

## Response to EC consultation on the Retail Investment Strategy

Our reference:	COB-21-114	Date:	August 2021
Referring to:	<a href="#">EC public consultation on EU Strategy for retail investors</a>		
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Pages:	75	Transparency Register ID:	33213703459-54

### Executive summary

#### **Insurance Europe welcomes the consultation but is worried about inaccuracies in the questionnaire**

The consultation provides an excellent opportunity to take stock of the current regulatory environment and to learn lessons from the successes and failures of previous legislative initiatives, to ensure that retail investors can take full advantage of capital markets.

Now, more than ever, European consumers and insurers need a fit for purpose and digital-friendly regulatory framework that effectively supports consumers' participation in the capital market, to boost the recovery and the green and digital transitions of our economy. In addition, the Capital Markets Union (CMU) can contribute to a more inclusive and resilient society and help address the increasing need for retirement savings.

From an insurance perspective, the current regulatory and supervisory framework is robust and provides a very high level of consumer protection. The framework includes new distribution rules in the Insurance Distribution Directive (IDD) that are complimented by easy access to redress, transparency and conflicts of interest rules and appropriate intervention powers. However, improvements are required, for example, the need to reduce information overload and to adapt the framework to modern consumers' habits and expectations: the COVID-19 crisis provided a clear demonstration of how digital communication is key for business continuity and the need for consumers to have easy access to the products and information they need. It is also important to ensure that new entrants to the market, such as BigTech, are subject to the same regulatory and supervisory framework (ie "same activities, same risks, same rules") to ensure a level playing field and to maintain a high level of consumer protection.

It should be noted that there are several inaccuracies in the questionnaire regarding the insurance market, such as questions on Insurance Product Information Documents (IPIDs) and the pan-European Personal Pension Product (PEPP) that are simply not applicable to the current retail investment market. The European Commission must therefore not draw any conclusions from these questions.

**EU insurers offer high-quality products and services**

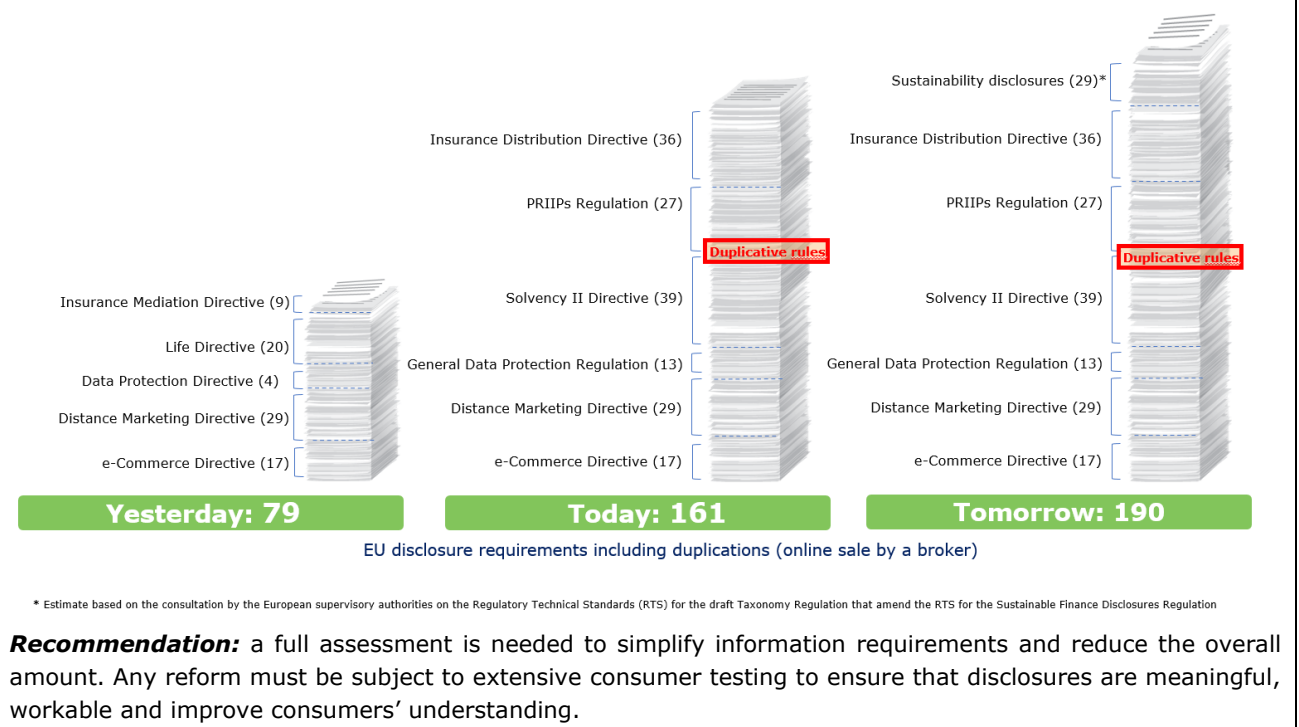
Insurers offer a wide range of investment products to address different consumers’ needs. Insurance-based Investment Products (IBIPs) account for almost 90% of the Packaged Retail and Insurance based Investment Products (PRIIPs) market with around €5 trillion of assets under management in 2019 (Insurance Europe estimates). Insurers are also major providers of a wide variety of occupational and personal pensions.

Insurance products are unique due to their long-term nature and the ability to combine investments with insurance cover, which enables them to meet different consumers’ needs. These specificities are key to consumers’ protection and purchasing decisions and, therefore, they must be recognised in EU legislation and properly represented in the disclosures made to consumers.

**Information overload**

Consumers are currently overwhelmed with a very high number of product disclosures. This makes it very difficult for them to digest the information and make proper use of it. The current disclosures therefore fail to meet their intended aims of facilitating decision-making processes: they are too complex, too long and not sufficiently appealing for consumers.

**Example:** an IBIP with environmental objectives sold online via an intermediary is subject to 190 pre-contractual disclosures, as a result of various applicable EU legislations.



**Address duplications and inconsistencies**

Legislation is developed in silos, without a holistic view of the cumulative impact of all requirements applicable to the consumer journey and decision-making, and without appropriate safeguards to avoid duplications and inconsistencies.

**Example:** duplicative information must be provided as a result of the PRIIPs key information document (KID) and Solvency II disclosures (including an insurer's identity, duration of the contract, procedures for complaints, etc).

**Recommendation:** assess rules' cumulative impact, remove inconsistencies and duplication: eg by ensuring that the information provided in one document does not need to be included in another one. In this case, providing a link to the first document should be sufficient.

### Disclosures must properly represent insurance benefits

Current disclosures focus excessively on costs and charges, which encourages consumers to compare products based almost exclusively on costs. The COVID-19 crisis has, however, shown that insurance coverage is at least as crucial to consumer protection and decision-making. The current disclosures do not properly represent the specificities of IBIPs, as the rules were developed with other sectors in mind or copied from other sectoral legislation.

**Example:** the PRIIPs KID is meant to apply the same very prescriptive disclosure standards to a wide variety of very different products. This fails to capture the key features of insurance products and thus misrepresents certain information that is important to retail investors: eg insurance cover.

**Recommendation:** disclosures must effectively help consumers better understand the product's features. They should therefore highlight the existence (or not) of insurance protection elements, which are important features essential to consumer decision making. Furthermore, comparability should not be achieved at the expense of understandability and accuracy of information.

### Need for a digital-friendly regulatory framework

EU rules are not always designed to allow consumers to easily access and absorb the relevant information through various channels (ie using a desktop computer, laptop, tablet or phone). Financial services legislation must be innovation-friendly, technologically neutral and sufficiently future-proof to be fit for the digital age.

**Example:** the IDD and the PRIIPs Regulation require pre-contractual information to be provided to consumers on paper by default. It may only be provided another way (eg via email or online) if this is approved by the consumer in advance.

**Recommendation:** the IDD and the PRIIPs Regulation should be amended to be digital by default, with information to be provided on paper where requested by the consumer.

### IDD is working well

The IDD introduced strong and effective conduct rules. The industry has collected examples that demonstrate a measured but overall positive trend in the number of complaints. Moreover, recent experience show that the IDD is working well because:

- The IDD is a **minimum harmonisation** directive, which means that it sets a minimum standard, but additional measures can be introduced at national level if deemed necessary. This allows the necessary flexibility to adapt to local market needs.
- The IDD is **accounts for insurance specificities** and respects the differences between insurance and investment services. Unlike other financial service providers, insurers offer risk cover against unforeseen events and have a long-term and stable business model. In addition, insurers operate through a distribution network based on a higher proportion of micro-enterprises and SMEs than other financial sectors and can offer a distinctive value proposition to consumers looking for protection, investment and the peace of mind of minimum guarantees.

- Under the IDD, the sale of all insurance products is subject to a “**demands and needs**” test that requires distributors to make sure that products are consistent with each customer’s expectations. This must be carried out whatever the type of insurance product involved, regardless of the way in which the product is sold, and includes unadvised sales. This requirement is unique to the insurance sector and has benefitted consumers by guaranteeing that any products proposed to them meet their individual needs.
- The IDD has also strengthened rules on **advice**. For example, a suitability assessment must now be carried out for advised sales of IBIPs, establishing why the product recommended to the client is the best option for their situation (including their ability to bear losses) and objectives (including their risk tolerance).
- The IDD also includes rules on **conflicts of interest and inducements** that ensure a high level of consumer protection while preserving the specificities and the variety of the different markets and distribution channels.

**Example:** the IDD contains rules on commissions for the sale of IBIPs that are appropriate to the insurance sector. Given the diversity in how insurance is distributed in different national markets, the minimum harmonisation approach taken in the IDD allows EU member states to restrict or ban the use of commissions where appropriate for their market, but to permit its use where it is helpful in enabling access to financial advice, and preventing the emergence of “advice gaps”.

The IDD has also strengthened rules on advised sales of IBIPs, for example, with the “suitability test” that establishes why the product recommended to the client is the best option for their situation and objectives.

**Recommendation:** the European Commission should retain what has proved to work well.

### **Financial literacy is an essential skill that enables citizens to take charge of their personal finances**

Financial education is key to ensuring that European citizens are equipped with the confidence and skills necessary to engage in responsible financial behaviour and to take charge of their own financial future. Improving people’s financial literacy and understanding of insurance can play an important role in underpinning economic growth and in enabling societies to overcome the significant pension challenges they face.

We would encourage the European Commission to play a greater role in supporting the development and implementation of national strategies for financial literacy and education, including insurance education. The EC could, for example, come forward with a proposal to encourage the adoption of national financial education strategies in EU member states and the incorporation of financial literacy components into school curricula. The EC could also introduce a European Day of Financial Education to promote the importance of financial education and to publicise the OECD/Commission’s financial literacy competence framework that is currently under development.

### **Ensure an innovation-friendly approach and a true level playing field**

Insurance Europe supports the European Commission’s objective of ensuring that consumers and firms fully reap the benefits of digitalisation, while being adequately protected from its potential new risks. It is crucial to respect the principle of “same activities, same risks, same rules” and to strive for a true level playing field to ensure that customers are equally protected when they purchase insurance products from different market players, irrespective of their business models. The comprehensive EU consumer protection rules applicable to insurance activities and distribution, such as the Solvency II Directive, the IDD, the PRIIPs Regulation and the General Data Protection Regulation (GDPR), as well as all their respective level 2 and 3 measures, should apply equally to established insurers and new market entrants, where they carry out the same activities. Rather than automatically introducing new regulations for the digital age, policymakers should ensure that the current regulatory regime is applied and enforced properly.



### **Awareness and simple disclosures are the foundation for mainstreaming sustainability**

The insurance industry supports the ambitious objectives of the European Green Deal and remains as committed as ever to supporting the transition to a more sustainable society and to tackling climate change. Increased transparency on sustainability is welcome, provided that it avoids information duplication and overload for businesses and consumers. Enhanced transparency can help make sustainability more mainstream in an affordable, simple and streamlined way by mobilising retail investors and citizens. It is therefore key that consumers' information on Environmental, Social and Governance (ESG) products and services is clear and meaningful. However, it needs to be clear that this in itself will not be enough to create the sustainable investments needed to finance the transition.

## 1 General questions

Current EU rules regarding retail investors (eg [undertakings for the collective investment in transferable securities \(UCITS\)](#), [packaged retail investment and insurance products \(PRIIPs\)](#), [the Markets in Financial Instruments Directive \(MiFID II\)](#), [the Insurance Distribution Directive \(IDD\)](#), [the pan-European pension product \(PEPP\)](#), or [the Directive on the taking-up and pursuit of the business of insurance and reinsurance \(Solvency II\)](#)) aim at empowering investors, in particular by creating transparency of the key features of investment and insurance products but also at protecting them, for example through safeguards against mis-selling.

**Question 1.1** Does the EU retail investor protection framework sufficiently empower and protect retail investors when they invest in capital markets?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 1.1 and provide examples:

The Insurance Distribution Directive (IDD) introduced strong and effective conduct rules for the sale of all insurance products, with additional, enhanced requirements for the sale of IBIPs. The IDD ensures that insurance distributors always act honestly, fairly and professionally, in accordance with the best interests of consumers, which helps to prevent any potential mis-selling.

The IDD also provides a high level of transparency, as it requires insurers to provide appropriate information to consumers and to ensure that all information is fair, clear and not misleading, with special provisions for certain types of products or practices when necessary. At the same time, the IDD includes specific rules on conflicts of interest, so that distributors are always obliged to communicate the nature and type of the remuneration they have received and act in accordance with the best interests of consumers. Stricter rules on conflicts of interest are foreseen for IBIPs: on top of transparency on costs and ad hoc internal policies, any inducements related to IBIPs must not have a detrimental impact on the quality of the relevant service provided to the consumer, and, should a conflict of interest arise that cannot be sufficiently mitigated, insurers are required to disclose it. This is further complemented by a member state option to prohibit or further restrict the offer or acceptance of fees, commissions or non-monetary benefits from third parties in relation to the provision of insurance advice.

The IDD has also strengthened rules on product oversight and governance, advice, suitability/appropriateness/demands and needs tests, as well on continuous training, ensuring adequate standards through the whole product life cycle that can be further detailed at national level.

When considering changes, the EC should look at where improvements can be made to the consumer experience. For example, the EC could examine how to better explain the specificities of insurance products and make use of the opportunities offered by digitalisation, rather than trying to adopt a common approach for all financial products.

Moreover, there is a margin for simplification to reduce the complexity of the regulatory framework, without lowering the level of consumer protection. In doing so, duplications and inconsistencies, for example in existing disclosure requirements (see Insurance Europe's comment in chapter 4 on disclosure requirements), should be eliminated. Insurance Europe stands ready to engage constructively when it comes to simplification of certain rules. From a consumer's point of view as well for manufacturers, entities and distributors, a manageable regulatory framework could contribute to strengthen the CMU, and create a more attractive capital market for retail investors, while simultaneously achieving a high level of consumer and investor protection and safeguarding the green and digital transformation.

While aimed at protecting retail investors, some rules may require specific procedures to be followed (eg the need to use investment advice and complete a suitability assessment) or may limit investment by retail investors (eg by warning against purchase of certain investment products or even completely prohibiting access).

**Question 1.2** Are the existing limitations justified, or might they unduly hinder retail investor participation in capital markets?

- Yes, they are justified
- No, they unduly hinder retail investor participation.

Please explain your answer to question 1.2:

The IDD provides an appropriate distribution framework based on strong consumer protection rules, while respecting the diversity of EU insurance markets and the need for national differentiation where appropriate.

This positive outcome is possible thanks to the IDD’s minimum harmonisation approach, which sets a minimum, although very high standard, and allows the member state to introduce additional measures if deemed necessary. This is key to allow the necessary flexibility to consider local market structures and consumer behaviour.

The IDD applies not only to IBIPs but also to other life and non-life products. It is vital that the IDD continues to provide a single regime for all insurance products, with additional rules based on product type where necessary.

**Question 1.3** Are there any retail investment products that retail investors are prevented from buying in the EU due to constraints linked to existing EU regulation?

- Yes
- No
- Don’t know / no opinion / not applicable

Please explain your answer to question 1.3:

Insurers offer a wide range of investment products to address different consumers’ needs. IBIPs account for almost 90% of the European PRIIPs market with around five trillion euro of assets under management in 2019 (based on Insurance Europe’s estimates).

**Question 1.4** What do you consider to be factors which might discourage or prevent retail investors from investing?

	1 (strongly disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (strongly agree)	Don't know – No opinion – Not applicable
Lack of understanding by retail investors of products?			x			
Lack of understanding of products by advisers?	x					
Lack of trust in products?		x				

High entry or management costs?		<b>x</b>				
Lack of access to reliable, independent advice?	<b>x</b>					
Lack of access to redress?	<b>x</b>					
Concerns about the risks of investing?				<b>x</b>		
Uncertainties about expected returns?				<b>x</b>		
Lack of available information about products in other EU Member States?		<b>x</b>				
Other					<b>x</b>	

Please specify what other factor(s) might discourage or prevent retail investors from investing:

The possible lack of understanding by retail investors of products is related to the lack of financial literacy.

The main obstacle is EU citizens' low level of financial literacy. Therefore, consumers do not understand the investment opportunities that are available in the market. Consumers' confidence is also undermined when confronted with investment decisions.

It is concerning, for instance, that almost half of the respondents to Insurance Europe's 2019 European Pension Survey were not saving for retirement. In addition, the OECD/INFE 2020 International Study of Adult Financial Literacy, using data gathered just before the pandemic, shows low financial literacy among individuals globally and a low uptake of financial products — especially insurance products, limited financial resilience and high financial stress.

Furthermore, a large part of the population lacks the time and desire to deal with investment decisions and they are afraid of the risks and the uncertainties about the expected returns, due to the market volatility. Typically, potential customers first have to be made aware of their need in products for risk protection and old-age provision. They are so-called "push-products", in contrary to "pull products" which is to say that they are not requested on their own initiative. As a matter of principle, citizens do not like to deal with these matters and almost never do so on their own. This lack of enthusiasm to deal with financial issues leads many people preferring to keep their money in low-yield accounts, which is an inefficient use of their capital and limits the funds invested through the capital markets.

Hence, any proposals at EU level that indirectly restrict access to advice across all financial products for consumers would be unfortunate.

The other elements listed in the table (product design, transparency, distributors' knowledge and continuous training, professional advice, redress etc) are already addressed by the current regulatory framework including the IDD's strong and effective conduct rules.

**Question 1.5** Do you consider that products available to retail investors in the EU are:

	1 (strongly disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (strongly agree)	Don't know – No opinion – Not applicable
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Sufficiently accessible				<b>x</b>		
Understandable for retail investors				<b>x</b>		
Easy for retail investors to compare with other products						<b>x</b>
Offered at competitively priced conditions				<b>x</b>		
Offered alongside a sufficient range of competitive products				<b>x</b>		

**Question 1.6** Among the areas of retail investment policy covered by this consultation, in which area (or areas) would the main scope for improvement lie in order to increase the protection of investors? Please select as many answers as you like.

- financial literacy
- digital innovation
- disclosure requirements
- suitability and appropriateness assessment
- reviewing the framework for investor categorisation
- inducements and quality of advice
- addressing the complexity of products
- redress
- product intervention powers
- sustainable investing
- other

Please specify to what other area(s) you refer in your answer to question 1.6:

...

Please explain your answer to question 1.6:

Financial education is key to ensuring that European citizens are equipped with the confidence and skills necessary to engage in financial decisions.

The insurance industry is engaged in a wide range of initiatives to increase consumers' financial literacy and understanding of insurance, as showcased by [Insurance Europe's InsureWisely](#) financial education campaign.

Any policymaker efforts to promote and enhance financial literacy and financial inclusion would therefore be supported by the insurance industry.

