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EIOPA public consultation on the ‘Methodology for Value for Money Benchmarks’

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Introduction

Following the publication of the Supervisory Statement on Value for Money in November 2021, EIOPA started working on a methodology to assess Value for Money (VfM) in the unit-linked and hybrid insurance products markets, with the aim of ensuring consistent and convergent approaches. The VfM methodology is meant as a supervisory tool for National Competent Authorities (NCAs). It aims at providing clarity for insurance manufacturers and distributors on the supervisory approaches to address VfM risks, to ensure that they are sufficiently customer-centric and that they take into account VfM considerations.

The Methodology for the Value for Money benchmarks issued for public consultation, presents how EIOPA aims to develop such reference benchmarks, by taking a gradual approach to ensure they well reflect the characteristics of products sold in different markets across the European Union (EU). Three steps are envisaged:

- Step 1 Defining the product clusters: This would consist in defining the set of clusters based on which unit-linked and hybrid products are grouped according to policyholders’ needs. The aim is to ensure that products with similar characteristics and with comparable features are compared with one another. Unit-linked and hybrid products across Europe can be highly diverse and, hence, there cannot just be one set of benchmarks for all products. While the final set of clusters will be defined based on the set of products which will be collected, the methodology already identifies some criteria and presents two possible options on how to clusters Multi-Option Products (MOPs).

- Step 2 Defining the indicators around which benchmarks will be developed: The published VfM methodology already contains a set of indicators to measure VfM. EIOPA proposes revisions to these indicators to also include new ones which would help in further assessing if products offer VfM. The updated indicators will be defined based on feedback from the public consultation and once the data is available.

- Step 3 Data collection and the benchmarks calibration: Considering the need to limit the burden on the market, EIOPA envisages relying on existing data collection process – i.e., the annual Cost and Past Performance (CPP) report. However, this will need to be refined and adjusted. This document presents how EIOPA plans to refine and adjust it including how the data collection would work depending on whether for MOPs Option 1 or Option 2 is chosen.

It is important to highlight that the approach for the definition of the benchmarks is to be considered an initial exercise that will require further recalibrations and possible revisions on the approach. EIOPA plans to revise and improve the methodology through a public consultation which will run from 15 December 2023 for 3 months, and through the input received through a pilot data collection exercise which will run in parallel to the public consultation.

It is worth noting that as part of its work on VfM, EIOPA in 2020 decided to gradually develop a comprehensive and proportional toolkit enabling NCAs to address value for money risks in the unit-linked and hybrid insurance products market. To this extend it decided and already started its work on the benchmarks prior to the publication of and independently from the Retail Investment Strategy (RIS), through which the European Commission envisages an Omnibus Act which would amend also the Insurance Distribution Directive (IDD) alongside a number of other measures to increase consumers' savings and enhance the Capital Markets Union (CMU). The proposal clarifies and further strengthens existing VfM requirements under Article 25 (POG) and it further suggests that EIOPA, after having consulted ESMA, should develop common benchmarks for insurance-based investment products (IBIPs) that should help insurance manufacturers perform product comparative assessments.

EIOPA's current work is therefore to be considered independent from the RIS and fully entrenched and based on existing IDD requirements. In fact, even though EIOPA is of the view that this preliminary work can inform the RIS as it will provide real practical expertise on how to develop benchmarks before the methodology under the RIS is developed, EIOPA's work and approach is different from the RIS as it would develop benchmarks based on a sample of products and such benchmarks would be used for supervisory purposes (i.e., to inform a more risk-based approach).

