

Response to the ESAs call for evidence on the European Commission mandate regarding the PRIIPs Regulation

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Contact person:	Francesca Bertolo, Michele Tadi	E-mail:	bertolo@insuranceeurope.eu , tadi@insuranceeurope.eu
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Q1. *Please provide any general observations or comments that you would like to make on this call for evidence, including any relevant information on you/your organisation and why the topics covered by this call for evidence are relevant for you/your organisation*

Insurance Europe is the European insurance and reinsurance federation. Through its 37 member bodies — the national insurance associations — it represents all types and sizes of insurance and reinsurance undertakings. Insurance Europe represents undertakings that account for around 95% of total European premium income. The topics covered by this call for evidence are highly relevant for Insurance Europe, since, according to its own estimates, Insurance-based Investment Products (IBIPs) accounted for almost 90% of the EU Packaged Retail and Insurance-based Investment Products (PRIIPs) market in 2019, with around €5trn of assets under management.

The deadline set by the European Commission for the ESAs to deliver technical advice is too short and creates severe limitations. The timeframe to respond to the ESAs' call for evidence (8 weeks instead of the full length of time normally allocated for the consultation of stakeholders, which is 12 weeks) restricts respondents' ability to explore in depth the issues set out in the call for evidence. Insurance Europe is also concerned that the tight timeline places constraints on the ESAs' ability to perform an adequate testing of any new proposal on all the products in scope, as well as the extensive testing needed with consumers. The exercise is further complicated by the many legislative and supervisory initiatives that are being carried out. For example, the recent EC proposals on the European Single Access Point (ESAP) include amendments to the PRIIPs Regulation that could potentially pre-empt some questions on the format and availability of information. Insurance Europe would also like to stress that revised Regulatory Technical Standards (RTS) are yet to be implemented and the ESAs could issue clarifications on both the current rules and the new ones in the coming months; this fragmented process does not aid proper understanding of the effectiveness and functioning of the different provisions.

Based on experience with the implementation of the PRIIPs Key Information Document (KID), the review of the PRIIPs framework should aim at an overall simplification, to improve the clarity and usefulness of the KID. Specifically, Insurance Europe would like to make the following proposals:

- Certain immediate annuities and funeral products, which are wrongly captured by the Level 1 definition, should be excluded from the PRIIPs scope and the current exemptions for pension products should be retained. This is a necessary condition for providing meaningful disclosures to consumers.
- The number of figures in the PRIIPs KID should be reduced and more prominence should be given to essential information on the existence or lack of insurance cover, guarantees and other benefits. This would be a material improvement in helping consumers understand the features of products.
- The requirement to provide the PRIIPs KID on paper by default is outdated. Pre-contractual documents should be available in an electronic format by default, but on paper on request. The use of layering and cross-referencing through hyperlinks should also be promoted.
- A significant number of the PRIIPs sold by insurers are multi-option products (MOPs), which provide consumers with a wider choice. The current approach for MOPs gives product manufacturers the necessary flexibility. This flexibility must be retained. This includes the possibility to continue using UCITS KIDs produced directly by UCITS manufacturers to provide information on the underlying options of MOPs that are UCITS.
- Clarity on the fixed information is important, but some flexibility in the wording of the narratives should be allowed to better reflect the specific characteristics of products or other needs, such as the length and clarity of the translations into other languages. This would also be helpful in ensuring a more consistent terminology in the information provided in the different countries.
- The quality of the PRIIPs framework should prevail. Therefore, any review of the PRIIPs framework should not be rushed. Extensive technical and consumer testing in all countries and an adequate timeline for stakeholder consultation should be prerequisites set in the legislative texts of any review. To ensure consumers receive high quality information, it is vital to allow sufficient time for implementing any new provision. Manufacturers need at least 12 months from the publication in the Official Journal of the EU of all the measures at Level 1 and 2 to be able to implement any required changes, given the significant compliance and operational effort required from the industry. As they are instrumental to proper implementation, any Level 3 measures also need to be available a year before the framework implementation deadline. As in the PEPP Regulation, a dynamic deadline in the legislative texts would be a practical solution to ensure this timeline is respected and avoid legal uncertainties if there are delays in the legislative process.

Q2. *Do you have, or are you aware of the existence of, data on the number, type and market share of different types of PRIIPs? If you have such data, would you be in a position to share it with the ESAs?*

According to Insurance Europe's own estimates, IBIPs accounted for almost 90% of the EU PRIIPs market in 2019, with around €5trn of assets under management.

The PRIIPs definition includes a wide range of IBIPs. Only insurers are able to offer products that combine investment with unique features such as insurance cover, guarantees or capital protection mechanisms, flexibility of payments, estate benefits, etc. Such elements can be designed and structured in many different ways to offer a diversified choice to consumer and better adapt to their needs. For example, the current definition of IBIPs includes unit-linked products, profit participation products, hybrid products, certain annuities and national-specific products classified as PRIIPs, such as certain funeral products. All these products can have different types and levels of guarantees at maturity, be linear or structured, static or dynamic (for example in the case of hybrids) and in many cases allow consumers to choose between different underlying investment options (MOPs). Thus, it is important that the term "wrapper" is not used when speaking about IBIPs, since this expression diminishes the value of IBIPs in the eyes of consumers. Furthermore, it is important that all the different types of IBIPs are truly taken into account in the discussion, for example on MOPs.

Q3. *In your position as product distributor or financial advisor, to what extent do you make use of KIDs to choose or compare between the products you offer to your clients? In case of trading online, does your platform offer an automatised tool that can help the retail investor in making comparisons among products, for instance using KIDs?*

Distributors consider all relevant information, including the KID, to advise their clients professionally, honestly and fairly, and provide a copy of the KID to consumers in compliance with the applicable rules.