At the same time, policymakers must simplify and improve the disclosure framework based on the following criteria:

- To avoid information overload, disclosures should be clear, meaningful and reflect the specific characteristics of insurance, while avoiding inconsistencies, overlaps and duplications. The disclosures format also must be engaging and flexible to adapt to consumer preferences.
- Rules or guidelines should be innovation-friendly, technologically neutral and flexible enough to be future-proof and fit for the digital age.
- Consumers should not be encouraged to take their financial decisions solely on the basis of a product's potential costs, thus selecting sub-optimal but cheaper options. One key lesson from the COVID-19

pandemic is that the most crucial information consumers need to understand is the added value of an insurance product, such as the protection against risks.

- Any new legislative proposal must be properly tested on the full range of different products to which it applies to ensure it is workable, accurate and meaningful. Consumer testing is essential and must demonstrate a clear improvement in consumers' overall understanding of the information received and of the decision-making process. Consumer testing is only meaningful if it encompasses a broad range of products, markets and consumers.

## 2 Financial literacy

*For many individuals, financial products and services remain complex. To empower individuals to adequately manage their finances as well as invest, it is of crucial importance that they are able to understand the risks and rewards surrounding retail investing, as well as the different options available. However, as shown by the [OECD/INFE 2020 international survey of adult financial literacy](#), many adults have major gaps in understanding basic financial concepts.*

*While the main responsibility for financial education lies with the member states, there is scope for Commission initiatives to support and complement their actions. In line with the [2020 capital markets union action plan](#), the Directorate General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) published a [feasibility assessment report](#) and will, together with the OECD, develop a financial competence framework in the EU. In addition, the need for a legislative proposal to require member states to promote learning measures that support the financial education of individuals, in particular in relation to investing will be assessed.*

**Question 2.1** Please indicate whether you agree with the following statement: Increased financial literacy will help retail investors to:

	1 (strongly disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (strongly agree)	Don't know – No opinion – Not applicable
Improve their understanding of the nature and main features of financial products				x		
Create realistic expectations about the risk and performance of financial products					x	
Increase their participation in financial markets				x		
Find objective investment information				x		
Better understand disclosure documents					x	
Better understand professional advice				x		
Make investment decisions that are in line with their investment needs and objectives					x	
Follow a long- term investment strategy				x		

**Question 2.2** *Which further measures aimed at increasing financial literacy (e.g. in order to promote the OECD/Commission financial literacy competence framework) might be pursued at EU level? Please explain your answer, taking into account that the main responsibility for financial education lies with member states*

Insurance Europe encourages policymakers, government institutions and regulatory bodies at European level to play a greater role in supporting the development and implementation of national strategies for financial literacy and education, including insurance education.

The Commission could, for example, come forward with a proposal to encourage the adoption of national financial education strategies in EU member states and the incorporation of financial literacy components into school curricula. Financial and insurance education is a lifelong process that — if built into school curricula from an early age — will allow children to acquire the knowledge and skills needed to build responsible financial behaviour throughout each stage of their life.

Improving people’s financial literacy and understanding of insurance can play an important role in underpinning economic growth and in enabling societies to overcome the significant pension challenges they face. Increasing people’s awareness of financial risks and opportunities from an early age can help them to make informed decisions about which financial services meet their needs.

To be able to make informed financial decisions, consumers must be financially literate and have access to information about the products and services available to them. High-quality financial education and precontractual product information are therefore essential and complementary, and it is important that regulators and policymakers get both aspects right.

The Commission should therefore focus on better, not more, information for consumers. It must consider the cumulative impact of regulations that lead to information overload and the duplication of requirements, and take steps to remove this where it exists. Rules should focus on requiring individuals to be given high-quality, relevant pre-contractual product information, rather than just a high quantity. EU legislation should also be digital-friendly, technologically neutral and sufficiently future-proof to be fit for the digital age.

Insurance Europe was pleased to see that action 7 in the EC's Capital Markets Union 2020 action plan focuses on empowering citizens through financial literacy. Insurance Europe is also looking forward to contributing to the joint project by the Commission and the Organisation for Economic Co-operation and Development to develop a financial competence framework in the EU.

To promote the importance of financial education and the OECD/Commission financial literacy competence framework the EC could also introduce a European Day of Financial Education. This would allow policymakers, citizens, the financial sector, education providers, social partners and the media to focus on best practices and new approaches to financial education at national and EU level. The EU could also create specific programmes to finance private initiatives that would comply to the OECD guidelines for private and not-for-profit stakeholders in financial education.

### 3 Digital Innovation

*Digitalisation and technological innovation and the increasing popularity of investment apps and web-based platforms are having profound impacts on the way people invest, creating new opportunities (e.g. in terms of easier access to investment products and capital markets, easier comparability, lower costs, etc.). However technological change can also carry risks for consumers (e.g. easier access to potentially riskier products). These changes may pose challenges to existing retail investors, while investor protection rules may no longer be fit for purpose.*

*Open finance, (i.e. giving greater access to customer data held by financial institutions to third party service providers to enable them to offer more personalised services) can, in the field of investment services, lead to better financial products, better targeted advice and improved access for consumers and greater efficiency in business-to-business transactions. In the [September 2020 digital finance strategy](#), the Commission announced its intention to propose legislation on a broader open finance framework.*

**Question 3.1** *What might be the benefits or potential risks of an open finance approach (i.e. similar to that developed in the field of payment services which allowed greater access by third party providers to customer payment account information) in the field of retail investments (e.g. enabling more competition, tailored advice, data privacy, etc.)?*

*Please explain your answer*

The insurance industry is generally supportive of efforts to facilitate appropriate data sharing. However, while open finance has the potential to positively impact both consumers and insurers, the design of any future framework will determine its overall impact. Further elaboration of the exact scope and objectives of such a framework would therefore be necessary.

The potential risks and benefits also very much depend on the design of any open finance approach. There needs to be an appropriate focus on evaluating and assessing the impact of the Payment Service Directive 2 (PSD2), for example, by ensuring lessons are learned and that the increased costs of such a framework compared to the actual benefits and risks faced by the financial sector are quantified.

**Question 3.2** *What new tools or services might be enabled through open finance or other technological innovation (e.g. digital identity) in the financial sector?*

*Please explain your answer*

For insurers, a greater availability of data could lead to improved risk monitoring and assessment, a better customer experience and increased fraud detection. Increased access to data generated by both public and private sectors could also provide the opportunity to increase innovation and competition in the insurance sector. At the same time, it will be important to:

- Safeguard consumers' data and to ensure that data sharing is consent-based.
- Respect the principle of "same activities, same risks, same rules" and strive for a true level playing field.

*By making the contents of publicly available documentation machine-readable, the data within them can be easily extracted and used for various purposes, such as aggregation, comparison, or analysis. In the field of retail investment, examples would include portfolio management apps, robo advisors, comparison websites, pension dashboards, etc. DG FISMA has already started work in this area in the context of the European Single Access Point (ESAP). Machine-readability is also required by newly proposed legislation, such as the [Markets in Crypto-Assets Regulation \(MiCA\)](#), whilst legacy legal framework will need adaptation.*

*In the field of retail investment, applicable EU legislation does not currently require documents to be machine-readable. However, some private initiatives are already demonstrating that there is interest from market actors in more standardisation and machine-readability of the data provided within existing retail investment information documents, such as the PRIIPs KID or MiFID disclosures. Requiring machine readability of disclosure documents from scratch could help to open business opportunities for third parties, for example by catering to the needs of advisers and retail investors who prefer direct access to execution only venues.*

**Question 3.3** *Should the information available in various pre-contractual disclosure documents be machine-readable?*

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 3.3:

There is no need to modify the format or the level of standardisation of pre-contractual disclosures to make them machine readable. The impact of these changes on the template and therefore on consumers' understanding of the documents is not clear, while duplicating manufacturers' requirements by asking them to provide equivalent figures in a different format would not simplify the already burdensome pre-contractual requirements. This would lead to increased costs for insurers (and ultimately for consumers) without any improved benefit for consumers.

Providing, collecting and keeping updated machine-readable information at product level is even more demanding than providing data at entity level, as thousands of PRIIPs KID and other pre-contractual documents are produced and subject to review and revisions, while reporting is developed once a year by each entity.

The PRIIPs KIDs are already published on insurance companies' websites as pdf files. Insurance Europe members representing countries where the pre-notification of the PRIIPs KID is applicable reported that their national competent authorities require the PRIIPs KIDs in pdf format.

*Rules on marketing and advertising of investment products remain predominantly a national competence, bound up in civil and national consumer protection law, although the [2019 legislative package on cross-border distribution of investment funds](#) does remove some cross-border national barriers.*

**Question 3.4** *Given the increasing use of digital media, would you consider that having different rules on marketing and advertising of investment products constitutes an obstacle for retail investors to access investment products in other EU markets?*

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 3.4:

Article 17 of the IDD already prescribes that member states shall ensure that all information related to the subject of this Directive, including marketing communications, addressed by the insurance distributor to customers or potential customers shall be fair, clear and not misleading. Marketing communications shall always be clearly identifiable as such.

It is important to keep the IDD minimum harmonization approach as it takes into account the national circumstances of different member states. The current investor protection framework has not been in force for very long, therefore more time is needed to see any long-term effects. For this reason, Insurance Europe suggests to first make use of the existing framework to its full extent and then to assess whether or not it has achieved all its objectives.

From a customer's point of view, it's important to keep in place a consistently high level of consumer protection. Therefore, there should be no distinction between "online" and "offline" distribution. Maintaining a level-playing-field between all distribution models is key. Regulation must be technology neutral. This is particularly relevant for hybrid advisory processes: eg when offering a product online with the possibility to get advice on the telephone. The regulatory framework should not be shaped in a different way because this would lead to problems of demarcation.

*Under MiFID product governance rules, which also regulate marketing communications, firms are prevented from presenting products in ways which might mislead clients (e.g. the information should not disguise, diminish or obscure important items, the information should give a fair and prominent indication of any relevant risks when referencing any potential benefits of a financial instrument, all costs and charges should be disclosed, and the nature of the product must be explained etc.).*

**Question 3.5** *Might there be a need for stricter enforcement of rules on online advertising to protect against possible mis-selling of retail investment products?*

- Yes
- No
- Don't know/ no opinion/ not applicable

Please explain your answer to question 3.5:

Article 17 of the IDD already prescribes that member states shall ensure that all information related to the subject of this Directive, including marketing communications, addressed by the insurance distributor to customers or potential customers shall be fair, clear and not misleading. Marketing communications shall always be clearly identifiable as such. The provisions on product oversight and governance (POG) are also relevant to prevent mis-selling.

**Question 3.6** *Would you see a need for further EU coordination/harmonisation of national rules on online advertising and marketing of investment products?*

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 3.6, including which rules would require particular attention:

The IDD is already taking the appropriate approach, and there is therefore no need to revise it.

In February 2021, in the context of speculative trading of GameStop shares, [ESMA issued a statement](#) urging retail investors to be careful when taking investment decisions based exclusively on information from social media and other unregulated online platforms, if they cannot verify the reliability and quality of that information.

**Question 3.7** How important is the role played by social media platforms in influencing retail investment behaviour (e.g. in facilitating communication between retail investors, but also increasing herding behaviour among investors or for large financial players to collect data on interest in certain stocks or financial products)?

- Not at all important
- Rather not important
- Neutral
- Somewhat important
- Very important
- Don't know / no opinion / not applicable

Please explain your answer to question 3.7:

See Q.3.9

**Question 3.8** Social media platforms may be used as a vehicle by some users to help disseminate investment related information and may also pose risks for retail investment, e.g. if retail investors rely on unverified information or on information not appropriate to their individual situation. How high do you consider this risk?

- Not at all significant
- Not so significant
- Neutral
- Somewhat significant
- Very significant
- Don't know / no opinion / not applicable

[MiFID II](#) regulates the provision of investment advice and marketing communication suggesting, explicitly or implicitly, an investment strategy. Information about investment opportunities are increasingly circulating via social media, which can prompt people to decide to invest on the basis of information that is unverified, may be incorrect or unsuited to the individual customer situation. This information may be circulated by individuals without proper qualification or authorisation to do so. The [Market Abuse Regulation \(MAR\)](#) also contains provisions which forbid the dissemination of false information and forbid collaboration between persons (e.g. brokers recommending a trading strategy) to commit market abuse.

**Question 3.9** Do the rules need to be reinforced at EU level with respect to dissemination of investment related information via social media platforms?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 3.9:

As mentioned above, it is important to keep the IDD minimum harmonisation approach as it takes into account the national circumstances of different member states. The current investor protection framework has not been

in force for very long, therefore more time is needed to see any long-term effects. For this reason, Insurance Europe suggests to first make use of the existing framework to its full extent and then to assess whether or not it has achieved all its objectives.

Some clients will be influenced by friends/acquaintances or social media when making their investment decisions. This carries the risk that these recommendations may be unverified, may be incorrect or unsuited to the individual customer situation. However, in most cases this will not fall under the scope of the IDD or MiFID II Regulation since this would not be seen as distribution as defined by those rules. The solution could be to enhance financial literacy and maintain easy access to professional advice. Moreover, the risk for targeted market influencing is much lower for insurance-based investment products, since they are different to other investments due to their specific product characteristics. For example, they:

- Are calculated on an individual basis.
- Contain biometric risks as long-life or death.
- Are usually designed for long duration periods.

Online investment brokers, platforms or apps which offer execution only services to retail investors are subject to the relevant investor protection rules for such services under the MiFID framework. While such online investment platforms may offer advantages for retail investors, including a low level of fees and the ease of access to a large variety of investment products, such platforms may also present risks: eg in the case of inadequacy of appropriateness checks, lack of understanding of individual investors lack or inadequate disclosure of costs.

**Question 3.10** *Do you consider that retail investors are adequately protected when purchasing retail investments on-line, or do the current EU rules need to be updated?*

- Yes, consumers are adequately protected
- No, the rules need to be updated
- Don't know / no opinion / not applicable

Please explain your answer to question 3.10:

The current framework is appropriately designed to meet these goals.

Rather than automatically introduce new regulations for the digital age, policymakers should ensure that the current regulatory regime is applied and enforced properly. The best way to move forward is to adapt existing rules to meet digital developments without incurring major regulatory change.

In this respect, the COVID-19 crisis provided a clear demonstration of the importance of digital communication for business continuity and accelerated consumers' expectations of being able to carry out paperless transactions. Now, more than ever, European consumers and insurers need a regulatory framework that is fit for purpose and digital friendly. Article 23 of the IDD and Article 14 of the PRIIPs Regulation should therefore be revised to avoid the use of paper as a default requirement for the provision of information.

It is also crucial to respect the principle of "same activities, same risks, same rules" and strive for a true level playing field to ensure that customers are equally protected when they purchase insurance products from different market players, irrespective of their business models.

**Question 3.11** *When products are offered online (e.g. on comparison websites, apps, online brokers, etc.) how important is it that lower risk or not overly complex products appear first on listings?*

- Not at all important
- Rather not important



- Neutral
- Somewhat important
- Very important
- Don't know / no opinion / not applicable

Please explain your answer to question 3.11:

It is harmful to specify the "risk" and "product complexity" as the primary criteria for product selection.

It is more important that the product is suitable to consumers' needs and that costs and fees are not the only factors considered. Any ranking of products that is based only on price or the costs/fees incurred would be misleading. This is because retail investors need comprehensive and exhaustive information about the products in order to be able to make sound investment decisions (eg information about risk, return, guarantees, insurance coverage etc). The ranking should be based on what the consumer actually requests when searching for a product suitable for their demands and needs. A ranking showing low risk/non-complex products first in the listing by default would, for a customer requesting a high-risk or complex product, lead to a misleading result with products not suitable for that customer.

Comparison tools that provide a ranking based only on the lowest cost to the retail investor, without factoring in other features, would not be sufficiently accurate or transparent. In addition, there might be comparison websites that, due to business agreements, do not cover the full supply of products in the market or where a high ranking might even have been purchased which leads to inaccurate information.

Besides, consumers tend to maintain pre-selected options and to stick to the top of rankings. Displaying "lower risk" or "not overly complex products" first on listings would further amplify this problem because it might appear to the client to be a highly relevant feature and quality attribute for each consumer. Furthermore, it could counteract the opportunities of open finance and data economy to create bespoke solutions for individual customers' needs that necessary will often be somewhat more complex and could involve higher risks according to individual risk preferences.

Furthermore, it would be likely that subordinate listed products would be bought less often, even if they meet the customer's demands and needs better. Consequently, it could become economically unattractive for manufacturers to provide a colorful variety of products and product features. A limitation in products offers would be the result which is not in the interest of the consumer.

#### 4 Disclosure requirements

*Rules on pre-contractual and on-going disclosure requirements are set out for different products in [MiFID II](#), the [IDD](#), [the Alternative Investment Fund Managers Directive \(AIFMD\)](#), [UCITS](#), [PEPP](#) and the [Solvency II](#) framework, as well as in horizontal EU legislation (e.g. [PRIIPs](#) or the [Distance Marketing Directive](#)) and national legislation. The rules can differ from one instrument to another, which may render comparison of different products more difficult.*

**Question 4.1** Do you consider that pre-contractual disclosure documentation for retail investments, in cases where no Key Information Document is provided, enables adequate understanding of:

	1 (strongly disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (strongly agree)	Don't know – No opinion – Not applicable
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The nature and functioning of the product						<b>x</b>
The costs associated with the product						<b>x</b>
The expected returns under different market conditions						<b>x</b>
The risks associated with the product						<b>x</b>

**Question 4.2** Please assess the different elements for each of the following pieces of legislation:

**Question 4.2.1 PRIIPs Key Information Document**

**Question 4.2.1 a) PRIIPs:** Is the pre-contractual information provided to retail investors for each of the elements below sufficiently understandable and reliable so as to help them take retail investment decisions? Please assess the level of understandability:

	1 (strongly disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (strongly agree)	Don't know – No opinion – Not applicable
PRIIPs Key Information Document (as a whole)			<b>x</b>			
Information about the type, objectives and functioning of the product		<b>x</b>				
Information on the risk- profile of the product, and the summary risk indicator			<b>x</b>			
Information about product performance			<b>x</b>			
Information on cost and charges			<b>x</b>			
Information on sustainability- aspects of the product			<b>x</b>			-

**Question 4.2.1 b) PRIIPs:** Is the pre-contractual information provided to retail investors for each of the elements below sufficiently reliable so as to help them take retail investment decisions? Please assess the level of reliability:

	1 (strongly disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (strongly agree)	Don't know – No opinion – Not applicable
PRIIPs Key Information Document (as a whole)			<b>x</b>			

Information about the type, objectives and functioning of the product		<b>x</b>				
Information on the risk-profile of the product, and the summary risk indicator			<b>x</b>			
Information about product performance			<b>x</b>			
Information on cost and charges			<b>x</b>			
Information on sustainability- aspects of			<b>x</b>			

**Question 4.2.1 c) PRIIPS:** Is the amount of information provided for each of the elements below insufficient, adequate, or excessive?

	1 (insufficient)	2 (adequate)	3 (excessive)	Don't know – No opinion – Not applicable
PRIIPs Key Information Document (as a whole)			<b>x</b>	
Information about the type, objectives and functioning of the product	<b>x</b>			
Information on the risk-profile of the product, and the summary risk indicator		<b>x</b>		
Information about product performance			<b>x</b>	
Information on cost and charges			<b>x</b>	
Information on sustainability-aspects of the product				<b>x</b>

Please explain your answer to question 4.2.1:

The PRIIPs framework was designed with pure investment products in mind and consistently overlooks the specificities of IBIPs. IBIPs are mostly long-term products that can provide consumers with additional benefits and protection alongside the investment element. For example, insurance cover against death, illness or work incapacity, guarantees or other capital protection, payment flexibility, fiscal benefits, etc.