Finally, while EIOPA has not carried out an impact assessment prior to the publication of this consultation paper, EIOPA encourages stakeholders feedback as to the possible costs and impact of the proposal and approach included in this methodology. EIOPA views the current approach as not increasing the costs; in fact, as presented in Section 6 of this consultation paper the data collection would rely on the CPP data collection process and only in case Option 2 is preferred for MOPs the number of products to be reported would significantly increase. Moreover, EIOPA expects to rely on data which insurance product manufacturers – if they carry out sufficient and adequate product testing in line with Article 6 of the POG Delegated Regulation – should have readily available. On the contrary, EIOPA expects that the current approach would limit costs and facilitate insurance manufacturers' work by providing them with key indicators on comparable offers in the market by enabling a more risk-based approach to supervision.

Responding to the consultation

EIOPA welcomes comments on the Consultation paper on Methodology on Value for Money Benchmarks. Comments are most helpful if they:

- respond to the question stated, where applicable;
- contain a clear rationale;
- and describe any alternatives EIOPA should consider.

Please send your comments to EIOPA in the EU survey tool, by 15 March 2024. Contributions not provided using the survey or submitted after the deadline will not be processed and therefore considered as they were not submitted.

In case of questions you can contact EIOPA at valueformoney@eiopa.europa.eu.

Publication of responses

Your responses will be published on the EIOPA website unless: you request to treat them confidential, or they are unlawful, or they would infringe the rights of any third party. Please, indicate clearly and prominently in your submission in the respective field in the EU survey tool. Standard confidentiality statements in an email message will not be treated as request for not disclosure. EIOPA may also publish a summary of the survey input received on its website.

Please note that EIOPA is subject to Regulation (EC) No 1049/2001 regarding public access to documents and EIOPA's rules on [public access to documents.]

Declaration by the contributor

By sending your contribution to EIOPA you consent to publication of all non-confidential information in your contribution, in whole/in part – as indicated in your responses, including to the publication of the name of your organisation, and you thereby declare that nothing within your response is unlawful or would infringe the rights of any third party in a manner that would prevent the publication.

Data protection

Please note that personal contact details (such as name of individuals, email addresses and phone numbers) will not be published. EIOPA, as a European Authority, will process any personal data in line with Regulation (EU) 2018/1725. More information on how personal data are treated can be found in the privacy statement at the end of this material.

Information about the respondent

* First name

* Last name

* Email

* Do you agree that your response is published in EIOPA website?

- (●) Yes
- ( ) No

* Country

France

* Name of your organisation

Institut des actuaires

* Type of your organisation

- ○ Insurance or reinsurance undertaking
- ○ Insurance intermediary
- ○ Technology company
- ○ Industry association
- ○ Consumer association
- ◉ Academia
- ○ Other (please specify)

* Would you be willing to engage with EIOPA on follow-up discussions on The Methodology for Value for Money Benchmarks? If 'yes', please provide the main contact point for possible follow up (name and e-mail address)

- ◉ Yes
- ○ No

* Name

Jost

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Questions to stakeholders

1. Stakeholders are invited to provided inputs and views as to how value for money benchmarks should work and their usefulness for product comparability.

2000 character(s) maximum

European a life insurance products have very different charateristics, as highlighted by the consultation, a significant portion of which cannot be taken into account by indicators, either because the granularity would become excessively fine, or because these characteristics are not easily quantifiable (for example, advice or lack thereof, digital offering or not, emphasis on sustainability, etc.). Therefore, benchmarks, particularly at a European level, do not seem to be a tool for assessing the Value for Money within such a market.
However, we fully endorse the idea (3.1) that benchmarks can help identify products which prima facie pose higher value for money risks and which require higher supervisory scrutiny. This is consistent with a risk-based approach, which should therefore consist of two phases: firstly, the detection of a potential risk and, secondly, a higher scrutiny to confirm whether or not it exists and, if so, to deal with it.
A key aspect of the feasibility of the approach therefore seems to lie in a good balance in the definition of

benchmarks, which must be sufficiently effective to detect risks but must not substitute for a thorough analysis, for proper expertise, of the product in question. We believe that for most products, very basic indicators targeting costs or certain pricing parameters can effectively play this detection role, without multiplying the indicators as suggested in point 3.4.
This purpose is clearly summarised in point 3.8, to which we fully subscribe: benchmarks "can also facilitate supervisory interventions if, vis-à-vis the benchmarks, insurance products manufacturers fail to prove the additional value offered by their products who go beyond the perimeter of said benchmarks".

