In particular the analysis highlighted that:

- Unit-linked (and hybrid) products exhibit varying degrees of complexity, the more complex ones in particular making it difficult for consumers (and in some cases even for distributors) to understand benefits, fees and costs, and risks. Such products are often being marketed as mass-market products and a clear linkage between the complex layering of certain product characteristics is not reflective of the target market's needs, objectives and characteristics;
- Some unit-linked (and hybrid) products offer low value to consumers, either altogether or for single components (e.g., while the death benefit may bring value the investment component does not);
- Costs are often not clearly identified and they cannot be linked to a specific product component making it difficult to assess the value of each component;

[2] https://www.eiopa.europa.eu/content/consumer-trends-report-2020

- Even within each component, it is often difficult to assign costs to a specific feature and/or service provided, impairing an analysis as to whether costs correspond to specific services;
- For some multi-options products, costs can vary significantly between options, leading to some options offering more value for money than others and other options not offering value at all. Moreover, in several instances multi-options products increase the level of complexity and it is unclear whether the multitude of options is reflective of different target markets / different target market's needs;
- Costs identified are often opaque, high and it is often hard to establish whether they are 'due' – i.e., whether they correspond to a specific service offer which responds to a target market need and whether they are in line with products offering similar services/having similar features;
- Product monitoring and review processes, under the Product Oversight and Governance (POG) framework, are not applied consistently. As a result, performance / benefits may not 'perform' as expected and certain costs may become uncompetitive over time.

1.5. To address such value for money risks, with the view of supporting National Competent Authorities (NCAs) in assessing and manufacturers in carrying out POG product testing and monitoring and review activities, a framework has been formulated to ensure that value for money aspects are duly taken into account when product testing activities are performed.

1.6. While value for money is not explicitly defined in EU legislation, the POG framework clearly highlights that products characteristics – which include costs – need to be tested to ensure they are aligned to the target market's needs, objectives and characteristics, which also includes the target market's ability to pay and bear losses. Despite value for money being entrenched in POG, there is a need for more harmonised guidance to implement POG requirements and address consumer detriment arising from products where the costs and charges are not proportionate to the benefits and hence where products do not offer value to the target market. This discussion paper explores the principles underlying this issue and suggest common language for future work in this area.

1.7. EIOPA considers that products offer value for money where *the costs and charges are proportionate to the benefits (i.e., investment performance, guarantees, coverage and services) to the identified target market and reasonable taking into account the expenses born by providers and in comparison to other comparable retail solutions on the market*.

1.8. This also means that the product delivers added value for the consumer given the costs and expected returns and assuming a reasonable holding period. To this end, products are expected to be reviewed and tested.

1.9. For products with different components, such as unit-linked policies, value for money is expected from the product in its entirety – as well as from each individual component separately – taking into account the target market's needs, objectives and characteristics and all the costs and benefits, as well as possible costs and benefits of offering the different components singularly or as 'a package'.

1.10. High costs levels can cause consumer detriment to policyholders by reducing the level of savings that are accumulated. Substantial reductions in net returns for consumers significantly reduce the value of these products for consumers. Mass-marketed unit-linked (and hybrid) products should offer well-diversified investments commensurate with the risk profile of the policyholder.

1.11. This framework addressed to insurance product manufacturers, provides further guidance on how they should assess value for money and measures to be taken to mitigate risks relating to product complexity.

1.12. This framework aimed at insurance product manufacturers is the initial step of a broader set of tools to assess value for money which are expected to include more practical guidance, including:

- Further guidance on how to group products to assess whether costs are due;
- A model(s) aimed at assisting in testing whether products offer/do not offer value for money and providing practical benchmarks.

1.13. The aim of this Discussion Paper is to consult on the framework that should serve at the basis to assist insurance product manufacturers in assessing whether their unit-linked (and hybrid) products offer value for money and whether adequate measures are taken to mitigate risks relating to product complexity.

1.14. In line with the spirit of the Discussion Paper, the aim is to collect concrete stakeholder feedback on the different principles and guidance presented, in particular regarding their soundness and appropriateness.

