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| 16 October 2019 |

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| Response form for the Joint Consultation Paper concerning amendments to the PRIIPs KID |
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| Date: 16 October 2019  ESMA 30-201-535 |

Responding to this paper

The European Supervisory Authorities (ESAs) welcome comments on this consultation paper setting out proposed amendments to Commission Delegated Regulation (EU) 2017/653 of 8 March 2017[[1]](#footnote-2) (hereinafter “PRIIPs Delegated Regulation”).

The consultation package includes:

• The consultation paper

• Template for comments

The ESAs invite comments on any aspect of this paper. Comments are most helpful if they:

• contain a clear rationale; and

• describe any alternatives the ESAs should consider.

When describing alternative approaches the ESAs encourage stakeholders to consider how the approach would achieve the aims of Regulation (EU) No 1286/2014[[2]](#footnote-3) (hereinafter “PRIIPs Regulation”).

Instructions

In order to facilitate analysis of responses to the Consultation Paper, respondents are requested to follow the below steps when preparing and submitting their response:

* Insert your responses to the questions in the Consultation Paper in the present response form.
* Please do not remove tags of the type <ESA\_QUESTION\_PKID\_1>. Your response to each question has to be framed by the two tags corresponding to the question.
* If you do not wish to respond to a given question, please do not delete it but simply leave the text “TYPE YOUR TEXT HERE” between the tags.
* When you have drafted your response, name your response form according to the following convention: ESA\_PKID\_nameofrespondent\_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESA\_PKID\_ABCD\_RESPONSEFORM.
* The consultation paper is available on the websites of the three ESAs and the Joint Committee. Comments on this consultation paper can be sent using the response form, via the [ESMA website](https://www.esma.europa.eu/press-news/consultations) under the heading ‘Your input - Consultations’ by 13 January 2020.
* Contributions not provided in the template for comments, or after the deadline will not be processed.

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise in the respective field in the template for comments. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESAs rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESAs Board of Appeal and the European Ombudsman.

Data protection

The protection of individuals with regard to the processing of personal data by the ESAs is based on Regulation (EU) 2018/1725[[3]](#footnote-4). Further information on data protection can be found under the [Legal notice](http://www.eba.europa.eu/legal-notice) section of the EBA website and under the [Legal notice](https://eiopa.europa.eu/Pages/Links/Legal-notice.aspx) section of the EIOPA website and under the [Legal notice](https://www.esma.europa.eu/legal-notice) section of the ESMA website.

# General information about respondent

|  |  |
| --- | --- |
| Name of the company / organisation | Insurance Ireland |
| Activity | Insurance and Pension |
| Are you representing an association? |  |
| Country/Region | Ireland |

# Introduction

Please make your introductory comments below, if any:

<ESA\_COMMENT\_PKID\_1>

Insurance Ireland welcomes the opportunity to engage and put forward our views on the proposed changes to the Regulatory Technical Standards (RTS).

We think it is important, at all times, throughout the review process to maintain a focus on the objective of the PRIIPs Regulation which is to facilitate consumer understanding and comparability by applying a prescriptive disclosure standard to a wide variety of very different investment products. It is worth noting that in practice the Regulation mainly applies to insurance products and we feel it is imperative to the review process that concerns raised by the insurance industry in Ireland and across the EU are fully addressed by ESAs.

We would like to point to Insurance Ireland’s response to the ESAs Joint Consultation Paper concerning amendments to the PRIIPs KID, December 2018 to be considered in addition to this response. We maintain our message set out in that response and also messages set out in Insurance Ireland papers on the PRIIPs review previously shared with EIOPA.

We commend the ESAs in their efforts to address flaws in the Regulation and in creating a dialogue to address these flaws. The topics considered in this paper are the most pressing issues and for this reason we call for appropriate amendments to be made following a full review of level 1, 2 and 3 supported by a comprehensive consumer testing exercise. We feel the approach outlined in this paper lacks consistency and an appropriate consumer tested evidence base. We feel the proposals set out would introduce ineffective interim measures which would incur additional compliance cost without achieving any added value for consumers.

