

Insurance Europe comments on the PRIIPs draft RTS

General remarks

Implementation timeframe — extension required

Insurance Europe supports the aim of the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation to enhance consumer protection and comparability of PRIIPs. Insurance Europe also welcomes the fact that, in the future, retail investors in the EU will receive an information document containing the key features of the PRIIPs, in the form of a Key Information Document (KID).

However, Insurance Europe is very concerned about the unrealistically short period for the industry to implement the KID for PRIIPs. There will only be 3 to 4 months between the publication of the final regulatory technical standards (RTS) — defining key elements of the KID — and its legal implementation for all insurance-based investment products according to the current level 1 deadlines and taking into account the European Commission's adoption of the draft RTS, as well as the European Parliament and Council's period for objection. An implementation timeframe of 3 to 4 months is too short.

The final stage of defining technical specifications, programming, testing and launching by the industry can only begin once there is absolute certainty over the final presentation and content of the KID. The sophisticated risk methodologies for different classes of products, cost representation and performance scenarios have been (and still are), however, the object of no less than three consultations and different proposed methodologies from the European Supervisory Authorities (ESAs) between November 2014 and February 2016. Considering the implementation of these complex methods, it has now become apparent that the time needed for the appropriate implementation of the KID has been underestimated.

As the regulation seeks to ensure comparability between as many products as possible, the provisions of the level 1 text will result in very complex implementation methods for manufacturers. These methods will require important modifications to IT systems which technically cannot be achieved in only a few months.

The insurance sector needs sufficient time to program, test and launch the PRIIPs KID correctly, to ensure that it delivers its objectives and facilitates consumers' ability to better compare and understand these products. A one-year extension of the PRIIPs implementation deadline is required to ensure that customers receive the best outcome.

Information overload and duplication

The aim of the PRIIPs Regulation is to ensure that retail investors are provided with accurate, fair, clear and not misleading pre-contractual information. Parallel and equivalent disclosure requirements under different EU legislation mean that there will be a duplication of some pre-contractual information provided to retail investors. It is, therefore, likely that the information will be provided to retail investors in different format according to the different legislation applying. This would lead to an overload of information and confusion for retail investors, as well as contradict the objectives of the Regulation. For example, Solvency II and the PRIIPs Regulation require equivalent information to be disclosed, such as (but not limited to) the insurer's identity, the duration of the contract and the existence of complaints procedures.

As such, product manufacturers should be able to provide all the required equivalent pre-contractual information through the KID to allow a simplified and integrated set of pre-contractual information. In order to be able to do so, consistency regarding the equivalent disclosure requirements should be ensured in all the EU initiatives introducing information disclosure requirements.

Length of the KID

The PRIIPs Regulation is important to help enhance consumer protection and improve consumer confidence by aiming to improve the transparency and comparability of PRIIPs. It is important that appropriate solutions are found, keeping in mind the objectives of the KID: comparability, legal certainty and helpfulness for retail investors.

In addition, the document must remain concise (limited to three pages according to Article 6(4) of the PRIIPs Regulation) to ensure that the information remains helpful for retail investors. In this context, Insurance Europe is concerned that the length of the three pages would be unrealistic for some products:

- More information will need to be displayed for insurance-based investment products, considering the insurance cover that the products offer.
- For some products, the level 2 provisions foresee more disclaimers in the KID than those investigated through the consumer testing or what was presented by the ESAs during the December public hearing.
- Some real-world products are more sophisticated than the ones that seem to have been considered by the ESAs.
- Translation into some languages would extend the text by approximately one additional page.

Therefore, it is important that translated KIDs for sophisticated products are also tested and consulted with stakeholders to ensure that the limit imposed by the PRIIPs Regulation's Article 6(4) can be respected throughout the EU. Furthermore, this will ensure that the translated terms used are meaningful and understandable for consumers. Insurance Europe believes that the ESAs should duly consider the above points before submitting their RTS to the Commission.

KIDs for products not offered on the market

Insurance Europe is of the view that the ESAs should provide legal certainty on the products for which manufacturers must develop and publish a KID. Considering that KIDs are aiming to ensure comparability between PRIIPs at the pre-contractual stage, it is irrelevant for manufacturers to develop and publish KIDs for

closed businesses which are not offered anymore on the market. Such a clarification is necessary in the RTS in order to avoid unnecessary and disproportionate burden.

Application of KID to annuities

For those annuities that are in the scope of the Regulation, Insurance Europe regrets that it remains unclear how the RTS applies, given the particular characteristics of such products.

Explanatory text in respect of the draft RTS

Insurance Europe is concerned by the explanatory text in respect of the draft RTS (p74) holding that manufacturers of insurance-based investment products could prepare separate KIDs for target groups (where variables such as the age and probably the total premium differ). Insurance Europe wishes to reiterate that the KID is provided at the pre-contractual stage and, therefore, is not a personalised document. It is not appropriate to consider several KIDs dependent on the "age of the customer and other parameters". The retail investor will obtain personalised information later in the product distribution process. Should personalisation be considered at the pre-contractual phase, there will be an overlap notably with the insurance offer itself. Risk assessments for life insurance products take into account a large number of factors and criteria and age is only one factor that is taken into account. Age is not the only decisive biometric factor. Differentiation only on the basis of it would not be appropriate and considering all the other factors would be unfeasible. Lastly, developing several KIDs for will have an effect on the compliance costs. This should be kept in mind, particularly because other PRIIPs manufacturers would not have to produce such a large number of KIDs. This would also lead to insurers providing retail investors with an overload of KIDs.

Insurance Europe comments on the draft RTS

In addition to its response to the ESAs questions, Insurance Europe would like to highlight its key messages on the draft RTS overall within this annex, and particularly on 1) the risk indicator; 2) the performance scenarios; 3) the cost indicator; 4) the MOPs; 5) the review of the KID; and 6) the delivery of the KID.

In general, it is very regrettable that the questions of the consultation only partly address some very specific areas of the PRIIPs KID and some important issues are not subject to consultation:

- The ESAs should thoroughly assess and consider whether simpler, more uniform market risk measures for most types of PRIIPs would lead to different results and rankings in order to ensure that the draft RTS are cost-effective to implement and that a correct and fair distinction is made between the different PRIIPs.
- When an insurer is subject to Solvency II and an insurance guarantee scheme (IGS) exists in its jurisdiction, the mitigating factors (very strict prudential regime, subordination of claims and insurance guarantee schemes) taken together represent a triple protection layer against credit risk for investors in an insurance-based investment product manufactured by an insurer. Insurance Europe would suggest that any insurance-based investment product manufactured by an insurer subject to the Solvency II regime is automatically classified in the credit risk class 1.
- The PRIIPs level 1 Regulation dedicates a specific section of the KID to early surrender. In order to avoid confusion and double-counting of the early redemption fee, it is essential that early redemption fees are not treated as a cost and do not appear in either the performance scenarios or in the costs.

