



Response to EIOPA guidelines on customer sustainability preferences under the IDD

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| Contact person: | COB department | E-mail: | coles@insuranceeurope.eu , bertolo@insuranceeurope.eu |
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Q1. Do you have any general comments regarding EIOPA proposed approach?

We welcome the opportunity to respond to this consultation and that EIOPA has made draft guidelines available, albeit with a short timeline for responses. We appreciate that EIOPA acknowledges the difficulties insurers face in implementing changes to the IDD suitability assessment brought about by the inclusion of sustainability considerations. In particular, insurers face significant difficulties regarding access to data and incoherent timelines in the overarching legislation. EIOPA's guidelines offer some support in dealing with these issues.

The approach taken by EIOPA is, however, considerably less flexible than that taken by ESMA. For some important parts of the suitability assessment (eg the collection of information from consumers and ensuring suitability), both ESAs prescribe detailed guidance on how parts may be performed, but where EIOPA makes it a requirement by using 'should', ESMA allows for more flexibility by using 'could'. The current L1/2 rules on the suitability assessment work well in practice: while providing robust rules on the content of the assessment, they are also sufficiently abstract to adapt to different customers, products, and situations. Overly detailed provisions would create more practical and legal difficulties than they resolve, especially for new rules that have not yet been tested. It is essential that guidelines leave distributors enough room for manoeuvre to allow for a pragmatic and efficient implementation across different EU markets. The aim must always be to help the customer.

EIOPA's reflections on how the current disclosure rules work from a retail investor perspective in its recent technical advice on the RIS are impressive. Many disclosure requirements have, unfortunately, strayed from their actual objective, which is to enable and motivate customers to make informed decisions. EIOPA should adopt a consumer-centric perspective in its present guidance and keep the assessment of the sustainability preferences as simple and accessible as possible.

EIOPA should reevaluate the proposed guidelines with a view to removing overly granular and prescriptive requirements. The aim should be to give guidance, but without detailed requirements that benefit neither insurers nor customers. Wherever possible, EIOPA should replicate the flexibility of some ESMA guidelines by using 'could' instead of 'should'. In many markets some providers will be simultaneously complying with both sets of guidelines. Given the similarities in the level 2 regulation, divergence introduced solely at level 3 is not justified.

Should there be a need for further guidance on a specific point at a later stage in the implementation process, NCAs, EIOPA and ESMA have various means at their disposal to provide clarifications swiftly and in a targeted way. This would also be in line with the objectives of the EC's retail investment strategy, one of which is to make distribution processes as efficient and as useful for the customer as possible, not least by avoiding unnecessary tick-box/compliance exercises.

It should be noted that the average advisory meeting usually lasts less than an hour and that many important aspects besides sustainability aspects must be discussed. The time spent on sustainability aspects must therefore be proportionate in relation to other aspects. Overly complex and inflexible procedures will not benefit customers.

The industry wishes to highlight the difficulties it will face in implementing such extensive guidelines in such a short timeframe. Technical implementation, data availability, the classification of funds and application to MOPs are significant challenges that need more time. To align the guidelines with the application date of the SFDR, they should be recommended to apply from 1 January 2023, with implementation undertaken on a best efforts basis until then. This would also render the transitional provisions in paragraphs 25, 27 and 29 redundant.

Q2. *Guideline 1 – Do you agree that insurance undertakings and insurance intermediaries should explain the purpose of the sustainability part of the suitability assessment and its scope as proposed by EIOPA or do you believe that the information requirement should be expanded further, and if yes, how?*

Overall, Insurance Europe supports the approach taken by EIOPA and does not see a need for this guideline to be expanded further. However, the wording of the guideline could be clarified.

Information and explanations should, of course, be provided in a clear and simple manner which consumers can easily understand. However, the term 'sustainability preferences' and 'the distinction between its different elements (...) what the different sustainability aspects of Article 2 (4) of Commission Delegated Regulation (EU) 2017/2359 mean' are both inherently technical.

EIOPA rightfully states that these are new concepts to customers and will, as such, need full explanations. The focus of the guideline should be to ensure consumer understanding rather than explicitly advising against the use of technical language, not least as 'technical' is itself not clearly defined. To better reflect this, the guideline should clarify that insurers and intermediaries are free to choose the language that they find most appropriate and should focus on supporting the understanding of the (potential) customer.