<ESA\_COMMENT\_PKID\_1>

1. : Are there provisions in the PRIIPs Regulation or Delegated Regulation that hinder the use of digital solutions for the KID?

<ESA\_QUESTION\_PKID\_1>

The PRIIPs Regulation obliges insurers to provide pre-contractual information on paper as the default requirement. The Regulation specifies it may only be provided in another medium ‘by way of derogation’ or exception from the paper requirement. We believe this will impact digitalisation and prevent further development of the internet as a distribution channel. It fails to recognise consumer demand for and use of online services by consumers and is not conductive to ensuring future-proof regulation.

We would point to the approach taken in the PEPP Regulation as instructive. The PEPP regulation allows for the electronic distribution of PEPP information from the outset, while permitting consumers to request this information on another durable medium, such as paper.

<ESA\_QUESTION\_PKID\_1>

1. : Do you agree that it would be helpful if KIDs were published in a form that would allow for the information to be readily extracted using an IT tool?

<ESA\_QUESTION\_PKID\_2>

Yes we would agree

<ESA\_QUESTION\_PKID\_2>

1. : Do you think that the amendments proposed in the consultation paper should be implemented for existing PRIIPs as soon as possible before the end of 2021, or only at the beginning of 2022?

<ESA\_QUESTION\_PKID\_3>

Insurance Ireland does not support a rushed approach to legislative change.

Insurance Ireland does not support successive and interim legal changes to the PRIIPs RTS as outlined in the consultation paper. We are concerned that such an approach would increase legal uncertainty, create additional compliance costs and risk further undermining consumer trust in the KID. We feel the proposals outlined in this paper would not implement meaningful change for the consumer nor would it increase consumer understanding. Therefore, we do not support such interim amendments.

Insurance Ireland recommends that a full review of the PRIIPs Regulation taking into account level 1, 2 and 3 is carried out which includes comprehensive consumer testing to arrive at well supported and proven level 1 and level 2 changes. A comprehensive consumer testing would involve testing on the majority of retail insurance based investment products available across the EU within the scope of the Regulation. It is only if such an approach was followed would Insurance Ireland support implementation of any changes which achieves comparability and provides the consumer with meaningful information.

Insurance Ireland recommends ESAs take a pragmatic approach within a realistic timeline given the impact of regulatory change. Feedback has indicated such proposals as outlined would require a significant change across compliance and operations, requiring new data to be gathered, actuarial and financial calculations, IT software changes, re-design of KID template, potential translation into different languages, new documents to be drafted and distributed, new training for distributors, update to websites within an extremely limited space of time.

Due to the necessary systems and operations changes as listed a period of at least 18 months (from date of official publication in OJ) is necessary to implement any well tested solutions. Therefore the earliest possible date should only be January 2022, however a later date may be more appropriate.

<ESA\_QUESTION\_PKID\_3>

1. : Do you think that a graduated approach should be considered, whereby some of the requirements would be applied in a first step, followed by a second step at the beginning of 2022?

<ESA\_QUESTION\_PKID\_4>

To avoid further consumer confusion, loss of trust and unnecessary compliance costs, interim solutions and continual changes must be avoided.

Given the large volume of work required to implement changes to KIDs (as detailed in answer to question 3) any subsequent changes would need to be implemented at once rather than being implemented through a graduated approach.

Following the Regulation’s initial implementation a series of adjustments and clarifications were issued including European Commission guidelines, five successive batches of Q&As and a supervisory statement from ESAs. In addition to these continued changes, further successive regulatory changes are already planned. The nature of these fragmented changes runs a real risk of serious erosion of trust in the KID as a useful tool for consumers and also risks compliance fatigue. In addition to this such changes would also increase compliance costs.

All this would be done without achieving the objective of the Regulation - providing meaningful information to consumers. Therefore we recommend changes are only made following a full review of levels 1, 2 and 3 supported by comprehensive consumer testing.

<ESA\_QUESTION\_PKID\_4>

1. : Are there material issues that are not addressed in this consultation paper that you think should be part of this review of the PRIIPs Delegated Regulation? If so, please explain the issue and how it should be addressed.