2. Stakeholders are also invited to share whether they agree on what the benchmarks are and are not.

2000 character(s) maximum

Regarding point 3.1, we believe that it is not possible, even with specific and detailed appraisal and pricing for a given product, to have a cost approach that would enable us to relate each product guarantee or service to its cost, as the 2021 supervisory statement would like. This would obviously be even more out of reach for simple indicators. Similarly, the proportionality of costs and benefits is a very vague notion that a benchmark cannot assess.
However, a comprehensive approach to fees, or mein fees, is feasible if the products are standardised enough to be comparable. Likewise, comparing the costs of products with a similar level of service can identify products with excessive fees.
In section 3.6, we question the modalities of publishing the indicators: will the results of a single indicator be gathered for all products combined? Will this consist of communicating an average or deciles? Or will the indicators be presented while retaining them within the set of indicators (which would require communication by product)? To take a simple example, some indicators may be anti-correlated. If for the same product indicator A is excellent, it is legitimate for indicator B to be rather poor. The problem arises if both B is poor and A is mediocre, which assumes a coupled vision of the indicators.
In 3.6 as well, we are concerned about projects of "guidance [which] would explain to supervisors and manufacturers how to treat products within and outside the benchmarks, how certain specific product features could affect the cost, benefits and performance of the products". It seems to us that this type of analysis is part of the skills that can legitimately be expected of a product designer or an NCA. Guidance would contribute to normative accumulation, rigidification, and the heavying of processes, and impoverishment of initiatives.

3. Do you already have similar tools in your market that would serve the same purpose?

2000 character(s) maximum

Since 2023, we have in France a benchmark tool for fees and performance of unit-linked accounts, designed by France Assureurs in collaboration with the ACPR. The indicators are the weighted average of ongoing charges and 5-year performance. This benchmark and the attention paid by the supervisor have led major players to take action (for example, one insurer has recently announced the delisting of a quarter of its UL funds).

4. While EIOPA indicated that initially it will not publish the benchmarks, stakeholders are also invited to share views as to whether the benchmarks should be published or not already in the first initial phase.

2000 character(s) maximum

Making a version of the benchmark public would constitute a simple solution. It is essential that product designers have access to the benchmark, so it is quite likely that the document will eventually become public even if restricted access is initially granted to them. Therefore, it will ultimately be difficult not to publish a version of the benchmark accessible to consumers. However, this requires good quality data and overall stability of results from year to year.

5. Stakeholders’ views on the approach to product clustering are sought.

2000 character(s) maximum

Both principles selected in 4.6 which appear to us very sensible: the consumers’ needs principle (features based on the consumers’ needs) and the bottom-up approach (information taking into account national market specificities).
However, for this approach to be effectively carried out to completion, it requires a sort of reverse testing in two stages:
1/ knowledge of the products actually marketed in national markets has led to the selection of a certain number of features,
2/ by building clusters from these features, can we effectively target the national products previously identified without mixing within the same cluster with products that are not truly comparable?
The question arises notably once these features, of local origin, are applied to the entire European market. A comparison at the European level would be interesting if the clustering adapted to the heterogeneity of the life insurance market in Europe, which would perhaps ultimately lead to returning to national clusters.
Indeed, even if we had a homogeneous market, a comparison at the European level would not be relevant either because a large part of the costs of the products are dependent on the Member State (cost of living, inflation, local regulations). In France, for example, minimum participation rules in profits and allocation /reversal to the profit sharing provision, legal settlement deadlines, capping of entry and transfer fees.
Biometric risks are dependent on the insured population (mortality rates differ across Europe), regulatory constraints, and the level of mutualization (age, selection).
An efficient and rigorous clustering approach could ultimately leads to a primarily national categorization with a few products shared more widely between Member States. The principle of subsidiarity should be respected for optimal efficiency.