Questions to stakeholders:

Q1: Do you agree with the definition of value for money presented in paragraph 1.7?

Q2: Do you share EIOPA’s concerns about value for money in certain areas of the UL-market?

Q3: Do you believe that more emphasis on value for money considerations as part of POG, in particular through product testing, will ultimately improve the value propositions in the unit-linked market?

Q4: Based on the framework presented below, do you believe there may be principles you feel are missing? Please explain.

Q5: What additional measures could EIOPA facilitate to advance value for money in unit-linked and hybrid products?

2. Proposed framework

Given the diverse nature of the unit-linked (and hybrid) market and need to ensure that products aimed at addressing specific needs whilst ensuring they offer value for money, the framework below provides guidance on how to assess value for money.

EIOPA's approach to the supervision of POG clearly reflects the need to ensure that products undergo a fairness test to be carried out by insurance product manufacturers and which should look at whether:

(i) costs are proportional vis-à-vis specific product features and benefits (i.e., services, investment strategies, advice) and

(ii) they take into account the characteristics, needs and objectives of the target market.

Hence, products should be fair, offering value to the target market, and costs should be proportional to the benefits offered and take into account the needs, characteristics and objectives of the target market. Next to a holistic assessment of all costs and benefitseach product component should have a positive value contribution.

Principle 1: *costs and charges need to be due*

2.1. Due costs are costs charged to the policyholder which are consistent with the target market's needs and objectives and are clearly identified and quantified. In particular, due costs are those costs which can be clearly linked to services rendered or expenses made and which are proportional to the efforts and expenses incurred by the manufacturer or distributor.

2.2. All costs and charges should be due. The basis of this principle is that the costs and charges for the consumer are reflective of the costs and charges borne by the providers of the product and the services offered which should be aligned with the needs, objectives, and characteristics of the target market.

2.3. As a result, manufacturers should group costs and then link them to specific product components/services in order for them to assess whether these costs are due and deliver value for money. The linking of costs to benefits and/or features for product assessment purposes is not directly related to the issue of transparency and disclosure. Rather, it serves as a basis for manufactures to assess - and supervisors to monitor – the value contribution of each product component as well as the value of the product as a whole taking into account the services and benefits offered to the target market.

2.4. Manufacturers, at least for product testing purposes, are recommended to group costs and charges as follows:

- Administrative costs, which relate to those costs arising from the activities when administering unit-linked products, providing information to policyholders and executing payments;
- Investment costs, which relate to: (i) costs of safekeeping of assets, including fees paid to the custodian for keeping assets safe and collecting dividends and interest income; (ii) portfolio transaction costs, including actual payments by the asset manager to third parties to meet costs incurred in connection with the acquisition or disposal of any asset, such as brokerage and currency exchange fees; (iii) other costs relating to the management of the investments;
- Distribution costs, which relate to those costs arising from marketing and selling the policy, including the costs and fees related to providing advice;

- Costs of guarantees, which relate to those costs charged to the policyholder for financial guarantees, including policyholder options such as minimum annuity rates – provided under the contract;
- Biometric risk premium as defined in the PRIIPs Delegated Regulation (EU) 2017/653 point 54 of Annex VI.

2.5. Where several product components are offered as a single, integrated, product, assigning costs to specific product benefits may be difficult in some cases. For example, distribution costs are generally not fully attributable to one specific product feature. However, most products have a dominant feature around which the product gravitates. This is the feature that delivers greatest utility to the consumer. Because utility is difficult to measure, it should be assumed that the product feature with the highest costs over the contract term to be the one that is intended to deliver the greatest benefit and to which overarching product costs and charges should be assigned to.

2.6. Unit-linked (and hybrid) insurance products provide consumers the opportunity to benefit from the returns available in capital markets. EIOPA expects the costs to gain access to these markets for the management of investments to be reasonable and proportionate to the investment services provided.