<ESA\_QUESTION\_PKID\_5>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_5>

1. : Do you have comments on the modifications to the presentation of future performance scenarios being considered? Should other factors or changes be considered?

<ESA\_QUESTION\_PKID\_6>

Insurance Ireland understands that the European Commission consumer testing on the presentation of performance scenarios is being conducted in parallel to the ESAs public consultation therefore the outcome of the consumer testing has not be included into the proposals for public consultation. Stakeholders are being consulted on options and methodologies that are still incomplete or a work-in-progress. We are concerned that the ESAs will have very limited time to analyse all the responses to the public consultation in addition to the findings of the EC consumer testing to develop appropriate and well supported new rules accordingly.

In addition to this we are concerned about the lack of comprehensive consumer testing being carried out on insurance based products. Testing on the presentation of performance scenario consists of only 1 type of insurance-based investment product in 5 markets. When compared with the testing carried out in 2015 which was run on more products and in 10 plus 6 markets.

To address some of the proposals in this section, we do not support the provision of past performance data as we believe it as misleading for consumers. Such an approach also fails to provide for instances where that data is not available. For more detail on our views on past performance data please refer to Insurance Ireland’s submission on ESAs Joint Consultation Paper concerning amendments to the PRIIPs KID, December 2018.

Furthermore we do not support the provision of past performance data alongside future performance (or rather more reflective of what is put forward in this consultation, a probabilistic model) as it is extremely likely consumers will not correctly understand the difference.

<ESA\_QUESTION\_PKID\_6>

1. : If intermediate scenarios are to be included, how should they be calculated for Category 3 PRIIPs (e.g. structured products)? If intermediate scenarios are not shown in the performance section, which performance assumption should be used for the ‘What are the costs?’ section?

<ESA\_QUESTION\_PKID\_7>

For structured products that do not provide access to funds before maturity, we support the removal of the intermediate holding period.

<ESA\_QUESTION\_PKID\_7>

1. : If a stress scenario is included in the presentation of future performance scenarios, should the methodology be modified? If so, how?

<ESA\_QUESTION\_PKID\_8>

A flaw in the current methodology is evident when stress scenario is applied to low volatility funds as it should not be possible for the stress scenario to produce better returns than the unfavourable scenario.

Insurance Ireland does not see any benefit in including a stress scenario in the performance scenarios table, as it is already sufficient to provide consumers with an illustration of possible unfavourable, moderate and favourable scenarios. The stress scenario uses an artificial methodology which could lead to distorted results. E.g. if a product performed below zero percent in the last five years, setting the drift to zero would not decrease its performance (as was desired) but on the contrary improve it.

In terms of number of figures provided to consumers, the carve out of the stress scenario would represent an important simplification and would reduce the overall complexity. Also, in terms of appropriateness of the information provided, the stress scenario would not be counter balanced by an extremely positive scenario and thus it would be misleading.

Instead of a stress scenario, Insurance Ireland supports the inclusion of a row on the “minimum guaranteed return”, as proposed in the performance scenarios table at page 67 of the consultation paper. This would be meaningful information for consumers and would help them understand the benefits of products that offer a guarantee.

As to the overall dividend yield methodology that is proposed in the consultation paper, this approach is considerably more complex than the current one and is not straightforward to implement for all PRIIPs. With respect to the appropriateness of the results obtained through the new methodology, we do not see the benefit in providing consumers with “more moderate” figures with no concrete and proof-based evidence about the level of robustness of such figures.

Additional comments on the shortcomings of the new approach can be found in response to Q10.

<ESA\_QUESTION\_PKID\_8>

1. : Do you agree with how the reference rate is specified? If not, how should it be specified?

<ESA\_QUESTION\_PKID\_9>

Insurance Ireland does not agree with the proposed reference rate. According to annex IV point 13 of the draft amendments to the PRIIPs RTS, “the reference rate shall be read from the market-standard interest rate curve for the currency and the country derived from the prices of sovereign bonds of the country”. This simple approach obviously ignores the fact that interest curves based on the country differ substantially within the EURO-area. It would be wrong to assume that all these curves reflect the same level of risk. If this would be the case, interest rates would have already equalised.