6. Do you agree with the essential and additional criteria for product clustering? Should additional criteria be collected?

2000 character(s) maximum

The essential features to be taken into account include:
- A more precise definition of premium payment: Single or regular: contracts with free payments are neither. However, this creates a substantial difference because this payment mode is very advantageous for the client (free to pay or not, and when he wishes). This also conditions other characteristics of the product relating to its financial management (for example, the fact that investment options are relatively insensitive to when they are subscribed or that the contractual maturity of the product (wrapper) is not decisive in its operation).
- The way of pricing distribution costs: are they included in the product's fees or are they paid separately? If they are included in the product's loadings, do they vary according to the distribution channel?
Essential as well:
- Presence of a guarantee and the level of such guarantees
- Presence or absence of death insurance coverage
- Product liquidity / presence of surrender penalties or Market Value Adjustment mechanisms
- Presence of ongoing advice services: Similarly, this criterion is essential in pricing.

Remarks on the essential features:
- Death coverage: the distinction between low and high starts from a pragmatic approach but its

implementation should be seen - the proposed criterion seems relevant among the conceivable quantitative criteria but highly dependent on market situations or the method of measurement.

7. Do you agree with the proposed approach to use the additional criteria to either develop more detailed clusters or to provide qualitative considerations on how to take these elements into account when looking at the benchmarks?

2000 character(s) maximum

The consultation paper raises the relevant challenge of "finding the right balance between the need to have a sufficient number of homogeneous products and sufficiently detailed clusters". It also mentions the concern of not imposing an additional burden on insurance product designers, which is very much appreciated. For this reason, it proposes to use the data already implemented for the CPP report and to reuse existing measures (notably PRIIPs).
Therefore, it seems that, for the benchmark to be used, all companies will have to calculate the corresponding indicators to compare them to the benchmark results, and a priori on all their products. As a consequence, the effort will be generalised, even if the collection still consists ina sampling. Under these conditions, the level of sophistication of the indicators and their multiplicity are too high.
Therefore, it also seems necessary to find the right balance between the completeness of market coverage and the level of detail of the information collected. The better the former, the lower the latter. Thus, a strong contradiction and limitation appear in the approach as envisaged:
- Sampling work like for the CPP won't avoid systematic work by all designers (unless we have misunderstood the approach)
- Sampling work provides only a partial and probably insufficient view in terms of market coverage to produce usable statistics.
Remarks on the additional features : all of these criteria would lead to an unnecessarily high number of clusters. An analysis at a national level would avoid many criteria and be much more relevant.
- Additional biometric coverages: relevant only if the types of guarantees are distinguished. We understand that this would go beyond death (disability, etc.).
- Pension benefit option: the cost depends on what is guaranteed, the mere presence of an option to convert into annuity doesn’t allow to compare costs.
- Types of biometric guarantees and their various caps or waiting periods).

8. Do stakeholders think that for MOPs Option 1 would suffice or that Option 2, which would be more substantial in terms of reporting but also more precise and granular, should be preferred?

2000 character(s) maximum

The case of MOPs illustrates the need to find a compromise between market coverage and the level of detail of the indicators. In the proposed benchmarking system, Option 2 would appear excessively burdensome. However, by focusing on simple indicators already collected elsewhere, a much more systematic collection can be envisaged, ensuring maximum statistical representativeness.
We invite to consider the system implemented in the French market at the request of the ACPR (French NCA). This system allows for maximum data collection capacity, by relying on already available, very simple data (fund management fees and past performance) and existing data collection channels.
This experience illustrates the advantages of being cautious and realist when setting the ambitions of the desired system.
Regarding Option 1, we would need clarification to fully understand its mechanism. We do not understand the notion of "average." How is the average option identified? What is meant by an "unit linked product" in §4.20 : is it the option with its wrapper? or is it the policy as a whole, as seems to be suggested by the range of risk (1-7)?
A short RHP is generally contradictory with a high level of risk. Similarly, what is the meaning of the RHP,