- Intermediate values in the performance scenarios and in the cost section of the KID are misleading for consumers.
 - As far as performance is concerned, insurance-based investment products tend to be long-term products and are selected by retail investors also for this feature. Showing in the KID returns after 1 or 3 years is completely irrelevant for insurance-based investment products.
 - Only the costs at the recommended holding period or at maturity are meaningful. Otherwise, not only would the presentation lead to confusing information and information overload for consumers, but it would also simply send the wrong message to retail investors (ie. the retail investor should aim to keep the product until the recommended holding period or at maturity).
- Effective comparison should be ensured for consumers. Meaningful comparison remains the key objective of the PRIIPs Regulation and the insurance sector considers that only by separating the full biometric risk premium from the investment costs can achieve this.
- Keeping in mind Insurance Europe's position that intermediate periods should not be presented in the KID, the representation of:
 - annualised costs in monetary terms, together with:
 - a "reduction in yield (RIY)" for the holding period of the contract, which shows the total impact of costs in percent and includes all costs: direct and indirect, one-off and recurring costs;
 is the most appropriate method for the cost representation, which is consistent with the Regulation, ensures comparability of products with different terms and is also very useful and understandable for retail investors.

As far as multi-option products are concerned, the RTS should be drafted in line with the mandate in Article 6.3 of the PRIIPs Regulation and should take account of the market reality in the field of unit-linked insurance products. In addition, the PRIIPs Regulation and the RTS should in no way restrict the product variety or the options in underlying investments. This is not in the remit or the aim of the PRIIPs Regulation itself. In addition, Insurance Europe suggests that for any UCITS (Undertakings for the Collective Investment of Transferable Securities) underlying option, the manufacturer is enabled to provide the UCITS Key Investor Information Document (KIID), in line with the PRIIPs Regulation exemption under Article 32.

1. Risk Indicator

Risk Indicator – Draft RTS articles	
ESAs draft RTS	Insurance Europe comments
Article 5 (2)	<p>Insurance Europe is of the view that credit risk should not be integrated in the quantitative risk indicator, as this only adds unnecessary complexity to the model. At the very least, market risk should be factored in in a much more prominent manner than what is proposed in the current draft RTS. The ESAs' alternative scale proposed on page 9 is already a step in the right direction.</p> <p>Insurance Europe strongly believes that the following credit risk mitigating factors specific to insurers need to be taken into account:</p> <ol style="list-style-type: none"> 1. The very strict prudential regime that insurance companies are subject to (Solvency II) already incentivises the diversification of insurers' risks and ensures the financial capability of insurers to fulfil their contractual obligations, even under stressed conditions. Furthermore, Solvency II allows regulators to intervene promptly when they suspect that an insurer faces difficulties. 2. Subordination of claims: Article 275(1a) of Solvency II clearly states that "with regard to assets representing the technical provisions, insurance claims shall take absolute precedence over any other claim on the insurance undertaking". At point (b), the same article states that when it comes to the whole of the assets of the insurer, only claims by employees, public bodies, and social security can come before insurance claims. Therefore, Insurance Europe believes that the mitigating factor as explained by paragraph 65(a) of the draft RTS Annex II will always apply to insurance companies under the Solvency II regime. Consequently, Insurance Europe believes it is necessary to add the specific reference to Article 275 of Solvency II in the draft RTS. <p>Insurance guarantee schemes: Not considering guarantee schemes as a mitigating factor contradicts previous views of the ESAs, which stated in its June Technical Paper that "credit risk could be mitigated in some situations such as when there is a guarantee or a compensation scheme (such as the deposit compensation scheme) in place or when appropriate collateral is provided". The credit risk retail investors could be facing, when purchasing a PRIIP, is the risk linked to a PRIIP manufacturer's insolvency. If this risk is already mitigated</p>

	<p>at national level by a guarantee scheme, then the credit risk from the point of view of the retail investor is immaterial.</p> <p>When an insurer is subject to Solvency II and an IGS exists in its jurisdiction, these mitigating factors taken together represent a triple protection layer against credit risk for investors in an insurance-based investment product manufactured by an insurer. Therefore, these need to be fully acknowledged by the draft RTS and they should be reflected when determining to which credit risk class insurers belong to. Insurance Europe would suggest that any insurance-based investment product manufactured by an insurer subject to the Solvency II regime is automatically classified in the credit risk class 1.</p> <p>This would also solve another important issue, which is that the draft RTS relies excessively on credit ratings given by agencies when determining credit risk classes; this is contradictory to all recent regulatory trends at EU level. Indeed, many insurers in Europe do not have a credit rating (eg only 13 life insurers in Germany have Assekurata rating and only approximately 6 life insurers in Spain and 3 in Belgium are rated). According to the draft RTS, the default credit assessment is the credit risk class 3. In Insurance Europe's view, this is an arbitrary and unfair classification. Insurance companies which do not have ratings will face a very high comparative disadvantage on the only basis that they do not have a rating. This will in particular affect small and medium insurers which cannot necessarily afford to pay a rating agency.</p>
Annex II - Methodology underpinning the presentation of risk	
ESAs draft RTS	Insurance Europe comments
<p>Annex II</p> <p>PART 1</p> <p>-</p> <p>Methodology underpinning the market risk assessment</p>	<p>Insurance Europe is of the view that credit risk should not be integrated in the quantitative risk indicator, as this only adds unnecessary complexity to the model. However, should it be decided to aggregate both risks in a single indicator, Insurance Europe wishes to point out the complexity of the proposed methodology behind the risk indicator.</p> <p>With regard to the market risk measure, the explanatory text in respect of the draft RTS (table page 75) is, on the contrary, overly simplistic compared to the proposed methodology in the annex, and brings confusion and contradictory messages regarding the products that would fall under each market risk class.</p>