Q3. *Guideline 2 – Do you consider that insurance undertakings and insurance intermediaries should collect information on sustainability preferences as the last element within the collection of information on investment objectives?*

Insurance Europe recognises the two-step process envisaged by EIOPA regarding the suitability assessment. Insurers agree that the most efficient way of integrating sustainability preferences is to include this as a second step following the performance of a standard suitability assessment. However, the industry proposes a more flexible wording of paragraph 10 to reflect that the two-step approach is more relevant for the suitability assessment, rather than the collection of information from customer:

"For the purpose of a suitability assessment, insurance undertakings and insurance intermediaries ~~should~~ could obtain information on sustainability preferences as the last element...", in line with ESMA's guidelines under the MiFID II DA.

It should also be noted that the distinct separation of the two stages envisaged by the guidelines may not always be reflected in practice. Some insurers and intermediaries use pre-printed surveys that the customer is expected to fill in before the advisory meeting and may want to collect all information at once. The guidelines should not rule out this kind of information collection.

Similarly, there is no reason why a customer with very firm sustainability preferences should have to be asked lengthy questions on their other objectives, before being able to assess whether or not the distributor is able to

offer products with matching sustainability characteristics. The guidelines should allow for flexibility to avoid unnecessary bureaucracy.

The proposed guideline also seems to suggest that the collection of information regarding the different elements defined in points a), b) or c) of Article 2(4) of Commission Delegated Regulation (EU) 2017/2359 would also need to be carried out in a sequential manner. This does not seem to reflect the reality of a customer's sustainability preferences, which will most likely be a combination of more than these three elements.

Equally, in some markets, insurers do not have a series of products to offer but a single product which is adapted to meet the investment objectives of the customer (risk appetite, active vs passive, management on the basis of sustainability etc). In this context customers do not have a direct choice on all the elements individually but choose an overall investment strategy. The guideline should include the necessary flexibility to accommodate this type of product, as a restrictive requirement to consider each element sequentially does not capture these products appropriately.

In the industry's experience, great care must be taken not to discourage customers from expressing sustainability preferences by presenting highly complex inquiries about particular percentages or shares, especially where these do not match the reality of the products offered. Therefore, Insurance Europe suggests a more flexible wording of paragraph 11: "*Insurance undertakings and insurance intermediaries ~~should~~ could obtain the following information...*" This would also address the concerns detailed above.

Q4. *Guideline 2 – Consistently with the text of article 2(4) of Commission Delegated Regulation 2017/2359, as amended by Commission Delegated Regulation (EU) 2021/1257, EIOPA proposes to collect the information on the minimum proportion for aspects defined in points a) and b) of Article 2(4) of Commission Delegated Regulation 2017/2359 from the customer in terms of percentages or shares. Do you agree with this approach?*

There is a need for greater flexibility in this approach. The reliance on the list included in Article 2(4) CDR will result in the gathering of information that is not well aligned to the features of the products ultimately offered the client. It should be possible to deviate from and combine elements of this list to better match the product information to be provided to the client.

In the RTS templates in particular in annexes 2 and 3, where more combinations of sustainability features are shown, it is clearly possible to have a product that promotes E/S characteristics but that will not make any sustainable investments (last tick box of first question). This product is categorized by the SFDR as a product with ESG features as well as the products identified by points a), b) or c) of Article 2(4). It is important that accurate information can still be gathered on a client's preference for these products as part of the suitability assessment. It should be possible to consider all elements at a single stage (rather than in a strict sequence) to enable customers to express a preference for one, some or all of the elements in combination.

There should also be more flexibility in the explanation of possible combinations of other elements of the promotion of E/S characteristics, principal adverse impact considerations and sustainable investment (aligned or not). Rather than adding further prescription EIOPA should give indications of how to interpret the wording 'to what extent' used in the CDR.

The level of knowledge and expertise of most retail customers is limited so their capacity to make informed responses on technical aspects such as minimum percentage allocations and or taxonomy aligned investments will be constrained. There should be scope to explore a customer's preferences at a broad level () with additional specific questions regarding PAI, minimum percentages of sustainable investments and minimum percentages of taxonomy aligned investments only asked when appropriate

Regarding the use of percentages or shares, the approach taken by EIOPA is less flexible than that taken by ESMA. ESMA explicitly permit the use of percentage ranges for the minimum share. This may be beneficial to customers and could enable insurers/insurance intermediaries to be more flexible in identifying products that are suitable for their customers. The guidelines should avoid being overly prescriptive on this point and should permit the use of both simple minimum thresholds, minimum thresholds expressed as a range (eg a minimum proportion

of between 5 and 10%), and standard minimum proportions aimed at orienting the customer and give a basic level of guidance (see Q6).