since there should be a specific RHP for each option? We don't understand the following point : "the information [that] will be collected on three options which might be a combination of all risk classes": does it mean that the cheapest could be found within the lower risk class, the average in another risk class, and so on?
Finally, to be clear on the notion of MOP, rather than indicating that "the investment possibilities and their costs, benefits, and possible performance can be multiple," it would be more accurate to specify "are infinite."

9. For Option 2 do you think the clustering approach should be revised by focusing more on the underlying options and less on some of the other essential product features?

2000 character(s) maximum

It would not be surprising that MOPs constitute a category in themselves given the choice they offer to savers, as well as the opportunities mentioned in the consultation paper (such as switching), which make them specific products. As indicated in question 8, Option 2 is preferable because it is more representative. However, it is not clear from the presentation of this option whether the same sampling is carried out for each category as for non-MOP products. In any case, Option 2 seems feasible if the indicators are easily accessible, simple, and already available, which could be reflected by the suggestion of "focusing more on the underlying options and less on some of the other essential product features."

10. For Option 2 do you think that the inclusion of the profit participation investment option in the asset class feature is appropriate for a correct interpretation of hybrid products?

2000 character(s) maximum

As per our analysis of the notion of hybrid: since hybrid aims at an allocation combining the profit participation investment option with unit-linked, it is the overall allocation that should be evaluated.
In the context of a self-managed MOP where the options consist of individual funds (UCITs or others), we think that including the profit participation investment option would create additional complexity, the benefits of which need to be assessed in light of the stakes. At the French market level, this option does not pose any VfM issues to our knowledge.

Remark about the category of hybrid products. Main features considered for clustering (questions 5 and 6) distinguish unit-linked or hybrid. This seems to us to be an opportunity to revisit the notion of hybrid, created on the occasion of the CPP report. Their use seems to us to be incorrect in the CPP collection (for MOPs with free allocation, companies indicate a combination among others between euro and UC which doesn’t make sense). The notion of hybrid in this sense does not seem to us to bring anything compared to the notion of multi-option since the profit participation fund is indeed an option among others. The notion of hybrid should be reserved for products (contracts or options within contracts) based on a contractual combination, fixed or varying algorithmically or according to an arbitration mandate, without the saver being able to act on it. It could apply in the same way to options based on this principle, within the same insurance product (the insurance product could offer both free management and hybrid management of this type, etc.).

11. Stakeholders are invited to provide feedback on the use of VfM Methodology Level II indicators, are these a good fit for the benchmarks? Should Level I indicators be used?

2000 character(s) maximum

The Level II set of indicators seems useful for conducting a thorough examination of products deemed risky. However, to identify these products, we should be able to avoid using indicators that are numerous and relatively complex to calculate and collect, and for which calculation raises questions of method homogeneity in some cases.

The project targets investment products in unit-linked savings, so a focus on fees (observed fees of the underlying funds with consideration given to examining other contractual fees related to the wrapper for MOPs) seems to be a priority.

12. Stakeholders' views on the proposed indicators are sought, including on the intervals at which the indicators need to be assessed.

2000 character(s) maximum

Total costs / surrender value: we fail to see the usefulness of this indicator if we already examine the Surrender value/premiums paid and Total costs paid/premiums paid indicators elsewhere.
Death benefit component (i.e., biometric scenario): Biometric risk benefit / premiums paid => has little meaning and may be very difficult to measure depending on the nature of the guarantees, especially when, as is the case for multi-support contracts, the death benefit depends on financial markets.
In general, the number of indicators is far too high, especially for MOPs in option 2. Likewise, for the investment horizons studied, it would be appropriate to limit them to the RHP, which is the most relevant horizon.

