

## PRIIPs KID should play important role in EU retail investment strategy

“ 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 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



**Allow digital-friendly disclosures**

Test and ensure sufficient time for implementation

**Personalisation undermines comparability**



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

**The methodology for calculating costs should not change**

Alterations to the MOPs approach will increase complexity

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

**70%**



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

**€2bn**



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

#### Wide range of products

Profit-  
participation

Unit-linked

Hybrids

Index-linked

Annuities

Guaranteed

Funeral

Other

#### Protection against many risks



<sup>1</sup> Based on EIOPA estimates in 2021

<sup>2</sup> €2bn per week insurance claims (related to biometric risks) were paid in 2020 to IBIPs clients in seven countries, representing 45% of the sample's total life market (EU27+NO-LT), based on Insurance Europe estimates.



**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.

The Pan-European Personal Pension Product (PEPP) Regulation and the EC proposals for the review of the Directive on Distance Marketing of Consumer Financial Services give the green light to a layered approach in the Level 1 legislation. The PEPP Regulation also foresees information provided digitally by default in the Level 1 legislation.



**Get the scope right**

Certain 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.



**Include safeguards for the next reviews**

Prerequisites for any review set out in the legislative texts should be technical and consumer testing in all countries to ensure that any proposals deliver as expected and improve consumer understanding, as well as an adequate timeline for stakeholder consultation and implementation.

Given the significant compliance and operational effort required from the industry, at least 12 months should be allowed from the publication of both Level 1 and 2 measures in the EU Official Journal for the implementation of any regulatory changes by product manufacturers. Likewise, at least one year should be allowed for the implementation of Level 3 measures. As in the PEPP Regulation, a dynamic deadline in the Level 1 text would be a practical solution to ensure this timeline is respected and to avoid legal uncertainty if there are delays in the legislative process.



### **No personalisation**

Product manufacturers should not be obliged to produce real-time KID, 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.



### **No proliferation of performance scenario**

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



### **No changes to the methodology for calculating costs**

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.



### **No change to the flexible approach for multi-option products (MOPs)**

A significant number of the PRIIPs sold by insurers are MOPs, which provide consumers with a wider choice of investment funds. The current approach for MOPs allows 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.