The use of ranges may be helpful in certain circumstances and permitting their use does not prevent customers from determining a more precise value, should they wish to do so. Ranges would also not prevent products with higher proportions of sustainable investments from being recommended (see point 2 of the consultation paper). The ranges would help customers choose their desired minimum (not maximum) proportion of sustainable investment. For example, if a customer were to select a range of 10 to 15 % sustainable investment as their desired minimum proportion, a product with 30% sustainable investment could be recommended without adaptation of the sustainability preferences, provided that this product best meets their objectives and needs (Article 20 (1) IDD).

It should also be noted that some providers will be complying with the ESMA and EIOPA guidelines simultaneously. This flexibility would allow them to use the same presentation for clients of both IBIPs and other products. That said, some providers may still wish to use a single value in setting the minimum threshold and this should also be possible under the guidelines.

Q5. *Guideline 2 – EIOPA proposes that insurance undertakings and insurance intermediaries should collect information on whether the customer chooses the Taxonomy alignment based on all investment of the insurance-based investment product or only based on those assets that are not government bonds, due to the existing limitations to screen taxonomy-alignment of government bonds. Do you agree with this approach?*

For most customers, the mandatory disclosures on the different KPI of the products' Taxonomy alignment will be extremely challenging to fully understand. The industry is concerned that requiring distributors to explain the background and operation of the two KPIs will, in many cases, lead to incomprehension if not rejection by the customers. Overburdening customers with too much detail risks stifling their interest in sustainability altogether.

However, in cases where the customer shows a specific interest in Taxonomy alignment and the relevant products have significant exposure to government bonds, distributors should be allowed to go into more detail with regard to the two KPIs and — in agreement with the customer — effect the enquiry of the sustainability preferences based on KPI 2.

There is also a lack of clarity regarding when this process would need to be carried out. It should only be necessary to provide an explanation of the differences between the two KPIs if a customer has already expressed a relevant taxonomy related preference that necessitates this. It is currently unclear if EIOPA expects this explanation to be given to all clients. If a particular customer wants a product with a minimum proportion of Taxonomy compliant investments and the product in question invests heavily in government bonds, it makes sense to explain the difference. However, in other cases, these explanations should not be required. The guideline should explicitly state this.

Q6. *Guideline 2 – When the customer does not determine a specific "minimum proportion" for aspects a) and b), EIOPA proposes that insurance undertakings and insurance intermediaries could guide the customer by providing standardised minimum proportions to help the customer in determining a minimum proportion. Do you believe that the guidelines should specify how granular should be such standardised minimum proportions?*

Insurance Europe does not believe that further granularity on the standardised minimum portions would be helpful. Insurers and insurance intermediaries are better placed to set the standardised proportions to reflect the reality of their product offering. Therefore, EIOPA should not specify how granular standardised minimum proportions should be.

However, the standardised proportions should not only be used as a tool with those customers who have failed to determine a specific minimum proportion, but should also be made available to all customers (please see our comments on Question 4). This would help orientate the customer and give a basic level of guidance. Although

insurers understand concerns that customers must not be steered towards a specific preference, making customers aware of some example proportions at the start of the sales process could give them some idea of what is feasible. The guidelines should make clear that it is possible to do so. The ESAs would maintain the possibility to take further action if they deem it necessary to protect the principle of neutrality.

Q7. *Guideline 2 – Do you agree with the suggested approach where customers answer that they do have sustainability preferences, but do not state a preference with regard to any of the specific aspects mentioned under a) to c) or with regard to a minimum proportion with regard to points a) and b) of Article 2(4) of Commission Delegated Regulation 2017/2359, as amended? If yes, do you believe that the supporting guideline should be more prescriptive with regard to the procedures insurance undertakings and insurance intermediaries should adopt in the case where a customer does not determine specific sustainability preferences?*

There is no need for any further granularity, and the approach proposed by EIOPA on this point is already too prescriptive to be practicable.

Firstly, this process should not be used as a tool to persuade a customer that they have a preference, when the reality is that it is not a priority for them. As written, it could appear that the insurer/intermediary must explain and re-explain to the client until a client eventually expresses a preference. CDR requires distributors to enquire about the sustainability preferences of the customer. Where, despite the explanations and questions put to the customer, their objectives regarding sustainability remain abstract, then these abstract objectives reflect their sustainability preferences as the basis for the suitability assessment.

