



EIOPA sets out a framework for delivering better value for money in a consumer-centric way

PRESS RELEASE

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The European Insurance and Occupational Pensions Authority (EIOPA) issued today a supervisory statement, which sets out the common principles needed so unit-linked products can offer value for money.

EIOPA considers that reliably putting consumer outcomes at the heart of product design, distribution and monitoring processes is critical for tackling value for money issues. Hence it has issued a supervisory statement to outline how supervisory authorities will monitor manufacturers' and distributors' product oversight and governance processes.

With this statement EIOPA highlights that while value for money is embedded already within product oversight and governance requirements, more convergence is needed in practical supervisory implementation. So, while the

statement introduces no additional regulatory requirements, it clarifies the following main principles that EIOPA expects to see in their supervisory approach:

- Pricing: While supervisory activities should not interfere with pricing, as evidence of the assessment of value for money risks in their products, manufacturers should be able to present a structured pricing process. This should include evidence that costs and charges are properly identified, quantified and are not undue, taking into account the target market's needs objectives and characteristics and the costs borne by providers.
- Complexity: Considering that product oversight and governance processes should be proportional to the level of complexity of the products and that the granularity of the target market should clearly reflect the product's complexity, manufacturers should assess and determine the level of complexity of their products. In particular, the more complex the products are, the higher will be the degree of financial literacy that consumers and insurance distributors need. The complexity also needs to be considered in an appropriate distribution strategy.
- Testing: Manufacturers should test their unit-linked products appropriately, also by using scenario analyses. This should be done before bringing to the market new products or products that have been significantly adapted, or when the needs, objectives and characteristics of the defined target market or the risks posed to it have significantly changed.
- Regular review: Manufacturers should continuously monitor and regularly review unit-linked products they have placed on the market, to identify events that could materially affect the main features, the risk coverage or the guarantees of those products.
- Supervision: National competent authorities are expected to monitor their market to ascertain that insurance product manufacturers ensure that customers receive fair value unit-linked products.

Overall EIOPA expects a risk-based approach – where the products which pose the greatest risk of consumer detriment due to poor value for money are given supervisory priority. Poor value for money can undermine the development of the single market, reduces the impact of capital markets union, and lowers household resilience to financial shocks over the longer term.

EIOPA and the national competent authorities will monitor the market to assess how well insurance product manufacturers ensure that customers receive fair value unit-linked products. Towards this goal, EIOPA is carrying out further work to develop a methodology to ensure a consistent assessment of value for money across the European Union and it will continue reporting on this aspect.

[SEE THE STATEMENT](#)

Background

This Supervisory Statement was developed in accordance with the Article 25 of

Directive (EU) 2016/97 (IDD) and Commission Delegated Regulation (EU) 2017/2358 (product oversight and governance Delegated Regulation).

Following the [public consultation](#) launched on 13 April 2021 and concluded on 16 July 2021, EIOPA's supervisory statement should help the national competent authorities in supervising the manufacturers' and distributors' product oversight and governance implementation.

Unit-linked products are the predominant insurance-based investment product in Europe. According to EIOPA's estimate unit-linked products account for a significant portion – over EUR 2.8 trillions of the total asset under management in Europe.

EIOPA considers that unit-linked products offer value for money when costs and charges are proportionate to the benefits (i.e. investment performance, guarantees, coverage and services) to the identified target market as well as reasonable, taking into account the expenses born by the providers.