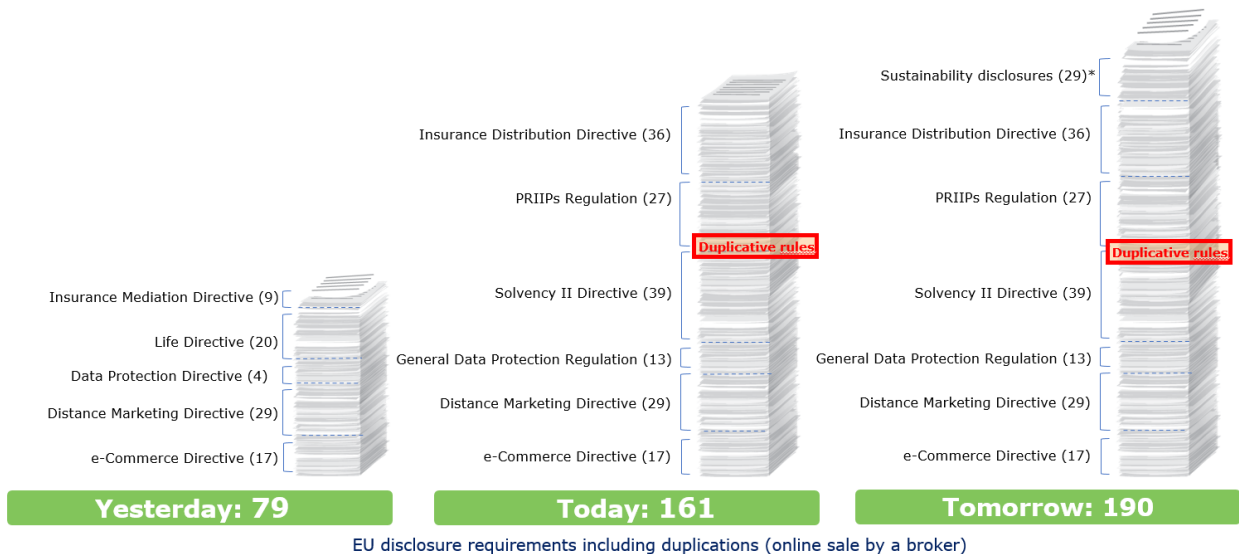
These features distinguish IBIPs from other PRIIPs and are a crucial factor in evaluating, comparing and understanding these products and their added value. Moreover, the COVID-19 crisis has demonstrated that information about what a product covers and does not cover is crucial to consumer decision-making and matters most to consumer protection.

However, the current PRIIPs KID fails to properly represent such features:

- Insurers are only permitted to include a very short description of the insurance cover, which is not sufficient to explain the attached benefits and exclusions. Rather than providing key descriptions of the insurance cover that is engaging for consumers, the section of the KID on insurance features focuses on the costs of these features, requiring insurers to overwhelm consumers with a repetitive number of different cost terms. These figures on costs come on top of an already very comprehensive KID section on costs. This variety of figures will confuse and overwhelm consumers with too much data that can be

difficult to understand, while the basic description is lacking. It also encourages consumers not to read the information on insurance cover which is key for insurance products.

- If cover is not included in the product, the section is simply omitted in the current PRIIPs KID, without an explicit indication or even warning that no additional coverage is provided. To ensure meaningful comparisons among products, the PRIIPs KID should present insurance protection in a prominent manner and should also explicitly disclose if the PRIIP does not provide for any capital protection. The same should be true for guarantees.
- Another significant drawback is the fact that the performance scenario methodology does not adequately account for the specific features of insurance products: eg guarantees, bonuses, insurance cover, life-long annuity payments etc. This can have a material impact on the presentation of some products, further deteriorated by the inflexible rules on the investment amounts, costs and intermediate time periods to be considered in the calculations.
- It should be recognised that consumers investing in a long-term IBIP have different needs and objectives compared to consumers investing in short-term funds or structured products. Given their long investment time horizon and fixed maturity, insurance products do not need to compare the information on performance and costs after one year or at other intermediate time horizons. Providing this information can inadvertently create the impression that early redemption is advised. In general, it is sufficient and more meaningful to provide illustrations of performances and costs at the end of the recommended holding period (RHP) and not at intermediate time periods (eg after one year and a half RHP). This would represent an important simplification and would not affect the quality of the information. Since insurance products are fixed contracts with the provision on the entire lifespan, information on intermediate time periods for products with an RHP of 30 years would not be comparable with the corresponding figures of a product with an RHP of 15 years, as their overall structure and duration are different. This is confusing for consumers, which already receive appropriate information in the section “How long should I hold it and can I take money out early?”.
- Also as regards costs, intermediate values should be removed.
- Besides, the additional ‘death scenario’ required for insurance products misrepresents the insurance benefits payable in the event of the death of the policy holder, because the death scenario only shows the sum received as premium by the surviving dependants and does not allow for the presentation of additional benefits in case of death, such as paying for funeral costs and related services.
- No particular comment can be expressed regarding the information on sustainability objectives, as they are limited to a short statement in the ‘What is this product?’ section.
- Regarding the quantity of information, consumers seeking to invest may feel overwhelmed by the quantity of information they have to be provided with when purchasing an IBIP as a result of the various applicable EU legislation. Insurance Europe calculates that an ESG IBIP sold online via an intermediary is subject to 190 separate pieces of disclosures. The EC should remove information overload and duplications that result from the cumulative application of EU legislation and ensure that consumer information is meaningful and fit for purpose.



\* Estimate based on the consultation by the European supervisory authorities on the Regulatory Technical Standards (RTS) for the draft Taxonomy Regulation that amend the RTS for the Sustainable Finance Disclosures Regulation

### Question 4.2.2 Insurance Product Information Document

**Question 4.2.2 a) IDD:** *Is the pre-contractual information provided to retail investors for each of the elements below sufficiently understandable and reliable so as to help them take retail investment decisions? Please assess the level of understandability:*

	1 (strongly disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (strongly agree)	Don't know – No opinion – Not applicable
Insurance Product Information Document (as a whole)						<b>x</b>
Information about the insurance distributor and its services						<b>x</b>
Information on the insurance product (conditions, coverage etc.)						<b>x</b>
Information on cost and charges						<b>x</b>

**Question 4.2.2 b) IDD:** *Is the pre-contractual information provided to retail investors for each of the elements below sufficiently reliable so as to help them take retail investment decisions? Please assess the level of reliability:*

	1 (strongly disagree)	2 (rather disagree)	3 (neutral)	4 (rather agree)	5 (strongly agree)	Don't know – No opinion – Not applicable
Insurance Product Information Document (as a whole)						<b>x</b>
Information about the insurance distributor and its services						<b>x</b>

Information on the insurance product (conditions, coverage etc.)							<b>x</b>
Information on cost and charges							<b>x</b>

**Question 4.2.2 c) IDD:** *Is the amount of information provided for each of the elements below insufficient, adequate, or excessive?*

	1 (insufficient)	2 (adequate)	3 (excessive)	Don't know – No opinion – Not applicable
Insurance Product Information Document (as a whole)				<b>x</b>
Information about the insurance distributor and its services				<b>x</b>
Information on the insurance product (conditions, coverage etc.)				<b>x</b>
Information on cost and charges				<b>x</b>

Please explain your answer to question 4.2.2:

**The IPID does not apply to IBIPs** and, therefore, does not apply to retail investors (Article 20 (5) IDD), and it is irrelevant to retail investment decisions.

**The EC should refrain from drawing conclusions on questions that are not accurate, such as this one.**

In terms of general comments on how the IPID works for other consumers, insurers report mixed experiences. While some markets find the IPID a useful tool, shaping interactions between the distributor and the consumer, others have reported that the minimal consumer benefit of the IPID does not justify the significant extra work it places on insurers.

The simplicity of the IPID is helpful to consumers, as the information provided is easily understandable. However, due to its short length, the IPID can only throw a spotlight on an insurance product, in particular regarding the scope of coverage, and it can only be a limited basis for a decision for or against a certain product.

**Question 4.2.3 PEPP Key Information Document**

**Question 4.2.3 a) PEPP:** *Is the pre-contractual information provided to retail investors for each of the elements below sufficiently understandable and reliable so as to help them take retail investment decisions? Please assess the level of understandability:*

	1 (very low)	2 (rather low)	3 (neutral)	4 (rather high)	5 (very high)	Don't know – No opinion – Not applicable
PEPP Key Information Document (as a whole)						<b>x</b>
Information about the PEPP provider and its services						<b>x</b>

Information about the safeguarding of investments							<b>x</b>
Information on cost and charges							<b>x</b>
Information on the pay- out phase							<b>x</b>

**Question 4.2.3 b) PEPP:** *Is the pre-contractual information provided to retail investors for each of the elements below sufficiently reliable so as to help them take retail investment decisions? Please assess the level of reliability:*

	1 (very low)	2 (rather low)	3 (neutral)	4 (rather high)	5 (very high)	Don't know – No opinion – Not applicable
PEPP Key Information Document (as a whole)						<b>x</b>
Information about the PEPP provider and its services						<b>x</b>
Information about the safeguarding of investments						<b>x</b>
Information on cost and charges						<b>x</b>
Information on the pay- out phase						<b>x</b>

**Question 4.2.3 c) PEPP:** *Is the amount of information provided for each of the elements below insufficient, adequate, or excessive?*

	1 (insufficient)	2 (adequate)	3 (excessive)	Don't know – No opinion – Not applicable
PEPP Key Information Document (as a whole)			<b>x</b>	
Information about the PEPP provider and its services				<b>x</b>
Information about the safeguarding of investments				<b>x</b>
Information on cost and charges				<b>x</b>
Information on the pay- out phase				<b>x</b>

Please explain your answer to question 4.2.3:

Overall, it would be premature to assess the understandability and reliability of the PEPP KID. The PEPP Regulation and technical standards are currently being implemented at national level and will enter into force in March 2022.

Despite the above, the insurance industry has consistently voiced its concerns throughout the adoption process about the PEPP KID regarding the following elements.

The sale process of a PEPP illustrates one of the most striking examples of information overload created by EU rules. This is not only due to the PEPP KID, but also because the PEPP Regulation refers to sectorial legislation applicable to eligible providers, such as Solvency II and the IDD for insurers, which increases information

disclosure requirements. For instance, PEPP providers will also fall under the scope of the newly adopted Regulation on sustainability-related disclosures. This, combined with other relevant legislation, such as the GDPR, the Distance Marketing Directive (DMD) for financial services and the e-Commerce Directive, could result in an insurance broker selling a sustainable PEPP online having to disclose between 188 and 218 pieces of information at the precontractual stage (depending on how the PEPP second regime *lex specialis* nature is interpreted). This number is also likely to increase due to possible national requirements that could be added on top of EU requirements.

Insurers also fear that the PEPP has failed in seizing opportunities offered by digitalisation: while EIOPA's work on a mock-up basis was welcome, the mandatory templates introduced at level 2 are not digital friendly.

- These mandatory templates are not suited for digital communication (just pdf). It is important that innovation benefits consumers without creating legal risks for providers.
- The PEPP allows and even encourages layering of information. However, having mandatory templates and focusing on key information to be provided only in the first layer could also trigger legal uncertainty, as providers could be breaching their legal obligation to provide relevant information to their customers if they were to move an item of information deemed important a posteriori to a second or third layer.
- Other aspects of the PEPP framework could also prevent moves toward more digital information, and the fact that no digitalised mock-ups have been tested by EIOPA during the whole Level 2 development. This missed opportunity is even more problematic considering the information overload concern. The insurance industry believes that digitalisation is useful in streamlining the quantity of information to be received and processed by retail consumers.

Finally, insurers have concerns over the future reliability of PEPP main indicators. One of the main elements introduced during the level 2 process is the so-called "holistic approach to risk reward and performance", which uses an economic stochastic model to derive PEPP risk and performance indicators, as well as the eligibility of risk mitigation techniques for the basic PEPP. While supporting in principle the use of a stochastic model, insurers are concerned by the fact that the model developed during level 2 process is not mandatory. It is good that already up and running national stochastic models could be used for the PEPP, however, more clarity on possible deviations from EIOPA's suggested model is needed in regard to establishing a completely new model — either at national or at provider level — as well as on its oversight, supervision and envisaged next steps. Regarding measuring the risks and performance of savings products over such long periods, even small changes in assumptions could result in very different outcomes. Further guidance is therefore necessary to prevent PEPP KID indicators being inconsistent and/or incomparable, as well as to avoid any risk of regulatory arbitrage between countries and/or an uneven playing field between providers.

Furthermore, the PEPP KID has some other very critical drawbacks. The performance scenarios (questions on which have not been included in the tables above) are inflation adjusted, which is detrimental for consumers' understanding. Inflation strongly depends on the member state where a product is issued. If consumers buy a cross-border product, the values will significantly differ, thus giving consumers a false perception of different possible returns. Furthermore, inflation can also significantly change over time, which will make the model impossibly complex. While the information regarding inflation is important for consumers, it should instead be presented as a narrative explanation.

Regarding costs, insurers welcome the fact that intermediate values are not shown to consumers since they are not relevant for long-term products. However, ongoing information uses a Reduction In Wealth (RIW) indicator which is totally unsuitable since it strongly depends on the term of the product making even the cheapest basic PEPP look very expensive.

**Question 4.3** *Do you consider that the language used in pre-contractual documentation made available to retail investors is at an acceptable level of understandability, in particular in terms of avoiding the use of jargon and sector specific terminology?*



- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 4.3:

European insurers have taken many initiatives across the EU to enhance the protection of consumers and to ensure they are properly informed and treated fairly. This includes improving the clarity and transparency of the information about products and services, offering more risk-management advice and assistance, keep improving products and services and developing best practices in the conduct of their business.

However, the use of sector specific terminology is to a certain extent required by EU and national requirements and necessary from a legal point of view. Otherwise, the terminology used in the pre-contractual information would diverge from that of the terms and conditions, which would lead to misunderstandings and irritation on the part of policyholders.

From a consumer perspective, translations of EU regulations must use terms which are common in national markets. This is not always the case and leads to consumer confusion if they are presented with glossaries translating European documents. To some extent, the PRIIPs KID could have more simplified language which would make it more understandable for consumers and aligned with the terminology used in other pre-contractual documents.

**Question 4.4** *At what stage of the retail investor decision making process should the Key Information Document (PRIIPs KID, PEPP KID, Insurance Product Information Document) be provided to the retail investor? Please explain your answer:*

Key information should be provided in good time before the conclusion of the contract, with derogations in case of distance communication according to the existent rules in the relevant legislation (eg the IDD, PRIIPs). To the industry's knowledge, these rules have worked well in practice. It should be recognized that consumers are embracing innovation in insurance, particularly where it makes their interactions more convenient and improves communication. Consumers want new products and services that respond to their needs and the added convenience of interacting with their insurers when, how and where they want, making it a more regular experience. They likewise expect to be able to conclude insurance contracts when they need them — for example immediately — without unnecessary restrictions, delays or obstacles.

**Question 4.5** *Does pre-contractual documentation for retail investments enable a clear comparison between different investment products?*

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 4.5:

It is difficult to respond to this question as, for the time being, UCITS funds are still exempted from the PRIIPs KID application, while in certain cases products with no investment objectives are forced into the scope; plus there is not enough space in the PRIIPs KID to properly explain insurance products' specific features.

The PRIIPs KID does not properly represent the specific features of IBIPs: for example, in terms of risk covers, guarantees and long-term nature of insurance products. The PRIIPs framework could be updated to better reflect the specificities of IBIPs.

It is not possible to comment on UCITS products, as they are still subject to a different regime.

**It is also important to stress that this question is not applicable to IPID and PEPP KID.**

**Question 4.6** *Should pre-contractual documentation for retail investments enable as far as possible a clear comparison between different investment products, including those offered by different financial entities (for example, with one product originating from the insurance sector and another from the investment funds sectors)?*

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 4.6:

It is difficult to respond to this question as, for the time being, UCITS funds are still exempted from the PRIIPs KID application, while in certain cases products with no investment objectives are forced into the scope; plus there is not enough space in the PRIIPs KID to properly explain insurance products' specific features.

Pre-contractual documentation should:

- Enable consumers to understand the similarities, as well as the differences, between insurance and investment products where these products are intended for use as investments. In that respect, Insurance Europe would like to stress that the scope of products included in the PRIIPs Regulation is too broad, in an overly ambitious attempt to apply the same methodology to products with very different features, that are meant to address very different consumer needs. Forcing these products into the scope of the PRIIPs Regulation (such as eg immediate annuities and funeral contracts), while their main objective is not an investment, and while the KID does not properly display the specific features of these products, will only result in unreliable KIDs that risk misrepresenting these products and misleading consumers. The PRIIPs review should focus on all products which have an investment purpose and are therefore meant to be in the scope of the Regulation, and seek to achieve meaningful and fit-for-purpose disclosures. Products which are not intended for use as investments, such as immediate annuities and funeral cover products, should therefore be left out of the scope of the PRIIPs Regulation. The current exemptions for pension products should also be retained (see Q.5.1 a); and
- Effectively help consumers better understand the insurance products' distinctive features. For example, as per Q.4.2.1, in the PRIIPs KID there is no space to properly explain insurance covers and guarantees, and if there are no insurance covers or guarantees, the information is simply omitted from the KID. This does not help consumers understand the specificities of insurance products and does not allow them to properly assess costs and benefits. If there are no insurance covers or guarantees, this should be clearly specified in the pre-contractual documentation.

**Question 4.7 a)** *Are you aware of any overlaps, inconsistencies, redundancies, or gaps in the EU disclosure rules (e.g. PRIIPS, MiFID, IDD, PEPP, etc.) with respect to the way product cost information is calculated and presented?*

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 4.7 a), and indicate which information documents are concerned:

In the 2019 Joint Consultation Paper concerning amendments to the PRIIPs KID ([link](#)), the European Supervisory Authorities (ESAs) noted that Reduction in Yield (RIY) figures could be used to comply with requirements in MiFID or the IDD.

However, the PRIIPs mini-review introduced different cost indicators for MiFID and IDD products. This does not enable consumers to compare the cost components of different products. Therefore, the costs representation should be again aligned and RIY should be used for all investment products as a key indicator since it is robust.

Also, information about intermediate time periods is not necessary. It should be recognised that consumers investing in a long-term IBIP have different needs and objectives compared to consumers investing in short-term funds or structured products. Given their long investment time horizon and fixed maturity, insurance products do not need to compare the information on performance and costs after one year or at other intermediate time horizons. In fact, providing this information can inadvertently create the impression that early redemption is advised. In general, it is sufficient and more meaningful to provide illustrations of performances and costs at the end of the recommended holding period (RHP) and not at intermediate time periods (eg after one year and a half RHP). This would represent an important simplification and would not affect the quality of the information received by consumers. Since insurance products are fixed contracts with the provision on the entire lifespan, information on intermediate time periods for products with an RHP of 30 years would not be comparable with the corresponding figures of a product with an RHP of 15 years, as their overall structure and duration are different. This is confusing for consumers, which already receive appropriate information in the section “How long should I hold it and can I take money out early?”.

Guarantees are a valuable feature of IBIPs and PEPPs. Therefore, consumers should be duly informed about this feature or the lack thereof.

**Question 4.7 b)** *Are you aware of any overlaps, inconsistencies, redundancies, or gaps in the EU disclosure rules (e.g. PRIIPS, MiFID, IDD, PEPP, etc.) with respect to the way risk information is calculated and presented?*

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 4.7 b), and indicate which information documents are concerned:

So far, PRIIPs KIDs and UCITS KIIDS have used different synthetic risk indicators.

**Question 4.7 c)** *Are you aware of any overlaps, inconsistencies, redundancies, or gaps in the EU disclosure rules (e.g. PRIIPS, MiFID, IDD, PEPP, etc.) with respect to the way performance information is calculated and presented?*

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 4.7 c), and indicate which information documents are concerned:

So far, PRIIPs KIDs and UCITS KIIDS have used different performance calculation and presentation methods.

The PRIIPs mini-review will confuse consumers by introducing both future and past performance scenarios in the PRIIPs KID for certain MiFID and IDD products, while using a different methodology for all other PRIIPs and for the stress scenarios of all products.

In order to keep the KID concise, intermediate values (e.g. performance scenarios after one year and a half RHP) should be deleted.

Firstly, this information is misleading for consumers: the performance of an IBIP with a RHP of 30 years after half RHP of 15 years is not the same as the performance of an IBIP with a RHP of 15 years due to non-linear features.