2.7. To determine value for money of the investment component, two separate types of investment costs are to be considered:

- Investment costs to gain access to the markets. These are costs that need to be made to invest and manage a portfolio and cover transaction costs, depository functions, legal advice, etc. Basically, these are the costs "to buy the market" and are similar to those of passive index trackers.
- Investment costs for active portfolio management. These are costs that need to be made to attempt to outperform the markets.

It is important to separate the two, because the product must be targeted correctly. On the one hand there are consumers who want their premiums invested in order to receive market returns (e.g., as an inflation hedge). For those consumers, there is no demand for active fund management and its associated costs. On the other hand, there may be consumers who want specific investments and expect a good chance of outperformance from their products.

Questions to stakeholders:

Q6: Do you agree that costs and charges need to be due?

Q7: Do you agree that for evaluation purposes, costs and charges should be assigned to specific benefits and services?

Q8: Do you agree that the costs which cannot be directly linked to a specific product component, should be assigned to the dominant product feature? If not, do you have an alternative proposal?

Q9: Do you agree that active investment management involves additional costs and benefits?

Principle 2: ***each product feature, as well as the product as a whole, should deliver value for money for its well-defined target market and manufacturers should adequately and sufficiently test whether their products offer value for money***

2.8. Unit-linked (and hybrid) products contain different features – such as investment services, biometric risk coverage or capital guarantees – which bring benefit to the policyholder. Each of these components needs to be assessed individually to determine whether it offers value for money. Moreover, the value of the product as a whole should be assessed taking into account the costs charged to consumers, the services offered and the overall benefit to the target market.

2.9. Some products allow consumers to choose between various options such as the levels of the death benefit, capital guarantees or underlying funds. In assessing whether products offer value for money, options should be looked at from a consumer perspective (with one option or a possible combination of options corresponding to one product for consumers); hence, each option needs to deliver value for money to its specific target market and otherwise it should not be offered.

2.10. As different product features may bring different benefits and/or utility depending on the target market's characteristics, needs and objectives, value for money should be assessed vis-à-vis such characteristics, needs, and objectives. Therefore, it is important that, prior to assessing value for money, insurance product manufacturers sufficiently define the target market to assess the value for money of each product component vis-à-vis the identified target market, including giving consideration as to whether given the level of granularity required for different components products should be marketed separately.

2.11. Distribution costs - such as advice and marketing - are often charged to consumers as a percentage of the premium paid or the value of the units. This in itself makes that the value for money proposition is dependent on the accumulated premium paid by the policyholder and the performance of the markets which both are unrelated to the quality and amount of advice provided and/or costs incurred to distribute products. This creates a disconnect between the efforts and expenses borne by the manufacturer and the distributor on the one hand and the costs charged to the consumer on the other hand. As a result, distribution costs, which are charged as a percentage over capital, may be the result of agreement between manufacturers and distributors rather than the reflection of a specific service provided to respond to the target market's needs, objectives, and characteristics. This could increase the risk that consumers receive poor value for money.

2.12. To assess whether the insurance component brings value to the target market, manufactures should establish whether this additional element (for example, a substantial death benefit) is reflected in the target market's needs. If it is clearly established that the target market for such products also seek relevant insurance protection, it is then important to assess:

- Whether the products provide the cover that it should be reasonably expected for the target market;
- Whether the biometric risk premiums/costs clearly reflect the coverage provided;
- Whether the biometric risk costs vis-à-vis the target market characteristics and the impact they have on the policy benefits – in particular taking into account that for some products biometric risk costs vary depending on the age of the policyholder.

2.13. To assess the value for money of the investment component, insurance product manufacturers are expected to test products and assess:

- The impact of each cost component on returns and on the premium to establish whether it is reasonable vis-à-vis the service(s) offered to establish whether costs are due;
- When the product, assuming a reasonable return[3], breaks even and whether the break-even point is aligned with the investment objectives, needs and characteristics of the target market.