Insurance Ireland believes that more time is needed to properly develop and test new methodologies and their underlying assumptions, and assess all possible options including for example illustrative scenarios.

The introduction of interim changes that are not properly defined nor fully tested is not beneficial for consumers and will imply legal risks for product manufacturers.

As to the overall dividend yield methodology that is proposed in the consultation paper, this approach is considerably more complex than the current one and is not straightforward to implement for all PRIIPs. For example, Insurance Ireland does not see any benefit in calculating 50,000 paths for products with ongoing premiums: this will not add much precision to the simulation but will result in higher burden for the providers.

The availability and the access to the data that are necessary to implement the new methodology also represent a significant burden that should not be underestimated. There is little competition on the market as the number of data providers is extremely limited, as well as their geographical diversification. As reported by some stakeholders at the ESAs public hearing on 29 November, the cost of market data is subject to increases and the licensing conditions might be restrictive and change over time. Product manufacturers, especially the smaller ones, may not have the access and the right to process all necessary data, even if they already have a subscription with a data provider for other internal purposes. Thus, they would be confronted with additional costs, in a market that is highly dominated by few providers and conditions can be very unfavourable to the end users.

Besides, with respect to the appropriateness of the results obtained through the new methodology, Insurance Ireland does not see the benefit in providing consumers with “more moderate” figures with no concrete and proof-based evidence about the level of robustness of such figures.

Additional comments on the shortcomings of the new approach can be found in response to Q10.

<ESA\_QUESTION\_PKID\_9>

1. : The revised methodology specifies that the risk premium is determined by future expected yields. The methodology further specifies that future expected yields should be determined by the composition of the PRIIP decomposed by asset class, country and sector or rating. Do you agree with this approach? If not, what approach would you favour?

<ESA\_QUESTION\_PKID\_10>

The dividend yield methodology that is proposed in the consultation paper is considerably more complex than the current one and is not straightforward to implement for all PRIIPs. As stated on page 26 of the consultation paper, the “ESAs also acknowledge that such a methodology is relatively complex and may present challenges, both in terms of implementation by the industry, and explanation to consumers. This would be particularly relevant for multi-asset portfolios, where the underlying investments are based in several different countries”. Insurance Ireland does not believe that a more complex methodology necessarily brings more realistic results.

Indeed, the new proposed methodology will add additional burdens to product manufactures, who would need to look through and model each single underling asset of the product (e.g. up to 350,000 underling assets or more); product manufactures would also the need to keep monitoring the developments of government bonds and underlying assets and possibly update the KID accordingly more frequently. This could be particularly burdensome for the complete information to be provided on MOPs most commonly selected options, which would need to include performance scenarios.

The availability and the access to the data that are necessary to implement the new methodology also represent a significant burden that should not be underestimated. There is little competition on the market as the number of data providers is extremely limited, as well as their geographic diversification. As reported by some stakeholders at the ESAs public hearing on 29 November, the cost of market data is subject to increases and the licensing conditions might be restrictive and change over time. Product manufacturers, especially the smaller ones, may not have the access and the right to process all necessary data, even if they already have a subscription with a data provider for other internal purposes. Thus, they would be confronted with additional costs, in a market that is highly dominated by few providers and conditions can be very unfavourable to the end users. Manufacturers would also be entirely reliant on private providers continuing to produce this information in a usable format.

As to the appropriateness of the results obtained through the new methodology, Insurance Ireland does not see the benefit in providing consumers with “more moderate” figures with no concrete and proof-based evidence about the level of robustness of such figures. In this respect, Insurance Ireland is concerned that “it has not been possible to test the approach on the full range of different types of PRIIPs” (page 17) and that “without comprehensive testing of all product types in all possible market conditions, [the ESAs] cannot conclude definitively that issues will not arise with the proposed methodology” (page 25). There is no solid evidence that the new methodology provides solid and meaningful results for all the different products that are included in the wide scope of the Regulation.

