

Current assessment framework for products (CUSU-criteria)

Our assessment framework for products consists of four questions. These four questions are not mutually exclusive, nor are they, in combination, exhaustive. A characteristic of the product can lead to a finding on the cost efficiency of the product as well as a finding on the safety of the product, for instance. The responses to our questions give an approximation of the overall picture.

1 - Does the product offer value for money?

Cost efficiency from a customer perspective

The product is cost efficient from a customer perspective if it offers value for money. This criterion relates to the added value for the customer, not the extent to which a provider operates cost efficiently. For many products, the added value for customers is scenario dependent. For example, the cost structure may determine that some products are cost efficient from a customer perspective where the original investment is high, but not where the original investment is low. A provider can make a product more cost efficient for the target market by modifying the cost structure and/or changing the minimum entry level.

When answering the question whether a product offers value for money, you should set out the facts as objectively as possible and, where relevant, perform scenario analyses. You can do this, for example, by elaborating the outcomes for various average investors and comparing the product's cash flows with similar products or product alternatives.

2 - Does the product satisfy a substantiated need of the target market?

Usefulness from a customer perspective

The product is useful from a customer perspective if it fulfills a need of the target market. This requires:

- a specific formulation of the substantiated need (objective) that the product aims to satisfy;
- identification of the group of customers for whom the product is and is not suitable;
- a product that, in terms of design and operation, satisfies the need of the target market. Each product feature should individually make a clear contribution to satisfying the substantiated need of the target market.

3 - Does the product do what it intends in all kinds of circumstances and is the outcome then acceptable to the target market?

Safety from a customer perspective

The product is safe from a customer perspective if the outcomes are easy to explain and acceptable to the target market in all scenarios. This question does not pertain to the amount of standard investment risk in a product, since this is inherent in products with upward potential. This question chiefly pertains to unexpected effects of the product in changing circumstances in the market or in the customer's situation. Market conditions may include, for example, the impact of a changed market interest rate or a short-term or long-term economic downturn. Changing customer circumstances may include, for example, death, divorce, refinancing or other forms of settlement, additional payments and non-contributory conversion.

4 - Is the product not unnecessarily complex and can the customer properly assess its quality and suitability?

Understandability from a customer perspective

The product is, by design, understandable from a customer perspective if the product is functionally transparent. In other words, the key characteristics of the product and its operation are clearly explained or are capable of being clearly explained to the customer. The functionalities (the 'bells and whistles', i.e. special features, of the product) should be critically reviewed and assessed for added value.