Secondly, it is possible for a client to have a preference related to one aspect of the criteria a)-c) in Article 2(4) of the CDR, but no preference regarding the other elements. As currently drafted the guideline seems to suggest that in this situation a client must be encouraged to express a preference for the other two elements even if this is not a priority for them, otherwise they would be considered as having no sustainability preferences at all.

Given the technical complexity of the PAI, it may be useful to ask the customer to choose them by distinguishing by macro-classes in relation to whether they are PAI environmental, social or good governance. The guidelines should be sufficiently flexible as to allow for this.

Article 9.6 of the DAs states that "Where no insurance-based investment product meets the sustainability preferences of the customer or potential customer, and the customer decides to adapt his or her sustainability preferences, the insurance intermediary or insurance undertaking shall keep records of the decision of the customer, including the reasons for that decision", which makes clear there is no need for a client to be pushed into setting a preference. It should also be made more explicit in the guidelines that if, once the customer has received a full explanation, they still do not express a preference there is no need to continue to try to establish one. In the industry's view, point 13 and 15 of the guideline should simply be deleted.

There is also a lack of clarity regarding the application to multi-option products (MOPs). The industry's understanding of 11(e) is that the customer can express whether some, or all, of the underlying options selected should consider PAI, not that the customer can express whether the underlying options of the overall product must consider PAI. This should be made clearer in the drafting, as the current wording is not explicit on this point.

In any case it should be possible to offer a sustainable product to customers if he or she has sustainability preferences but is not in a position to further specify them.

Q8. Guideline 2 – Do you consider that further guidance is needed to clarify how insurance undertakings and insurance intermediaries should collect information on the customer’s sustainability preferences?

There is no need for any additional guidelines. The proposed Guideline 2 is comprehensive and very granular. However, the following aspects could pose problems with implementation:

- The overall approach suggested in the draft guidelines is too granular and adds too many additional requirements above the L2, making the process even more difficult to understand for clients.
 - It is important to note that the products (a), (b) and (c) are not exclusive from one to the other. For instance, most products belonging to the “a” category will also comply to “b” and “c” specificities.
 - Clients are allowed to choose (a), (b) or (c) or a combination of those products. If clients choose a combination of products (a), (b) and (c), it means that any product belonging to one another of these categories can be recommended to clients to answer their sustainability preferences. When clients receive advice, the insurance distributor will provide them with all the information to enable them to make a choice. This point should be clarified in the guidelines to avoid ambiguity.
- Guideline 2 (see § 12, 2nd bullet point) requires the client to be questioned on whether preferences focus on either E or S criteria or a combination thereof. This is not required by the CDR and should then be seen as simply one of several possibilities.
- Moreover, Insurance Europe cannot identify what additional information could be obtained once the client has expressed a wish to focus on E or S.
- PAIs:
 - The concept of “principal adverse impacts on sustainability factors” as well as “quantitative or qualitative elements demonstrating that consideration” are extremely difficult for a client to understand. Consideration of the PAIs at product level is not clearly defined in the SFDR and in the CDR is not limited to the indicators defined in SFDR RTS. Further, the PAI as listed in the annex to the draft SFDR RTS is drafted from a reporting perspective at entity level. Some indicators are not meaningful from the perspective of client who wants to limit the adverse impacts of their investments. Insurers support the idea of families of PAIs that could be easier for the client to understand. However, their definition should not be constrained by the SFDR PAIs denomination. It is important for insurance distributors to be allowed sufficient flexibility to tackle the PAIs in a more comprehensible and less granular manner, which will be more easily understood by clients.
 - Asking the client whether some, or all, of the underlying options should consider PAI (see §11 e)) would add yet another step to a questionnaire which is already substantial, while bringing no real benefit as it would not better define the sustainability preferences of the client.
 - Once the client has expressed their potential preferences regarding PAIs, the draft guidelines indicate that an “evaluation should be based on the approaches in which products consider PAI” (see §12 6th bullet point). There is a lack of clarity regarding what is expected from insurance distributors in this respect.

Q9. Guideline 3 – Do you agree with the approach with regard to the periodic assessment?

As stated in recital 10 of Commission Delegated Regulation (EU) 2021/1257, for existing customers, for whom a suitability assessment has already been undertaken, insurance intermediaries and insurers should have the possibility to identify the customer’s individual sustainability preferences at the next regular update of the existing suitability assessment.

