

## PRIIPs KID should play a key role in the EU retail investment strategy (RIS)



If we want people to be able to take full advantage of the opportunities that the Capital Markets Union offers, then we must make sure that the specificities of the insurance sector — including distribution methods and products with guarantees — are fully understood.



Keynote speech delivered by Petra Hielkema, chairperson of EIOPA, at the EIOPA Annual Conference 2022

### How to achieve this?

Insurance Europe calls on the European Commission to consider the following DOs and DON'Ts for the packaged retail investment and insurance-based products (PRIIPs) key information document (KID) in the forthcoming RIS.

Make clear if consumers get insurance protection or not

Get the scope right

Personalisation undermines comparability

The methodology for calculating costs should not change



Allow digital-friendly disclosures

Test and ensure sufficient time for implementation



Doubling-up performance information will only confuse consumers

Alterations to the MOPs approach will increase complexity

### Why are insurance-based investment products (IBIPs) important for the CMU?

€4.1trn



of assets under management<sup>1</sup>

79%



of the PRIIPs market<sup>1</sup>

€2bn



of insurance claims paid to clients per week<sup>2</sup>

Protection against many risks



#### Wide range of products

Profit-participation

Unit-linked

Hybrids

Index-linked

Annuities

Guaranteed

Funeral

Other

<sup>1</sup> In 2020, based on Insurance Europe estimates (EU27-LT+NO).

<sup>2</sup> Estimate of biometric claims paid in 2020, based on 7 countries that represented 45% of all markets surveyed (EU27-LT+NO).

 **Make clear if consumers get insurance protection or not**

The existence or lack of insurance features (financial guarantees, biometric risk covers or other benefits) is essential information for consumers and needs to be prominently displayed at the top and/or in the first layer of the PRIIPs KID, as here on the right.

One key lesson from the COVID-19 pandemic is that it is crucial that consumers understand the added value of an insurance product, such as the protection against risks.

- Does this product provide insurance cover and other benefits?
  - YES
  - NO
 Explanation: .....
  
- Is money guaranteed?
  - YES
  - NO
 Explanation: .....

 **Allow digital-friendly disclosures**

Consumer information should be provided in digital format by default, with a paper copy only when requested by the customer.

Product manufacturers should also have the option to use a layered approach to the provision of information if they wish.



 **Get the scope right**

Immediate annuities and funeral products should be excluded from the definition of IBIPs, since they have no investment objective and the PRIIPs KID information is not meaningful for them.

Pension products need to remain outside the scope, since they are fundamentally different products with a different purpose and the information included in the PRIIPs KID does not correspond to the needs of those consumers.



 **Test and ensure sufficient time for implementation**

Any review should be preceded by consumer and technical testing in all countries to guarantee that any new proposals enable insurers to deliver clear and reliable information that improves consumer understanding.

It should also provide for at least 12 months for implementation from the official publication of Level 1, 2 and 3 measures. This will ensure the sector has sufficient time to analyse and implement the changes to best serve the consumers' needs and interests. A dynamic deadline in the Level 1 text would avoid legal uncertainty if there are delays in the legislative process.





**Personalisation undermines comparability**

Product manufacturers should not be obliged to produce real-time KIDs, or different sets of KIDs, based on customers' characteristics and choices. The PRIIPs KID is a standardised document, meant to provide non-personalised information.

Every personalisation of the KID will increase costs and be burdensome. However, some flexibility should be allowed to adapt to product characteristics or other needs, such as the length and clarity of language translations.



**Doubling-up performance information will only confuse consumers**

The worst solution for consumers is to include both future performance scenario and past performance in the PRIIPs KID, since such an overload of figures obtained through different methodologies will only confuse them and not make their choice easier.



**Methodology for calculating costs should not change**

The reduction in yield (RiY) is a robust indicator, so this needs to remain the methodology used in the cost tables of all PRIIPs.

In the 2019 Joint Consultation Paper on amendments to the PRIIPs KID, the European supervisory authorities noted that RiY figures could be used to comply with requirements in MiFID or the Insurance Distribution Directive. There is therefore no need for this to be changed.



**Alterations to the MOPs approach will increase complexity**

A significant number of the PRIIPs sold by insurers are multi-option products (MOPs), which provide consumers with a wider choice of investment funds. The current approach for MOPs gives the necessary flexibility to product manufacturers. This must be retained.

It includes the possibility to continue using UCITS KIDs produced directly by UCITS manufacturers to provide information on the MOPs' underlying options that are UCITS. No further personalisation of the UCITS KIDs should be required when they are used to provide information on the MOPs' underlying investment options.