The main objective of the PRIIPs Regulation is to enable retail investors to understand and compare the key features and risks of PRIIP products. The PRIIPs KID was not designed to be the main or only training or sales tool for distributors. For example, the Insurance Distribution Directive (IDD) already ensures that distributors:

- Receive appropriate information from product manufacturers about insurance products, including about the product approval process, the identified target market and the suggested distribution strategy, so that they fully understand the products they intend to distribute.
- Perform a suitability appropriateness and/or demands and needs assessment, depending on the applicable conditions to make sure that products proposed to consumers meet their needs.
- Provide fair, clear information to consumers that is not misleading.
- Undertake a minimum of 15 hours of professional development training a year to continuously update their knowledge and abilities.

Based on the IDD rules, distributors are equipped with the information and tools they need and act to high standards of consumer protection.

Regarding trading online, this does not play a significant role in the IBIPs market. IBIPs are usually meant for long-term saving and many consumers still prefer the advice of a human.

Q4. *If this is the case, what is preventing distributors or financial advisors from using the KID when they choose a product for a client?*

Nothing is preventing distributors from using the KID when they choose a product for a client. Distributors consider all relevant information, including the KID, to advise their clients professionally, honestly and fairly, and provide a copy of the KID to consumers in compliance with the applicable rules.

The main objective of the PRIIPs Regulation is to enable retail investors to understand and compare the key features and risks of PRIIP products. The PRIIPs KID was not designed to be the main, or only, training or sales tool for distributors. The IDD already ensures that distributors:

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- Perform a suitability appropriateness and/or demands and needs assessment, depending on the applicable conditions, to make sure that products proposed to consumers meet their needs.
- Provide fair, clear information to consumers that is not misleading.
- Undertake a minimum of 15 hours of professional development training a year to continuously update their knowledge and abilities.

Therefore, distributors are equipped with extensive information and different tools to provide more accurate advice to the client and better explain all a product's distinctive features.

Q5. *In your experience, e.g. as a retail investor or association representing retail investors, to what extent are KIDs used by distributors or financial advisors to support the investment process? Is marketing material used instead or given greater emphasis?*

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Q6. *What are your experiences regarding the extent of the differences between marketing information and the information in the KID? What types of differences do you consider to be the most material or relevant in*

terms of completeness, plain language, accuracy and clarity? What do you think might be the reason(s) for these differences?

We are not aware of any systemic problem regarding the relationship between the KID and marketing material.

Marketing communications are already regulated under the PRIIPs Regulation and the IDD to ensure that all information is fair and not misleading and that marketing materials are clearly identifiable as such.

In terms of differences, KIDs and promotional documents have a distinct level of completeness, plain language, accuracy and clarity due to their specific nature and goals. In this respect, the wording requirements of the PRIIPs KID template are not always adequate for IBIPs and more flexibility would be useful. For example: "investment" (PRIIPs) is used instead of "insurance premium"; "insurance premium" (PRIIPs) is used instead of "risk part of the premium". See further examples in Q18.

In addition, in the KID there is limited room to describe any additional services or optional protection, while the marketing material can represent the product as a whole.

Q7. *What are your experiences regarding the types of products that include a comprehension alert?*

The comprehension alert is valuable only if it allows identification of the products with the most complex structures and that involve higher risks for consumers.

Q8. *Do you have or are you aware of the existence of data on the number and type of products that include a comprehension alert? If you have such data, would you be in a position to share it with the ESAs?*

See Q7.

Q9. *What are your experiences regarding the extent to which retail investors take into account the inclusion of the comprehension alert?*

See Q7.

Q10. *As a retail investor or association representing retail investors, are you aware of the existence of a comprehension alert for some PRIIPs?*

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Q11. *What are your experiences regarding the extent to which financial advisors consider the comprehension alert?*

See Q7.

Q12. a) *Please describe the different types of costs incurred to comply with the PRIIPs Regulation.*

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 continual regulatory changes.

The costs of implementation include:

- Cross-functional work to interpret the requirements
- Data gathering
- Actuarial and financial calculations
- IT software implementation

- Design of the PRIIPs KID template
- Test of calculations and design
- Legal assessment of the texts and numbers
- Potential translation into different languages
- Distribution to agents and customers
- Training for distributors
- Update of the website
- Outsourcing of part of the activities or the whole process
- Review of other pre-contractual documents and the pre-contractual information process
- Monitoring and annual reviewing of KID during its sales period
- Duplication of costs when there are regulatory changes and late guidance

Any changes to the PRIIPs KID framework will result in significant costs for PRIIPs manufacturers. In one 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 ESAs in the 2019 consultation paper). Another company reported a cost of €2 500 000 for initial implementation, plus €450 500 of ongoing costs per year.

Q12. b) *Can you provide an estimate of the average costs per PRIIP of complying with the requirements of the PRIIPs Regulation? Where possible, please provide a breakdown between the main types of costs, e.g. manufacturing, reviewing, publishing, etc.*

This is impossible to quantify per individual product as it also depends on 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 review, etc. However, it has to be said that, in general, compliance represents a significant part of the costs.

Q12. c) *Can you provide an estimate of what proportion of the total costs for the product are represented by the costs of complying with the PRIIPs Regulation?*

This is impossible to quantify per individual product as it also depends on 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 review, etc. However, it has to be said that, in general, compliance represents a significant part of the costs.