Second, consumers will be made believe that an early cash in is a product feature, while IBIPs should be kept for the entire RHP.

Therefore, in the PRIIPs framework, intermediate performance scenarios should be deleted. The information on early cash-in should be contained in the section "How long should I hold and can I take out money early?".

**Question 4.7 d)** *Are you aware of any overlaps, inconsistencies, redundancies, or gaps in the EU disclosure rules (e.g. PRIIPS, MiFID, IDD, PEPP, etc.) with respect to other elements?*

- Yes
- No
- Don't know / no opinion / not applicable

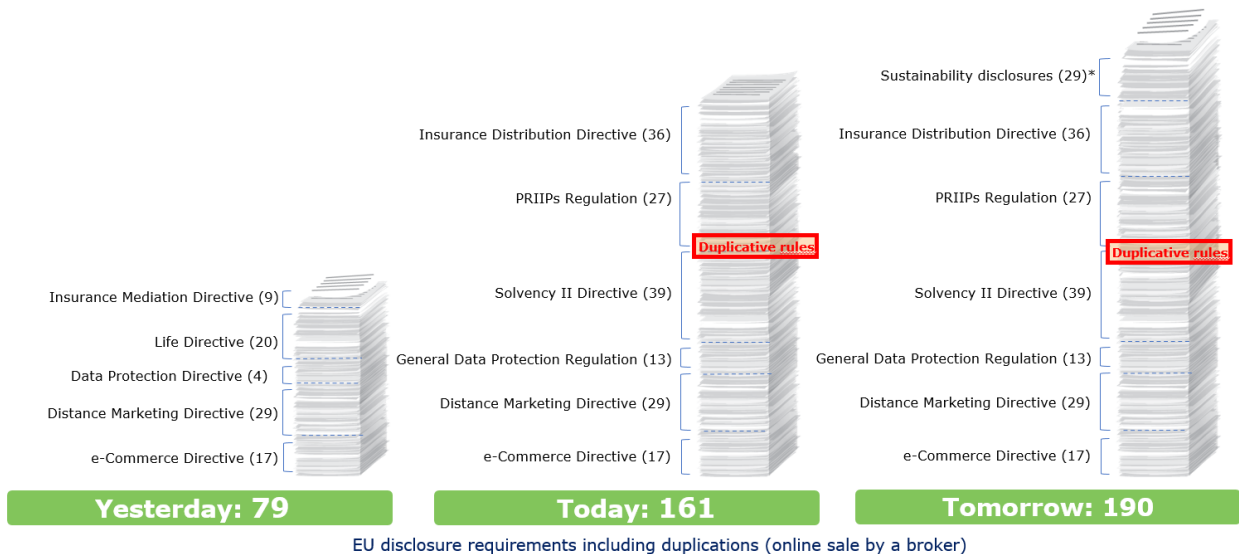
Please explain your answer to question 4.7 d), specifying what those elements are and indicating which information documents are concerned:

The PRIIPs framework was designed with pure investment products in mind and consistently overlooks the specificities of IBIPs. IBIPs are mostly long-term products that can provide consumers with additional benefits and protection alongside the investment element. For example, they can provide for insurance cover against death, illness or work incapacity, guarantees or other capital protection mechanisms, payment flexibility, fiscal benefits, etc.

These features distinguish IBIPs from other PRIIPs and are a crucial factor in evaluating, comparing and understanding these products and their added value. Moreover, the COVID-19 crisis has demonstrated that information about what a product covers and does not cover is crucial to consumer decision-making and matters most to consumer protection.

However, the current PRIIPs KID fails to properly represent such features as per Q.4.2.1.

In general, the cumulative impact of the Solvency II Directive, the PRIIPs Regulation, the Insurance Distribution Directive (IDD) and the General Data Protection Regulation (GDPR) has led to a 250% increase in the number of individual disclosures that an intermediary is required to make to a customer at the precontractual stage when selling an insurance-based investment product. The number of disclosures for an online sale has now reached an infeasible 161 and will increase even further with the new Regulation on sustainability-related disclosures in the financial services sector (SFDR) and the Taxonomy Regulation (TR): an IBIP with environmental objectives sold online via an intermediary will be subject to 190 pieces of pre-contractual disclosures, as a result of the various applicable EU legislations.



\* Estimate based on the consultation by the European supervisory authorities on the Regulatory Technical Standards (RTS) for the draft Taxonomy Regulation that amend the RTS for the Sustainable Finance Disclosures Regulation

Moreover, Solvency II, the PRIIPs Regulation, the IDD, the PEPP Regulation and the DMD II require the cumulative disclosure of fully or partially equivalent information to consumers. Examples include fully equivalent information on the insurer’s identity, the duration of the contract, the description of the underlying instruments, the description of the surrender/cooling-off periods, the risks and the existence and details of procedures for complaints. In addition, partially equivalent information also needs to be provided, including the product benefits, the costs/payment and the tax arrangements. This lack of alignment of new and existing regulation is in part the cause of the information overload which customers are faced with.

**Question 4.8** How important are the following types of product information when considering retail investment products?

	1 (not relevant)	2 (relevant, but not crucial)	3 (essential)	Don't know – No opinion- Not applicable
Product objectives/main product features			x	
Costs			x	
Past performance				x
Guaranteed returns			x	
Capital protection			x	
Forward-looking performance expectation				x
Risk			x	
Ease with which the product can be converted into cash			x	
Other			x	

Please specify to what other type(s) of product information you refer in your answer to question 4.8:

Insurance covers, benefit, sustainability and exclusions.

Please explain your answer to question 4.8:

All listed information is important, but it is confusing for consumers to receive cumulative information on both past and future performance.

Among the product features, it is important to properly explain insurance covers and guarantees to help consumers understand the specificities of insurance products and better assess costs and benefits. If there are no insurance covers or guarantees, this should clearly specified in the pre-contractual documentation.

In any pre-contractual documentation, it is key to avoid duplications and inconsistencies; the possibility to use cross-references to other existing information is also recommended.

*MiFID II has established a comprehensive cost disclosure regime that includes requiring that appropriate information on costs in relation to financial products as well as investment and ancillary services is provided in good time to the clients (i.e. before any transaction is concluded and on an annual basis, in certain cases).*

**Question 4.9** *Do you consider that the current regime is sufficiently strong to ensure costs and cost impact transparency for retail investors?*

*In particular, would an annual ex post information on costs be useful for retail investors in all cases?*

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 4.9:

The current IDD and PRIIPs regime are sufficiently strong to ensure cost transparency, as distributors are always obliged to communicate the nature and type of the remuneration received.

In the case of IBIPs, appropriate information is provided to consumers with regard to all costs and related charges in good time before the conclusion of a contract. This includes the cost of advice, where relevant, the cost of the IBIP and how the customer may pay for it, also encompassing any third-party payments. The information about all costs and charges is provided in aggregated form to allow the customer to understand the overall cost as well as the cumulative effect on the return of the investment, and, where the customer so requests, an itemised breakdown of the costs and charges is provided.

As per Article 29.1, where applicable, such information shall be provided to the customer on a regular basis, at least annually, during the life cycle of the investment.

Besides, the PRIIPs KID includes detailed information on costs, including one-off and recurring costs, presented by means of summary indicators of these costs and, to ensure comparability, total aggregate costs expressed in monetary and percentage terms, to show the compound effects of the total costs on the investment. The PRIIPs KID also include a clear indication that distributors will provide information detailing any cost of distribution that is not already included in the costs specified above.

*Studies show that due to the complexity of products and the amount of the aggregate pre-contractual information provided to retail investors, there is a risk that investors are not able to absorb all the necessary information due to information overload. This can lead to suboptimal investment decisions.*

**Question 4.10** *What should be the maximum length of the PRIIPs Key Information Document, or a similar pre-contractual disclosure document, in terms of number of words?*

*Please explain your answer:*

The focus should not be on the exact number of words, but on the quantity of information in terms of cumulative impact (Solvency II, PRIIPs Regulation, IDD, etc) and duplications.

In particular, Solvency II and the PRIIPs Regulation require the cumulative disclosure of fully or partially equivalent information to consumers, as per Article 3 of the PRIIPs Regulation.

The solution would be to streamline and use cross-referencing, to avoid repetitions and guarantee consistency within and between the documents. In practice, it means ensuring that the information provided in one document does not need to be included in another one; in this case, providing a link to the first document should be sufficient.

At the same time, specific requirements on format should be technology neutral and not based on paper by default. Unfortunately, the rules are not always technologically friendly, with difficulties ensuring consumers can easily access and absorb the relevant information through various channels (i.e. desktop, laptop, tablet, phone). Further work needs to be done to ensure that firms are allowed to meet their obligations while delivering the information in a format suitable for consumers' real needs.

However, the new provisions in the reviewed PRIIPs RTS added new elements, such as links to past performance and new narratives.

Despite these additions, nothing has been deleted in the PRIIPs KID to allow for additional space for the new provisions. For example, intermediate values on performance scenarios and costs should be deleted. It should be recognised that consumers investing in a long-term IBIP have different needs and objectives compared to consumers investing in short-term funds or structured products. Given their long investment time horizon and fixed maturity, insurance products do not need to compare the information on performance and costs after one year or at other intermediate time horizons. In fact, providing this information can inadvertently create the impression that early redemption is advised. In general, it is sufficient and more meaningful to provide illustrations of performances and costs at the end of the recommended holding period (RHP) and not at intermediate time periods (eg after one year and a half RHP). This would represent an important simplification and would not affect the quality of the information received by consumers. Since insurance products are fixed contracts with the provision on the entire lifespan, information on intermediate time periods for products with an RHP of 30 years would not be comparable with the corresponding figures of a product with an RHP of 15 years, as their overall structure and duration are different. This is confusing for consumers, which already receive appropriate information in the section "How long should I hold it and can I take money out early?".

**Question 4.11** *How should disclosure requirements for products with more complex structures, such as derivatives and structured products, differ compared to simpler products, for example in terms of additional information to be provided, additional explanations, additional narratives, etc.? Please explain your answer:*

Existing provisions take account of the different structures of investment products and require explanations on the key characteristics and potential risks of the respective product (Article 8 (c) (ii) PRIIPs Regulation, Article 2 (2) PRIIPs RTS, Article 29 (1) (b) IDD). Further safety measures include a comprehension alert in the PRIIPs KID and a mandatory appropriateness test with regard to products, the risks of which may be difficult to understand.

New disclosure requirements are, therefore, not necessary. Moreover, further differentiation between yet more product types would increase complexity of provisions and add confusion to consumers if they compare products that are described differently.

**Question 4.12** *Should distributors of retail financial products be required to make pre-contractual disclosure documents available:*

- On paper by default?
- In electronic format by default, but on paper upon request?
- In electronic format only?
- Don't know / no opinion / not applicable

Please explain your answer to question 4.12:

Information should be consumer-friendly, digital-friendly and eco-friendly (electronic format by default, but on 'paper upon request').

The use of layering and cross-referencing through hyperlinks should be promoted. By using layering and different (digital) means, information is easier to understand.

Therefore, pre-contractual documents should be available in electronic format by default, but on 'paper upon request', except where the contact between the retail investor and the distributor took place via digital means, where the alternative option could be 'printable upon request'. This would avoid creating obstacles to pure digital players, while still allowing retail investors to print a paper copy of the precontractual disclosures if they feel the need.

**Question 4.13** *How important is it that information documents be translated into the official language of the place of distribution?*

- Not at all important
- Rather not important
- Neutral
- Somewhat important
- Very important
- Don't know / no opinion / not applicable

Please explain your answer to question 4.13:

The information documents should be available in the official language of the place of distribution as is the case for the PRIIPs and PEPP KIDs. Care should be taken to ensure terms used in translated texts correspond to those used in national provisions.

**Question 4.14** *How can access, readability and intelligibility of pre-contractual retail disclosure documents be improved in order to better help retail investors make investment decisions?  
Please explain your answer:*

To avoid information overload, disclosures should be clear, meaningful and reflect the specific characteristics of insurance, avoiding inconsistencies, overlaps and duplications. The disclosures format must be engaging and flexible to adapt to consumer preferences.

Rules or guidelines should be innovation-friendly, technologically neutral and sufficiently future-proof to be fit for the digital age. If new information is added due to new rules, other information must be removed to keep the overall length unchanged.

Consumers should not be encouraged to take their financial decisions solely based on a product's potential costs or product structure, thus selecting sub-optimal but cheaper options. A key lesson from the COVID-19 pandemic



is that the most crucial information consumers must understand is the added value of an insurance product, such as the protection against risks.

Any new legislative proposal must be properly tested on the full range of different products to which it applies to ensure it is workable, accurate and meaningful. Consumer testing is essential and must demonstrate a clear improvement in consumers' overall understanding of the information received and of the decision-making process. Consumer testing is only meaningful if it encompasses a broad range of products, markets and consumers.

**Question 4.15** *When information is disclosed via digital means, how important is it that:*

	1 (not at all important)	2 (rather not important)	3 (neutral)	4 (somewhat important)	5 (very important)	Don't know - No opinion - Not applicable
There are clear rules to prescribe presentation formats (e.g. readable font size, use of designs /colours, etc.)?				<b>x</b>		
Certain key information (e.g. fees, charges, payment of inducements, information relative to performance, etc.) is displayed in ways which highlight the prominence?				<b>x</b>		
Format of the information is adapted to use on different kinds of device (for example through use of layering)?					<b>x</b>	
Appropriately labeled and relevant hyperlinks are used to provide access to supplementary information?					<b>x</b>	
Use of hyperlinks is limited (e.g. one click only – no cascade of links)?						<b>x</b>

Contracts cannot be concluded until the consumer has scrolled to the end of the document?							x
Other?						x	

Please specify to what other important element you refer in your answer to question 4.15:

Specific requirements on format should be technology neutral and not based on an A4 document, avoiding long columns/table structures to facilitate navigation.

Key information should be highlighted, potentially through the use of a summary accompanied by further detail.

The following elements should be considered to make information consumer-friendly:

- A layered approach, which puts consumers in control of the type and amount of information they wish to access.
- Icons.
- Simple and direct language.
- Easy access to information on insurance covers, guarantees and other benefits.

Please explain your answer to question 4.15:

Pre-contractual information should be engaging, meaningful and provided in consumer's preferred format.

Legislation should be amended to be digital by default requiring paper information to be provided only where requested by the customer.

## 5 The PRIIPs Regulation

*In accordance with the [PRIIPs Regulation](#), and as part of the retail investment strategy, the Commission is seeking views on the PRIIPs Regulation. In February 2021, [the ESAs agreed on a draft amending Regulatory Technical Standard](#) aimed at improving the delegated (level 2) regulation. The Commission is now assessing the PRIIPs Regulation level 1 rules, in line with the review clause contained in the Regulation.*

### Core objectives of the PRIIPs Regulation

**Question 5.1** Has the PRIIPs Regulation met the following core objectives:

a) Improving the level of understanding that retail investors have of retail investment products:

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 5.1 a):

It is difficult to respond to this question as, for the time being, UCITS funds are still exempted from the PRIIPs KID application, while in certain cases products with no investment objectives are forced into the scope; plus there is not enough space in the PRIIPs KID to properly explain insurance products' specific features.

The scope of products included in the PRIIPs Regulation is too broad, in an overly ambitious attempt to apply the same methodology to products with very different features, that are meant to address very different consumer needs. Forcing these products into the scope of the PRIIPs Regulation (such as eg immediate annuities and funeral contracts), while their main objective is not investment and while the KID does not properly display the specific features of these products, will only result in unreliable KIDs that risk misrepresenting these products and misleading consumers. The PRIIPs review should focus on all products which have an investment purpose and are therefore meant to be in the scope of the Regulation, and seek to achieve meaningful and fit-for-purpose disclosures.

Example 1: immediate annuities provide a guaranteed monthly income for a certain period of time (often the lifetime of the policyholder). Some products offer additional features, including a guarantee that a certain sum will be paid to the beneficiaries of the policyholder in the event of their death (mortality guarantee). In general, immediate annuities cannot be qualified as investment products. They are therefore out of the PRIIPs Regulation scope and no KIDs have to be produced for immediate annuities. However, at present certain immediate annuities might meet the Article 4(2) PRIIPs definition of an IBIP and are therefore considered in the scope of the PRIIPs Regulation. It is impossible to present consumers with clear and accurate information on the performance and risks of an annuity through a literal implementation the PRIIPs RTS. Some important information on the product is also difficult to present or hidden within aggregated figures in the KID. Immediate annuities should therefore be left out of the scope of the PRIIPs Regulation. As an alternative, specific information should be produced for immediate annuities. It is not possible to present consumers with clear and accurate information on the performance and risks of an annuity through a literal implementation of the current PRIIPs RTS. Alterations to the KID should therefore be permissible in order to reflect that early surrender is unlikely.

Example 2: funeral products are a type of insurance intended to cover funeral expenses. Some funeral products fall into the scope of PRIIPs regulation even if they are not bought as investment products. The application of the PRIIPs KID to such products is misleading: for example, showing performance scenarios could lead customers to expect a return on investment that doesn't exist in this kind of products.

Funeral cover products and, overall, products which are not intended for use as investments, should be clearly out of scope of the PRIIPs Regulation. The current exemptions for pension products should also be retained.

Moreover, as per Q.4.2.1, in the PRIIPs KID there is no space to properly explain insurance covers and guarantees. If there are no insurance covers or guarantees, the information is simply omitted. This does not help understand the specificities of insurance products and does not allow consumers to properly assess costs and benefits.

Intermediate time periods are also not appropriate for IBIPs and do not help understand the long-term nature of IBIP. A correct understanding of the recommended holding period is key to reap the full benefit from the investment cycle. From a purely technical perspective, information on intermediate time periods (eg one year, half RHP) for products with a RHP of 30 years would not be comparable with the corresponding figures of a product with a RHP of 15 years, as their overall structure and duration is different.

*b) Improving the ability of retail investors to compare different retail investment products, both within and among different product types:*

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 5.1 b):

It is difficult to assess the real improvement in the ability of retail investors to effectively compare different retail investment products through the PRIIPs KID, as for the time being UCITS funds are still exempted from its application, while in certain cases products with no investment objectives are forced into the scope.

Forcing these products into the scope of the PRIIPs Regulation, while their main objective is not investment and while the KID does not properly display the specific features of these products, will only result in unreliable KIDs that risk misrepresenting these products and misleading consumers. The PRIIPs review should focus on all products which have an investment purpose and are therefore meant to be in the scope of the Regulation, and seek to achieve meaningful and fit-for-purpose disclosures, see Q5.1.

c) *Reducing the frequency of mis-selling of retail investment products and the number of complaints:*

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 5.1 c):

The impact of the PRIIPs KIDs in reducing the frequency of mis-selling of retail investment products and the number of complaints cannot be measured in isolation.

A few months after the entry into application of the PRIIPs KID, solid conduct of business requirements were introduced under the IDD. As this is ultimately a subjective judgement on the part of the consumer, there is no readily available evidence that can directly chart the improvements in the quality of advice and selling brought about by the IDD. However, many market regulators, competition authorities and consumer organisations collate data on the number of complaints/disputes between insurers, insurance distributors and their customers. This data can directly provide an overall picture of the satisfaction of insurance customers with the service they receive. The examples provided by Insurance Europe in [response to EIOPA's survey on the application of the IDD](#) demonstrate a measured but overall positive trend in the number of complaints.

d) *Enabling retail investors to correctly identify and choose the investment products that are suitable for them, based on their individual sustainability preferences, financial situation, investment objectives and needs and risk tolerance:*

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 5.1 d):

A few months after the entry into application of the PRIIPs KID, solid conduct of business requirements were introduced under the IDD. As this is ultimately a subjective judgement on the part of the consumer, there is no readily available evidence that can directly chart the improvements in the quality of advice and selling brought about by the IDD. However, many market regulators, competition authorities and consumer organisations collate data on the number of complaints/disputes between insurers, insurance distributors and their customers. This data can directly provide an overall picture of the satisfaction of insurance customers with the service they receive. The examples provided by Insurance Europe in the [response to EIOPA's survey on the application of the IDD](#) demonstrate a measured but overall positive trend in the number of complaints.