The results produced under the proposed methodology would produce moderate returns however it would not accurately reflect the risk inherent to the product and therefore it would fail to provide the consumer with accurate and useful information. Feedback has indicated that the cause of such results is due to the continued use of the cornish fisher methodology, which is fundamental to current problematic methodology. We recommend this be replaced with more reliable and accurate modelling, consistent with a true forward-looking model rather than perpetuating the major flaws associated with the current probabilistic methodology. Suitable models would include a standardised forward-looking model or proportionate stochastic analysis. We would like to point to Insurance Ireland papers previously shared with EIOPA detailing both as instructive workable methodologies.

The introduction of interim changes that are not properly defined nor fully tested is not beneficial for consumers and will imply legal risks for product manufacturers. Insurance Ireland believes that more time is needed to properly develop and test new methodologies and their underlying assumptions, and assess more suitable models as set out in the above paragraph.

<ESA\_QUESTION\_PKID\_10>

1. : The ESAs are aware that historical dividend rates can be averaged over different time spans or that expected dividend rates can be read from market data providers or obtained from analyst reports. How should the expected dividend rates be determined?

<ESA\_QUESTION\_PKID\_11>

We do not support the use of historical dividend rates, see answer to question 10.

<ESA\_QUESTION\_PKID\_11>

1. : How should share buyback rates be estimated?

<ESA\_QUESTION\_PKID\_12>

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<ESA\_QUESTION\_PKID\_12>

1. : Do you agree with the approach for money-market funds? Are there other assets which may require a similar specific provisions?

<ESA\_QUESTION\_PKID\_13>

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<ESA\_QUESTION\_PKID\_13>

1. : The methodology proposes that the future variance be estimated from the 5-year history of daily returns. Should the volatility implied by option prices be used instead? If so, what estimate should be used if option prices are not available for a particular asset (equities namely)?

<ESA\_QUESTION\_PKID\_14>

See answer to question 10.

<ESA\_QUESTION\_PKID\_14>

1. : Do you think compensatory mechanisms for unforeseen methodological faults are needed? If yes, please explain why.

<ESA\_QUESTION\_PKID\_15>

The reference to possible compensatory mechanisms and additional caps shows that the proposed methodology as it is does not provide sufficient safeguards and that more time is needed to properly develop and test a new approach on performance scenarios.

A number of the mechanisms proposed are not coherent with the overall new methodology: the dividend yield methodology is designed to avoid historical data, but would then be complemented by a safeguard mechanism that relies on historical data. This inconsistency is concerning

<ESA\_QUESTION\_PKID\_15>

1. : Do you favour any of the options above? If so, which ones? How would you ensure that the information in the KID remains comparable for all products?

<ESA\_QUESTION\_PKID\_16>

It is not possible to ensure that the information in the KID remains comparable for all products if product manufacturers can choose among different compensatory mechanisms options. Insurance Ireland believes that more time is needed to properly develop and test new performance scenarios methodologies and their underlying assumptions, and assess all possible options including for example illustrative scenarios.

<ESA\_QUESTION\_PKID\_16>

1. : Are there any other compensatory mechanisms that could address unforeseen methodological faults? If yes, please explain the mechanism; explain how it ensures that scenario information in the KID allows investors to compare PRIIPs, and explain how the information for similar products from different manufacturers remains sufficiently consistent.

<ESA\_QUESTION\_PKID\_17>

See answer to question 15.

<ESA\_QUESTION\_PKID\_17>

1. : What are your views on the use of a simplified approach such as the one detailed above, instead of the use of probabilistic methodologies with more granular asset specific requirements?

<ESA\_QUESTION\_PKID\_18>

As discussed in response to question 10 we do not support the use of probabilistic methodologies and historical data. Again we recommend a simplified approach in line with a true forward looking model as outlined in our response to question 10.

<ESA\_QUESTION\_PKID\_18>

1. : Do you consider the use of a single table of growth rates appropriate? If no, how should the methodology be amended?

<ESA\_QUESTION\_PKID\_19>

We welcome more analysis on the table on the level of detail contained in the table of growth rates.