13. Stakeholders are invited to also provide feedback as to which indicators works best for which cluster /product features.

2000 character(s) maximum

Entry costs / total costs paid: Some products are structured with higher entry fees and lower recurring fees (whole life contracts, for example). This indicator can characterise a product (and be used at the clustering level); however, as a standalone indicator, it would lead to imposing a standard for entry fees and could potentially result in discontinuing the marketing of certain products with a specific fee structure, even though they have real value for clients.

14. Do you believe additional indicators should be measured?

2000 character(s) maximum

Less indicators and more simple would prove to be more efficient for detecting contracts raising concerns about their value for money. In a second stage, namely when there is biometric risk, an actuarial study of the pricing would be necessary. It could result in the definition of relevant indicators but shouldn't be driven by pre-designed indicators, and this second stage approach would be out of a benchmark approach.

15. In case option 2 for MOP is chosen, do you think that more appropriate indicators applicable only to the single investment options should be identified?

2000 character(s) maximum

As per previous questions: basic options (unit linked) are generally straightforward, and focusing on fees supplemented by an overview of performance in recent years when available would provide excellent market coverage and a relevant view to evidence outliers. We insist on the fact that th simplicity of the indicators is key for the success of the benchmarking approach. In any insurance or asset management company, the first criteria for assessing a UL fund is the measure of its annual or quarterly performance compared to the whole market within the same asset class.

16. Do you agree with the proposal of using PRIIPs KID assumptions for the moderate scenario for the calculations of the indicators? Should and additional scenario (point in time) being included to evaluate the current performance of the product?

2000 character(s) maximum

The PRIIPs indicators pose real challenges, even though significant initial flaws in performance scenarios have been corrected. In the case of products with profit participation, the moderate scenario is often set to 0 to comply with regulations, making it unusable. Moreover, the framework does not allow for a satisfactory or easy combination of the performance of Category II and Category IV MOPs. Lastly, it is simpler and comparably unbiased to collect past performance data for products over a significant portion of unit-linked products in UCITS form. Even for hybrid options, past performance works well as long as the option has a sufficient historical track record. If not, reconstructing performance is of little value but can be considered in a more in-depth examination by NCAs.
Regarding the RIY, it is ill-suited for MOPs: it is a relatively complex indicator to calculate, and in the absence of entry fees, it adds nothing to the notion of ongoing costs (which it may distort depending on the actuarial calculation). Moreover, entry fees have little significance in the French MOP market (sometimes nonexistent and generally waived). If there is a need to include multiple indicators, and if the fees related to the wrapper must be included (which is not our initial recommendation but should be studied), entry fees should be listed as an indicator alongside the contractual fees on assets, specific to the wrapper, and fees specific to the option.

17. Do stakeholders agree to use percentiles to define benchmarks?

2000 character(s) maximum

At present, we are sceptical about the ability of the system to establish statistically significant benchmarks for percentiles. This is precisely the rationale behind approaches such as the one advocated for MOPs. However, it is likely not applicable to other categories (for a very simple reason: each MOP can contain anywhere from 10 to several hundred funds, which greatly increases the dataset; non-MOP contracts with a single option create a much more limited dataset).
Benchmarks are a tool to be handled with caution due to the risks of concentration and a general increase in fees towards the permitted ceiling that they may induce when the use of percentiles leads to pricing constraints. This drawback is marginal as long as there are obvious outliers, but it must be taken into account in the long term.

18. Do stakeholders agree that percentiles should be defined once the data is available and that such percentiles should be adjusted as relevant?

2000 character(s) maximum

The work is not advanced enough to take a stance on this calibration. It should not be done until the data is reliable and deemed sufficient to establish percentiles, which we do not consider to be at all assured.