In general, the IDD has empowered consumers to choose products that suit them, based on their individual sustainability preferences, financial situation and risk tolerance.

The impact of the PRIIPs KIDs in enabling retail investors to correctly identify and choose the investment products that are suitable for them is difficult to be measured in isolation.

For example, in the case of IBIPs, the section on the objective of the product should focus not only on investment but also on insurance-typical features.

**Question 5.2** *Are retail investors easily able to find and access PRIIPs KIDs and PEPP KIDs?*

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 5.2:

Regarding the PRIIPs KID: the manufacturer must publish the PRIIPs KID on its website, plus the person advising on, or selling, a PRIIP must provide the key information document to retail investors free of charge.

Regarding the PEPP KID: the question is not applicable, as it is not implemented yet.

**Question 5.2.1** *What could be done to improve the access to PRIIPs KIDs and PEPP KIDs?*

	Yes	No	Don't know - No opinion - Not applicable
Requiring PRIIPs KIDs and PEPP KIDs to be uploaded onto a searchable EU-wide database		<b>x</b>	
Requiring PRIIPs KIDs and PEPP KIDs to be uploaded onto a searchable national database		<b>x</b>	
Requiring PRIIPs KIDs and PEPP KIDs to be made available in a dedicated section on manufacturer and distributor websites		<b>x</b>	
Other		<b>x</b>	

Please specify to what other improvement(s) you refer in your answer to question 5.2.1:

No need of further improvements.

Please explain your answer to question 5.2.1:

There is no need to improve access to the PRIIPs KID, as the manufacturer must publish the PRIIPs KID on its website and the person advising on, or selling, a PRIIP must provide the key information document to retail investors free of charge. Regarding the PEPP KID, the question is not applicable, as it is not implemented yet. A database of investment products would not be an appropriate solution for retail investors, as it would overwhelm them with the complexity and amount of information inherent in the database itself. To be able to effectively access and retrieve information from a database, retail investors would need to know exactly how to navigate data, what they are looking for and use precise terms. This would be particularly frustrating for consumers with low levels of financial literacy, and it would effectively preclude them from using such a tool. Databases do not help consumers take better informed investment decisions, do not facilitate nor encourage retail investments and do not provide a professional advice. Therefore, direct access to such a database by retail investors would not be useful, and it would only serve to mislead and confuse investors.

Aside from the actual use to which the database would be put, there are a number of technical and legal challenges associated with the creation of any database. It would prove extremely complex, challenging, and time-consuming to not only design but also maintain. It poses enormous challenges in terms of how to ensure that all existing products on the market are included in the database, and how to ensure that this is regularly updated to provide accurate real-time information.

Inaccuracies or gaps in the information included in the database would affect all applications and programs based on it. If retail investors only stand to gain from such a database where it is used as the basis for other tools, this creates the risk that any tool that is ultimately to be used by retail investors may present them with inaccurate or incomplete information.

Inaccuracies or incomplete information in the database would also represent a significant problem in terms of liability and responsibility. Questions arise in terms of who should be responsible for ensuring that all products across Europe/the national markets are included in the database and that this data is accurate and kept fully up to date. Where there are errors, incomplete or inaccurate information, who should bear the liability for this, particularly where the retail investor may have invested and lost money on the basis of this incomplete/incorrect information?

A database covering all investment products would also be extremely costly. It would require substantial funding and resources during the launching phase for the development of the IT infrastructure, but also and most importantly on an ongoing basis for the maintenance, update and translation of information available. It is not clear who would be best placed to support these costs.

In case of an EU-wide database, such a tool would be relied upon by retail investors across the entire EU, which would mean all of the information contained therein would need to be translated into all of the official EU languages. In addition to the obvious and significant cost element this would involve, it would also create further liability issues, particularly where incorrectly or poorly translated information is relied upon by retail investors to their detriment. It would need to be made very clear who should bear the responsibility in such cases.

In many cases, distributors do not have websites, and it would be complicated and costly for them to implement new ones.

#### The PRIIPs KID

**Question 5.3** *Should the PRIIPs KID be simplified, and if so, how (while still fulfilling its purpose of providing uniform rules on the content of a KID which shall be accurate, fair, clear, and not misleading)?*

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 5.3:

Pre-contractual information should strike a right balance between comprehensibility and comparability. Comparability should not be achieved at the expense of understandability and fairness of information. Therefore, the scope of application of the PRIIPs KID should be redefined, focusing on products with an investment objective: for example, funeral cover products and, overall, products which are not intended for use as investments, should be clearly out of scope of the PRIIPs Regulation. The current exemptions for pension products should also be retained.

Information should also reflect insurance products' distinctive features so consumers can better understand differences between products which will aid their decision making. As per Q.4.2.1, in the PRIIPs KID there is no

space to properly explain insurance covers and guarantees. If there are no insurance covers or guarantees, the information is simply omitted. This does not help consumers to understand the specificities of insurance products or to properly assess costs and benefits.

Also, the intermediate time periods are not appropriate for IBIPs and do not help understand the long-term nature of IBIPs. A correct understanding of the recommended holding period is key to reap full benefit from the investment cycle. From a purely technical perspective, information on intermediate time periods (eg one year, half RHP) for products with a RHP of 30 years would not be comparable with the corresponding figures of a product with a RHP of 15 years, as their overall structure and duration is different.

Last but not least, any disclosure format should be user- and digital-friendly to facilitate navigation and help consumers easily find the information they are looking for.

**Implementation and supervision of the PRIIPs Regulation**

**Question 5.4** *Can you point to any inconsistencies or discrepancies in the actual implementation of the PRIIPs Regulation across PRIIPs manufacturers, distributors, and across Member States?*

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 5.4:

...

**Question 5.5** *In your experience, is the supervision of PRIIPs KIDs consistent across Member States?*

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 5.5:

Some national competent authorities require ex ante notification, while others do not. This is a national choice based on authorities' resources and consolidated practices. Such divergences are natural, as they stem from differences in national markets themselves, and do not represent a barrier.

Overall, there is no need for more consistent supervision as national supervisory authorities are better positioned to assess tools, frequency and, if necessary, remedial actions.

**Question.5.6** *What is in your experience as a product manufacturer, the cost of manufacturing:*  
**5.6 a)** *A single PRIIPs KID (cost in € per individual product)*

€

This is impossible to quantify per single document or individual product.

Please explain your answer to question 5.6 a):

There are one-off and ongoing costs to be considered, which can vary depending on the frequency of any significant changes that trigger the PRIIPs KID revision and are aggravated by continuous regulatory changes.

Any changes to the PRIIPs KID framework will result in significant costs for PRIIPs manufacturers. Indeed, the costs of implementation of a regulatory review include:

- Cross-functional work to interpret the new requirements
- New data to be gathered
- Actuarial and financial calculations
- IT software changes
- Re-design of the PRIIPs KID template
- Test of calculations and design
- Legal assessment of the texts and numbers
- Potential translation into different languages
- Drafting of new documents and distribution to agents and customers
- New training for distributors, including training to explain the new requirements and changes compared to documents already distributed under previous applicable texts
- Update of the website, etc.

In a market, a single large company reported that the cost of implementation of a regulatory review could be up to €1,000,000, given the amount of internal and external resources needed and other material expenses (figures based on the proposals presented by the European Supervisory Authorities (ESAs) in the 2019 consultation paper).

**5.6 b) A single PEPP KID (cost in € per individual product)**

 €

Not applicable.

Please explain your answer to question 5.6 b):

The PEPP KID is not yet implemented.

**5.6 c) A single Insurance Product Information Document (cost in € per individual product)**

 €

Not applicable.

Please explain your answer to question 5.6 c):

The IPID is irrelevant to retail investors and retail investment decisions.

**Question 5.7** What is in your experience as a product manufacturer the cost of updating:

**5.7 a) A single PRIIPs KID (cost in € per individual product)**

 €

This is impossible to quantify per single document or individual product.

Please explain your answer to question 5.7 a):



This is impossible to quantify per single document or individual product. The costs can vary depending on the frequency of any significant changes that trigger the PRIIPs KID revision and are aggravated by continuous regulatory changes.

**5.7 b) A single PEPP KID (cost in € per individual product)**

€

Not applicable.

Please explain your answer to question 5.7 b):

The PEPP KID is not yet implemented.

**5.7 c) A single Insurance Product Information Document (cost in € per individual product)**

€

Not applicable.

Please explain your answer to question 5.7 c):

The IPID is irrelevant to retail investors and retail investment decisions.

**Question 5.8** Which factors of preparing, maintaining, and distributing the KID are the most costly?  
Please select as many answers as you like

- Collecting product data/inputs
- Performing the necessary calculations
- Updating IT systems
- Quality and content check
- Outsourcing costs
- Other

Please specify to what other factor(s) you refer in your answer to question 5.8:

Preparing, maintaining, and distributing the KID also require:

- Cross-functional work to interpret the new requirements
- Re-design of the PRIIPs KID template
- Test of calculations and design
- Legal assessment of the texts and numbers
- Potential translation into different languages
- Drafting of new documents and distribution to agents and customers
- New training for distributors, including training to explain the new requirements and changes compared to documents already distributed under previous applicable texts
- Update of the website
- Regular reviews and revisions where necessary

Please explain your answer to question 5.8:

All the costs above should be considered, plus any regulatory change requires additional, costly efforts on top of the business-as-usual.

The special features of multi-option products (MOPs) should also be considered, as insurers need to collect multiple documents and data from asset managers. In this respect, any attempt to further personalise the PRIIPs KID document for MOPs would not only go beyond the goal of a standardised, pre-contractual document, but would also cause IT and compliance costs that would not be affordable, especially for small-medium size enterprises.

A crucial cost factor is the changes in the Regulation. Currently new PRIIPs RTS will come into force that include large changes to all areas of the PRIIPs KID. Therefore, the PRIIPs KID will have to be launched anew. Therefore, it is of the utmost importance that new provisions are sufficiently tested on real-life products and are sufficiently robust and uniform so that constant quick fixes of the provisions will be avoided in future.

### Multiple-Option Products

*For PRIIPs offering the retail investor a range of options for investments (Multiple Option Products) the PRIIPs Regulation currently provides the manufacturer with two different approaches for how to structure the KID:*

- *A separate KID can be prepared for each investment option (Article 10(a)).*
- *A generic KID covering in general terms the types of investment options offered and separate information on each underlying investment option (Article 10(b)).*

*According to feedback, both of these options present drawbacks, including challenges for retail investors to compare multiple option products with each other, in particular regarding costs.*

*An alternative approach would therefore be to require the provision of only one information document for the whole MOP, depending on the underlying investment options that the retail investors would prefer.*

**Question 5.9** *Should distributors and/or manufacturers of Multiple Option Products be required to provide retail investors with a single, tailor-made, KID, reflecting the preferred underlying portfolio of each investor? What should happen in the case of ex-post switching of the underlying investment options?*

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 5.9:

In some markets there are MOPs that offer consumers a very large number (ie several hundreds) of investment options to choose from. The consumer selects the underlying investment options and the amount to invest in each option. Therefore, there is an almost endless number of combinations of MOPs and underlying investment options in these insurance markets. This great diversity is possible thanks to the current Article 10(b) which enables the PRIIPs manufacturer to produce a generic KID combined with the document produced by the underlying investment option.

In the industry's experience, the possibility to choose from a large number of underlying investment options is appreciated and requested by consumers. Removing the Article 10(b) option comes with the risk of insurance companies having to drastically reduce their number of underlying investment options which would lead to a less diversified market to the detriment of consumers.

Providing a single, tailor-made KID would also require manufacturers and distributors to build completely new IT systems that can generate KIDs for each combination of options. This IT system would have to be able to manage all distribution channels including advised and digital sales. This would be too complex and costly to implement and to maintain from a compliance point of view, especially for smaller companies. Furthermore, any

changes in the underlying funds would lead to completely different figures (as all figures would be dependent on each other) which means that the information in the KID would probably only be fully reliable at the point of sale.

Hence, it is essential to maintain the current options as they enable products that meet a consumer demand and represent a practical and cost-efficient solution. It is also important that advisors are not hindered by a requirement to provide a tailor-made KID and can maintain their full flexibility when advising, in order to ensure that the recommended products continue to be the most suitable ones. In any case, the client can access further information and professional advice based on the IDD provisions.

Ex-post switching of funds is the exercise of a unilateral contractual right by the policyholder which leaves the insurance contract unchanged, and which does not require the participation of the insurer. Therefore, unless the policyholder requests advice on the subject, the insurer learns about the policyholder's intention to switch only in the moment, when the switch is ordered. Accordingly, the insurer has no opportunity to provide a KID before the switch. However, the policyholder receives information on where to find the specific information on the underlying investment options online in the KID provided prior to the conclusion of the insurance contract.

**Scope**

*The scope of the PRIIPs Regulation currently excludes certain pension products, despite qualifying under the definition of packaged retail investment products. These include pension products which, under national law, are recognised as having the primary purpose of providing the investor with an income in retirement and which entitle the investor to certain benefits. These also include individual pension products for which a financial contribution from the employer is required by national law and where the employer or the employee has no choice as to the pension product or provider.*

**Question 5.10** Should the scope of the PRIIPs Regulation include the following products?

**a) Pension products** which, under national law, are recognised as having the primary purpose of providing the investor with an income in retirement and which entitle the investor to certain benefits:

- Yes
- No
- Don't know / no opinion / not applicable

Please explain why the scope of the PRIIPs Regulation should include these pension products:

...

Please explain your answer to question 5.10 a):

Pension products have very specific objectives as well as a special fiscal and regulatory treatment at national level. Therefore, there are national tailored information requirements on pensions. Thus, the current exemptions for pension products should be retained.

The PRIIPs Regulation and related RTS were designed for retail investment products, some of which are speculative products with a short-term horizon. These products are significantly different in nature to pension products which were, as a result, explicitly left out of the scope of the PRIIPs Regulation. For example:

- The PRIIPs KID does not include the level of detailed information required by savers to make decisions about their retirement savings.
- The PRIIPs KID does not allow for detailed information on the specific rules falling under the remit of member states, including tax treatment, retirement age and applicable contract law.

- Key information for pension savers is not given enough prominence in the PRIIPs (e.g. annuities, insurance cover, guarantees).
- The information focuses on short term investment: e.g. intermediate values, total costs in monetary terms.
- The PEPP already has its own regulatory framework and specific disclosure document.

**b) Individual pension products** for which a financial contribution from the employer is required by national law and where the employer or the employee has no choice as to the pension product or provider:

- Yes
- No
- Don't know / no opinion / not applicable

Please explain why the scope of the PRIIPs Regulation should include these individual pension products:

...

Please explain your answer to question 5.10 b):

Pension products have very specific objectives as well as a special fiscal and regulatory treatment at national level. Therefore, there are national tailored information requirements on pensions. Thus, the current exemptions for pension products should be retained.

The PRIIPs Regulation and related RTS were designed for retail investment products, some of which are speculative products with a short-term horizon. These products are significantly different in nature to pension products which were, as a result, explicitly left out of the scope of the PRIIPs Regulation. For example:

- The PRIIPs KID does not include the level of detailed information required by savers to make decisions about their retirement savings.
- The PRIIPs KID does not allow for detailed information on the specific rules falling under the remit of member states, including tax treatment, retirement age and applicable contract law.
- Key information for pension savers is not given enough prominence in the PRIIPs (e.g. annuities, insurance cover, guarantees).
- The information focuses on short term investment: e.g. intermediate values, total costs in monetary terms
- The PEPP already has its own regulatory framework and specific disclosure document.

The ability to access past versions of PRIIPS KIDs from a manufacturer is useful in showing how its product portfolio has evolved (eg evolution of risk indicators, costs, investment strategies, performance scenarios, etc.) that cannot be understood from simply looking at the latest versions of PRIIPS disclosure documents of currently marketed products.

**Question 5.11** Should retail investors be granted access to past versions of PRIIPs KIDs?

- Yes
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 5.11:

This would be too complex and costly to implement and to maintain from a compliance point of view, especially for smaller companies.

There is also the risk that consumers will be confused and overwhelmed with too much information. Given the continuous changes to indicators and narratives due to regulatory reviews, it would not be meaningful to compare old and new versions of the KID. On the contrary, it could be misleading.

The updated version of the KID is the most relevant for the consumer, who can in any case request previous versions where the KID has been revised, as per Article 15.4 of the PRIIPs Regulation. This provision sufficiently protects consumers while reducing challenges and risks for the product manufacturers.

**Question 5.12** *The PRIIPs KIDs should be reviewed at least every 12 months and if the review concludes that there is a significant change, also updated.*

**Question 5.12.1** *Should the review and update occur more regularly?*

- Yes
- No
- Don't know / no opinion / not applicable

**Question 5.12.2** *Should this depend on the characteristics of the PRIIPs?*

- Yes
- No
- Don't know / no opinion / not applicable

**Question 5.12.3** *What should trigger the update of PRIIP KIDs?*

Article 15.2 of the PRIIPs Delegated Regulation already requires ad hoc reviews, in particular to verify the following:

- Whether the PRIIP's market risk (MRM) or credit risk (CRM) measures have changed, where such a change has the combined effect that necessitates the PRIIP's move to a different class of the summary risk indicator from the current one; and
- Whether the mean return for the PRIIP's moderate performance scenario, expressed as an annualized percentage return, has changed by more than five percentage points.

This comes on top of changes due to adaptations of the product features by the manufacturers and updates required by regulatory changes.

*Please explain your answer to question 5.12:*

The PRIIPs Delegated Regulation already provides a robust framework. On top of periodic reviews every 12 months following the date of the initial publication of the KID, PRIIP manufacturers are required to review the KID every time there is a change that significantly affects or is likely to significantly affect the fairness and accuracy of the information contained in the document (Article 15 of the PRIIPs Delegated Regulation). Product manufacturers are required to identify such changes without undue delay (Article 15.3 of the PRIIPs Delegated Regulation) and, consequently, revise the PRIIPs KID without undue delay and re-publish it on their website (Article 16 of the PRIIPs Delegated Regulation).

## 6 Suitability and appropriateness assessment

*Under current EU rules, an investment firm providing advice or portfolio management to a retail investor must collect information about the client and make an assessment that a given investment product is suitable for them before it can recommend a product to a client or invest in it on the client's behalf. Similar rules exist for the sale of insurance-based investment products and of Pan-European Pension Products. The objective of these rules is to protect retail investors and ensure that they are not advised to buy products that may not be suitable for them. The suitability assessment process may however sometimes be perceived as lengthy and ineffective.*

**Question 6.1** *To what extent do you agree that the suitability assessment conducted by an investment firm or by a seller of insurance-based investment products serves retail investor needs and is effective in ensuring that they are not offered unsuitable products?*

- Strongly disagree
- Disagree
- Neutral Agree
- Strongly agree
- Don't know / no opinion / not applicable

*Please explain your answer to question 6.1:*

The IDD has strengthened rules on advice with specific criteria clearly detailed in IDD Delegated Regulation. A suitability test must now be carried out for advised sales of IBIPs, establishing why the product recommended to the client is the best option based on their knowledge and experience, financial situation including the ability to bear losses, and investment objectives including their risk tolerance. On top of that, the clients' demands and needs are in any case always assessed.

**Question 6.2** *Can you identify any problems with the suitability assessment?*

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 6.2. Please explain how these problems might they be addressed:*

The application of the IDD rules ensures a high level of consumer protection in this respect.

**Question 6.3** *Are the rules on suitability assessments sufficiently adapted to the increasing use of online platforms or brokers when they are providing advice?*

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 6.3:*

All distribution activities are appropriately regulated under IDD. However, the rules on the provision of the suitability statement are outdated and should be modified to the digital environment. The requirement to provide documents on paper as default is not in line with the developments of technology and – most importantly – customer behavior. Also, the requirement to provide the information on "a durable medium" should be reviewed.