	Insurance Europe strongly believes that the aim of the Regulation to support retail investors in understanding the main features of investment products can be ensured whilst avoiding the elaboration of disproportionately complex measures.
Annex II PART 1 Para. 9 (1) - PRIIPs Category I definition	<p>Insurance-based investment products with a tenor higher than five years and with profit would fall under category IV whereas those without profit sharing (ie redemption fee linked to the market value) would fall under category III.</p> <p>Insurance Europe is of the view that the five years tenor criteria selected by the ESAs is arbitrary, irrelevant and based on no concrete evidenced need to differentiate between products that offer a capital protection at maturity of the product. A guaranteed product with a maturity of more than five years has no higher market risk than a similar product with a shorter tenor.</p> <p>The impact of inflation on the value of the PRIIP should not affect the market risk, mainly because inflation is not a risk inherent for PRIIPs but affects all investment products in the same way. This distinction is not helpful, therefore, for retail investors nor does it increase comparability or transparency of products. In addition, this feature is not included in pre-contractual information disclosure for other products (UCITS for instance).</p> <p>In this context, Insurance Europe is of the opinion that for PRIIPs that offer a capital protection at maturity of the product, a qualitative assessment and automatic allocation to MRM (Market Risk Measure) class 1 should be permitted regardless of their tenor.</p> <p>It should be noted that for markets with a more diversified product landscape (eg Germany) none of the proposed approaches is satisfying. First, different measures could apply to products with similar risk exposure (eg a category II/III product with or without a low guarantee). Second, the methods are not able to differentiate between certain mechanisms, in particular certain downside safeguards (eg CPPI with a guarantee of certain part of paid-in contributions at maturity investing in category II underlyings with different volatility). Therefore, if there is a large variety of products on the market as it is the case in Germany, consumers will not necessarily receive the information they need in order to compare different products consistently. This issue is currently being dealt with for German Riester pensions: a single model for different providers (such as insurers, banks and funds) is being developed.</p>

<p>Annex II PART 1 Para. 30 to 48</p> <p>-</p> <p>Details on MRM for Category III PRIIPs</p>	<p>Not taking into account the accuracy of the methodology but only looking into the level of complexity, it seems pertinent to emphasise the high complexity of the proposed methodology behind the risk indicator in general and particularly of the methodology for MRM calculation of category III PRIIPs. Insurance Europe would highlight that the methodology under category III (involving a minimum of 10.000 forward-looking simulations) is much more complicated than the one under category II (historical volatility over the last 5 years).</p> <p>Understanding the methodology, the programming and the possible lack of access to data also have an impact on the complexity of some of the proposed methodologies and must be considered. A more coherent and consistent approach for all products as regards the level of complexity of the methodology would be helpful. Insurance Europe strongly believes that absolute clarity must be ensured whilst avoiding the elaboration of disproportionately complex measures. The ESAs seem to assume that different measures are required in order to ensure accurate measurement of risk for different types of PRIIPs, and therefore to ensure fair comparison. Insurance Europe believes that this assumption ought to be thoroughly assessed before introducing a complex — and very costly — system. The ESAs should and consider whether simpler, more uniform measures for most types of PRIIPs would lead to different results and rankings in order to ensure that the draft RTS are cost-effective to implement and that a correct and fair distinction is made between the different PRIIPs.</p> <p>The bootstrapping method is a backward-looking method that uses the resampling of the daily past performance during the last five years. It is not clear how this method will apply to long-term insurance-based investment products. This especially holds true for guaranteed insurance PRIIPs, as the simulation of a guarantee will always result in the same guarantee (ie there is no variability in return).</p>
<p>Annex II PART 1 Para. 49 to 52</p> <p>-</p> <p>Adjustments for factors not observed in the market</p>	<p>The methodology for category IV products, in paragraphs 49 to 52 of the draft RTS, remains very unclear and should therefore be further clarified. Namely, it is not explained to which methodology the adjustments for factors not observed in the market should apply. Clarifications as to the expected adjustments for factors not observed in the market are necessary. Otherwise, the industry will not be able to follow the methodology.</p>

<p>Annex II</p> <p>PART 2</p> <p>-</p> <p>Methodology underpinning the credit risk assessment</p>	<p>Insurance Europe is of the view that credit risk should not be integrated in the quantitative risk indicator, as this only adds unnecessary complexity to the model. However, should it be decided to aggregate both risks in a single indicator, Insurance Europe strongly believes that the following risk mitigating factors specific to insurers need to be taken into account:</p> <ol style="list-style-type: none"> 1. The very strict prudential regime that insurance companies are subject to (Solvency II) already incentivises the diversification of insurers' risks and ensures the financial capability of insurers to fulfil their contractual obligations, even under stressed conditions. Furthermore, Solvency II allows regulators to intervene promptly when they suspect that an insurer faces difficulties. 2. Subordination of claims: Article 275(1a) of the Solvency II Directive clearly states that "with regard to assets representing the technical provisions, insurance claims shall take absolute precedence over any other claim on the insurance undertaking". At point (b), the same article states that when it comes to the whole of the assets of the insurer, only claims by employees, public bodies, and social security can come before insurance claims. Therefore, Insurance Europe believes that the mitigating factor as explained by paragraph 65(a) of the draft RTS Annex II will always apply to insurance companies under the Solvency II regime. Consequently, Insurance Europe believes it is necessary to add the specific reference to Article 275 of Solvency II in the draft RTS. 3. Insurance guarantee schemes: Not considering guarantee schemes as a mitigating factor contradicts previous views of the ESAs, which stated in its June Technical Paper that "credit risk could be mitigated in some situations such as when there is a guarantee or a compensation scheme (such as the deposit compensation scheme) in place or when appropriate collateral is provided". The credit risk retail investors could be facing, when purchasing a PRIIP, is the risk linked to a PRIIP manufacturer's insolvency. If this risk is already mitigated at national level by a guarantee scheme, then the credit risk from the point of view of the retail investor is immaterial. <p>When an insurer is subject to Solvency II and an IGS exists in its jurisdiction, these mitigating factors taken together represent a triple protection layer against credit risk for investors in an insurance-based investment product manufactured by an insurer. Therefore, these need to be fully acknowledged by the draft RTS and they should be reflected when determining to which credit risk class insurers belong to. Insurance Europe would suggest that any insurance-based investment product manufactured by an insurer subject to the Solvency II regime is automatically classified in the credit risk class 1.</p> <p>This would also solve another important issue, which is that the draft RTS relies excessively on credit ratings given by agencies when determining credit risk classes; this is contradictory to all recent regulatory trends at EU level. Indeed,</p>
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	many insurers in Europe do not have a credit rating (eg only 13 life insurers in Germany have Assekurata rating and only approximately 6 life insurers in Spain and 3 in Belgium are rated). According to the draft RTS, the default credit assessment is the credit risk class 3. In Insurance Europe's view, this is an arbitrary and unfair classification. Insurance companies which do not have ratings will face a very high comparative disadvantage on the only basis that they do not have a rating. This will in particular affect small and medium insurers which cannot necessarily afford to pay a rating agency.
Annex II PART 2 Para. 62a) Default assessment	credit <p>As regards to the credit risk, Insurance Europe is particularly concerned by the default credit assessment established as corresponding to credit quality step 3 (ie credit risk class 3) if the PRIIP obligor does not have a credit rating and is regulated as an insurance undertaking under the applicable European regulation. This default credit assessment set at credit quality step 3 is both uncompetitive and arbitrary.</p> <p>In this respect, the draft RTS relies excessively on credit ratings given by agencies when determining credit risk classes; this is contradictory to all recent regulatory trends at EU level. Indeed, many insurers in Europe do not have a credit rating (eg only 13 life insurers in Germany have Assekurata rating and only approximately 6 life insurers in Spain and 3 in Belgium are rated). According to the draft RTS, their insurance-based investment products would automatically be classified in the credit risk class 3, even if all mitigating factors described above apply. In Insurance Europe's view, this would be unfair because in practice, insurance companies which do not have ratings will face a very high comparative disadvantage on the only basis that they do not have a rating. This will in particular affect small and medium insurers, which cannot necessarily afford to pay a rating agency.</p> <p>In any case, the draft RTS should acknowledge the significant factors which mitigate credit risk in the case of insurers subject to the Solvency II framework in Europe.</p>
Annex II PART 2 Para. 65 & 66 Mitigating escalating credit exposures and risk	<p>Insurance Europe strongly believes that the following risk mitigating factors specific to insurers need to be taken into account:</p> <ol style="list-style-type: none"> 1. The very strict prudential regime that insurance companies are subject to (Solvency II) already incentivises the diversification of insurers' risks and ensures the financial capability of insurers to fulfil their contractual obligations, even under stressed conditions. Furthermore, Solvency II allows regulators to intervene promptly when they suspect that an insurer faces difficulties.