19. In stakeholders' views are there some minimum/maximum percentiles which should be used?

2000 character(s) maximum

It's far too early to form an opinion. Nevertheless, the use of percentiles would require excellent comparability of indicators and a sufficient number of products or funds per cluster. This is what the French system allows, as it relies solely on few indicators for MOP funds which are perfectily comparable.

20. Do stakeholders think that the data collection should be expanded?

2000 character(s) maximum

The current method of collecting data for the Costs & Past Performance survey through sampling poses a significant problem of data representativeness, as it only retrieves partial data: each insurer provides, via SRI, the insurance product / UC pair with the highest turnover in the previous year. This could lead an insurer to provide information representing only a few million in premiums for each SRI, even though the insurer in question collects several billion across a multitude of products and UCs. At the extreme, it's even possible that no data is provided for SRI 7 because this category of UC represents only a small part of the financial ranges.
To overcome this issue, it would be necessary to gather much more data to make it truly representative of insurers' portfolios (more products/more UCs), which would entail extremely significant costs: extracting existing data from information systems, manually inputting unparameterised data into IS, formatting, and verifying coherence before submission.

21. If yes, which data collection principles should be used?

2000 character(s) maximum

For MOPs similar to those in the French market, see the system implemented by the ACPR in France.

22. Do stakeholders foresee a significant impact in the data collection in terms of resources and time in comparison to the current Cost and Past Performance data collection?

2000 character(s) maximum

Given the analysis mentioned above, yes, the impacts could be very significant since all actors would calculate indicators for all products and their options. This relates to the clustering and indicator modalities.

23. How would you assess the impact that the benchmarks methodology would have in your organisation? Please consider both the data collection and the use of the benchmarks when they will be available.

2000 character(s) maximum

If indeed the regulation adopts an approach with the calculation of numerous indicators, there will be a significant project cost for actuarial teams, followed by a running cost including the calculation of indicators, their processing, and analysis. This would be even more time-consuming if certain indicators were ambiguous, their relevance unproven, and their interpretation subject to discussion. On a small team, the loss of capacity could amount to 10 to 20 man-days, for a very small range of products (around ten), which is already significant, but can take on major proportions for larger portfolios.

24. Do stakeholders agree with benefits of the proposed approach?

2000 character(s) maximum

It seems to us that the mentioned benefits primarily correspond to the objectives being pursued, which we share. It remains to be established whether these objectives will indeed be achieved. However, as mentioned in the answers to the previous questions, it is unlikely that the system will facilitate the VfM approach if it is not significantly adapted on the basis of concrete experience, and if it is not carried out at the relevant level (national in a number of cases).
As any additional regulatory burden is ultimately paid for by customers, it is important to ensure that regulations are proportionate to their real benefit. Thus, benchmarking at national level, by limiting the number of parameters used to define clusters, would be less costly to implement, while being much more relevant.

If forward-looking calculations with stochastic methodologies were implemented, the cost would be disproportionate to the reasonable efforts that can be expected from a company's underwriting teams. We should take into account the burden of regulation on small and medium-sized businesses that contribute to market competitiveness, and whose activity would be restricted by the addition of new regulatory requirements.

25. Are there additional benefits in stakeholders’ views?

2000 character(s) maximum

No contribution

26. What could be the costs of implementing Option 2?

2000 character(s) maximum

The cost of the system implemented in France at the request of the ACPR is very low for the industry players, as there are no costs associated with data creation or collection: the market benchmark is provided by the industry system, and the data to compare it against is accessible and provided by the fund managers. All the work focuses on implementing any measures (delisting of funds, renegotiation of fees) resulting from the benchmark results.

For companies participating in the CPP report, the costs of option 2 might not be much higher than those of the CPP collection if the indicators remain the same. However, it would represent a new burden for other companies, as even if they do not participate in the collection, they would still be required to calculate the same indicators to analyze the benchmark results for all their products. Therefore, the cost savings expected by leveraging the CPP process appear to be illusory.

Contact

Contact Form