The essential element for the customer is that the information remains accessible for them (please see answer to Question 4.12 for further details).

*Where investment firms do not provide advice or portfolio management, they are still required to request information on the knowledge and experience of clients to assess whether the investment service or product is appropriate, and to issue a warning in case it is deemed inappropriate. Similar rules apply to sales of insurance-based investment products where in specific cases the customer has made use of a right provided under national law to opt out of a full suitability assessment.*

**Question 6.4** *To what extent do you agree that the appropriateness test serves retail investor needs and is effective in ensuring that they do not purchase products they are not able to understand or that are too risky for their client profile?*

- Strongly disagree
- Disagree
- Neutral Agree
- Strongly agree
- Don't know / no opinion / not applicable

*Please explain your answer to question 6.4:*

The IDD has strengthened rules on non-advised sales with specific criteria clearly detailed in IDD Delegated Regulation. An appropriateness test must now be carried out for the non-advised sales of IBIPs, establishing why the product recommended to the client is the best option based on their knowledge and experience. On top of that, the clients' demands and needs are in any case always assessed.

**Question 6.5** *Can you identify any problems with the test and if so, how might they be addressed (e.g. is the appropriateness test adequate in view of the risk of investors purchasing products that may not be appropriate for them)?*

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 6.5:*

Insurance Europe's members have not identified specific concerns so far.

**Question 6.6** *Are the rules on appropriateness tests sufficiently adapted to the increasing use of online platforms or brokers?*

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 6.6:*

All distribution activities are appropriately regulated under IDD.

**Question 6.7** *Do you consider that providing a warning about the fact that a product is inappropriate is sufficient protection for retail investors?*

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 6.7:*

In relation to sales where no advice is given, where the distributor considers, on the basis of the information received by the consumer, that the product is not appropriate for the customer or potential customer, the distributor shall warn the customer or potential customer to that effect. Also, where consumers do not provide the information required, or where they provide insufficient information regarding their knowledge and experience, the insurance distributor shall warn them that it is not in a position to determine whether the product envisaged is appropriate for them.

Consumers must be free to choose between advised sales, non-advised sales and, where possible, execution-only sales, as they must be free to choose the preferred distribution channel, level of costs, type of payment and remuneration system.

The warning is sufficient to inform the consumer about the risks and for them to make a decision on the opportunity to conclude the contract, or assess other options.

*In case of the execution of orders or transmission and reception of orders of certain non-complex products, at the initiative of the client, no appropriateness test is required. The investment firm must only inform the client that the appropriateness of the service or product has not been assessed and that he/she does not benefit from the protection of the relevant rules on conduct of business.*

**Question 6.8** *Do you agree that no appropriateness test should be required in such situations?*

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 6.8:*

In case of execution-only sales, which is allowed only for non-complex products and at the initiative of the consumer, consumers are clearly informed that distributors are not required to assess the appropriateness of the IBIPs and that they do not benefit from the corresponding protection of the relevant conduct of business rules.

Consumers must be free to choose between advised sales, non-advised sales and, where possible, execution-only sales, as they must be free to choose the preferred distribution channel, level of costs, type of payment and remuneration system.

The warning is sufficient to inform the consumer about the risks and for them to make a decision on the opportunity to conclude the contract, or assess other options.



*MiFID II requires that when investment firms manufacture financial instruments for sale to clients, they must make sure that:*

- *those instruments are designed to meet the needs of an identified target market of end clients*
- *the strategy for distribution of the financial instruments is compatible with the identified target market*
- *and they must take reasonable steps to ensure that the financial instrument is distributed to the identified target market*

*The investment firms that offer or recommend such financial instruments (the distributors) must be able to understand them, assess their compatibility with the needs of their clients and take into account the identified target market of end clients.*

**Question 6.9** *Does the target market determination process (at the level of both manufacturers and distributors) need to be improved or clarified?*

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 6.9:*

Product oversight and governance measures should be applied in a proportionate and appropriate manner, depending on the complexity of the product and the degree to which publicly available information can be obtained, taking into account the nature of the insurance product and the risk of consumer detriment related to it, the characteristics of the target market and the nature, scale and complexity of the relevant business of the manufacturer or distributor.

The adequate identification of the target market can be ensured and supervised based on existing IDD rules, including the ad hoc Delegated Regulation, without the need of additional specifications that would make the process more lengthy and bureaucratic.

**Demands and needs test (specific to the Insurance Distribution Directive (IDD))**

*Before selling an insurance product or insurance-based investment product, insurance distributors are obliged to have a dialogue with their customers to determine their demands and needs so that they are able to propose products offering adequate characteristics and coverage for the specific situation of the customer. Any products proposed must be consistent with the customer's demands and needs. In the case of insurance-based investment products, this requirement comes in addition to the suitability assessment.*

**Question 6.10** *To what extent do you agree that, in its current form, the demands and needs test is effective in avoiding mis-selling of insurance products and in ensuring that products distributed correspond to the individual situation of the customer?*

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree
- Don't know / no opinion / not applicable

*Please explain your answer to question 6.10:*

Under the IDD, the sale of all insurance products is subject to a "demands and needs" test. This must be carried out whatever the type of insurance product involved, regardless of the way in which the product is sold, and

includes unadvised sales. This requirement is unique to the insurance sector and has benefitted consumers by guaranteeing that any products proposed to them meet their individual needs.

**Question 6.11** *Can you identify any problems with the demands and needs test, in particular its application in combination with the suitability assessment in the case of insurance-based investment products?*

- Yes
- No
- Don't know / no opinion / not applicable

*Please specify what problems you identify and explain your answer to question 6.11:*

No specific issues have been identified at EU level.

*Please explain your answer to question 6.11:*

No specific issues have been identified at EU level.

*The IDD does not contain detailed rules on the demands and needs test and leaves it to Member States to decide on the details of how the test is applied in practice. This results in differences between Member States.*

**Question 6.12** *Are more detailed rules needed in EU law regarding the demands and needs test to make sure that it is applied in the same manner throughout the internal market?*

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 6.12:*

The demands and needs requirements need to remain flexible and proportionate in order to match all different types of insurance products.

The IDD is a minimum harmonisation directive, which means that it sets a minimum standard, but additional measures can be introduced at national level if deemed necessary.

**Question 6.13.1** *Is the demands and needs test sufficiently adapted to the online distribution of insurance products?*

- Yes
- No
- Don't know / no opinion / not applicable

**Question 6.13.2** *Are procedural improvements or additional rules or guidance needed to ensure the correct and efficient application of the test in cases of online distribution?*

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 6.13:*

All distribution activities are appropriately regulated under IDD.

## 7 Reviewing the framework for investor categorization

As announced under Action 8 of the [capital markets union action plan](#), the Commission intends to assess the appropriateness of the existing investor categorisation framework and, if appropriate, adopt a legislative proposal aimed at reducing the administrative burden and information requirements for a subset of retail investors. This will involve the review of the existing investor categorisation (namely the criteria required to qualify as a professional investor) or the introduction of a new category of qualified investor in [MiFID II](#). Currently, under MiFID II, retail investors are defined as those that do not qualify to be professional investors. Where investors choose to opt into the professional category, the intermediary must warn the investor of the level of protection they will cease to have and the investor must comply with at least two of the three following criteria:

- the client has carried out transactions, in significant size, on the relevant market for the financial instrument or for similar instruments with an average frequency of at least 10 transactions per quarter over the previous four quarters
- the size of the client's financial instrument portfolio composed of cash deposits and financial instruments must be larger than €500,000
- the client currently holds or has held for at least one year a professional position in the financial sector which requires knowledge of the envisaged financial transactions or services

Retail investors are currently subject to a number of additional investment protection measures, such as prohibition to acquire certain products as well as additional disclosure information. Some stakeholders have argued that for certain investors that currently fall under the retail investor category, these protections are not necessary. The creation of a new client category or the modification of the existing requirements for professional clients on request could thus give a subset of investors a broader and more comprehensive access to the capital markets and would bring additional sources of funding to the EU economy.

A well-developed set-up could allow the preservation of the necessary investor protection while improving the engagement in the capital markets.

The [2020 consultation on MiFID](#) already addressed the question of a possible new category of semi professional investor, and the following questions follow-up on the main findings.

**Question 7.1** What would you consider the most appropriate approach for ensuring more appropriate client categorisation?

	Yes	No	Don't know – No opinion – Not applicable
Introduction of an additional client category (semi-professional) of investors			<b>x</b>
Adjusting the definition of professional investors on request			<b>x</b>
No changes to client categorisation (other measures, i.e. increase product access and lower information requirements for all retail investors)			<b>x</b>

Please explain your answer to question 7.1:

There is no need to introduce further categories of clients in the IDD framework and there are better ways to improve the IDD scope of application.

In particular, the application of the IDD to reinsurance is an unnecessary burden that provides no benefit to consumers. In a reinsurance context, the sales and advice processes are carried out between two sets of expert practitioners. The consumer-focused IDD rules are not appropriate in this setting. Under the activity-based approach taken in the IDD, reinsurance should be outside the scope of the Directive, unless the reinsurer is carrying out business with retail clients.

A similar situation occurs with occupational insurance and (large) corporate business. In these instances, the client is not a retail customer, but an expert operating in a professional capacity. It should be assessed whether IDD consumer protection rules are appropriate in this setting.

Within the MiFID II review, different classifications of clients, such as professional or of semi-professional clients, is considered. As some aspects of the MiFID II regime may be reviewed before the launch of the retail investment strategy, the industry hopes this will not cause an undue copy-paste in the IDD review.

**Question 7.2** *How might the following criteria be amended for professional investors upon request?*

**a)** *The client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters.*

- No change
- 30 transactions on financial instruments over the last 12 months, on the relevant market
- 10 transactions on financial instruments over the last 12 months, on the relevant market
- Other criteria to measure a client's experience
- Don't know / no opinion / not applicable

*Please specify to what other criteria to measure a client's experience you refer in your answer to question 7.2 a):*

...

*Please explain your answer to question 7.2 a):*

This question applies to the MiFID II client classification and does not seem relevant for the insurance sector.

In the insurance sector, decisions to buy an insurance-based investment product are made far less frequently than in the investment environment, sometimes even only once in a lifetime. Therefore, the number of transactions or the client's financial instrument portfolio does not seem to be an appropriate benchmark within the IDD.

**b)** *The size of the client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds EUR 500,000.*

- No change
- Exceeds EUR 250,000
- Exceeds EUR 100,000
- Exceeds EUR 100,000 and a minimum annual income of EUR 100,000 Other criteria to measure a client's capacity to bear loss
- Don't know / no opinion / not applicable

*Please specify to what other criteria to measure a client's capacity to bear loss you refer in your answer to question 7.2 b):*

This question applies to the MiFID II client classification and does not seem relevant for the insurance sector.

**c)** *The client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged.*

- No change
- Extend definition to include relevant experience beyond the financial sector (e.g. in a finance department of a company)
- Adjust the reference to the term 'transactions' in the criteria to instead refer to 'financial instruments'
- Other criteria to measure a client's financial knowledge
- Don't know / no opinion / not applicable

*Please specify to what other criteria to measure a client's financial knowledge you refer in your answer to question 7.2 c):*

...

*Please explain your answer to question 7.2 c):*

This question applies to the MiFID II client classification and does not seem relevant for the insurance sector.

**d)** *Clients need to qualify for 2 out of the existing 3 criteria to qualify as professional investors. Should there be an additional fourth criterion, and if so, which one?*

- No change
- Relevant certified education or training that allows to understand financial instruments, markets and their related risks
- An academic degree in the area of finance/business/economics Experience as an executive or board member of a company of a significant size
- Experience as a business angel (i.e. evidenced by membership of a business angel association)
- Other criteria to assess a client's ability to make informed investment decisions
- Don't know / no opinion / not applicable

*Please specify to what other criteria to assess a client's ability to make informed investment decisions you refer in your answer to question 7.2 d):*

...

*Please explain your answer to question 7.2 d):*

This question applies to the MiFID II client classification and does not seem relevant for the insurance sector.

*Companies below the thresholds currently set out in MiFID II (2 of 3: turnover of €40 mln, balance sheet of €20 mln and own funds of €2 mln) would also qualify as retail investors.*

**Question 7.3** *Would you see merit in reducing these thresholds in order to make it easier for companies to carry out transactions as professional clients?*

- No change
- Reduce thresholds by half
- Other criteria to allow companies to qualify as professional clients
- Don't know / no opinion / not applicable**

Please specify to what other criteria to allow companies to qualify as professional clients you re-fer in your answer to question 7.3:

...

Please explain your answer to question 7.3:

This question applies to the MiFID II client classification and does not seem relevant for the insurance sector.

## 8 Inducements and quality of advice

EU legislation sets out requirements on the provision of investment advice and around the payment of commissions and other forms of inducements to sellers of financial products. In the case of investment services and activities, investment firms must, for example, inform the prospective client whether any advice provided is on an independent basis, about the range of products being offered and any conflicts of interest that may impair independence. Use of inducements is restricted (i.e. any payment must be designed to enhance the quality of the relevant service to the client and it must not impair compliance with the investment firm’s duty to act honestly, fairly and professionally in accordance with the best interest of its clients). Any payments to investment firms for the distribution of investment products must also be clearly disclosed. The rules slightly differ for the sale of insurance-based investment products: inducements may only be received if they do not have a detrimental impact on the quality of the service to the customer. However, there is no general prohibition on the payment of inducements if the seller declares that advice is given independently. Under [UCITS](#) and [AIFMD](#), asset managers are also subject to rules on conflict of interests and inducements. However despite these rules, concerns have been expressed that the payment of inducements may lead to conflicts of interest and biased advice, since salespersons may be tempted to recommend products that pay the highest inducements, irrespective of whether or not it is the best product for the client. For this reason, the Netherlands has banned the payment of inducements. On the other hand, other stakeholders have argued that the consequence of banning inducements might be that certain retail investors would be unable or unwilling to obtain advice, for which they would need to pay. Questions on inducements have also been asked in the [MiFID/R consultation](#) which was conducted at the beginning of 2020.

**Question 8.1** How effective do you consider the following measures to/would be in protecting retail investors against receiving biased advice due to potential conflicts of interest?

	1 (not at all effective)	2 (rather not effective)	3 (neutral)	4 (somewhat effective)	5 (very effective)	Don't know – No opinion – Not applicable
Ensuring transparency of inducements for clients			x			
An obligation to disclose the amount of inducement paid			x			

Allowing inducements only under certain conditions, e.g. if they serve the improvement of quality	<b>x</b>					
Obliging distributors to assess the investment products they recommend against similar products available on the market in terms of overall cost and expected performance	<b>x</b>					
Introducing specific record-keeping and reporting requirements for distributors of retail investment products to provide a breakdown of products distributed, thus allowing for supervisory scrutiny and better enforcement of the existing rules on inducements	<b>x</b>					
Introducing a ban on all forms of inducements for every retail investment product across the Union	<b>x</b>					

*Please explain your answer to question 8.1:*

The IDD has worked within existing distribution systems and effectively professionalised insurance distribution while providing for additional transparency, eg regarding conflicts of interest (Art.28, 19, 19.2, 19.3, 19.4, 19.5, 28.2, 28.3), information to be delivered by distributors (Art.19, 24.1, 24.2, 29) and nature of their remuneration (Art.19.1.d). This has a knock-on effect on consumers who benefit from the specific consumer protection rules, increased oversight of the distribution process and increased knowledge and accountability of distributors.

The IDD ensures that any inducements are in accordance with the best interests of the customers. These rules work well and provide supervisory authorities with an effective tool to protect customers against biased advice due to potential conflicts of interest.

The IDD also includes rules on conflicts of interest that require effective administrative arrangements to prevent, manage and, when appropriate, inform clients should a situation arise that could be detrimental to their interests. The IDD also contains rules on commission and advice for the sale of IBIPs that are appropriate to the insurance sector. **In some markets, the commission system is an integral and indispensable part of the distribution system, without which the number of intermediaries and therefore consumer choice would be significantly curtailed.** Given the diversity in how insurance is distributed in different national markets, a broad ban on inducements as applied to other sectors by the MiFID II would not be appropriate for the insurance sector. The minimum harmonisation approach taken in the IDD allows EU member states to

restrict or ban the use of commission where appropriate for their market but to permit its use where it is helpful in enabling access to financial advice, preventing the emergence of “advice gaps”.

**Given the diversity of insurance distribution channels in different national markets, a ban on commission should remain a member state option.**

Moreover, serious changes to the distribution regime could run counter to the CMU's goal of encouraging retail investors to participate in the capital markets as well as other EU initiatives, namely:

- to encourage consumers to make more sustainable investments, given the utility of advice on ESG investment opportunities;
- the focus on individual savings for retirement through eg the PEPP.

Given the potential negative consequences of a ban on inducements, this should be avoided. Instead, a high level of consumer protection should be ensured by an effective supervision of existing rules.

Allowing inducements only if they serve to improve the quality would not be an effective measure in protecting retail investors against receiving biased advice due to potential conflicts of interest. The IDD already includes several safeguards to protect consumers, including a broad requirement that any inducements related to IBIPs must not have a detrimental impact on the quality of the relevant service provided to the consumer. There is also a distinction between investments in insurance products and other investments as insurance contracts are generally long-term investments.

It is not clear how an obligation to assess investment products against similar offerings would work in practice, or how much information on external products would be required. However, anything more than a general requirement to inform consumers that “other products are available” would be unworkable in practice. It would require an unreasonable level of knowledge of third-party products on the part of the distributor, including products’ insurance features (ie cover, exclusions, potential guarantees, payment options, etc) and underlying funds. Such a requirement could end up being to the detriment of consumers because – for the reasons mentioned – it is difficult to comply with. Moreover, such obligation would come along with concerns in terms of handling trade secrets and liability issues.

The taping and record-keeping requirements within MiFID II are basically not practical and excessively burdensome. An obligation to record telephone calls would only make sense where declarations of intent would otherwise not be sufficiently documented. Furthermore, the consumer also regularly receives an advisory protocol. The experience gained during the COVID-19 pandemic shows that it should be possible to switch between different communication channels (online, telephone, face-to-face) at any time without additional obstacles. The implementation of the recording requirement (Art.16(7) MiFID) causes high costs, raises data privacy concerns for consumers, and has the potential to impair the confidentiality of communication between insurers, intermediaries and clients. Therefore, different stakeholders are already in favour of deleting the provision from MIFID II. The IDD pragmatic approach, which does not foresee such burdensome documentation/storage obligations, should be maintained.

**Question 8.2** *If all forms of inducement were banned for every retail investment product across the Union:*  
**a)** *what impacts would this have on the availability of advice for retail investors? Please explain your answer:*

The insurance sector has a higher proportion of micro-enterprises and SMEs than other financial sectors: eg in AT, about 50% of independent insurance distributors are one-man businesses, while in DE almost 90% of all registered intermediaries are natural persons and predominantly small enterprises. For SMEs, the administrative burden of implementing the IDD was very high. The number of registered intermediaries has decreased in DE by more than 15% in the last four years (February 2016 to December 2020). Although this may be mainly due to demographic reasons, it is also because the barriers to market entry have become higher and the economic prospects less attractive at the same time. This lack of capacity to compete may lead to a reduction in the



number of micro-enterprises and SMEs offering IBIPs, and thus decrease the number of points of sale. This reduction in choice would be to the detriment of consumers, and may lead to a fall in employment in the sector with knock-on effects for the wider economy. This would run contrary to the EC's aim to improve the business environment for SMEs, to allow them to realise their full potential" as "a key driver for economic growth, innovation, employment and social integration.

The IDD also contains rules on commission and advice for the sale of IBIPs that are appropriate to the insurance sector. **In some markets, the commission system is an integral and indispensable part of the distribution system, without which the number of intermediaries and therefore consumer choice would be significantly curtailed.** Given the diversity in how insurance is distributed in different national markets, a broad ban on inducements as applied to other sectors by the Markets in Financial Instruments Directive (MiFID II) would not be appropriate for the insurance sector. The minimum harmonisation approach taken in the IDD allows EU member states to restrict or ban the use of commission where appropriate for their market but to permit its use where it is helpful in enabling access to financial advice, preventing the emergence of "advice gaps".