2. **Subordination of claims:** Article 275(1a) of Solvency II clearly states that “with regard to assets representing the technical provisions, insurance claims shall take absolute precedence over any other claim on the insurance undertaking”. At point (b), the same article states that when it comes to the whole of the assets of the insurer, only claims by employees, public bodies, and social security can come before insurance claims. Therefore, Insurance Europe believes that the mitigating factor as explained by paragraph 65(a) of the draft RTS Annex II will always apply to insurance companies under the Solvency II regime. Consequently, Insurance Europe believes it is necessary to add the specific reference to Article 275 of Solvency II in the draft RTS.
3. **Insurance guarantee schemes:** Not considering guarantee schemes as a mitigating factor contradicts previous views of the ESAs, where it is stated that “credit risk could be mitigated in some situations such as when there is a guarantee or a compensation scheme (such as the deposit compensation scheme) in place or when appropriate collateral is provided”. The credit risk retail investors could be facing, when purchasing a PRIIP, is the risk linked to a PRIIP manufacturer’s insolvency. If this risk is already mitigated at national level by a guarantee scheme, then the credit risk from the point of view of the retail investor is immaterial.

When an insurer is subject to Solvency II and an IGS exists in its jurisdiction, these mitigating factors taken together represent a **triple protection layer** against credit risk for investors in an insurance-based investment product manufactured by an insurer. Therefore, these need to be fully acknowledged by the draft RTS and they should be reflected when determining to which credit risk class insurers belong to. Insurance Europe would suggest that any insurance-based investment product manufactured by an insurer subject to the Solvency II regime is automatically classified in the credit risk class 1.

This would also solve another important issue, which is that the draft RTS relies excessively on credit ratings given by agencies when determining credit risk classes; this is contradictory to all recent regulatory trends at EU level. Indeed, many insurers in Europe do not have a credit rating (eg only 13 life insurers in Germany have Assekurata rating and only approximately 6 life insurers in Spain and 3 in Belgium are rated). According to the draft RTS, the default credit assessment is the credit risk class 3. In Insurance Europe’s view, this is an arbitrary and unfair classification. Insurance companies which do not have ratings will face a very high comparative disadvantage on the only basis that they do not have a rating. This will in particular affect small and medium insurers which cannot necessarily afford to pay a rating agency.

<p>ANNEX II PART 3</p> <p>-</p> <p>Aggregation of market and credit risk into the SRI</p>	<p>Insurance Europe is particularly concerned by the default credit assessment established as corresponding to credit quality step 3 (ie credit risk class 3) if the PRIIP obligor does not have a credit rating and is regulated as an insurance undertaking under the applicable European regulation. If an insurer does not have a rating, it will be automatically allocated to credit risk class 3. This default credit assessment set at credit quality step 3 is both uncompetitive and arbitrary.</p> <p>Insurance Europe would suggest that any insurance-based investment product manufactured by an insurer subject to the Solvency II regime is automatically classified in the credit risk class 1.</p> <p>Insurance Europe is of the view that the market risk should be factored in in a much more prominent manner than what is proposed in the current draft RTS. The ESAs' alternative scale proposed page 9 is already a step in the right direction.</p>
<p>ANNEX III</p> <p>-</p> <p>Appendix 1</p>	<p>Since risk and reward are typically highly correlated, it is important that the presentation of risk includes a disclaimer "high risk, typically higher rewards" for products with low credit risk. Insurance Europe does not understand why such a disclaimer was rejected in the consumer testing since only few consumers questioned this approach. Should such a disclaimer not be included, the picture will be overly negative.</p>

2. Performance scenarios

Performance scenarios – Draft RTS articles	
ESAs draft RTS	Insurance Europe comments
General remarks	<p>Insurance Europe wishes to point out that the PRIIPs level 1 Regulation dedicates a specific section of the KID to the surrender. In order to avoid confusion and double-counting the early redemption fee, it is key that early redemption fees are not treated as a cost and do not appear neither in the performance scenarios nor in the costs. These deductions are justified in accordance with actuarial principles and serve to protect the community of policyholders (eg against adverse selection). Then again, this issue should be better addressed in the section of the KID on surrender value.</p> <p>Furthermore, Insurance Europe wishes to confirm its position as regards to the forward-looking performance scenarios. In Insurance Europe's view, past performance scenarios should not be considered as an option for performance scenarios. The historical data, on its own, does not give any indication of the future performance. Due to the long term nature of certain life insurance products, a risk indicator or performance scenarios based only on past performance would not be suitable.</p> <p>Finally, it should be added that Solvency II pre-contractual disclosure rules require 3 scenarios, which include discretionary profit sharing, if justified. Insurance Europe calls for coherence in the regulatory framework.</p>
Recital 6	<p>Insurance Europe believes that the what-if prescribed approach is valid and meaningful for PRIIPs. It is of utmost importance that the retail investors understand the performance scenarios. Deterministic modelling is more suitable for the performance scenarios.</p> <p>Performance scenarios should be prescribed, otherwise there is a risk that the chosen scenarios are unreasonable and that retail investors cannot get comparable information. Moreover, only prescribed scenarios ensure legal certainty for PRIIPs manufacturers.</p>