Q13. *What are your experiences regarding the extent to which the PRIIPs Regulation is applied in a consistent manner across the EU for the most commonly sold types of PRIIPs? What are the main areas of inconsistencies?*

Some national competent authorities (BE, FI, IT, LU, PT) require *ex ante* notification, while others do not. This is a national choice based on authorities' resources and consolidated practices. In Italy, product manufacturers are also required to draft an additional mandatory document. 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 best positioned to assess tools, frequency and, if necessary, remedial actions.

Q14. *Do you have or are you aware of the existence of data on the use of different media? If you have such data, would you be in a position to share it with the ESAs?*

We do not have data on the use of various types of physical and digital media for delivering or displaying the PRIIPs KID to retail investors.

However, the following evidence could be considered:

- Data shows that the presentation of product information on smartphones or tablets is key. A (2015) report based on Google data ([link](#)) shows that the use of mobile devices in insurance searches has increased dramatically since 2008.
- The same report highlights that 67% of consumers who access the internet through a smartphone or tablet are more likely to take action — buy a product, complete a form or download an app, etc. — on a website that is optimised for mobile devices.
- In a different context, in Insurance Europe’s Pan-European Pension Survey, carried out in 2021, 72% of survey respondents preferred to receive information on pension products digitally rather than on paper.

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. In this respect, Insurance Europe appreciates that Article 14 of the PRIIP Regulation already allows for the provision of the KID electronically or via a website. However, Article 14 should be revised to avoid the use of paper as a default requirement for the provision of information.

In terms of simplified approaches, pre-contractual documents should be available in an electronic format by default, but on paper on request, except where the contract 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. The requirements for the format of disclosures should be technology-neutral and not based on an A4 document, avoiding long columns and table structures to facilitate navigation on a screen or a smartphone.

The use of layering and cross-referencing through hyperlinks should be promoted. By using layering and different digital solutions, information is easier to understand. A layered approach also puts consumers in control of the type and volume of information they wish to access. In this respect, the use of a summary accompanied by further detail should be considered.

The following elements should also be considered: the use of icons; simple and direct language where legally possible; and easy access to information on insurance cover, guarantees and other benefits.

To assess the challenges and benefits of the different solutions, authorities and legislators must test them on a wide range of products, consumers and markets. Stakeholder consultation is also important to take into account real-world experience, provided that full details of the proposed solutions are explained in the consultation paper.

To illustrate how consumers could access information in a digital and engaging way, Insurance Europe has developed the example of the EPI (see [Insurance Europe Annual Report 2020-2021](#)). To ensure disclosures are read and to help consumers make decisions, it is important that the future European regulatory framework considers the benefits of similar approaches.

Different consumers could prefer different means of accessing information. Therefore, one single format should not be promoted. However, consumers should have a seamless, omni-channel experience. Insurance Europe is convinced that competition will lead to the best outcomes for consumers. Therefore, any rules or guidelines should be innovation-friendly, technologically neutral and designed flexibly enough to be future-proof to be fit for the digital age. Moreover, consumers should not be nudged to take their financial decisions solely on the basis of a product’s potential costs or its design, leading them to select sub-optimal but cheaper or very simple options.

Besides ensuring legal certainty, the framework for the technical implementation of an electronic format should be as flexible as possible to allow insurance companies to provide the KID in an electronic format that corresponds to their digital strategy, their needs and the possibilities for the customer experience.

Q15. *What are your experiences as a product manufacturer or product distributor or financial advisor regarding the preferred media for retail investors to access or read the KID? Are there challenges for retail investors to receive the KID in their preferred media, such as due to a certain medium not being offered by the distributor?*

We do not have data on the preferred media for retail investors to access or read the PRIIPs KID.

However, the following evidence could be considered:

- Data shows that the presentation of product information on smartphones or tablets is key. A (2015) report based on Google data ([link](#)) shows that the use of mobile devices in insurance searches has increased dramatically since 2008.
- The same report highlights that 67% of consumers who access the internet through a smartphone or tablet are more likely to take action — buy a product, complete a form or download an app, etc. — on a website that is optimised for mobile devices.
- In a different context, in Insurance Europe's Pan-European Pension Survey, carried out in 2021, 72% of survey respondents preferred to receive information on pension products digitally rather than on paper.

The challenges in the way of retail investors receiving the KID in their preferred media stem from certain regulatory practices:

- We welcome the fact that Article 14 of the PRIIP Regulation allows for the provision of the KID via electronic means, including via a website that meets specific criteria. However, the use of paper as a default requirement for the provision of information is not in line with growing digitalisation. Pre-contractual documents should be available in an electronic format by default, but on paper on request, except where the contract between the retail investor and the distributor took place via digital means, where the alternative option could be printable on 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.
- The requirements for the format of disclosures (see PRIIPs Regulation, PEPP KID, Sustainable Financial Disclosures Regulation (SFDR)) are based on A4 standard templates, often using columns and table structures that are not easy to navigate on a screen or a smartphone. The use of layering and cross-referencing through hyperlinks should be promoted. By using layering and different digital solutions, information is easier to understand. A layered approach also puts consumers in control of the type and volume of information they wish to access. In this respect, the use of a summary accompanied by further layers of detail should be considered. The following elements should also be considered: the use of icons; simple and direct language where legally possible; and easy access to information on insurance cover, guarantees and other benefits.
- Lack of sufficient and comprehensive consumer testing of legislative proposals on consumers disclosures. To assess the challenges and benefits of the different solutions, authorities and legislators must test them on a wide range of products, consumers and markets. Stakeholder consultation is also important to take into account real-world experience, provided that full details of the proposed solutions are explained in the consultation paper.