<ESA\_QUESTION\_PKID\_19>

1. : More generally, do your views about the use of a probabilistic methodology vary depending on the type of product (e.g. structured products vs non-structured products, short-term vs long-term products)? For which type of products do you see more challenges to define a probabilistic methodology and to present the results to investors?

<ESA\_QUESTION\_PKID\_20>

We do not support the use of a probabilistic methodology as we do not believe it provides reliable information.

<ESA\_QUESTION\_PKID\_20>

1. : Do you think these alternative approaches should be further assessed? If yes, what evidence can you provide to support these approaches or aspects of them?

<ESA\_QUESTION\_PKID\_21>

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<ESA\_QUESTION\_PKID\_21>

1. : Are there any other approaches that should be considered? What evidence are you able to provide to support these other approaches?

<ESA\_QUESTION\_PKID\_22>

Insurance Ireland believes that more time is needed to properly develop and test new methodologies and their underlying assumptions and to assess all possible options.

<ESA\_QUESTION\_PKID\_22>

1. : Do you think illustrative scenarios should be included in the KID as well as probabilistic scenarios for structured products?

<ESA\_QUESTION\_PKID\_23>

Further details on the illustrative scenarios would need to be made available in order to consider if they should be included in the KID.

<ESA\_QUESTION\_PKID\_23>

1. : If not, do you think illustrative scenarios should replace probabilistic scenarios for structured products?

<ESA\_QUESTION\_PKID\_24>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_24>

1. : Do you agree with this approach to define PRIIPs which would show illustrative performance scenarios using the existing definition of Category 3 PRIIPs? If not, why not? Where relevant, please explain why this approach would not be appropriate for certain types of Category 3 PRIIPs?

<ESA\_QUESTION\_PKID\_25>

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<ESA\_QUESTION\_PKID\_25>

1. : Would you be in favour of including information on past performance in the KID?

<ESA\_QUESTION\_PKID\_26>

Insurance Ireland is concerned that including two performance scenarios tables in the PRIIPs KID would not help consumers understand the product features. In contrast, it will result in overloading consumers with further information. Such an overload of figures, obtained through different methodologies (past performance is anchored in actual historical data, while future scenarios show the range of possible outcomes), would only confuse consumers, and not simplify their choice.

As noted by the ESAs, it is also not clear how this will fit with the requirement that PRIIPs KIDs do not exceed 3 pages in length. In practice, it would make it even more challenging, and at times impossible, to include all the required information within the 3-pages mandatory limit imposed by the Level 1 PRIIPs Regulation, in particular for insurers who already have to include more information than other providers (e.g. insurance benefits and covers, insurance scenarios like the death scenario).

In general, simply adding information is not a solution. Insurance Ireland believes that more time is needed to properly develop and test the performance scenarios methodologies and their underlying assumptions and to assess all possible options.

<ESA\_QUESTION\_PKID\_26>

1. : Would your answer to the previous question be different if it were possible to amend Article 6(4) of the PRIIPs Regulation?

<ESA\_QUESTION\_PKID\_27>

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<ESA\_QUESTION\_PKID\_27>

1. : Do you think that it can be more appropriate to show past performance in the form of an average (as shown in the ESA proposal for consumer testing) for certain types of PRIIPs? If so, for exactly which types of PRIIPs?

<ESA\_QUESTION\_PKID\_28>

We think this would be a very poor approach as past performance has been proven to be misleading and using an average may mask the fund’s volatility thereby compounding the issue. For example a product that would have fluctuate widely over the last 10 years would show a relatively stable average past performance. Thereby providing the consumer with misleading information about the volatility of the product.

In addition to this past performance is not well defined for non-linear IBIPs, so it would be difficult to discuss averages of the quantities that are not even defined.

<ESA\_QUESTION\_PKID\_28>

1. : Do you have any comments on the statement that would supplement the display of past performance (e.g. with regard to the presentation of costs which are not included in the net asset value (NAV))?

<ESA\_QUESTION\_PKID\_29>

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<ESA\_QUESTION\_PKID\_29>

1. : Are you of the opinion that an additional narrative is required to explain the relationship between past performance and future performance scenarios?