	<p>High-level general principles for the performance scenarios should be set at EU level, while the fine-tuning or detailing of the assumptions to be used should be developed at a national level by the different PRIIPs manufacturers in cooperation with the local supervisory authorities to ensure a certain level of comparability between the different products and within certain product classes. This would also ensure that the assumptions and methodology used do not impact the product development and ultimately the product design.</p>
Article 6(4)	<p>There are several elements that make insurance PRIIPs unique compared to other PRIIPs and that are very relevant in any comparison:</p> <ul style="list-style-type: none"> ■ Protection of surviving dependants: first and foremost, death benefits provide surviving family members with funds allowing them to maintain their living standards. For instance, it can provide funds for college education when the principal income earner is deceased and/or a financial safety net to offset the impact of estate taxes upon the policyholder's death. ■ Income protection: benefits that ensure a stable living income in case the consumer is not able to exercise his profession or work in any capacity, either temporarily or permanently. ■ Succession planning: allows a customer to save or invest money for his children or grandchildren while keeping control over the funds and the time of pay-out (eg not automatically after a certain period of time). ■ Long-term care: the organisation and delivery of a broad range of services and assistance to people who become limited in their ability to function independently on daily basis over an extended period of time, due to mental and/or physical disability. <p>In addition, to ensure that consumers are put in a position to compare what is comparable (ie the investment performance scenarios), Insurance Europe believes that the additional benefits that are specific to insurance PRIIPs should not appear in the performance scenarios section of the KID but rather in a separate section detailing the insurance cover, benefits and biometric risk premium.</p> <p>A reference to this separate section could be made in the performance scenario section, such as: "The additional benefits that are not related to the savings process are presented separately."</p> <p>In practice, it would be very challenging for insurers to show the sometimes numerous benefits provided by the insurance cover in one scenario.</p>

<p>Article 6 (7)</p>	<p>Insurance Europe is very concerned by the fact that the draft RTS proposed to include additional guidelines setting out detailed requirements on the assumptions that PRIIP manufacturers can use when selecting unfavourable, moderate and favourable scenarios.</p> <p>Accordingly to the current level 1 deadlines, the insurance sector understands that it is not likely to dispose of more than 3 or 4 months between the publication of the final regulatory standards, defining key elements of the KID, and its legal implementation for all insurance-based investment products. Considering the technically complex methodologies behind the KID's key features, which have been the object of no less than three consultations from the ESAs from November 2014 to February 2016, the time needed by the industry to implement such a document has been very much underestimated. Such an extremely tight implementation timeline is not only bringing extra costs to industry but is simply unnecessary.</p> <p>In this context, Insurance Europe is of the view that the ESAs should not start developing additional guidelines that would come on top of the draft RTS considering that there is simply, at this stage, no time for the industry to be able to implement them.</p>
<p>Annex IV – Performance scenarios</p>	
<p>ESAs draft RTS</p>	<p>Insurance Europe comments</p>
<p>Annex IV Para. 3</p> <p>-</p> <p>Additional scenario for insurance-based investment products</p>	<p>There are several elements that make insurance PRIIPs unique compared to other PRIIPs and that are very relevant in any comparison:</p> <ul style="list-style-type: none"> ■ Protection of surviving dependants: first and foremost, death benefits provide surviving family members with funds allowing them to maintain their living standards. For instance, it can provide funds for college education when the principal income earner is deceased and/or a financial safety net to offset the impact of estate taxes upon the policyholder's death. ■ Income protection: benefits that ensure a stable living income in case the consumer is not able to exercise his profession or work in any capacity, either temporarily or permanently.

	<ul style="list-style-type: none"> ■ Succession planning: allows a customer to save or invest money for his children or grandchildren while keeping control over the funds and the time of pay-out (eg not automatically after a certain period of time). ■ Long-term care: the organisation and delivery of a broad range of services and assistance to people who become limited in their ability to function independently on daily basis over an extended period of time, due to mental and/or physical disability. <p>In addition, to ensure that consumers are put in a position to compare what is comparable (ie the investment performance scenarios), Insurance Europe believes that the additional benefits that are specific to insurance PRIIPs should not appear in the performance scenarios section of the KID but rather in a separate section detailing the insurance cover, benefits and biometric risk premium.</p> <p>A reference to this separate section could be made in the performance scenario section, such as: "The additional benefits that are not related to the savings process are presented separately."</p> <p>In practice, it would be very challenging for insurers to show the sometimes numerous benefits provided by the insurance cover in one scenario in an understandable way.</p>
<p>Annex IV Para. 13</p> <p>-</p> <p>Intermediate periods for the performance scenarios</p>	<p>Intermediate values are misleading for consumers.</p> <ul style="list-style-type: none"> ■ The proposed performance scenarios contradict the provisions of the Regulation on the structure of the KID. For products with a fixed term, the Regulation envisages the KID to describe the characteristics of the PRIIP under the assumption that the regular term is adhered to. For this reason, the term of the product is prominently specified in the section titled "What is this product?". It is with the knowledge of the regular holding period, that the retail investor will subsequently consider the information on risk, costs and performance of the product. ■ Explanations on the consequences of cashing in before the end of the term are supposed to be provided under the section which was specifically created for this purpose: "How long should I hold it and can I take money out early?". Therefore, intermediate values of the product should be included in the section on surrender value of the product. In any case, in order to avoid confusion and double-counting the early redemption fee, it is key that early redemption fees do not appear in the performance scenarios. ■ Information on intermediate values would mislead consumers: for insurance-based investment products intermediate values are not the same as final values of a product with a shorter holding period, ie the value of

a product with a term of 30 years after 15 years is not the same as the final value of a product with a term of

15 years. In any case, it is of utmost importance, that this is explained to the consumer in a narrative manner.

- Furthermore, for some illiquid PRIIPs, showing intermediate returns is irrelevant, also for longer time periods. For these PRIIPs, only returns for the recommended holding period are relevant.

Should it be decided, against all the above arguments, to include intermediate periods, it must be acknowledged that the draft RTS must consider the different products in the PRIIPs Regulation, including long-term (such as insurance-based investment products) and very short-term investment products. Insurance Europe considers that applying a short holding period to a very long-term life insurance product would actually result in an unfair comparison with other types of PRIIPs and that it would prove to be misleading to the investor.

Insurance-based investment products tend to be long-term products and are selected by retail investors also for this feature. Showing in the KID returns after 1 or 3 years is completely irrelevant for insurance-based investment products. Insurance-based investment products would be put in a competitive disadvantage compared to other PRIIPs.