To illustrate how consumers could access information in a digital and engaging way, Insurance Europe has developed the example of the EPI (see [Insurance Europe Annual Report 2020-2021](#)). To ensure disclosures are

read and to help consumers make decisions, it is important that the future European regulatory framework considers the benefits of similar approaches.

Besides ensuring legal certainty, the framework for the technical implementation of an electronic format should be as flexible as possible to allow insurance companies to provide the KID in an electronic format that corresponds to their digital strategy, their needs and the possibilities for the customer experience.

Q16. *How do you as a retail investor, or association representing retail investors, prefer to receive or view the KID?*

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Q17. *What are your experiences regarding the preferred media for product distributors and financial advisors when using the KID?*

We do not have data on the preferred media for product distributors and financial advisors when using the PRIIPs KID.

However, paperless transactions and simple and clear rules on consumer disclosures are key for a smooth and efficient distribution process. In this respect, the following obstacles can be highlighted:

- We welcome the fact that Article 14 of the PRIIP Regulation allows for the provision of the KID via electronic means, including via a website that meets specific criteria. However, the use of paper as a default requirement for the provision of information is not in line with growing digitalisation. Pre-contractual documents should be available in an electronic format by default, but on paper on request, except where the contract between the retail investor and the distributor took place via digital means, where the alternative option could be printable on 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.
- The cumulative impact of the Solvency II Directive, the PRIIPs Regulation, the IDD and the General Data Protection Regulation (GDPR) led to an excessive increase in the number of individual disclosures that distributors are required to make to a customer at the precontractual stage when selling an IBIP. The number of disclosures for the online sale of an IBIP by an intermediary has now reached an infeasible 161 and will increase even further with the SFDR and the Taxonomy Regulation to reach 190 pieces of pre-contractual disclosure. Moreover, Solvency II, the PRIIPs Regulation, the IDD, the PEPP Regulation and the Distance Marketing Directive 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 needs to be provided, including the product benefits, the costs/payment and the tax arrangements.

Besides ensuring legal certainty, the framework for the technical implementation of an electronic format should be as flexible as possible to allow insurance companies to provide the KID in an electronic format that corresponds to their digital strategy, their needs and the possibilities for the customer experience.

Q18. *Should changes be made to the PRIIPs Regulation so that the KID is better adapted to use on different types of media?*

Yes, Article 14 of the PRIIPs Regulation needs to be revised to avoid the use of paper as a default requirement for the provision of information.

Also, an excessive number of figures does not help consumers' understanding in any media. The following simplifications can be envisaged:

- The current PRIIPs KID displays around 20 figures on costs. That will increase to around 30 different figures under the revised RTS. This can be simplified by including in the "What are the costs?" section only the information that is essential for consumers, namely the total aggregate costs expressed in reduction in yield and the annualised monetary costs, both expressed at the end of the recommended holding period, with no need to show intermediate time periods. The second table on costs could be deleted.
- The "What is this product?" section of the KID alone includes seven different types of disclosures on costs, but it only allows a mention of the insurance cover that is too short, despite this being crucial information for consumers' decision-making. The information on the existence, or lack, of insurance cover, guarantees or other capital protection mechanisms should be prominently displayed instead.
- The "What are the risks and what could I get in return?" section could also be simplified, with no need to show intermediate time periods and provide additional information on the product performance based on a different methodology in the "Other relevant information" section for certain categories of products.
- The overall length of the PRIIPs KID should remain the same. If new information is added, some information has to be removed ("one in, one out" principle).

As for the narratives, clarity on the fixed information is important, but some flexibility could be allowed to better adapt to product characteristics or other needs, such as the length and clarity of language translations. Sometimes, the wording of the KID does not match the accepted sector-specific terminology. For example, while in the PRIIPs KID the total amount invested is described by the word "investment" ("Anlage" in the German version, "investimento" in the Italian version), in German and Italian language this usually designates the savings part of the premium. At the same time, in German and Italian the term "insurance premium" ("Versicherungsprämie", in German language, "premio assicurativo" in Italian language) describes the total amount paid, while in the PRIIPs KID it refers to the part that is the biometric risk premium. This can be confusing for consumers and potentially create legal problems. The rules on the KID should, therefore, allow for divergent wording in cases where this is necessary to take account of established sector-specific or national terminology. Further examples are provided below:

Anlage (German language) / investimento (Italian language) / investment
Versicherungsprämie (German language) / premio assicurativo (Italian language) / insurance premium
Kumulierter Anlagebetrag (German language) / capitale investito (Italian language) / accumulated invested amount
auflösen (German language) / uscita (Italian language) / cashing-in
Anlagerendite (German language) / investment return
Vertragsstrafen (German language) / early exit penalties
Vorzeitiger Ausstieg (German language) / uscita anticipata (Italian language) / early exit
Haltdauer (German language) / holding period
Einstiegskosten (German language) / costi iniziali (Italian language) / entry costs
Aussteigen (German language) / uscita (Italian language) / exit

Q19. Do you think it would be appropriate to apply the approach taken in the PEPP Regulation 2019/1238 (highlighted above) to the PRIIPs KID?

Overall, it would be premature to assess the clarity and reliability of the PEPP KID. The PEPP Regulation and technical standards will enter into force in March 2022. Due to the absence of practical experience, it is not possible to draw lessons from the PEPP KID and authorities should refrain from using it as an automatic blueprint.

Overall, Insurance Europe supports the digital by default approach and the possibility of a layering approach as encouraged in the PEPP KID.

However, Insurance Europe is concerned about the lack of clarity on what can be layered or not, and having mandatory templates that are not digital-friendly. Finally, layering should not be taken as *carte blanche* to add new information to the PRIIPs KID. It should still be short when printed on paper. Therefore, for new information a “one in, one out” principle is important. In order to ensure legal certainty, it is important to clarify what information needs to be included in the first layer and what could be moved to subsequent layers.