Insurance Europe appreciates the specification that insurance intermediaries and insurers are not required to conduct the periodic assessment at the date of the application of the new requirements, but only at the next

occasion/update when a periodic assessment of suitability is provided, according to the usual process and timeframe followed by insurance intermediaries and insurers under the Commission Delegated Regulation (EU) 2017/2359.

The draft guidelines cover both the case of customers who at the initial suitability assessment replied positively to the question whether they have sustainability preferences (paragraph 20) and customers who, at the initial suitability assessment, replied negatively (paragraph 21). The draft guidelines also consider the case of products invested that do not match anymore the customer's updated sustainability preferences (paragraph 22). No further guidance is needed.

Q10. *Guideline 4 – EIOPA provides guidance on how to use the SFDR disclosures under Solvency II Directive to assess whether an insurance-based investment product matches the sustainability preferences of the customer in order to make a personal recommendation. Do you agree with the approach?*

Insurance Europe is concerned that paragraph 24 (*“For all insurance-based investment products [...] the disclosed minimum share of sustainable investments and environmentally sustainable investments in the pre-contractual disclosures under Solvency II Directive represents a commitment that should be maintained at all times by the insurance undertaking”*) goes beyond the scope of the guidelines. The requirements for the “minimum share” of sustainable investments and environmentally sustainable investments are provided by the SFDR and should not be further developed or elaborated here. The IDD guidelines should only concern the information requirements and conduct of business rules applicable to the distribution of insurance-based investment products.

Insurers also do not see similar expectations under ESMA's draft guidelines for MiFID products. The industry, therefore, strongly encourages EIOPA to re-evaluate the proposed guidelines with a view to removing overly granular and prescriptive requirements. The aim should be to give guidance, but without detailed requirements that may not benefit undertakings nor customers. Wherever possible, efforts should also be made to replicate the flexibility of some ESMA guidelines. Given the similarities in the level 2 regulation, divergence introduced solely at level 3 is not justified.

For these reasons, Insurance Europe suggests deleting paragraph 24.

Q11. *Guideline 4 – For multi-option products, EIOPA provides guidance on how to assess whether an insurance-based investment product matches the sustainability preferences of the customer in order to make a personal recommendation. Do you agree with the approach?*

In paragraph 32, bullet point 1 (products a and b), the approach proposed by EIOPA based on the *“weighted (per premiums) average of minimum proportion of environmentally sustainable investments or sustainable investments”* makes the calculation complex for distributors and operationally difficult. Nevertheless, the possibility of averaging the proportion of sustainable investments in the MOP options may be satisfactory for some products.

For other MOPs, it may be very difficult or even impossible to establish a meaningful average minimum proportion of sustainable investments of a product consisting of multiple underlying investment options. Firstly, this is because the apportionment of the premium is not necessarily predetermined but often depends on market developments during the product's duration (as in the case of hybrid products). Secondly, it is due to the separate development of the respective underlying options, which have different risk-return-profiles and are, therefore, expected to perform at a different pace. In these cases, a pre-contractual estimate on an average minimum proportion based on the premium may, therefore, not necessarily be an accurate indicator of the actual minimum proportion of the product during its lifetime.

Distributors should, therefore, alternatively be allowed to assess the sustainability preferences of the customer for each selected investment option separately. The distributor would in this case have to explain the operating principles of the MOP to the customer, to enable them to realistically assess the sustainability characteristics of the product as a whole. Such an approach would seem coherent with the SFDR RTS approach

for MOPs disclosures and could help avoid potential misunderstandings for consumers and liability risks for distributors.

To allow for suitable approaches for the different types of MOPs, the industry suggests replacing the term "should" by "could" at the beginning of paragraph 32 in order to make the proposed approach optional and not mandatory.

As to paragraph 32, bullet point 2 (products c), the investment choices of customers are not always under the discretion of the insurer or insurance intermediary after the advisory meeting. In some countries, the customer is allowed to change the underlying investment options (funds) repeatedly during the life of the insurance contract. In other words, the second bullet point of paragraph 32 can only be ensured at the time of the advisory meeting. However, this is information that insurers and insurance intermediaries are required to provide to customers before entering into a contract according to SFDR, Article 20(1) b, making the second point of paragraph 32 superfluous. The industry suggests replacing the term "should" by "could" at the beginning of paragraph 32 in order to make the proposed approach optional and not mandatory or even delete the second bullet point.