3 . Cost section

Costs – Draft RTS articles	
ESAs draft RTS	Insurance Europe comments
Article 4(5)	<p>In order to achieve meaningful comparisons between products, the biometric risk premium and the investment costs cannot be aggregated in one figure and must be presented in separate sections of the KID.</p> <p>Effective comparison should be ensured for consumers. Meaningful comparison remains the key objective of the PRIIPs Regulation and the insurance sector considers that only separating the full biometric risk premium from the investment costs could achieve such an objective.</p> <p>Insurance Europe strongly believes that it is in the interest of the consumer that:</p> <ul style="list-style-type: none"> ■ The biometric risk premium for the inherent insurance cover is presented in a section separate from the KID cost section. ■ No part of the insurance biometric risk premium is presented in the cost section of the KID. ■ To ensure complete transparency, a reference to this could be made in the cost section, such as: "The contributions for additional benefits that are not related to the savings process are presented separately." Similarly, a reference to this separate section could be made in the performance scenario section, such as: "The additional benefits that are not related to the savings process are presented separately." <p>In this context, although Insurance Europe does not support the proposed disclosure of the biometric risk premium for the inherent insurance cover in the other sections of the document, the insurance sector would welcome the disclosure of both the insurance benefits as well as the biometric risk premium in the section "<i>What is this product?</i>", as proposed by the ESAs for this particular section in the current RTS.</p>

<p>Article 8(1)</p>	<p>Insurance Europe does not support the ESAs' proposed format of presentation of the costs. Insurance Europe considers the proposed format to be misleading and confusing for consumers.</p> <p>There is a contradiction in the visual representation of the risk class and costs of PRIIPs. Insurance Europe welcomes the fact that the presentation of the risk indicator suggested by the ESAs includes only one number corresponding to the total risk of the product and is easy to grasp for retail investors. Unfortunately, the opposite is true for the representation of costs: the ESAs suggest two tables which not only exceed the requirements of level 1 text but also include 15 numbers in the first table and 5 numbers in the second table. This information is not clear and difficult to understand According to the consumer testing: "There was support for more detailed information in the qualitative study among some participants. However, increased detail often meant poorer performance on the objective questions within the quantitative testing". The most important information – i.e. the costs a consumer will bear if he holds the product up to maturity, which are displayed through RIY and annualised total costs in monetary terms at maturity – is almost impossible to find. The visual focus is wrongly on the first years of the contract and not on the term until which the consumer intends to hold the product.</p> <p>In this context, the insurance sector fails to understand why such a complex detailed presentation of the costs was selected by the ESAs. In addition, Insurance Europe wishes to point out that the document must remain concise (limited to three pages according to Article 6(4)) to ensure that the information remains helpful for retail investors.</p> <p>It should be noted that there is a risk that consumers will think that they need to subtract the RIY from the performance scenarios since the information on costs comes after the information on performance. The ESAs should suggest a presentation that ensures that consumers are not misled to do so.</p>
<p>Articles 8(2-4)</p>	<p>Keeping in mind Insurance Europe's position that intermediate periods should not be presented in the KID, the representation of:</p> <ul style="list-style-type: none"> ■ annualised costs in monetary terms, together with: ■ a "reduction in yield (RIY)" for the holding period of the contract, which shows the total impact of costs in percent and includes all costs: direct and indirect, one-off and recurring costs; <p>is the most appropriate method for the cost representation, which is consistent with the Regulation, ensures comparability of products with different terms and is also very useful and understandable for retail investors.</p>

Only the costs at the recommended holding period or at maturity are meaningful. Otherwise, not only would it lead to confusing information and information overload for consumers, but such a presentation would simply send the wrong message to retail investors:

- The proposed representation of the costs contradicts the provisions of the Regulation on the structure of the KID. For products with a fixed term, the Regulation envisages the KID to describe the characteristics of the PRIIP under the assumption that the regular term is adhered to. For this reason, the term of the product is prominently specified in the section titled 'What is this product?' It is with the knowledge of the regular holding period, that the retail investor will subsequently consider the information on risk and costs of the product. Explanations on the consequences of cashing in before the end of the term are supposed to be provided under the section which was specifically created for this purpose: 'How long should I hold it and can I take money out early? Furthermore, it should be pointed out that Level I regulation does not mention intermediate holding periods.'
- Insurance-based investment products are usually long-term products. These products are being considered by retail investors also for this very feature. When acquiring an insurance-based investment product, the retail investor should aim to keep it until the recommended holding period or at maturity. Displaying, at a pre-contractual stage, holding periods inferior to the recommended holding period or the product's maturity would send the wrong message to retail investors.
- In order to ensure full transparency, the Regulation text dedicates an entire section of the PRIIPs KID to the surrender value of the product. Therefore, consumers are informed in this section about what happens when they surrender early. If the same information is included differently in different sections, this would only lead to confusion.
- The information on the costs for early stages of the contract will wrongly present possibly cheaper products with non-linear cost structure as more expensive than products with a linear cost structure.
- In addition, Insurance Europe wishes to point out that the RIY method, selected by the ESAs and supported by the insurance sector compared to the Total Cost Ratio, has the advantage of taking into account the timing of costs. In this context, it seems irrelevant to display all these costs figures over time.

- Finally, it should be noted that intermediate values should not be used to benchmark insurance-based investment products against other PRIIPs. Rather, consumers should be put in a position to compare values at maturity of an insurance-based investment product with a shorter term with the respective investment product and not the intermediate value of an insurance-based investment product with a longer duration.

Should it be decided, against all the above arguments, to include intermediate periods, it must be acknowledged that the draft RTS must consider the different products in the PRIIPs Regulation, including long-term (such as insurance-based investment products) and very short-term investment products. Regarding insurance-based investment products specifically, it should be noted that adding costs for intermediate stages of 1, 3 and 5 years as suggested in Annex VII makes no sense, given that insurance-based investments generally have very long recommending holding periods (of 30 years and more in many jurisdictions).

In addition, considering that the RIY method has the advantage of taking into account the timing of costs, the insurance sector questions the added value of presenting separately the entry, recurring and exit charges. It should be taken into account that retail investors are interested in what a product will cost them, not how these costs are constructed. It would be irrelevant for retail investors to receive such a break-down of costs. The RIY for the recommended holding period and the total annualised costs in monetary terms are the only costs that would add value to retail investors and that will enable them to compare different products.

The total cost should be presented in monetary terms per year (annual average). An option presenting the total costs for the whole investment period would not allow for an effective comparison between, for example, a product with a few months investment period and one characterised by a 35 years investment period.

Finally, since risk and reward as well as costs and performance are strongly correlated, a thorough consistent approach of these features is needed.