Besides ensuring legal certainty, the framework for the technical implementation of an electronic format should be as flexible as possible to allow insurance companies to provide the KID in an electronic format that corresponds to their digital strategy, their needs and the possibilities for the customer experience.

Q20. *Do you think that the scope of the PRIIPs Regulation should be extended to any of the products referred to in Article 2(2), points (d), (e) and (g) [The points referred to Article (2) of the PRIIPs Regulation concern: (d) securities as referred to in points (b) to (g), (i) and (j) of Article 1(2) of Directive 2003/71/EC; (e) 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; (g) 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.]? Please explain your reasoning.*

The current exemptions for pension products should be retained. Pension products have very specific objectives as well as special national fiscal and regulatory treatment, which is why there are tailored national information requirements on pensions. 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 includes information only on the investment objectives, not the broader objective of the product, ie, to provide an income in retirement and how this is achieved, which is more relevant for a pension saver.
- The PRIIPs KID does not allow for detailed information on the specific rules that fall under the remit of member states, including tax treatment, retirement age and applicable contract law, which is key information for pension products.
- The diversity of national pension systems and the variations in the features of the products available also make it impossible to prescribe a single disclosure standard for personal pensions.
- Key information for pension savers is not given enough prominence in the PRIIPs KID (eg, annuities, insurance cover, guarantees). Within the PRIIPs KID there is insufficient room to disclose information highlighting the distinct features of a particular pension product (eg, annuities, guarantees or insurance coverage). This makes the PRIIPs-KID unhelpful to pension savers, who are likely to consider factors such as additional protection features when making decisions about their pension savings.
- The information focuses on short-term investment: eg, intermediate values, total costs in monetary terms.

Q21. *Do you think that the scope of the PRIIPs Regulation should be changed with respect to other specific types of products and if so, how?*

It is disappointing that the Commission’s Call for Advice proposes a reflection on whether to expand the scope of the PRIIPs Regulation — instead of recognising the fact that the scope of products included in the 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, 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 could misrepresent these products and mislead consumers. The PRIIPs review should seek to achieve meaningful and fit-for-purpose disclosures.

In light of this, the following products should clearly be **out of the scope** of the PRIIPs Regulation:

- **Immediate annuities:** 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 outside the scope of the PRIIPs Regulation 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 within 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 of 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. Alterations to the KID should therefore be permissible in order to reflect that early surrender is unlikely.
- **Funeral products:** funeral products are a type of insurance intended to cover funeral expenses. Some fall within 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 does not exist in this kind of product.

Q22. *Do you think changes should be made to specify more precisely which types of financial instruments fall within the scope of the PRIIPs Regulation? Please specify the amendments that you think are necessary to the Regulation.*

Certain funeral cover products and certain immediate annuities, which are wrongly captured by the Level 1 definition, as well as, in general, products that are not intended for use as investments should clearly be outside the scope of the PRIIPs Regulation.

Q23. *Do you have specific suggestions regarding how to ensure that the scope of the PRIIPs Regulation captures packaged or wrapped products that provide an indirect exposure to assets or reference values, rather than assets which are held directly?*

The question is not relevant for insurance-based investment products.

Q24. *Do you agree with the ESA Supervisory Statement relating to bonds and what are your experiences regarding the application of the Statement?*

The question is not relevant for insurance-based investment products.

Q25. *Do you think that the definitions in the PRIIPs Regulation relating to the scope should take into account other elements or criteria, e.g. relating to the maturity of the product, or relating to a product only having a decumulation [1] objective, or where there is not active enrolment [2]?*

[1] For example an annuity.

[2] This might include, for example, employment based incentive schemes

As already stated in answer to Q21, Insurance Europe believes 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.

In light of this, the following products should clearly be **out of the scope** of the PRIIPs Regulation:

- **Immediate annuities:** 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 outside the scope of the PRIIPs Regulation 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 within 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. Alterations to the KID should therefore be permissible in order to reflect that early surrender is unlikely.
- **Funeral products:** funeral products are a type of insurance intended to cover funeral expenses. Some fall within 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 does not exist in this kind of product.

In addition to the above, any modification to the definitions in the PRIIPs Regulation relating to the scope should not be intended to include pension products, which have very specific objectives as well as a special national fiscal and regulatory treatment.

As a general observation, IBIPs are heterogeneous across European markets. The current regulation showed that in practice there were many unexpected challenges with the scope of the PRIIPs Regulation in some European markets. This was because certain relatively rare products were not properly taken into account. Therefore, Insurance Europe urges the ESAs to thoroughly consult on any changes in the definition of an IBIP with stakeholders to avoid products being included unintentionally and consumers thus receiving information that is not meaningful.

Q26. *Do you think that the concept of products being "made available to retail investors" (Article 5(1) of the PRIIPs Regulation) ["Before a PRIIP is made available to retail investors, the PRIIP manufacturer shall draw up for that product a key information document in accordance with the requirements of this Regulation and shall publish the document on its website"] should be clarified, and if so, how?*

In general, insurers have not experienced any problems on this point that would require a clarification.

Q27. *Do you think it would be beneficial to develop a taxonomy of PRIIPs, that is, a standardised classification of types of PRIIPs to facilitate understanding of the scope and that could also be used as a basis for the information on the "type of the PRIIP" in the 'What is this product?' section of the KID (Article 8(3)(c)(i) of the PRIIPs Regulation)? If yes, do you have suggestions for how this could be done?*

No, a standardised classification of types of PRIIPs would not be useful. Since IBIPs can be designed and structured in many different ways from country to country, a standardised classification could even be confusing or misleading for consumers.