2.14. In establishing the reasonableness[4] of the costs and of the assumed return insurance product manufacturers should take into account the following aspects:

- The quality, breadth and depth of advice;
- Monetary incentives (retrocession fees) received from asset managers may be a source of conflicts of interest, investment should be made in the best interest of the target market.
- In assessing investments and investment management services (in particular for active management services) rather than relying on existing partnerships it should be assessed whether they deliver value for money for the target market;
- Actively managed investments have a different target market to passive investment management. In general, broad target markets may not seek the additional services offered by actively managed investments;
- The performance of actively managed investments has to be reviewed regularly in order to assess whether outperformance is likely to be achieved over a set period (in line with the POG Regulation 2017/2358 Art. 7);
- Different underlying assets may have different expected returns and may carry different cost levels;
- Products targeted to wide target markets should be simpler, from a consumer perspective. Increasing product complexity puts greater demands on distribution and the financial literacy of the consumer and is often associated with higher costs.
- Target market’s investment objectives may be different:
    - Some target markets may only want to set-off inflation whilst aiming at keeping liquidity; hence lower costs/lower returns may be expected – break-even should materialize early in the process;
    - Some target markets may seek more investment income; hence higher returns may be assumed based on the type of assets;
    - Lifecycling investment strategies should be reflective of target market’s objectives (i.e., seeking pension) and for these products a late break-even may be assumed;
    - Liquidity needs/characteristics should also be taken into account when establishing whether given the time when the product breaks-even it offers value for money.

Questions to stakeholders:

Q10: Do you agree that each product feature should deliver Value for Money as well as for the product as a whole?

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[3] in practice these return may not be delivered but a reasonable assumption should be made

[4] a model will be developed to better define what are reasonable cost

Q11: Do you agree that value for money is dependent on the target market's characteristics, needs, and objectives?

Q12: Do you agree that active and passive investment management have different target markets?

Q13: Do you agree that distribution costs which are charged to the consumer as a percentage of the premium paid or the performance of the units can create a risk of being poor value for money?

Q14: Do you agree on the assumptions to be made when assessing the reasonableness of the expected break-even point and of the expected returns?

Q15: Views on other criteria / ways to assess reasonableness are sought.

Principle 3: *manufacturers have a duty to review costs and charges, performance and the services offered on a regular basis*

2.15. For products to deliver value for money, it is of paramount importance that manufacturers regularly assess the value proposition both qualitatively as well as quantitatively. Thereby making sure that costs and charges remain economical and benefits/performance continue to offer value. In addition, the product features need to continue to match the target market's objectives needs and characteristics. When assessing unit-linked products, it is particularly relevant to do so at least with the most selected options and underlying investment funds.

2.16. Investment costs charged on an on-going basis are the most significant contributor to Reductions in Yield. Therefore, the value for money-issue is often of most relevance to investment services. EIOPA remains concerned about insurance undertakings choosing underlying investment vehicles of unit-linked policies on the basis of those which provide the highest level of monetary incentives and remuneration to insurance undertakings[5].

2.17. The investment services are provided by third parties and the costs in combination with the services rendered need to be regularly reviewed in order to make sure that a product keeps working in the interest of the consumer. Selecting the most relevant or competitive underlying funds in the structuring of unit-linked policies is part of the insurance undertaking's duty to act in the best interests of customers. Insurance undertakings should have adequate processes for selecting, monitoring and reviewing asset managers and underlying funds and for taking appropriate corrective action such as replacing asset managers and underlying funds.

2.18. Unit-linked products provide policyholders to benefit from market returns. Consequently, policyholders should receive returns that are in line with market returns over the long run. For each asset class, there are benchmarks available which can be used to measure performance.

2.19. Actively managed investments should also be benchmarked in order to assess whether active management adds sufficient value. Consistently failing to beat the benchmark makes management fees in excess of those of passive funds that track the benchmark questionable.

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https://www.eiopa.europa.eu/sites/default/files/publications/opinions/opinion_on_monetary_incentives_and_remuneration_between_providers_of_asset_management_services_and_insurance_undertakings.pdf

2.20. It is important that all costs and charges – not only those for investment management services - are regularly and adequately reviewed. This includes comparing the costs and charges to similar options in the market. The costs of the insurance part, the distribution or administration evolves over time and as such requires regular assessment is needed. In particular, it is expected that underlying funds managed by affiliated entities are only made available when they offer at least similar value for money than comparable funds on the market.