<ESA\_QUESTION\_PKID\_30>

Insurance Ireland believes that additional narratives would not reduce consumer confusion. Consumers’ attention would be distorted by the large amount of quantitative figures, as highlighted in the response to Q26.

<ESA\_QUESTION\_PKID\_30>

1. : Do you see merit in further specifying the cases where the UCITS/AIF should be considered as being managed in reference to a benchmark, taking into account the provisions of the ESMA Questions and Answers on the application of the UCITS Directive[[4]](#footnote-5)?

<ESA\_QUESTION\_PKID\_31>

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<ESA\_QUESTION\_PKID\_31>

1. : Do you see the need to add additional provisions for linear unit-linked insurance-based investment products or linear internal funds?

<ESA\_QUESTION\_PKID\_32>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_32>

1. : Do you agree that a fixed intermediate time period / exit point should be used instead of the current half the recommended holding period to better facilitate comparability?

<ESA\_QUESTION\_PKID\_33>

If the intermediate time period is to be kept then it should be a fixed period.

<ESA\_QUESTION\_PKID\_33>

1. : In this case (of a fixed intermediate time period), do you agree to show costs if the investor would exit after 5 years for all PRIIPs with a recommended holding period of at least 8 years? Or do you prefer a different approach such as:

<ESA\_QUESTION\_PKID\_34>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_34>

1. : Do you think it would be relevant to either (i) use an annual average cost figure at the recommended holding period, or (ii) to present both an annual average cost figure and a total (accumulated) costs figure?

<ESA\_QUESTION\_PKID\_35>

An average annual costs figure is more relevant to investors than an accumulated costs figure.

<ESA\_QUESTION\_PKID\_35>

1. : Do you think that it would be helpful, in particular for MiFID products, to also include the total costs as a percentage of the investment amount?

<ESA\_QUESTION\_PKID\_36>

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<ESA\_QUESTION\_PKID\_36>

1. : In this context, are there PRIIPs for which both performance fees and carried interests are applied?

<ESA\_QUESTION\_PKID\_37>

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<ESA\_QUESTION\_PKID\_37>

1. : Do you agree with this analysis from the ESAs? If yes, what are your views on the extent to which fees related to the management of the underlying real estate assets, i.e. the properties themselves, should be taken into account in the calculation of the cost indicators?

<ESA\_QUESTION\_PKID\_38>

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<ESA\_QUESTION\_PKID\_38>

1. : Do you agree with the ESAs’ preferred option 3 to revise the cost tables?

<ESA\_QUESTION\_PKID\_39>

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<ESA\_QUESTION\_PKID\_39>

1. : If not, which option do you prefer, and why?

<ESA\_QUESTION\_PKID\_40>

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<ESA\_QUESTION\_PKID\_40>

1. : In particular, do you think that the proposed changes to the presentation of the impact of costs on the return in percentage terms (i.e. including reduction in return before and after costs) is an improvement on the current presentation?

<ESA\_QUESTION\_PKID\_41>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_41>

1. : Do you have other comments on the proposed changes to the cost tables?

<ESA\_QUESTION\_PKID\_42>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_42>

1. : What are your views on the appropriate levels of these thresholds? Please provide a justification for your response.

<ESA\_QUESTION\_PKID\_43>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_43>

1. : If UCITS would fall in the scope of the PRIIPs Regulation, do you agree that the coexistence of the UCITS KII (provided to professional investors under the UCITS Directive) and the PRIIPs KID (provided to retail investors under the PRIIPs Regulation) would be a negative outcome in terms of overall clarity and understandability of the EU disclosure requirements? Are you of the view that the co-legislators should therefore reconsider the need for professional investors to receive a UCITS KII, as the coexistence of a PRIIPs KID together with a UCITS KII (even if not targeted to the same types of investors) would indeed be confusing, given the differences in the way information on costs, risks and performance are presented in the documents? Alternatively, are you of the view that professional investors under the UCITS Directive should receive a PRIIPs KID (if UCITS would fall in the scope of the PRIIPs Regulation)?