Q28. *Do you think that the current degree of standardisation of the KID is detrimental to the proper understanding and comparison of certain types of PRIIPs? If so, which products are concerned?*

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, certain immediate annuities, funeral cover products and, overall, products which are not intended for use as investments, should clearly be outside the scope of the PRIIPs Regulation. Forcing these products into its scope, 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 current exemptions for pension products should also be retained.

Information should also reflect insurance products' distinctive features so consumers can better understand the differences between products, which will aid their decision-making. In the PRIIPs KID there is no space to properly explain insurance cover and guarantees. If there is no insurance cover or guarantees, the information is simply omitted. This does not help consumers to understand the specific characteristics of insurance products or to properly assess costs and benefits. Also, the intermediate time periods are not appropriate for IBIPs and do not help in understanding the long-term nature of IBIPs. A correct understanding of the recommended holding period (RHP) is key to reaping 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 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 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.

Q29. *Do you think that greater differentiation based on the approaches highlighted above [The development of broad product groupings or buckets of similar products. A more tailored approach could be taken for each of these groupings, with the aim to ensure the meaningfulness of the information and prioritising comparability within these groupings. This might also ease the comparability between the PRIIPs Regulation and sectoral legislation (such as MiFID, IDD) on certain disclosure requirements; A reduced degree of standardisation in the KID template; Provisions that would allow for supervisory authorities to grant exemptions or waivers from the requirements in duly justified cases], is needed within the PRIIPs Regulation? If so what type of approach would you favour or do you have alternative suggestions?*

See Q28.

Q30. *Do you have suggestions for how a product grouping or product buckets could be defined?*

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Q31. *Would you suggest specific changes to Article 8 of the PRIIPs Regulation [sections of the PRIIPs KID] in order to improve the comprehensibility or readability of the KID?*

The essential information should be prominently displayed in the first layer and/or at the top of the document, to ensure consumers are informed about important product features. Insurance Europe believes that the essential information for consumers is the existence or lack of guarantees, the existence or lack of insurance cover and the existence or lack of other capital protection mechanisms.

These are valuable benefits for consumers and they should be positively highlighted in the PRIIPs KID. For example, it is appreciated that information on the existence or lack of guarantees is displayed at the top of the PEPP KID. In the PRIIPs KID, the essential information on the existence or lack of guarantees, the existence or lack of insurance covers and the existence or lack of other capital protection mechanisms should be prominently displayed in the first layer and/or at the top of the document and Insurance Europe would recommend a tick-box option to facilitate consumers' comparison and understanding of the different product features (eg, "Is money guaranteed?" with YES or NO boxes to be ticked by the product manufacturer; "Does this product provide insurance cover and other benefits?" with YES or NO boxes to be ticked by the product manufacturer and with relevant explanations).

In the ‘What is this product?’ section of the PRIIPs KIDs, 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, this section of the KID 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.

The “What are the risks and what could I get in return?” and “What are the costs?” sections could be simplified, reducing the number of figures and omitting intermediate time periods.

The use of layering and cross-referencing through hyperlinks should be promoted. By using layering and different digital solutions, information is easier to understand. A layered approach also puts consumers in control of the type and volume of information they wish to access. In this respect, the use of a summary accompanied by further detail should be considered. As an example of what can be layered, the section “How can I complain?” need not necessarily be displayed in the first layer.

Q32. *How could the structure, format or presentation of the KID be improved e.g. through the use of visual icons or dashboards?*

The essential information should be prominently displayed in the first layer and/or at the top of the document, to ensure consumers are informed about important product features. Insurance Europe believes that the essential information for consumers is the existence or lack of guarantees, the existence or lack of insurance cover and the existence or lack of other capital protection mechanisms.

These are valuable benefits for consumers, and they should be positively highlighted in the PRIIPs KID. For example, it is appreciated that information on the existence or lack of guarantees is displayed at the top of the PEPP KID. In the PRIIPs KID, the essential information on the existence or lack of guarantees, the existence or lack of insurance covers and the existence or lack of other capital protection mechanisms should be prominently displayed in the first layer and/or at the top of the document and Insurance Europe would recommend a tick-box option to facilitate consumers’ comparison and understanding of the different product features (eg, “Is money guaranteed?” with YES or NO boxes to be ticked by the product manufacturer; “Does this product provide insurance cover and other benefits?” with YES or NO boxes to be ticked by the product manufacturer and with relevant explanations).

Furthermore, the use of icons and simple and direct language where legally possible are encouraged. The IPID is a good example of this.

To assess the challenges and benefits of the different solutions, authorities and legislators must test them on a wide range of products, consumers and markets. Stakeholder consultation is also important to take into account real-world experience, provided that full details of the proposed solutions are explained in the consultation paper.

To illustrate how consumers could access information in a digital and engaging way, Insurance Europe has developed the example of the EPI (see [Insurance Europe Annual Report 2020-2021](#)). To ensure disclosures are read and to help consumers make decisions, it is important that the future European regulatory framework considers the benefits of similar approaches.

Q33. *Do you agree with the ESAs’ assessment in the Final Report (JC 2020 66) [the ESAs would still recommend, as a preferred approach, to include past performance information within the main contents of the KID on the basis that it is key information to inform retail investors about the risk-reward profile of certain*

types of PRIIPs. Since it has been argued that the intention of the co-legislators was for performance scenarios to be shown instead of past performance, it is understood that a targeted amendment to Article 8 of the PRIIPs Regulation would be needed to allow for this. A consequential amendment is also considered necessary in this case to allow the 3 page limit (in Article 6(4)) to be exceeded to 4 pages where past performance information would be included in the KID] regarding the treatment of past performance?

