

Key messages on the Retail Investment Strategy (RIS) changes to PRIIPs Regulation



The Key Information Document (KID) is the passport of European retail investment products, such as insurance-based investment products (IBIPs), investment funds or structured deposit. This document is meant to summarise the essential features of investment products in a standardised format of maximum three pages, to help consumers compare different investment options and make a first step in their investment journey.

The contents of the KID are regulated under the European Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation.

In May 2023, the European Commission put forward the Retail Investment Strategy (RIS) package which introduces changes to the PRIIPs Regulation. Among its positive modifications, the RIS package proposes a digital by default provision of the KID, the option to layer information, a better display of the insurance benefits, and the deletion of a “comprehension alert” which did not work well for consumers.

However, some improvements to the RIS proposals are needed to make sure that the revised KID works well in practice. Insurance Europe outlines below some recommendations.

The “Product at a glance” dashboard

The RIS proposes highlighting the essential product information in a new dashboard at the top of the KID, the so-called “Product at a glance” section. This is a positive step to ensure that consumers have immediate access to the most essential information, such as whether the product includes an insurance benefit and what is the recommended holding period (RHP). Yet, there is still no proper display of financial guarantees or capital protection mechanisms, whilst these are key elements for consumers’ confidence and investment decision-making.

The scope of application

The KID is currently applied to “immediate annuities” products which provide a guaranteed monthly income for a certain period of time - often the lifetime of the policyholder - starting immediately after the purchase. However, the KID is not meaningful for immediate annuities.

Insurance Europe welcomes the Commission’s intention to exclude immediate annuities from the use of the KID, in line with the [ESAs’ technical advice](#). However, the wording proposed by the Commission for this exemption is not fit for purpose.

DO

- ✔ Include information on the existence or lack of insurance benefits in the “Product at a glance”
- ✔ Include information on the existence or lack of financial guarantees in the “Product at a glance”

DON'T

- ✘ Make the KID a “treasure hunt” for consumers by hiding essential information

DO

- ✔ Make the scope right and clear, with an explicit exclusion of “immediate annuities”

DON'T

- ✘ Use an unclear wording that could lead to legal uncertainty

Multi-Option Products (MOPs)

Multi-Option Products (MOPs) are products that allow consumers to choose between different underlying funds for investing. Specific requirements have been developed for MOPs information under the PRIIPs legislative framework: to produce as many KIDs as there are investment options (RTS Art. 10(a)) or one generic KID for the “wrapper” and one for each investment option (RTS Art. 10(b)). The RIS proposes increasing the disclosures for MOPs and to implement new IT tools with filtering options. This would increase the complexity to the detriment of consumers’ understanding and the compliance costs of MOPs disclosures.

Personalisation

There is an expectation in the RIS proposals that manufacturers are able to personalise the KID and produce “real-time” tailored versions of the document. However, this does not fit with the PRIIPs methodology, since the KID is by nature a generic document.

Information overload and the 3-page limit

The RIS proposes adding new sections and information in the KID, without making any substantial simplification that allows to stick to the 3-page limit. This will impair the readability of the KID. Parts of the new information might even be confusing or duplicative, such as the use of ESG indicators that consumers can already find in the EU information documents for green products (through the Sustainable Financial Disclosure Regulation – or SFDR - templates).

Other issues

DO

- ✔ Ensure sufficient time for implementation: 12 months from the moment where all the necessary Level 2 measures are published in the EU Official Journal and Level 3 is available
- ✔ Use consumer testing to ensure that disclosure requirements are fit for purpose

DO

- ✔ Ensure that current rules - with RTS Art. 10(a) and 10(b) options - are preserved and maintain the standardised nature of the KID

DONT

- ✘ Make it too complex and too burdensome to offer MOPs to consumers

DO

- ✔ Preserve the generic nature of the KID to allow comparison among different products

DONT

- ✘ Increase IT and compliance costs, especially for smaller entities

DO

- ✔ Maintain the 3-page limit of the KID
- ✔ Apply the 1-in-1-out approach: for each piece of information that is added, a less relevant piece should be removed
- ✔ Avoid duplications with other EU legislations

DONT

- ✘ Increase the length of the KID and information overload

DONT

- ✘ Rush the implementation given the significant compliance and operational efforts required
- ✘ Implement changes without sufficient evidence that they bring tangible benefits to consumers

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