Questions to stakeholders:

Q16: Do you agree that manufacturers have a duty to review costs and charges, performance and the services offered on a regular basis?

Q17: Do you agree that policyholders should expect returns that are in line with market returns over the long run?

Q18: Do you agree that actively managed underlying funds should be reviewed in relation to their performance against that of their related benchmarks?

Principle 4: *mass marketed UL products should be easily understood by insurance product distributors and consumers*

2.21. Unit-linked products require a high degree of financial literacy for consumers to understand and make an informed decision on its purchase. At the point-of-sale a long term commitment is made involving both an investment and life insurance decision. Manufacturers should be fully aware of this challenge and reflect this in their product design.

2.22. Considering that additional options in terms of underlying funds, levels of capital guarantees, and insurance configurations may increase transaction costs either by raising the level of advice required or the time and literacy required by the consumer to make a well-informed decision, each and every option should be a careful reflection of differing target market's needs.

2.23. Products are required to have a well-defined target market. By increasing options, products will have the potential to suit the needs of more diverse consumers. At the same time, additional options increase the risk of suboptimal products or product configurations ending up with consumers.

2.24. Consumers should be able to grasp the benefits, fees and costs, and risks of mass marketed unit-linked-products. The complex layering of certain product characteristics observed in the market is not reflective of the target market's needs objectives and characteristics.

2.25. These additional costs and risks arising from the more complex products may not always deliver value for money across a wide target market as for many consumers more standardised products deliver similar outcomes without additional costs or risk of mis-selling.

2.26. An insurance product manufacturer is expected to have developed its own notion and process to assess where products are located on a complexity scale with regard to the consumers' facing product characteristics.

2.27. Generally unit-linked products that involve several of calculation formulae and underlyings and/or having complex and non-transparent costs and fee structures should be considered complex vis-à-vis consumers.

2.28. For those unit-linked products deemed complex based on the manufacturers' complexity scale, the POG systems and controls should:

- Envisage the consultation of relevant functions and divisions that ensure that the number of variables and criteria to define the target market are adequate;
- Envisage that relevant divisions are involved to carry out quantitative test(s) and scenario test(s) in the product testing and monitoring phase;
- Ensure that careful consideration is given to select appropriate distribution channels with professional skills and training to provide the necessary professional advice to customers.

2.29. POG systems and controls should be reflective of the level of product’s complexity. Additional controls such as consultation of relevant departments and final approval by the board are expected for more complex products.

2.30. For products with a higher degree of complexity, the target market should be more granular and identified with more details, taking into account the increased risk of consumer detriment associated with such product.

2.31. Finally, for products offering a multitude of options increasing the degree of complexity for consumers, it should be assessed whether they are reflective of differing target market(s) needs, objectives and characteristics.

Questions to stakeholders:

Q19: Do you agree that mass marketed UL products should provide a limited number of options?

Q20: Do you see alternative measures to mitigate risks associated with a high number of options?

Q21: Do you agree that UL products require a high degree of financial literacy for consumers to understand?

Q22: Do you agree that products with many different options carry additional conduct risks?

3. Product grouping and model

3.1. As highlighted in the introduction, EIOPA expects to issue further guidance on how different unit-linked (and hybrid) products could be grouped taking into account their different features and characteristics as well as differing target market's needs, objectives and characteristics.

3.2. Product groupings should facilitate comparison, with the aim of assisting manufacturers' work in assessing whether the costs they charge are due, taking into account costs for similar products and product components in the market. Moreover, product groupings will also assist in complementing the tool-kit. In fact, while the concept or reasonable break-even point, reasonable returns, and due costs introduced in Principles 1 and 2 should be freely assessed by manufacturers, to facilitate manufacturers' work in testing their products and to ensure good consumer outcomes across the Union, consideration will be given as to whether a model which manufacturers can refer to if needed when assessing whether their product brings value for money will be developed. Such a model would not mean that costs should fall within prescribed limits. Rather, it may help supervisors in having supervisory benchmarks to establish which products would require higher supervisory scrutiny.