The worst solution for consumers would be to include two performance scenarios tables in the PRIIPs KID, as this would not help consumers' understanding. In fact, it would overload consumers with further information.

Such an overload of figures, obtained through different methodologies (past performance is anchored in actual historical data, while future scenarios show the range of possible outcomes), would only confuse consumers and not simplify their choice.

Q34. *Would you suggest changes to the requirement in Article 8(3)(d)(iii) of the PRIIPs Regulation concerning the information on potential future performance, and if so what would you specifically change in the Regulation?*

The worst solution for consumers would be to include two performance scenarios tables in the PRIIPs KID, as this would not help consumers understanding. In fact, it would overload consumers with further information.

Such an overload of figures, obtained through different methodologies (past performance is anchored in actual historical data, while future scenarios show the range of possible outcomes), would only confuse consumers and not simplify their choice.

What could really help consumer understanding would be to eliminate intermediate time periods in the performance scenarios and display more prominently the existence, or lack of, insurance cover, guarantees and other capital protection mechanisms.

Q35. *Would you be in favour of requiring a KID to be prepared for each investment option (in accordance with 10(a) of the PRIIPs Delegated Regulation) in all cases, i.e. for all products and for all investment options [1]? What issues or challenges might result from this approach?
[1] This approach assumes complete investment in a single investment option and requires the KID to include all costs.*

No. In some markets there are MOPs that offer consumers a very large number (ie, several hundreds) of investment options to choose from. There is therefore an almost endless number of combinations of MOPs and underlying investment options in these insurance markets. Consumers choose several different underlying investments and invest different amounts in each option in order to diversify their investment. Therefore, very often there is not a complete investment in a single investment option that meets the demands of the consumer. Given this, an approach assuming complete investment in a single investment option would not improve the level of accuracy of the information received by consumers, for example on total costs.

Besides, if the cost of the insurance contract were included in the total cost in each of the underlying specific information documents, the cost of the insurance contract would be calculated several times instead of once. This would be very confusing and would mislead the consumers in relation to the total cost of the product. The current approach, which allows the use of a generic KID, meets the need to rationalise the pre-contractual information and allows consumers to have a general overview of the product.

The current Article 10(b) enables the PRIIPs manufacturer to produce a generic KID combined with the document produced by the underlying investment option and allows for a great diversity of underlying investment options. Removing the current 10(b) option would restrict the customer's ability to choose from a wide variety of investment options. It would be very challenging to build a robust technical solution to comply with 10(a) and to always keep such a solution up to date with the latest data for all underlying investment options.

Hence, it is essential to maintain the current 10(a) and 10(b) options, which allow more flexibility and a more efficient use of the UCITS KIDs that will be produced directly by UCITS manufacturers. In any case, the client can access further information and professional advice based on the IDD provisions.

Q36. *Would you be in favour of requiring an approach involving a general product information document (along the lines of a generic KID) and a separate specific information document for each investment option, but which avoids the use of cost ranges, such as either:*

- *A specific information document is provided on each investment option, which would include inter alia all the costs of the product, and a generic KID focusing more on the functioning of the product and which does not include inter alia specific information on costs?; or*
- *The costs of the insurance contract or wrapper would be provided in a generic KID (as a single figure) and the costs of the underlying investment option (as a single figure) would be provided in the specific information document?*

What issues or challenges might result from these approaches?

Since in real life consumers choose different combinations of options and invest different amounts in each option, the approach in the first bullet point would not improve the level of accuracy of the information received. If the cost of the insurance contract were included in the total cost in each of the underlying specific information documents, the cost of the insurance contract would be calculated several times instead of once. This would be very confusing and would mislead the consumers in relation to the total cost of the product.

Hence, it is essential to maintain the current 10(a) and 10(b) options, which allow more flexibility and a more efficient use of the UCITS KIDs that will be produced directly by UCITS manufacturers. In any case, the client can access further information and professional advice based on the IDD provisions.

While Insurance Europe understands the intention under the second bullet point, this approach is too simplistic and does not work for MOPs, as MOPs are not simply “wrappers”. For example, MOPs can be hybrid products where consumers’ investment is allocated in part to the general account of insurers and in part to funds chosen by the clients. The exact amount of money in each pot follows a dynamic allocation mechanism. Therefore, the costs of each component, in particular in monetary terms, could not be stated separately.

Finally, since the underlying investment option is an integral part of the overall product, consumers will be confused if they read about it in two different documents. Therefore, it is important that the product KID describes the product itself as well as the underlying investments that form part of it.

Q37. *Do you see benefits in an approach where KIDs are prepared for certain investment profiles or standard allocations between different investment options, or for the most commonly selected options? In this case, what type of information could be provided regarding other investment options?*

No. In real life consumers choose different combinations of options and invest different amounts in each option and this approach would not adequately inform consumers about their choices or improve the level of accuracy of the information received.

As explained in the Insurance Europe response ([link](#)) to the ESAs Joint Consultation Paper concerning amendments to the PRIIPs KID of October 2019 (JC 2019 63), the reference to “the most commonly selected options” is not easy to understand and the assumptions to be used to identify the most commonly selected options are not clear. The most commonly selected options may vary from distribution channel to distribution channel, depending on consumers’ profiles and based on the evolution of the market (eg, shifts in consumers’ preferences, economic cycles and new trends). It should also be stressed that the PRIIPs KID is a standardised pre-contractual document. If consumers are presented with the most commonly selected options, there is an obvious risk of confusing them. Consumers would perceive those options as a recommendation, even if those options are not the most suitable for their specific needs and objectives based on the suitability test and the advice consumers may receive under the IDD. In this respect, it is not clear how to avoid conflicts between the

requirement to provide information on the most commonly selected MOPs options and the suitability test provisions.