**Given the diversity of insurance distribution channels in the different national markets, a ban on commissions should remain a member state option.**

In some markets, potential customers must first be interested in products for risk protection and old-age provision. They are so-called "push-products", in contrary to "pull products", as they are not requested on own initiative. As a matter of principle, citizens do not like to deal with these matters and almost never do so on their own. The risks are negatively associated with loss of wealth, abilities, illness and dependency. Retirement planning decisions, for example, reach far into the future, require decades of commitment and renunciation of consumption. The matter is complex, especially since social law, tax law and contract law come together and different providers with different concepts must be evaluated. A large part of the population lacks the time and desire to deal with it. They also often lack the knowledge and understanding of financial contexts. All in all, these factors form high obstacles that ensure that citizens do not deal with this issue. This finding shows the value of advice to accompany retail investors in their choice of insurance-based investment product during their customer journey.

Any proposals at EU level that indirectly restrict access to advice across all financial products for consumers by limiting the options for the payment of this advice would be unfortunate. They may have the effect of reducing the availability of advice in some markets with a knock-on effect on levels of savings and investment. This is against the background of:

- The stated aim of the CMU to encourage savers to move money from deposits to investment markets. With low deposit rates, more people are looking for a return on their money. Insurance-based investments facilitate the flow of capital from individuals to companies domestically and internationally.
- Moves to encourage sustainable investments and the need for advice for savers and investors on the ESG profiles of investments.
- The focus on individual savings for retirement through, for example, the PEPP.

**b) what impacts would this have on the quality of advice for retail investors? Please explain your answer:**

Consumers would have less choice, as several distributors may leave the market. At the same time, consumers who cannot afford or are not willing to pay for advice would not have access to professional advice.

The focus of a financial strategy should not be solely on the remuneration system but must always be oriented towards the result for the customer. The customer should and wants to be well advised.

The IDD already addresses this issue and creates a functioning legal framework to avoid disincentives, while respecting equal conditions of competition among all distribution channels, regardless if the advice is given on an independent or non-independent basis.

**c) what impacts would this have on the way in which retail investors would invest in financial instruments? Please explain your answer:**

The IDD contains rules on commission and advice for the sale of IBIPs that are appropriate to the insurance sector. **In some markets, the commission system is an integral and indispensable part of the distribution system, without which the number of intermediaries and therefore consumer choice would be significantly curtailed.** Given the diversity in how insurance is distributed in different national markets, a broad ban on inducements as applied to other sectors by the Markets in Financial Instruments Directive (MiFID II) would not be appropriate for the insurance sector. The minimum harmonisation approach taken in the IDD allows EU member states to restrict or ban the use of commission where appropriate for their market but to permit its use where it is helpful in enabling access to financial advice, preventing the emergence of “advice gaps”.

**Given the diversity of insurance distribution channels in the different national markets, a ban on commissions should remain a member state option.**

**d) what impacts would this have on how much retail investors would invest in financial instruments? Please explain your answer:**

This would not increase consumers’ investment in financial instruments. On the contrary, a decrease of consumers’ investment could be expected due a reduced access to professional advice.

If all forms of inducement were banned, distributors would have less incentive to proactively offer investment products to potential clients.

**Question 8.3 Do the current rules on advice and inducements ensure sufficient protection for retail investors from receiving poor advice due to potential conflicts of interest:**

	Yes	No	Don't know – No opinion – Not applicable
In the case of investment products distributed under the MiFID II framework?			<b>x</b>
In the case of insurance-based investment products distributed under the IDD framework?	<b>x</b>		
In the case of inducements paid to providers of online platforms/comparison websites?	<b>x</b>		

*Please explain your answer to question 8.3:*

Since the IDD entered into force in October 2018, the overall impact of the Directive has been positive as per Q1.

**Question 8.4 Should the rules on the payment of inducements paid to distributors of products sold to retail investors be aligned across MiFID and IDD?**

- Yes

- No
- Don't know / no opinion / not applicable

Allowing inducements only if they serve the improvement of quality would not be an effective measure in protecting retail investors against receiving biased advice due to potential conflicts of interest. The IDD already includes several safeguards to protect consumers, including a broad requirement that any inducements related to IBIPs must not have a detrimental impact on the quality of the relevant service provided to the consumer. There is also a distinction between investments in insurance products and other investments, as insurance contracts are generally long-term investments.

**Question 8.5** *How should inducements be regulated?*

*Please select as many answers as you like:*

- Ensuring transparency of inducements for clients
- Ensuring transparency of inducements for clients, including an obligation to disclose the amount of inducement paid
- Allowing inducements only under certain conditions, e.g. if they serve the improvement of quality
- Obliging distributors to assess the investment products they recommend against similar products available on the market
- Introducing specific record-keeping and reporting requirements for distributors of retail investment products to provide a breakdown of products distributed, thus allowing for supervisory scrutiny and better enforcement of the existing rules on inducements
- Introducing a ban on all forms of inducements for every retail investment product across the Union
- Other

*Please explain your answer to question 8.5:*

The current IDD rules are appropriate to protect consumers against mis-selling and conflicts of interest as per Q1.

Regarding rules on remuneration, MiFID II distinguishes between independent advice and other types of advice and foresees a ban on commission for independent advice. The IDD, on the other hand, is neutral with regard to the distribution channels: the same consumer protection standards apply to all distributors, including the member state option to limit or prohibit inducements provided by any third party in relation to any kind of distribution activity. The duplication of the MiFID II model into the IDD could lead to unequal competitive conditions between different distribution channels. Hence, Insurance Europe advocates for a level playing field and the coexistence of different distribution models. The only solution for this issue seems to use the IDD as a benchmark for a possible alignment and to transfer the IDD provisions to MiFID II. Notwithstanding this, the consumer protection provisions anchored in both the IDD and MiFID II ensure that consumers are only recommended with products that are suitable and appropriate for them, which requires two different regulatory regimes due to the significant differences between insurance products and investment solutions in terms of product design. The experience with the PRIIPs regulation has shown how challenging harmonisation across very different products and market conditions can be. Therefore, the coexistence of both regulatory frameworks is still justified and should be maintained.

There is deliberately no general ban on commissions under the IDD. The European co-legislators instead decided during the level 1 discussions that the possibility for such a ban should remain as an option for member states. This should continue to be the case to better reflect the specificities of national insurance markets. In general, possible harmonisations should always be oriented towards the desired goal and not be envisaged for the sake of harmonisation itself.

*The use of payments for order flow (PFOF), where a broker (or an investment firm) directs the orders of its clients to a single third party for execution against remuneration, appears to be increasingly popular as a business model, in particular in the context of on-line brokerage. This practice is raising concerns in terms of potential conflicts of interest due to payment of inducements and possible breach of the obligations surrounding best execution of the client's orders (i.e. an obligation to execute orders on terms that are most favourable to the client).*

**Question 8.6** Do you see a need for legislative changes (or other measures) to address conflicts of interest, receipt of inducements and/or best execution issues surrounding the compensation of brokers (or firms) based on payment for order flow from third parties?

- Yes
- No
- Don't know / no opinion / not applicable

*If you do see a need for legislative changes, please detail the changes you would consider relevant:*

...

*Please explain your answer to question 8.6:*

This question applies to the MiFID and does not seem relevant for the insurance sector.

**Question 8.7** Do you see a need to improve the best execution regime in order to ensure that retail investors always get the best possible terms for the execution of their orders?

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 8.7:*

This question applies to the MiFID and does not seem relevant for the insurance sector.

*Financial advisors play a critical role in the distribution of retail investment products, however standards (levels of qualifications, knowledge, skills, etc.) differ across Member States. In order to reduce the risk of mis-selling, increase individual investors' confidence in advice and create a level playing field for market operators offering ad-vise in different Member States, the 2020 CMU action plan proposed that certain professional standards for advisors should be set or further improved.*

**Question 8.8** Would you see merit in developing a voluntary pan-EU label for financial advisors to promote high-level common standards across the EU?

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 8.8 and indicate what would be the main advantages and disadvantages:*

The training and development standards required by the IDD ensure that financial advisors are able to provide a high-quality service to their consumers.

The IDD requirement on continual development of professional knowledge and skills and the requirement to undertake a minimum of 15 hours of professional development training per year deepen and update the skills of distributors. This also increases the overall education and credibility of those providing insurance advice.

The overall 15-hour requirement is supplemented by more granular requirements on professional knowledge and competence in annex to the Directive. These include a knowledge of applicable law, claims and complaints handling, consumers needs and ethical standards for all product types, with additional product-based knowledge requirements for life products and insurance-based investment products (IBIPs). All this is accompanied by additional implementation costs that place a considerable administrative burden on the distributors of insurance products. For example, the extensive documentation and reporting obligations towards the supervisory authorities are to be mentioned.

The IDD already allows member states to issue a certificate certifying that an advisor has obtained the necessary level of training. This is enhanced by an existing European level initiative, the EFICERT, which provides for European level certification where required by the distributor. Obtaining either the national or European level certification requires the advisor to complete a rigorous studying and exam programme. Any EU level regime should not seek to interrupt these well-functioning systems which have been tailored to reflect the nature of each national market.

In this respect, there is no merit or need to develop a new pan-EU label for financial advisors. Requirements on professional knowledge and skills are better developed at national level which enables a necessary flexibility considering the national level of knowledge and competence. Moreover, some more additional labels, eg for simple products and the ECO-Label, are currently being considered. However, this would possibly be too much of labelling.

*If you would see merit in developing that voluntary pan-EU label, what would you consider the essential characteristics of such a label and how should it be similar to or different from those that already exist in the market?*

...

*Robo-advisors, i.e. online platforms providing automated investment advice (and in many cases also portfolio management) are in principle subject to the same investor protection rules as traditional "human" advisors under the MiFID and IDD frameworks. While robo-advisors may offer advantages for retail investors, in particular lower fees, accessible investment thresholds and in principle often impartial advice (unbiased by payment of inducements), robo- advisors may also present risks resulting from, e.g. simplistic non-dynamic algorithms which may not create efficient investment portfolios.*

**Question 8.9** *Are robo-advisors (or hybrid advisors) regulated in a manner sufficient to protect retail investors?*

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 8.9:*

All distribution activities are appropriately regulated under IDD.

It is important to keep in place a consistently high level of consumer protection. Maintaining a level-playing-field between all distribution models/channels is key. Regulation must be technology neutral. The framework must ensure that all processes can run smoothly, securely and without media disruption via electronic channels. Particularly for hybrid advisory processes, the regulatory framework for robo-advisors and “human” advisors must not be shaped in a different way as this would lead to problems of demarcation.

In the considerations it is mentioned that the fees could be reduced by robo-advice, however, the implementation of such tools is very cost-intensive and cannot be developed for free. Moreover, the maintenance, update and supervision of these systems also include ongoing costs.

**Question 8.10** *The use of robo-advisors, while increasing, has not taken off as might have been expected and remains limited in the EU.*

*What do you consider to be the main reason for this?*

- Lack of awareness about the existence of robo-advisors
- Greater trust in human advice
- Other
- Don't know / no opinion / not applicable

*Please specify to what other reason(s) you refer in your answer to question 8.10:*

...

*Please explain your answer to question 8.10:*

It is a costly and sophisticated tool that requires huge investments and several years to be implemented.

Insurance is rarely demanded on the customers' own initiative and many consumers still prefer human advice.

Theoretically, all consumers could use robo-advisors. However, one thing that has not changed is the fact that many insurance products are not demanded on the customers' own initiative. If customers want to become active themselves (pure investment) or have to (compulsory insurance), robo-advisors can become attractive for them. This seems to be the reason why they are currently better established in the investment sector. In the investment area, consumers are actively looking for ways to invest their money (at low cost), especially because of the current low interest rates.

**Question 8.11** *Are there any unnecessary barriers hindering the take-up of robo-advice?*

- Yes
- No
- Don't know / no opinion / not applicable

*If such unnecessary barriers do exist, which measures could be taken to address them?*

- Ensuring technology neutrality (see Question 3.5 and 3.10)
- Abolishment paper by default see Question 4.12

*Please explain your answer to question 8.11:*

It is a costly and sophisticated tool that requires huge investments and several years to be implemented, with unclear business returns as consumers may not be ready or willing to use it.

## 9 Addressing the complexity of products

*Financial products, including those targeted at retail investors, are often highly complex and often not properly understood by retail investors. Consumer representatives have therefore been regularly calling for simple, transparent and cost-efficient products. Less complex products suitable for retail investors exist in different areas, such as UCITS and certain Exchange Traded Funds (ETFs), and have been set as the default option of PEPP.*

**Question 9.1** *Do you consider that further measures should be taken at EU level to facilitate access of retail investors to simpler investment products?*

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 9.1:*

The key objective of providers and regulators should be that every customer receives a product which is suitable to their specific wishes and needs. Consumers should not be nudged to take their financial decisions solely based on product complexity, thus selecting sub-optimal but very simple options.

A simple product with low risks is not necessarily in the customer's interest. Higher sophistication can bring better risk mitigation, higher returns and more choices to adapt the product to consumers' evolving needs and should be not incorporated in complexity definition as in IDD guidelines on this matter.

Furthermore, it should be noted that complexity means that consumers take risks they were not prepared to bear or do not understand hidden costs and therefore suffer losses since they did not understand the product.

It is surprising that UCITS, regardless of structure, costs or investment strategy are referred to generally as simple products. While some of these products may, initially, be cheaper, this may come at the price of increased risks for retail investors.

**Question 9.2** *If further measures were to be taken by the EU to address the complexity of products:*

**a)** *Should they aim to reinforce or adapt execution of orders rules to better suit digital and online purchases of complex products by retail investors?*

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 9.2 a):*

The execution of orders rules does not seem highly relevant for insurance.

**b)** *Should they aim to make more explicit the rules which prohibit excess complexity of products that are sold to retail investors?*

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 9.2 b):*

For insurance-based investment products, the regulatory basis for sound retail investor protection has been laid within the IDD. If there are cases of non-compliance with these provisions, these should be remedied by the respective national supervisory authority or – ultimately – EIOPA. The IDD itself or, as ultima ratio, the product intervention powers stipulated in the PRIIPs Regulation provide the toolkit for enforcement. Non-compliance with existing regulation cannot be remedied by more regulation.

Furthermore, it is impossible to define complexity in a meaningful way at European level: while some product features might be uncommon in one member state, they can be typical and well-known to customers in another. For example, in DE, most of the products invest either in a collective pool with profit participation or in units of funds. Both mechanisms have been common in DE for a long time and are well-known to the consumers. Also, other features of an insurance contract such as maturity payment, surrender value or death benefits have been used for decades and are usually common and familiar to consumers. If complexity was to be defined at EU level, it should refer to the risk of unexpected losses. Structures aiming at reducing the risk for consumers should not be viewed as increasing complexity.

There are already adequate safeguards under the IDD and PRIIPs (ie POG, the suitability/appropriateness/demands and needs test; the comprehension alert; guidance with regard to the sale of products `execution-only`).

**c) Should they aim to develop a new label for simple products?**

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 9.2 c):*

There is no need for new labels as complex products already present a comprehension alert in the PRIIPs KID. Moreover, the ambiguity of the term `simple` may mislead customers who may associate a different meaning with the term than the legislator. For example, it may be comparatively easy to understand how a direct investment in shares works. However, the associated risks may be unsuitable for many consumers. In addition to such a label for "simple products", there are also planned labels for sustainable investments and financial advisors. Such intensive labelling will not achieve an added value for the consumer: rather, advisors have the ability to guide the consumer through the variety of products and features offered in order to find the most suitable solution for the particular customer.

**d) Should they aim to define and regulate simple, products (e.g. similar to PEPP)?**

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 9.2 d):*

It is important that customers are sold products that meet their particular needs and objectives. This is achieved by a resolute and consistent application of the existing rules on POG, product information and distribution. Adding further product categories on the basis of vague terminology will not strengthen simplicity or transparency. At the same time, product standardisation is against the free market.

As to the reference to PEPP, the business success of the PEPP is yet to be demonstrated.



**e)** *Should they aim to tighten the rules restricting the sale of very complex products to certain categories of investors?*

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 9.2 e):*

There are already specific conduct of business rules on POG and on advice with regard to insurance-based investment products, which ensure that products that are not suitable with regard to the needs and objectives of policyholders are not sold. Properly enforced, these provisions are more than sufficient to protect retail investors. These rules include special provisions for complex products under the IDD and PRIIPs (ie the comprehension alert).

**f)** *Should they have another aim?*

- Yes
- No
- Don't know / no opinion / not applicable

*Please specify to what other aim you refer and explain your answer to question 9.2 f):*

There is no need of further EU measures to address the complexity of products. A definition of complex products is already foreseen, as well as a complexity alert in the PRIIPs KID and specific conduct of business rules.

## 10 Redress

*There will be occasions when things go wrong with an investment, e.g. if products have been mis-sold to the retail investor. Retail investors have the possibility to address their complaint directly to the firm: MiFID, for example, requires investment firms to establish, implement and maintain effective and transparent complaints management policies and procedures for the prompt handling of clients' complaints and similar provisions are contained in the recent Crowdfunding Regulation. Redress can also be sought through non-judicial dispute resolution procedures or can be obtained in national courts. In certain cases, where large numbers of consumers have suffered harm, collective redress can also be obtained.*

**Question 10.1** *How important is it for retail investors when taking an investment decision (in particular when investing in another Member State), that they will have access to rapid and effective redress should something go wrong?*

- Not at all important
- Rather not important
- Neutral
- Somewhat important
- Very important
- Don't know / no opinion / not applicable

*Please explain your answer to question 10.1:*

Retail investors must be assured that, in the unlikely event that something should go wrong for them, they will have recourse to a satisfactory mechanism for resolving their complaint. It is, however, doubtful that this is a significant factor in customers' purchase decision.

What is satisfactory depends on the complaint and its impact on the customer. For some complaints, relying on the internal complaints procedures of product providers/intermediaries may be sufficient to resolve the complaint. For others, that mechanism may not be satisfactory and customers may need to rely on a mechanism overseen by an external third party such as an alternative dispute resolution (ADR) entity. The Directive on alternative dispute resolution for consumer disputes (Directive 2013/11/EU) protects consumers in respect of both domestic and cross-border disputes, and aims to ensure that most have access locally to a competent service which adheres to the principles of accessibility, expertise, independence, impartiality, transparency, effectiveness, fairness, liberty and legality as binding quality requirements for ADR entities. In addition to the ADR directive, customers benefit from the provisions of the Directive on certain aspects of mediation in civil and commercial matters (Directive 2008/52/EC) in the context of cross-border disputes.

The recent Directive on representative actions for the protection of the collective interests of consumers (Directive (EU) 2020/1828) will, in due course, act as an end-stop protection for customers where several, comparable complaints have not been capable of resolution and are picked up by representative entities for resolution through representative actions.

In many member states, the financial supervisor and/or consumer representative organisations may also be useful resources for information on where to get further assistance, while some even provide the ombudsman services with powers to settle customer disputes.

It seems reasonable to conclude that there is a full choice for customers to select their preferred choice of mechanism for the settlement of complaints or disputes, while ensuring inclusion of customer access to the various dispute resolution mechanisms irrespective of financial or other vulnerabilities.

**Question 10.2** *According to MIFID II, investment firms must publish the details of the process to be followed when handling a complaint. Such information must be provided to the client on request or when acknowledging a complaint and the firm must enable the client to submit their complaint free of charge. Is the MiFID II requirement sufficient to ensure an efficient and timely treatment of the clients' complaints?*

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 10.2:*

MiFID II does not apply to insurance companies, but the provisions of the IDD are relevant. Requirements for out-of-court dispute resolution are standardised in Articles 14 and 15 of the IDD.

These regulations are sufficient to ensure an efficient and also timely handling of complaints. It should also be taken into account that the ADR Directive (2013/11/EU) and the ODR Regulation ((EU) 524/2013) - whose areas of application cover insurers - also contain explicit provisions on complaints procedures.

