

Comments Template for Joint Consultation Paper concerning amendments to the PRIIPs KID (JC 2018 60)

**Deadline
6 December 2018
23:55 CET**

Name of Company:	Dutch Association of Insurers	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇒ Leave the last column <u>empty</u>. ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a question or a cell, leave the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. <p>Please send the completed template, in Word Format, to CP-18-005@eiopa.europa.eu</p> <p>Our IT tool does not allow processing of any other formats.</p>		
Reference	Comment	
General Comments	<p>The Dutch Association of Insurers welcome the ESAs' recognition that the figures of the performance scenarios based on the current (delegated) regulation could be misinterpreted by (potential) retail investors.</p> <p>The consultation document does not reflect all problems with the performance scenarios. In the consultation document it says in 4.1.3 that the performance scenarios can provide an overly positive outlook of potential returns, where a product has experienced positive returns over the previous 5 years. On the other hand, if the 5-year historical period is below average, the PRIIPs manufacturer will need to show below average outcomes. In addition, in the course of time there can be very large differences between these outcomes. This means that customers who purchase</p>	

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a long-term investment product now see high outcomes at the start and could get a Key Information Document with very low outcomes over time (even with the possibility that all or most outcomes fall out of range of the outcomes in a previous KID). For an illustration on these fluctuations we refer to the tables underneath. In 4.1.6, where one of the options regarding changes to the performance scenarios is a longer period (of 10 years), it is said that a 5-year period can also indicate a lower performance than average. But the fluctuations are not described or identified as an issue.

It is concerning that the challenging timeframe for the proposed amendments significantly limits the extent to which new approaches or methodologies can be developed. Consumer testing on amendments on a representative sample of EU retail investors is even impossible. This entails the risk that any changes regarding the performance scenarios (amending the level 2 Regulatory Technical Standards) will not be adequate and will be temporary until the overall review of the PRIIPs framework.

We stress the need of a thorough analysis and proper consumer testing of approaches, narratives and methodologies, in conjunction with the future overall review of the PRIIPs Regulation. We stand ready to collaborate to find a sustainable solution, to the benefit of consumers. It is very important to us that potential investors get a realistic picture of what they can expect.

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Illustration

The following (slightly simplified) tables, as presented in a PRIIPs KID, are based on the stock index Euro Stoxx 50.

Table 1: Period 2007-2011

Investment €			
Scenarios		10 years	20 years (recommended holding period)
Stress scenario	Average return each year after costs		-32.95%
Unfavourable scenario			-29.23%
Moderate scenario			-15.37%
Favourable scenario			-4.39%

Table 2: Period May 2012-April 2017

Investment €			
Scenarios		10 years	20 years (recommended holding period)
Stress scenario	Average return each year after costs		-20.34%
Unfavourable scenario			-1.30%
Moderate scenario			6.34%
Favourable scenario			13.62%

In May 2017, all scenarios for 2007-2011, with the exception of the stress scenario, are below the

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	<p>10% probability of the previous unfavourable scenario. Please note: when looking at the Euro Stoxx 50 track record the best ever result of the stock index over a 10-year investment period, so without any effect of costs of the PRIIP, has been 4.7%.</p>	
Q1	<p>We do not agree that information on past performance should be included in the KID. The inclusion of this additional information is most likely confusing for consumers. The reason for this is that the consumer needs to interpret two different variables. The first one shows a realized return during a predefined period of time (ex post). The second variable shows future performance scenarios with a corresponding range.</p>	
Q2	<p>Yes, because for PRIIPs with a coverage of the (biometric) risk of death this coverage might be more important for the consumer.</p>	
Q3		
Q4		
Q5		
Q6	<p>With or without changed narratives the attention of consumers will mostly be drawn by the performance figures. Moreover, the proposed changed narratives do not reflect all weaknesses of the current methodology. Instead of changes to the RTS we suggest to publish a Q&A in order to give PRIIP manufacturers the possibility to change the wording if a manufacturer considers this desirable.</p>	
Q7	<p>The ESAs note that a 10-year period could only go up and that a 10-year period is difficult because fewer products have data for the full historical period. We note that a 10-year historical period will reduce fluctuations of the scenario outcomes. However, it may still be the case that the chance is (too) large that with a long-term contract the final result will be below the originally shown minimum or above the original maximum.</p>	
Q8		
Q9		
Q10		
Q11		

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Q12

Q13