Hence, it is essential to maintain the current 10(a) and 10(b) options, which allow more flexibility and a more efficient use of the UCITS KIDs that will be produced directly by UCITS manufacturers. In any case, the client can access further information and professional advice based on the IDD provisions.

Q38. *Do you have any other comments on the preferred approach for MOPs and or suggestions for changes to the requirements for MOPs in the PRIIPs Regulation?*

No.

Q39. Taking into account the proposals in the ESAs' final draft RTS, do you consider that there are still other inconsistencies that need to be addressed regarding the information on costs in the KID and information disclosed according to other retail investor protection frameworks?

Reduction in yield (RiY) is a robust and accurate indicator. In the 2019 Joint Consultation Paper concerning amendments to the PRIIPs KID, the European supervisory authorities (ESAs) noted that RiY figures could be used to comply with requirements in MiFID or the IDD.

While the current version of the RTS had a truly comparable representation of costs of all PRIIPs, as there was consistency of representation of total costs (table 1) and composition of costs (table 2) based on the RiY, the changes on costs introduced by the revised RTS represent a step backwards, making it impossible for consumers to compare costs: once the Retail Investment Strategy (RIS) is implemented, they must be revoked. The changes introduced in 2021 negate the principle of comparability established since 2014, when the PRIIPs Regulation was adopted.

Besides, an excessive number of figures does not help consumers' understanding on any media. The following simplifications can be envisaged:

- The current PRIIPs KID displays around 20 figures on costs. That will increase to around 30 different figures under the revised RTS. This can be simplified by including in the "What are the costs?" section only the information that is essential for consumers, namely the total aggregate costs expressed in RiY and the annualised monetary costs, both expressed at the end of the recommended holding period (RHP) and based on the moderate performance scenario. The average cost is more appropriate for long-term products and the total cost at the end of the RHP is the most important cost disclosure. This means that there is no need to show intermediate time periods, nor a second table with the breakdown of costs. To further simplify the information received by consumers, and avoid confusion between premiums and costs, this distinction should be clearer. Biometric risk premiums are presented as costs, while in reality they represent the price for an insurance service consisting of coverage against death or other biometric risks and are not costs *per se*, so should not be shown in the cost tables. Intermediate time periods are not appropriate for IBIPs and do not help the understanding of the long-term nature of IBIPs. A correct understanding of the RHP is key to reaping 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 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 is different.
- The "What is this product?" section of the KID alone includes seven different types of disclosures on costs, but it only allows a mention of the insurance cover that is too short, despite this being crucial information for consumers' decision-making. The information on the existence, or lack, of insurance cover, guarantees or other capital protection mechanisms should be prominently displayed instead.
- The "What are the risks and what could I get in return?" section could also be simplified, with no need to show intermediate time periods and additional information on the product performance based on a

different methodology shown in the “Other relevant information” section for certain categories of products.

Q40. Do you think that other changes should be made to the PRIIPs Regulation? Please justify your response.

Based on our experience with the implementation of the PRIIPs KID, the review of the PRIIPs framework should aim for an overall simplification, to improve the clarity and usefulness of the KID. Concretely, Insurance Europe presents the following proposals:

- Certain immediate annuities and funeral products, which are wrongly captured by the Level 1 definition, should be excluded from the PRIIPs scope and the current exemptions for pension products should be retained. This is a necessary condition for providing meaningful disclosures to consumers.
- The number of figures in the PRIIPs KID should be reduced and more prominence should be given to essential information on the existence or lack of insurance cover, guarantees and other benefits. This would be a material improvement to help consumers understand the features of products.
- The requirement to provide the PRIIPs KID on paper by default is outdated. Pre-contractual documents should be available in an electronic format by default, but on paper on request. The use of layering and cross-referencing through hyperlinks should also be promoted.
- A significant number of the PRIIPs sold by insurers are multi-option products (MOPs), which provide consumers with a wider choice. The current approach for MOPs allows the necessary flexibility to product manufacturers. This flexibility must be retained. This includes the possibility to continue using UCITS KIDs produced directly by UCITS manufacturers to provide information on the MOPs’ underlying options that are UCITS.
- Clarity on the fixed information is important, but some flexibility in the wording of the narratives should be allowed to better adapt to product characteristics or other needs, such as the length and clarity of language translations. This would also be helpful to ensure a more consistent terminology in the information provided in the different countries.
- The quality of the PRIIPs framework should prevail. Therefore, any review of the PRIIPs framework should not be rushed. Extensive technical and consumer testing in all countries and an adequate timeline for stakeholders’ consultation should be prerequisites set in the legislative texts for any review. To ensure consumers receive high quality information, it is key to allow sufficient time for the implementation of any new provision. Manufacturers need at least 12 months from the publication in the Official Journal of the European Union of all the measures at Level 1 and 2 to implement any required changes, given the significant compliance and operational effort required from the industry. As they are instrumental to proper implementation, any Level 3 measures also need to be available a year before the framework implementation deadline. As in the PEPP Regulation, a dynamic deadline in the legislative texts would be a practical solution to ensure this timeline is respected and avoid legal uncertainties should there be delays in the legislative process.

Insurance Europe is the European insurance and reinsurance federation. Through its 37 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 almost €1 000bn annually — or €2.7bn a day — in claims, directly employ nearly 950 000 people and invest over €10.4trn in the economy.