**Question 10.3** *As a retail investor, would you know where to turn in case you needed to obtain redress through an out of court (alternative dispute resolution) procedure?*

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 10.3:*

Retail investors must be informed about the possibility of an out-of-court dispute resolution procedure and about the competent dispute resolution bodies to which they can turn. The duty to provide this information applies - for insurers - in accordance with:

- Article 8 No. 3 (h) of the Regulation (EU) 1286/2014 (PRIIP)
- Article 18 (b) (iii) of the Directive (EU) 2016/97 (IDD)
- Article 185 No. 3 (l) of the Directive 2009/138/EC (Solvency II)
- Article 3 No. 1 (4) (a) of the Directive 2002/65/EC (DMD of consumer financial services)
- Article 13 No. 1 and 2 of the Directive 2013/11/EU (ADR)

In addition to these disclosures the EC's website on Alternative Dispute Resolution offers another option for consumers to inform about their possibilities.

*Product providers/intermediaries are generally required to provide information on how the customer can make a complaint within the product information document (e.g. PRIIPs Regulation, Article 8; IDD, Article 18). In many member states, the financial supervisor and/or consumer representative organisations may also be useful resources for information on where to get further assistance, while some even provide the ombudsman services with powers to settle customer disputes.*

**Question 10.4** *How effective are existing out of court/alternative dispute resolution procedures at addressing consumer complaints related to retail investments/insurance based investments?*

- Not at all effective
- Rather not effective
- Neutral
- Somewhat effective
- Very effective
- Don't know / no opinion / not applicable

*Please explain your answer to question 10.4:*

The existing procedures for out-of-court dispute resolution are generally — also with regard to consumer complaints in connection with insurance-based investments — very effective. For instance, in DE, the Insurance Ombudsman received 18,133 requests from policyholders in 2020. 3,311 of these concerned life insurance contracts.

It must be taken into account that — in addition to the requirements in the insurance-specific IDD — there are also rules at European level that explicitly refer to the topic of out-of-court dispute resolution across different sectors. Specifically: the Directive on alternative dispute resolution for consumer disputes (2013/11/EU), which explicitly covers both domestic and cross-border cases. This is supplemented by the Directive on online dispute resolution for consumer disputes ((EU) 524/2013), which provides corresponding regulations specifically for cases of online service contracts. The EC also provides a special platform for online dispute resolution (ODR) for this purpose.

**Question 10.5** *Are further efforts needed to improve redress in the context of retail investment products: Please select as many answers as you like*

- Domestically?  No
- In a cross border context?  No

*Please explain your answer to question 10.5:*

Based on internal discussions, it seems most markets maintain appropriate provisions to ensure that customer complaints can be escalated with the product provider/intermediary with a view to resolving them in a speedy, cost-efficient and satisfactory manner. In line with the Directive on alternative dispute resolution for consumer disputes (Directive 2013/11/EU), external independent mechanisms exist in member states to assist consumers where complaints have not been resolved to their satisfaction by the product provider/intermediary. The EC has itself confirmed in its evaluation report of the ADR directive in September 2019 that all member states have fully implemented its provisions and concluded that: "Today, EU consumers have access to high-quality ADR procedures across the Union and in virtually all retail sectors, regardless of whether the dispute is domestic or cross-border and whether the purchase was made online or offline". In addition to the ADR directive, which is applicable to domestic and cross-border disputes, the mediation directive continues to apply to cross-border commercial and civil disputes (Directive 2008/52/EC).

In addition, the following should be considered: EIOPA has issued guidelines on the correct and fair handling of complaints by insurance undertakings (EIOPA-BoS-12/069). A report by the Joint Committee of the ESAs on the evaluation of the application of these guidelines — and comparable guidelines for the securities and banking sectors — from January 2021 (JC 2021 24) concluded that the guidelines have contributed to a consistent approach to complaints handling across all sectors and have led to better outcomes for consumers.

*Certain groups of consumers (e.g. the elderly, over-indebted or those with disabilities) can be particularly vulnerable and may need specific safeguards. If the process of obtaining redress is too complex and burdensome for such consumers and lacks a specially adapted process (e.g. assistance on the phone), redress may not be an effective option for them.*

**10.6** *To what extent do you think that consumer redress in retail investment products is accessible to vulnerable consumers (e.g. over-indebted, elderly, those with disabilities)?*

- Not accessible at all
- Rather not accessible
- Neutral
- Somewhat accessible
- Very accessible
- Don't know / no opinion / not applicable

*Please explain your answer to question 10.6:*

Insurance is a highly regulated sector, with much of the legislation aimed at ensuring positive consumer outcomes, and thus avoid the exclusion of vulnerable consumers such as the elderly or individuals with lower incomes. Previous internal discussions on the treatment of vulnerable customers confirms that achieving positive customer outcomes is firmly on insurers' radar in national markets. Solutions at national level differ from taking a holistic approach to targeting specific groups of vulnerable consumers, reflecting national preferences. Efforts are particularly focused on assisting vulnerable customers before contract conclusion in order to limit the need for access to redress mechanisms. Several markets also report complementing legal obligations imposed on the sector with good practices developed locally.

The question mixes the interests of very different and distinct groups. Over-indebted customers are in many markets assisted prior to contract conclusion precisely to treat them fairly and protect their interests as far as possible. Efforts are often made to ensure affordability and relevance of products are taken into consideration. Elderly customers are in most markets deemed vulnerable customers and are in many cases given special consideration to ensure decisions are properly informed prior to contract conclusion. As with all business

operations, access for disabled customers is an obligation placed on undertakings, which also applies to access to redress mechanisms.

To the industry's knowledge, access to alternative redress mechanisms is in all markets a mix of either / or addressing a complaint to the undertaking in question (product provider/intermediary) with the possibility to escalate where no satisfactory solution is found to an external independent mechanism, such as an ombudsman. Where differences exist between markets, these relate to the timeframes for resolution of a dispute and whether complaints must first be made with the product provider/intermediary or can be made directly to an external, third-party independent mechanism, such as an ombudsman service. There is also some variety in requirements for complaints-submission and whether they must be made in writing and what is meant by this (on paper vs. electronic). However, it seems to be a universal approach (in line with the IDD) to contract documentation, which must clearly set out the procedure for raising a complaint, and that such mechanism will be free or at low cost to the customer raising the complaint in line also with the ADR directive. Since insurers value repeat custom, insurers generally aim to prevent customer complaints arising in the first place, and in any event to resolve customer complaints in a speedy, cost-efficient and satisfactory manner.

Overall, the implemented mechanisms work very well and allow sufficient flexibility to consider national characteristics and differences.

## 11 Product intervention powers

*ESMA has been given the power to temporarily prohibit or restrict the marketing, distribution or sale of financial instruments with certain specified features or a type of financial activity or practice (these are known as 'product intervention powers'). EIOPA has similar powers with regard to insurance-based investment products. These powers have been used by ESMA in the past for certain types of high risk product e.g. binary options and contracts for differences (CFDs).*

**Question 11.1** *Are the European Supervisory Authorities and/or national supervisory authorities making sufficiently effective use of their existing product intervention powers?*

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 11.1:*

EIOPA played an important role in supporting national competent authorities (NCAs) in the assessment of circumstances or practices potentially bearing challenges and threat to consumers.

**Question 11.2** *Does the application of product intervention powers available to national supervisory authorities need to be further converged?*

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 11.2:*

The industry agrees that it is essential that NCAs ensure compliance with existing legislation. However, this objective does not require more detailed provisions on intervention powers. On the contrary, abstract provisions have the important advantage of being sufficiently flexible to match every conceivable situation with regard to

any available product. European law requires member states to provide their respective NCA with the necessary powers to perform their duties (see for example Article 12 IDD). In some cases, for example Articles 17 and 24 of the PRIIPs Regulation, European legislation provides direct authority to intervene. The powers stipulated by Article 17 PRIIPs Regulation are already today complemented by a detailed list of criteria and factors which must be taken into account when determining whether an intervention is required (Delegated Regulation (EU) 2016/1904). If implemented correctly by member states and applied thoroughly by the respective NCA, these powers provide a sound basis for effective supervision.

**Question 11.3** *Do the product intervention powers of the European Supervisory Authorities need to be reinforced?*

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 11.3:*

The product intervention powers are suitable for their purpose of protecting customers' interests.

The duty of ensuring the correct implementation of legislation vis-à-vis insurance undertakings primarily lies with the national supervisory authorities. The European legislation requires member states to provide the NCA with the necessary powers (see for example Article 12 IDD). The NCA know the specific characteristics of their respective markets and consumers, as well as the providers and their products. They are best placed to detect grievances and provide for swift and effective remedial action. The focus of the ESA should be on fostering convergence of national supervisory practices, where this is expedient. If the national authority does not take adequate action, the ESA has the means to step in on the basis of existing product intervention powers.

## 12 Sustainable Investing

*Citizens are today increasingly aware of the serious economic, environmental and social risks arising from climate change. As retail investors, they are also becoming conscious of the potential contribution they might make towards mitigating those risks by making more sustainable choices when investing and managing their savings. The [2018 European Commission's action plan on financing sustainable growth](#) set the basis for increasing the level of transparency on sustainability investments, through disclosure rules (e.g. Sustainable Finance Disclosure Regulation) and labels (e.g. EU Ecolabel), thereby substantially reducing the risk of greenwashing. In addition, the integration of retail investors' sustainability preferences as a top-up to the suitability assessment and financial advice in IDD and MIFID II delegated acts will ensure that clients are offered financial products and instruments that meet their sustainability preferences.*

**Question 12.1** *What is most important to you when investing your savings?*

	1 (most important)	2	3 (least important)
An investment that contributes positively to the environment and society			
An investment that reduces the harm on the environment and society (e.g. environmental pollution, child labour etc.)			
Financial returns			

**Question 12.2** *What would help you most to take an informed decision as regards a sustainable investment?*

	1 (not at all helpful)	2 (rather not helpful)	3 (neutral)	4 (somewhat helpful)	5 (very helpful)	Don't know – No opinion – Not applicable
Measurements demonstrating positive sustainability impacts of investments						<b>x</b>
Measurements demonstrating negative or low sustainability impacts of investments						<b>x</b>
Information on financial returns of sustainable investments compared to those of mainstream investments						<b>x</b>
Information on the share of financial institutions' activities that are sustainable						<b>x</b>
Require all financial products and instruments to inform about their sustainability ambition						<b>x</b>
Obligation for financial advisers to offer at least one financial product with minimum sustainability ambition						<b>x</b>
All financial products offered should have a minimum of sustainability ambition						<b>x</b>

**Question 12.3** *What are the main factors preventing more sustainable investment?*

	1 (not at all important)	2 (rather not important)	3 (neutral)	4 (somewhat important)	5 (very important)	Don't know – No opinion - Not applicable
Poor financial advice on sustainable investment						<b>x</b>
Lack of sustainability-related information in pre-contractual disclosure						<b>x</b>
Lack of EU label on sustainability related information						<b>x</b>
Lack of financial products that would meet sustainability preferences						<b>x</b>
Financial products, although containing some sustainability ambition, focus primarily on financial performance						<b>x</b>
Fear of greenwashing (i.e. where the deceptive appearance is given that investment products are environmentally, socially or from a governance point of view, friendly)						<b>x</b>
Other					<b>x</b>	

*Please specify to what other factor(s) you refer in your answer to question 12.3:*

There are several factors that considerably limit more sustainable investment by retail citizens.

A key area where more work is needed and where the EC could take action is **financial literacy and sustainability**. If they are to make better informed decisions about investments, EU citizens must have better financial literacy and knowledge of sustainable finance. This could be achieved by improving members state cooperation in terms of better education. This could raise awareness about climate action and sustainability, while encouraging citizens to reduce their environmental impact, also in terms of sustainable investment decisions. In addition, integration of sustainable finance literacy in the training requirements of finance professionals could also be helpful (see response to Q 12.4). In this respect, Insurance Europe notes that the objective to empower retail investors and SMEs to access sustainable finance opportunities is already part of the EC Renewed Sustainable Finance Strategy (RSFS).



More **research into the link between finance and sustainability** is also important to encourage sustainable investments. As ESG data becomes better and more available (via the CSRD and ESAP), clarity in such areas is going to be important to encourage retail investors to select the most relevant investments for their ESG preferences.

With respect to sustainability-related information in **pre-contractual disclosure**, the industry recognises that transparency on sustainability-related information is essential for retail consumers. The SFDR implementation will significantly address the lack of such information and will improve pre-contractual disclosures for insurance-related investment products, as well as pension products, PEPPs, etc. However, it is key that the EC improves the detailed measures under the SFDR and ensures that templates for sustainable products are simple enough for retail investors. The extensive quantitative disclosures proposed so far under the SFDR risk preventing more sustainable investments, as they are extremely complex and long for retail investors. There is a concrete risk that these disclosures become a barrier to sustainable investments instead of providing solid ground for it. This is because they can be hard to understand for retail customers and are static, hardly considering actions taken by insurers to promote the sustainability transition.

In order not to jeopardize consumer trust in sustainability disclosures, it is vital that financial market participants have enough time to properly implement the sustainability-related provisions once adopted (eg those from the SFDR). Realistic implementation periods must also take account of the need to collect the necessary ESG data for any reference periods which must be reported on. Furthermore, provisions on sustainability information on financial products should be consistent with the timing of the underlying sustainability reporting by investee companies. This is exemplified by the relationship between product-related disclosure requirements pursuant to Articles 5 and 6 of the Taxonomy Regulation (TR) and the reporting obligations under the Corporate Sustainability Reporting Directive (CSRD) in accordance with Article 8 of the TR. Finally, the implementation of disclosures by financial market participants could be facilitated if the mandatory templates are provided in an editable format, as it was done with regard to the IPID under IDD.

Besides simpler need-based pre-contractual disclosures, the EC should focus on completing a well-design **EU Ecolabel** that does not penalise any specific type of financial products. A simple robust label can be the greatest guidance to retail customers' investment decisions. Given its potential to contribute to a smooth sustainability transition, such an Ecolabel should be properly tailored to fit different types of financial products. It is therefore key that the EC revises the current Ecolabel to make its criteria compatible with the risk-sharing inherent in insurers' general funds and extend the scope to more insurance products. Beyond the "E" aspect, EU labels should also consider the "S" and "G" aspect of sustainability.

Finally, **digital finance solutions** can also encourage retail customers to better channel their money to finance the transition. Therefore, any proposed regulatory actions should consider this aspect, be innovation-friendly and technology neutral to ensure that they are fit for the digital age and do not create obstacles to innovation.

**Question 12.4** *Do you consider that detailed guidance for financial advisers would be useful to ensure simple, adequate and sufficiently granular implementation of sustainable investment measures?*

- Yes
- No
- Don't know / no opinion / not applicable

*Please explain your answer to question 12.4:*

It is important to ensure that any guidance does not become overly complex and is coherent with the IDD. Therefore, it should be considered if any such detailed guidance would add value to the already very prescriptive sustainability-related rules and definitions on the integration of sustainability factors into distribution processes under IDD.

Guidelines on financial advice already exist and public authorities should not provide further detailed guidance on sustainability preferences as the selection of the right product for a client is already complex and a highly individual process depending on a customer's characteristics and situation.

This is the role of professional recommendation provided by advisers, who are professionally trained to give financial advice as required under IDD. This training will now need to include consideration of sustainability in the advice and selection process.

The delegated regulations under IDD already set sufficient granularity on how sustainability preferences must be enquired and considered. Considering that it is already challenging to motivate consumers for old-age provisions and thus to motivate them for retail investments, the advisory process should be kept simple. Detailed guidance on sustainability preferences has the potential to create unnecessary obstacles and undermine an increase in retail investments. Instead of detailed guidance, the EU could enhance the training of active financial professionals, as already suggested under the EC RSFS.

Given the upcoming sustainability-related changes to the IDD, it is important to allow companies maximum flexibility in the assessment of sustainability preferences of retail investors. This will be assessed through precontractual documentation (which is expected to greatly improve with the implementation of the SFDR and the EU Ecolabel) as well as questionnaires that allow for some flexibility and room for additional detail where necessary.

Finally, the insurance industry understands the importance of sustainability matters and is well aware about its important role in achieving the sustainability agenda. As a supporter of the objectives of the European Green Deal, the insurance industry is already taking action beyond the regulatory provisions: eg by investing consumers' money sustainably.

*MiFID II regulates the way investment firms produce or arrange for the production of investment research to be disseminated to their clients or to the public. This concerns investment research i.e. research or other information recommending or suggesting an investment strategy, explicitly or implicitly, concerning one or several financial instruments or the issuer of financial instruments. In the context of the COVID-19 pandemic, the research regime has been reviewed in order to facilitate the production of research on the small and medium enterprises and encourage more funding from the capital markets. In order to also encourage more sustainable investments, it is fundamental that investment research consider the E (environmental,) S (social) and G (corporate governance) factors of the Issuers and financial instruments covered by that re-search.*

**Question 12.5** *Would you see any need to reinforce the current research regime in order to ensure that ESG criteria are always considered?*

- Yes
- No
- Don't know / no opinion / not applicable

### 13 Other Issues

**Question 13** *Are there any other issues that have not been raised in this questionnaire that you think would be relevant to the future retail investments strategy? Please explain your answer:*

The scope of products included in the PRIIPs Regulation is too broad, in an overly ambitious attempt to apply the same methodology to products with very different features, that are meant to address very different consumer needs. Forcing these products into the scope of the PRIIPs Regulation (eg immediate annuities and funeral contracts), while their main objective is not investment, and while the KID does not properly display the

specific features of these products, will only result in unreliable KIDs that risk misrepresenting these products and misleading consumers. The PRIIPs review should focus on all products which have an investment purpose and are therefore meant to be in the scope of the Regulation, and seek to achieve meaningful and fit-for-purpose disclosures.

Example 1: Immediate annuities provide a guaranteed monthly income for a certain period of time (often the lifetime of the policyholder). Some products offer additional features, including a guarantee that a certain sum will be paid to the beneficiaries of the policyholder in the event of their death (mortality guarantee). In general, immediate annuities cannot be qualified as investment products. They are therefore out of the PRIIPs Regulation scope and no KIDs have to be produced for immediate annuities. However, at present certain immediate annuities might meet the Article 4(2) PRIIPs definition of an IBIP and are therefore considered in the scope of the PRIIPs Regulation. It is impossible to present consumers with clear and accurate information on the performance and risks of an annuity through a literal implementation the PRIIPs RTS. Some important information on the product is also difficult to present or hidden within aggregated figures in the KID. Immediate annuities should therefore be left out of the scope of the PRIIPs Regulation. As an alternative, specific information should be produced for immediate annuities. It is not possible to present consumers with clear and accurate information on the performance and risks of an annuity through a literal implementation of the current PRIIPs RTS. Alterations to the KID should therefore be permissible in order to reflect that early surrender is unlikely.

Example 2: Funeral products are a type of insurance intended to cover funeral expenses. Some funeral products fall into the scope of the PRIIPs regulation even if they are not bought as investment products. The application of the PRIIPs KID to such products is misleading: for example, showing performance scenarios could lead customers to expect a return on investment that doesn't exist in this kind of products.

Funeral cover products and, overall, products which are not intended for use as investments, should be clearly out of the scope of the PRIIPs Regulation. The current exemptions for pension products should also be retained.

Moreover, as per Q.4.2.1, in the PRIIPs KID there is no space to properly explain insurance covers and guarantees. If there are no insurance covers or guarantees, the information is simply omitted. This does not help consumers understand the specificities of insurance products or properly assess costs and benefits.

Intermediate time periods are also not appropriate for IBIPs and do not help consumers understand the long-term nature of IBIPs. A correct understanding of the recommended holding period is key to reap the full benefit from the investment cycle. From a purely technical perspective, information on intermediate time periods (eg one year, half RHP) for products with a RHP of 30 years would not be comparable with the corresponding figures of a product with a RHP of 15 years, as their overall structure and duration is different.

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