

Proposed PRIIPs KID would mislead consumers because of significant design faults

Therefore, timeline must be adjusted in order to correct mistakes

The draft Regulatory Technical Standards (RTS) of the packaged retail and insurance-based investment products (PRIIPs) regulation, which have been submitted by the European Supervisory Authorities (ESAs) to the European Commission, are inappropriate for insurance-based investment products and would mislead consumers, according to Insurance Europe, the European insurance and reinsurance federation.

The RTS determine the presentation and content of the Key Information Document (KID), which is the central component of the PRIIPs regulation. The KID is intended to provide consumers with a clear understanding of different investment products. However, because the draft KID does not explain insurance-based investment products correctly, consumers would not be able to make a meaningful comparison of these products.

Michaela Koller, director general of Insurance Europe, commented: "Insurance Europe is concerned that consumers would receive incorrect information about insurance products, which would wrongly appear more expensive and more risky than they actually are."

Insurance-based investment products provide insurance protection to investors that other investments products do not include. However, because the draft KID does not explain this properly it makes insurance-based investment products seem more expensive than other products, without explaining that the other products do not include this additional protection.

The draft KID also misrepresents the risk of insurance-based investment products. The PRIIPs regulation requires one indicator that consumers can easily understand. Now the methodologies used to derive this indicator are not fit for purpose for insurance-based investment products and as a consequence overstate the risk of those products.

Koller said: "It is also concerning that the draft KID would fail to achieve its objective of being short and easy to understand. Once it's filled in, it is definitely not short and certainly not easy to understand."

The reason for this is that the RTS do not work from a legal and technical point of view. In addition, once the KID is translated into all EU languages and filled in it will exceed its original objective of being three pages long.

In contrast to assumptions by the European Commission, the insurance industry cannot begin the implementation process straight away, because the legislative process that enables co-legislators to either accept or reject the legislation could take until September. Therefore, in the best case scenario, this leaves just three to four months for the industry to implement the KID by 31 December.

Koller added: "The most important thing is that consumers are properly informed. Therefore, insurance-based investment products need to be appropriately explained and their risks need to be correctly reflected. The insurance industry also needs sufficient time to program, test and launch the KID correctly, so that it delivers its objectives and allows consumers to better compare and understand these products. Consequently, a one-year extension of the PRIIPs application date is required to ensure that consumers receive the best outcome."

Notes for editors

1. For further information, to request a media interview or to be added to our mailing list, please contact Richard Mackillican, policy advisor communications & PR (tel: +32 2 894 30 69, mackillican@insuranceturope.eu).
2. You can also receive updates from Insurance Europe, sign-up [here](#) or by following us on Twitter @InsuranceEurope.
3. Insurance Europe is the European insurance and reinsurance federation. Through its 34 member bodies — the national insurance associations — Insurance Europe represents all types of insurance and reinsurance undertakings, eg pan-European companies, monoliners, mutuals and SMEs. 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 generate premium income of almost €1 170bn, employ over one million people and invest nearly €9 900bn in the economy.