Annex VI – Methodology for the calculation of costs

ESAs draft RTS	Insurance Europe comments
<p>Annex VI Para. 50(b) and 53(b)</p> <p>-</p> <p>Distribution costs</p>	<p>Costs of distribution depend highly on the distribution channel used. It remains to clarify which distribution channel related costs should be included for the purpose of the pre-contractual KID.</p> <p>In addition, it should be noted that there is a risk of double-counting if these costs are already reflected in the intrinsic value of the product.</p>
<p>Annex VI Para. 50(e) and 53(e)</p> <p>-</p> <p>Costs of holding capital</p>	<p>Cost of holding required capital should be covered in the performance and risk section of the KID (more narrow spread between the performance scenarios). In general, performance scenarios should be consistent with the information on costs included in the cost section of the KID: the higher the guarantees, the lower the risk class, and the more narrow the spread between the performance scenarios (e. g. a lower maximum value). This implies, however, that no fictitious, additional guarantee costs are assumed (more narrow spread between the performance scenarios, less risk).</p> <p>Costs of holding capital are achieved by collective investment management, which is usually influenced by the corresponding legal provisions, eg in Solvency II, that enable insurance undertakings to design options and guarantees. It is, in particular, unclear how such a cost would need to be calculated.</p>
<p>Annex VI Para. 55</p> <p>-</p> <p>Cost disclosure of the biometric risk premium of insurance-based investment products</p>	<p>In order to achieve meaningful comparisons between products, the biometric risk premium and the investment costs cannot be aggregated in one figure and must be presented in separate sections of the KID.</p> <p>First, it seems essential to recall that the level 1 PRIIPs Regulation Article 8(f) introduces in the KID a section on costs which should include "the costs associated with an investment in the PRIIP" – it does not say "costs associated with an investment and biometric protection". Therefore, separating the full biometric risk premium and the investment cost, as well as being the most transparent and meaningful approach, is also in line with the level 1 text.</p>

Insurance-based investment products comprise an insurance cover, consisting of protection against biometric risks faced by consumers, alongside an investment element. When freely choosing an insurance-based investment product, a consumer is looking for both beneficial investment opportunities and for insurance protection for his or her family against biometric risks. The life insurance part of an insurance-based investment product may offer a number of benefits:

- Protection of surviving dependants: first and foremost, death benefits provide surviving family members with funds allowing them to maintain their living standards. For instance, it can provide funds for college education when the principal income earner is deceased and/or a financial safety net to offset the impact of estate taxes upon the policyholder's death.
- Income protection: benefits that ensure a stable living income in case the consumer is not able to exercise his profession or work in any capacity, either temporarily or permanently.
- Succession planning: allows a customer to save or invest money for his children or grandchildren while keeping control over the funds and the time of pay-out (eg not automatically after a certain period of time).
- Long-term care: the organisation and delivery of a broad range of services and assistance to people who become limited in their ability to function independently on daily basis over an extended period of time, due to mental and/or physical disability.

All these benefits are unique to insurance-based investment products and are secured by the payment of the insurance premium (ie the price to pay in exchange for these insurance services). A sharp and clear distinction must, therefore, be made between investment costs associated to the insurance-based investment product and the insurance premiums paid. Premiums — which are payments that directly finance the insurance benefits of the products — should never be considered as costs. This is simply because the consumer knowingly receives insurance benefits for these payments and in fact specifically chooses an insurance-based investment product in order to receive these benefits along with investment returns. If the consumer is not interested in receiving additional insurance benefits, he or she would not opt for an insurance-based investment product in the first place. However, if consumers are interested in receiving additional insurance benefits, the presentation of insurance premiums as investment costs would not give them the appropriate and necessary information on the product.

Effective comparison should be ensured for consumers. Meaningful comparison remains the key objective of the PRIIPs Regulation and the insurance sector considers that only separating the full biometric risk premium from the investment costs could achieve such an objective.

Insurance Europe strongly believes that it is in the interest of the consumer that:

	<ul style="list-style-type: none"> ■ The biometric risk premium for the inherent insurance cover is presented in a section separate from the KID cost section. ■ No part of the insurance biometric risk premium is presented in the cost section of the KID. ■ To ensure complete transparency, a reference to this could be made in the cost section, such as: "The contributions for additional benefits that are not related to the savings process are presented separately." Similarly, a reference to this separate section could be made in the performance scenario section, such as: "The additional benefits that are not related to the savings process are presented separately." <p>If this complete separation is not made, the consumer will be disadvantaged in several ways, as they would not be in a position to compare what is comparable:</p> <ul style="list-style-type: none"> ■ The cost indicator of an insurance-based investment product will be deceptively higher than that of other PRIIPs, and consumers will not be in a position to compare the investment part of the different products on the market. ■ The amount of the insurance premium will not be clearly visible to consumers and this will prevent them from comparing the insurance cover, including the potentially high benefits if the insurance cover payment is granted. It will also allow them to compare the premium with the ones offered through other insurance-based investment products and through pure life insurance products with no investment component. <p>Separating and displaying the biometric risk premium (1) in different formats; (2) several times; and (3) in different sections of the KID, will only lead to confusion for consumers. This will, in turn, create a competitive disadvantage for insurance-based investment products.</p> <p>Therefore, in order to achieve meaningful comparisons between products, these two features cannot be aggregated in one figure and must be presented in separate sections of the KID. Optional insurance cover could be mentioned narratively in the section "What is this product?".</p>
Annex VI Para. 57 -	<p>Insurance Europe wishes to reiterate that surrender values are important and must be displayed in a fully transparent way to retail investors. It is understood that this is the reason why the PRIIPs level 1 Regulation an entire section of the PRIIPs KID to the surrender value of the product. Consequently, consumers are informed in this section about what happens when they surrender early. If the same information is included differently in different sections, this would only lead to confusion and send the wrong message to consumers</p>

Summary cost indicator - RIY	<p>Furthermore, redemption fees are not costs: these deductions are justified in accordance with actuarial principles and serve to protect the community of policyholders (e.g. against adverse selection).</p>
Annex VI Para. 66-68 - Calculation of reduction in yield	<p>The ESAs proposed explanation for the calculation of the reduction in yield needs to be clarified. As such, paragraphs 66 to 68 seem very difficult to read and understand.</p>
Annex VI Para. 71 - Specific requirements for insurance-based investment products	<p>As far as profit sharing is concerned, the insurance industry believes that this could be problematic to show in some Member States, because it is dealt with at the level of the company rather than at the level of the individual contracts. Amounts retained from the investment return through profit sharing mechanisms should not be considered as costs.</p>
Annex VI Para. 89 and 90 - Compound effect of all the costs	<p>Insurance Europe wishes to reiterate that surrender values are important and must be displayed in a fully transparent way to retail investors. It is understood that this is the reason why the PRIIPs level 1 Regulation dedicates an entire section of the PRIIPs KID to the surrender value of the product. Therefore, consumers are informed in this section about what happens when they surrender early. If the same information is included differently in different sections, this would only lead to confusion and send the wrong message to consumers.</p> <p>Furthermore, redemption fees are not costs: these deductions are justified in accordance with actuarial principles and serve to protect the community of policyholders (e.g. against adverse selection).</p>