3.3. The model could also be freely used by manufacturers as a reference point to carefully assess whether the costs are a reflection of services / rewards and whether these are aligned with the target market's needs objective and characteristics.

3.4. Such model will contain different assumptions for the evaluation of the value for money (i.e., reasonable break-even point and reasonable underlying assets returns) taking into consideration different product groupings. As a preliminary step EIOPA would seek stakeholders' feedback on which product features and characteristics as well as target market's needs, objectives, and characteristics should be taken into account when grouping products and seek inputs on aspects to consider with regard to the model.

3.5. Groupings are expected to be based on the variables below; however, EIOPA would like to receive feedback on whether the current variables are comprehensive. A variation in any of the possible variables below would constitute a separate product grouping.

- DEGREE AND EXTENT OF ADVICE
- DOMINANT FEATURE (E.G., investment and biometric coverage)
- INVESTMENT STRATEGY
- DISTRIBUTION
- PRODUCT FEATURES (PREMIUM, LENGTH ETC)
- CAPITAL GUARANTEES
- TM'S RETURN EXPECTATIONS
- TM'S OBJECTIVES
- TM'S LIQUIDITY NEEDS

3.6. The model/quantitative guidelines would be to identify whether the product deliver good value to the target market taking into consideration a categorisation of the products. The calibration of the variables included in the model will need to be further defined also based on inputs to be received as part of the this consultation; however, EIOPA expect the product testing to be designed around the following assumptions:

- The approach consist in reproducing a series of policy values the policyholders could receive at RHP under different grouping considering different investment strategies. The value of the policy at RHP will be expressed relative to the sum of premiums paid by the policyholder to allow comparison across different contract durations.
- The protection component of the products should be unbundled from the investment component. All the costs and benefits linked to the protection module should be excluded from the model. To simplify, in case the protection component is insignificant, all the costs can be included in the calculation of the policy value;
- The costs used for the calculation of the policy value would be categorised into as defined in the framework.
- The ultimate aim of the model would be to derive some benchmarks for the different cost categories for every product group that allow the product to reach the break-even point at RHP, or at another point in time that would be deemed reasonable with a determined level of probability, taking into account the target market's needs, objectives and characteristics.

Questions to stakeholders:

Q23: Do you agree with the variables to be taken into account to determine product groupings? Or do you believe more/less variables should be taken into account?

Q24: For each of the variables identified provide views on options which EIOPA should consider

Q25: Do you think there may be other criteria to be followed when grouping products?

Q26: Considerations on the model are sought

4. Annex I Summary of Questions to Stakeholders

Q1: Do you agree with the definition of value for money presented in paragraph 1.7?

Q2: Do you share EIOPA's concerns about value for money in certain areas of the UL-market?

Q3: Do you believe that more emphasis on value for money considerations as part of POG, in particular through product testing, will ultimately improve the value propositions in the unit-linked market?

Q4: Based on the framework presented below, do you believe there may be principles you feel are missing? Please explain.

Q5: What additional measures could EIOPA facilitate to advance value for money in unit-linked and hybrid products?

Q6: Do you agree that costs and charges need to be due?

Q7: Do you agree that for evaluation purposes, costs and charges should be assigned to specific benefits and services?

Q8: Do you agree that the costs which cannot be directly linked to a specific product component, should be assigned to the dominant product feature? If not, do you have an alternative proposal?

Q9: Do you agree that active investment management involves additional costs and benefits?

Q10: Do you agree that each product feature should deliver Value for Money as well as for the product as a whole?

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Q18: Do you agree that actively managed underlying funds should be reviewed in relation to their performance against that of their related benchmarks?

Q19: Do you agree that mass marketed UL products should provide a limited number of options?

Q20: Do you see alternative measures to mitigate risks associated with a high number of options?

Q21: Do you agree that UL products require a high degree of financial literacy for consumers to understand?

Q22: Do you agree that products with many different options carry additional conduct risks?

Q23: Do you agree with the variables to be taken into account to determine product groupings? Or do you believe more/less variables should be taken into account?

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