

General remarks on insurance specificities

First of all, 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 (IMD2, Solvency II and PRIIPs) mean that there will be a duplication of some pre-contractual information provided to retail investors. Product manufacturers should be able to provide all the required equivalent information through the KID so as to allow simplified and integrated pre-contractual information.

It is of utmost importance that the features of insurance-based investment products are taken into account appropriately: unlike other PRIIPs these products provide for additional benefits and protection, in addition to offering an investment opportunity, such as:

- Guarantee of a given investment performance or a given level of benefits (ensured through solvency requirements).
- Protection against biometric risks (death benefits, occupational disability income, surviving dependants' provisions etc.).

These features should be presented in a prominent manner in the KID, ensuring that the total picture of a PRIIP is balanced. Insurance Europe is worried that the presentation of insurance-related benefits might fall short in the KID.

Furthermore, a correct definition of the cost term of an insurance-based PRIIP is essential. First, it should be sharply and clearly distinguished between costs and premiums. Premiums – that is, payments that directly finance the benefits of a PRIIP – should be never considered as costs.

The following specific features of insurance-based investment products are crucial and should be taken into account:

- Premiums for protection against biometric risks are not costs, since the retail investor receives insurance benefits for these payments.
- Performance scenarios should be consistent with the information on costs included in the cost section of the KID.
- Guarantees of a given investment performance or a given level of benefits should be covered in the performance and risk section of the KID (more narrow spread between the performance scenarios, less risk), see Insurance Europe's reply to Q15.
- Early redemption fees should not be treated as costs. These deductions are justified in accordance with actuarial principles and serve to protect the community of policyholders (e.g. against adverse selection). This issue would be better addressed in the section of KID on surrender value.
- Surcharges according to methods of regular payment chosen should not be considered as costs. They compensate the overestimated interest rates of a prospective calculation: Since not all premiums are due at the beginning of the year, the interest yield for the entire year should be reduced.

Finally, it is necessary that different templates are used for different types of KID. A classification according to the legal form of the contract or instrument seems to be appropriate. It is important that the KID only includes information which is relevant for the specific product. For example, the information should be tailored to the features of insurance-based product. For example, whether a payment is due now or in 30 years significantly impacts the costs and benefits.