In any case, it should be clarified in the guidelines that the weighted average for a MOP is only valid at the time of the advice.

Q12. *Guideline 5 – Do you agree with the approach outlined with regard to the situation where the customer makes use of the possibility to adapt the sustainability preferences?*

The guidance provided is sufficient. However, the wording in paragraph 34 is not entirely in line with the provisions in the delegated act (see Recital 14 and Article 2(3)c in the IDD DA, (EU) 2021/1257) and needs to be adjusted in the following way in order to avoid any misunderstandings:

"34. Insurance undertakings and insurance intermediaries should [...] When a product does not meet the initial sustainability preferences of the customer, an insurance undertaking or insurance intermediary should only recommend it **as meeting a customer's or potential customer's sustainability preferences** once the customer had adapted his/her sustainability preferences."

Q13. *Guideline 6 – Do you agree with the guidance regarding to the arrangements necessary to ensure compliance with the record-keeping requirements or do you believe that further guidance on this aspect should be needed?*

No further guidance is needed.

Q14. *Guideline 7 – Do you agree with the guidance regarding to the qualification of employees of an insurance undertaking or insurance intermediary employees or do you believe that further guidance on this aspect should be needed?*

Appropriate training is important to assess the sustainability preferences of consumers. This is already stipulated in Article 10(1) of the IDD, which naturally extends equally to the sustainability preferences when advising on insurance-based investment products.

Where necessary, professional training and development measures within the meaning of Article 10(2) of the IDD cover this issue in order to maintain an adequate level of performance corresponding to the role carried out by distributors and the relevant market.

Further guidance is not necessary in this respect. In particular, while paragraph 37 of the draft guidelines is appropriate, paragraph 38 is too far-reaching since it appears to include all employees of the insurance undertaking or insurance intermediary. It should be clarified in point 38 that not all employees of an insurance undertaking should possess basic knowledge and experience with regard to the criteria of the sustainability preferences, but only those who are carrying out insurance distribution activities in relation to IBIPs.

EU citizens also need better financial literacy and knowledge of sustainable finance. The EC and EIOPA could play a role in raising EU citizens' awareness on sustainable finance, sustainability risks, principal adverse impacts on sustainability factors, the main aspects of the SFDR Regulation including article 8 and article 9 products, and the Taxonomy Regulation.

Q15. *What level of resources would be required to implement and comply with the guidelines (organisational, IT costs, training costs, employee costs, etc., differentiated between one off and ongoing costs)? When answering this question, please also provide information about the size, internal organisation and the nature, scale and complexity of the activities of your institution, where relevant.*

Implementing the guidelines will lead to a very high effort and needs high resources within insurance companies.

Adding sustainability preferences to the suitability assessment will require insurers and insurance intermediaries to integrate their IDD questionnaires with further questions, thus impacting the length and complexity of the distribution process. Considering that it is already challenging to motivate consumers to make long-term investments, the advisory process should be kept simple.

In addition, adaptations of IT systems and databases, sales processes and documentation will be necessary, while the availability of sufficient data on the different sustainability indicators and the implementation deadline still pose high implementation challenges that are not solved by the guidelines.

Furthermore, insurers offering investment options in the form of mutual funds will depend on the availability, quality and timeliness of SFDR pre-contractual disclosures to be provided by asset managers. Some multi-option IBIPs offer several hundreds of mutual funds, hence increasing the complexity and costs associated with collecting each individual mutual fund's sustainability data.

Wherever possible, efforts should also be made to replicate the flexibility of some of the ESMA guidelines by using 'could' rather than 'should' where appropriate. Given the similarities in the level 2 regulation, divergence introduced solely at level 3 is not justified.

In terms of supervisors' expectations, it should be considered that both distributors and consumers will need time to familiarise themselves with the new terminology and product categories.

As a European federation, it is not possible to quantify the resources required, as it also depends on issues such as the size of the company and of the distribution network, whether the company needs to outsource activities, the number and type of products in the portfolio, the frequency of changes, etc. However, it should be noted that, in general, compliance represents a significant and growing part of companies' costs.

Insurance Europe is the European insurance and reinsurance federation. Through its 36 member bodies — the national insurance associations — it represents all types and sizes of insurance and reinsurance undertakings. Insurance Europe, which is based in Brussels, represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers pay out over €1 000bn annually — or €2.8bn a day — in claims, directly employ more than 920 000 people and invest over €10.6trn in the economy.