Annex VII – Format of presentation of costs

ESAs draft RTS	Insurance Europe comments
Annex VII	<p>Insurance Europe does not support the ESAs proposed format of presentation of the costs. Insurance Europe considers the proposed format to be misleading and confusing for consumers.</p> <p>According to the consumer testing: “There was support for more detailed information in the qualitative study among some participants. However, increased detail often meant poorer performance on the objective questions within the quantitative testing”. In this context, the insurance sector fails to understand why such a complex detailed presentation of the costs was selected by the ESAs. In addition, Insurance Europe wishes to point out that the document must remain concise (limited to three pages according to Article 6(4)) to ensure that the information remains helpful for retail investors.</p> <p>Keeping in mind Insurance Europe’s position that intermediate periods should not be presented in the KID, the representation of:</p> <ul style="list-style-type: none"> ■ annualised costs in monetary terms, together with: ■ a “reduction in yield (RIY)” for the holding period of the contract, which shows the total impact of costs in percent and includes all costs: direct and indirect, one-off and recurring costs; <p>is the most appropriate method for the cost representation, which is consistent with the Regulation, ensures comparability of products with different terms and is also very useful and understandable for retail investors.</p> <p>Only the costs at the recommended holding period or at maturity are meaningful. Otherwise, not only would the presentation lead to confusing information and information overload for consumers, but it would simply send the wrong message to retail investors:</p> <ul style="list-style-type: none"> ■ The proposed representation of the costs contradicts the provisions of the Regulation on the structure of the KID. For products with a fixed term, the Regulation envisages the KID to describe the characteristics of the PRIIP under the assumption that the regular term is adhered to. For this reason, the term of the product is prominently specified in the section titled ‘What is this product?’ It is with the knowledge of the regular holding period, that the retail investor will subsequently consider the information on risk and costs of the product. Explanations on the consequences of cashing in before the end of the term are supposed to be provided under the section which was specifically created for

this purpose: 'How long should I hold it and can I take money out early? Furthermore, it should be pointed out that Level I regulation does not mention intermediate holding periods.

- Insurance-based investment products are usually long-term products. These products are being considered by retail investors also for this very feature. When acquiring an insurance-based investment product, the retail investor should aim to keep it until the recommended holding period or at maturity. Displaying, at a pre-contractual stage, holding periods inferior to the recommended holding period or the product's maturity would send the wrong message to retail investors.
- In order to ensure full transparency, the Regulation text dedicates an entire section of the PRIIPs KID to the surrender value of the product. Therefore, consumers are informed in this section about what happens when they surrender early. If the same information is included differently in different sections, this would only lead to confusion.
- The information on the costs for early stages of the contract will wrongly present possibly cheaper products with non-linear cost structure as more expensive than products with a linear cost structure.
- In addition, Insurance Europe wishes to point out that the RIY method, selected by the ESAs, has the advantage of taking into account the timing of costs, compared to the Total Cost Ratio. In this context, it seems irrelevant to display all these costs figures over time.
- Finally, it has been argued that intermediate holding periods would facilitate the benchmarking of a PRIIP against competing products. However, in this case consumers should compare values at maturity of an insurance-based investment product with a shorter term with the respective investment product and not the intermediate value of a product with a longer duration.

Should it be decided, against all the above arguments, to include intermediate periods, it should be acknowledged that the draft RTS must consider the different products included in the PRIIPs Regulation, including long-term (such as insurance-based investment products) and very short-term investment products. Regarding insurance-based investment products specifically, it should be noted that adding scenarios for intermediate stages of 1, 3 and 5 years as suggested in Annex VII makes no sense, given that insurance-based investments generally have very long recommending holding periods (of 30 years and more in many jurisdictions).

In addition, considering that the RIY method has the advantage of taking into account the timing of costs, the insurance sector questions the added value of presenting separately the entry, recurring and exit charges. It should be taken into account that retail investors are interested in what a product will cost them, not in how these costs are constructed. It would be irrelevant for retail investors to receive such a break-down of costs. The RIY for the recommended holding period and the total annualised costs in monetary terms are the only costs that would add value to retail investors and will enable them to compare different products.

The total cost should be presented in monetary terms per year (annual average). An option presenting the total costs for the whole investment period would not allow for an effective comparison between, for example, a product with a few months investment period and one characterised by a 35 years investment period.

Finally, since risk and reward as well as costs and performance are strongly correlated, a thorough consistent approach of these features is needed.

4. MOPs

MOPs – Draft RTS articles	
ESAs draft RTS	Insurance Europe comments
Articles 12-15	<p>It is of utmost importance that a level playing field is ensured between different types of PRIIPs. Retail investors should get a fair view of the insurance product (regardless of the number of investment options it provides) notably to ensure comparability.</p> <p>The RTS should be drafted in line with the mandate in article 6.3 and take account of the market reality in the field of unit-linked insurance products. In addition, the PRIIPs Regulation and the RTS should in no way restrict the product variety or the options in underlying investments. This is not in the remit of the aim of the PRIIPs Regulation itself.</p> <p>Furthermore, Insurance Europe wishes to point out that for UCITS underlying options:</p> <ul style="list-style-type: none"> ■ The information flow of the necessary data for insurers to develop a PRIIPs KID for UCITS is likely to be burdensome and complicated considering that the data which will be needed is not the same as the one necessary to develop a UCITS KIID. ■ It is not believed to be adequate to require insurers to develop a document for a product that they do not manufacture themselves. <p>In this context, Insurance Europe suggests that for any UCITS underlying option, the manufacturer is enabled to provide the UCITS KIID, in line with the PRIIPs Regulation exemption under Article 32.</p>

5. Review

Review of the KID – Draft RTS articles	
ESAs draft RTS	Insurance Europe comments
Articles 16-20	<p>The proposed RTS should clarify in Article 20 that the obligations under Articles 16 to 19 shall not apply during those periods where the PRIIP is not made available to retail investors by the manufacturer. For PRIIPs that have no secondary markets, manufacturers still have no means to prevent individual policyholders from selling their product on to another buyer. Thus, if the possibility of any secondary market trading without involvement of the manufacturer of the PRIIP were sufficient to trigger the obligation to review and revise, Article 20 would in practice never be applicable.</p>

6. Delivery

Review of the KID – Draft RTS articles	
ESAs draft RTS	Insurance Europe comments
Article 20	<p>In applying the good time requirement, the wishes of the retail investor should also be considered. The retail investor, who, despite the explicit opportunity to take more time to study the KID, chooses to proceed with the immediate conclusion of the contract, should not be artificially prevented from doing so. Furthermore, existing mechanisms aiming to protect the customer from the consequences of the premature conclusion of a contract (e. g. the mandatory cancellation right stipulated in Article 186 of the Solvency II Directive) serve the same purpose as the good time requirement and should therefore also be taken into account in its application.</p>