<ESA\_QUESTION\_PKID\_44>

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<ESA\_QUESTION\_PKID\_44>

1. : What are your views on the issue mentioned above for regular savings plans and the potential ways to address this issue?

<ESA\_QUESTION\_PKID\_45>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_45>

1. : Do you agree that these requirements from Article 4 should be extended to all types of PRIIPs, or would you consider that it should be restricted to Management Company of UCITS or AIFs?

<ESA\_QUESTION\_PKID\_46>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_46>

1. : Do you agree that this requirement should be extended to all types of PRIIPs, or would you consider that it should be restricted to Management Company of UCITS or AIF?

<ESA\_QUESTION\_PKID\_47>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_47>

1. : Do you agree that these requirements should be extended to all types of PRIIPs, or would you consider that they should be restricted to the Management Company of the UCITS or AIF?

<ESA\_QUESTION\_PKID\_48>

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<ESA\_QUESTION\_PKID\_48>

1. : Do you have any comments on the proposed approaches in relation to the analysis and proposals in this Section, and in particular on the extent to which some of the abovementioned requirements should be extended to other types of PRIIPs?

<ESA\_QUESTION\_PKID\_49>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_49>

1. : Do you think this proposal would be an improvement on the current approach?

<ESA\_QUESTION\_PKID\_50>

Feedback has indicated that this proposal would potentially cause more confusion to retail investors due to lack of a consistent approach from the providers.

<ESA\_QUESTION\_PKID\_50>

1. : Do you envisage significant practical challenges to apply this approach, for example for products which allow the investor to choose between a wide range or large number of options?

<ESA\_QUESTION\_PKID\_51>

Yes advisors are likely to want all combinations available.

<ESA\_QUESTION\_PKID\_51>

1. : Do you see any risks or issues arising from this approach in relation to consumer understanding, for instance whether the consumer will understand that other combinations of investment options are also possible?

<ESA\_QUESTION\_PKID\_52>

Feedback has indicated that this could be an issue and could be seen as a provider recommending that specific combination. Also, for example, if a customer is presented with 2 options – one which has KID specific to that combination of funds and one which doesn’t – they are unlikely to understand why one has a specific KID and one doesn’t. Comparing the 2 options would be confusing for a customer.

<ESA\_QUESTION\_PKID\_52>

1. : Do you think this proposal would be an improvement on the current approach?

<ESA\_QUESTION\_PKID\_53>

We would have concerns over the number of figures being presented in the ranges per risk class.

<ESA\_QUESTION\_PKID\_53>

1. : Are there other approaches or revisions to the requirements for MOPs that should be considered?

<ESA\_QUESTION\_PKID\_54>

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<ESA\_QUESTION\_PKID\_54>

1. : Do you have any comments on the preliminary assessment of costs and benefits?

<ESA\_QUESTION\_PKID\_55>

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<ESA\_QUESTION\_PKID\_55>

1. : Are you able to provide information on the implementation costs of the proposed changes, in particular regarding, (1) the proposed revised methodology for performance scenarios (using a reference rate and asset specific risk premia), and (2) the overall changes to the KID template?

<ESA\_QUESTION\_PKID\_56>

The costs would be significant and would take a lot of time and resources to implement given the large volume of documents impacted. Please see our response to question 3 for more information.

<ESA\_QUESTION\_PKID\_56>

1. : Are there significant benefits or costs you are aware of that have not been addressed?

<ESA\_QUESTION\_PKID\_57>

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_PKID\_57>

1. COMMISSION DELEGATED REGULATION (EU) 2017/653 of 8 March 2017 supplementing Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents [↑](#footnote-ref-2)
2. Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs), OJ L 352, 9.12.2014, p. 1. [↑](#footnote-ref-3)
3. Regulation (EU) 2018/1725 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC, OJ L 295, 21.11.2018, p. 39. [↑](#footnote-ref-4)
4. See “Section II – Key Investor Information Document (KIID) for UCITS” (in particular, Q&A 8) of the Q&A document available at: https://www.esma.europa.eu/sites/default/files/library/esma34-43-392\_qa\_ucits\_directive.pdf [↑](#footnote-ref-5)