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Update on “Value for Money” concerns in the life insurance sector – Outcome of the CAA Quantitative Questionnaire

On 7 March 2023, the *Commissariat Aux Assurances* (“CAA”) published Information Note 23/4 on the results of the quantitative “Value for Money” questionnaire (“Information Note 23/4”).

1. Background

During the last quarter of 2022, the CAA asked life insurance undertakings to complete a questionnaire including information about the reductions in returns (“*réductions de rendements*”) that life insurance undertakings observed for their main products compared to the reductions in returns indicated in their key information document (“**KID**”) issued in accordance with Regulation 1286/2014 on key information documents for packaged retail and insurance-based investment products (“**PRIIPs**”).

Information Note 23/4 should be read together with the recent initiatives undertaken by the European Insurance and Occupational Pensions Authority (“**EIOPA**”) in relation to value for money concerns regarding unit-linked insurance products. These include in particular:

- the EIOPA Supervisory Statement on assessment of value for money of unit-linked insurance products under product oversight and governance issued on 30 November 2021 (“**EIOPA Supervisory Statement**”), which outlines how national supervisors should monitor the product oversight and governance process of unit-linked insurance product manufacturers and distributors to ensure value for money; and
- the EIOPA Methodology for assessing value for money in the unit-linked market issued on 31 October 2022 (“**EIOPA Methodology**”), which defines a common European approach for identifying unit-linked life insurance products that may offer poor or no value for money and require close monitoring by national supervisory authorities.

These EIOPA initiatives are closely linked to the product oversight and governance requirements imposed under amended Directive 2016/97 on insurance distribution (“**IDD**”) and Commission Delegated Regulation 2017/2358 supplementing IDD with regard to product oversight and governance requirements for insurance undertakings and insurance distributors.

2. Key findings

The key findings of Information Note 23/4 differ depending on the nature of the relevant insurance products:

- For products sold to retail clients in the Luxembourg market, Information Note 23/4 states that, overall, the reductions in returns indicated in the KID are very close to the reductions in returns observed in practice.

However, the CAA also notes that retail clients are heavily penalised on premature exits, notably because of surrender penalties.

- For products sold to high net worth clients in other EU jurisdictions, Information Note 23/4 specifies that the reductions in returns indicated in the KID are considerably higher than the reductions in returns observed in practice, to such an extent that the CAA considers that the information in the relevant KID may no longer be deemed accurate, fair, clear and not misleading and thus no longer be deemed compliant with Article 6 of PRIIPs.

[Read the Information Note \(French Only\) here _](#)

[Read the EIOPA Supervisory Statement here _](#)

[Read the EIOPA Methodology here _](#)

If you require any assistance or advice regarding “Value for Money” concerns, particularly the review of the product oversight and governance process or the KID, please contact our [insurance experts](#).

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