

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:	Institut des actuaires	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	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, <u>in Word Format</u>, 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		
Q1	<p>Question 1. Do you agree that information on past performance should be included in the KID where it is available?</p> <p>As used for DICI, past performance is a good indicator of asset behaviors. Obviously, it does not predict future performance evolution nevertheless it is easy to understand it does not need simulation parameters and allows comparability for investors.</p> <p>As current performance scenarios are also based on past data and different hypothesis, it is not relevant to have both in a KID. The information provided is redundant and may be misleading.</p> <p>In Group's view, we should replace future through performance scenarios by past performances</p>	

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	with relevant disclaimers.	
Q2	<p>Question 2. Are there challenges to include past performance information for certain types of PRIIPs?</p> <p>Most of products range under PRIIPs regulation will find this solution easier. For a few parts of it, this solution will need some adaptation / hypothesis such as:</p> <ul style="list-style-type: none"> - New products without historical value, - Structured products, - Tailor maid products with differences between investors (based on biometric components or management actions for example). 	
Q3	<p>Question 3. Do you agree that it is appropriate for this information on past performance to be based on the approach currently used in the KIID? If not, please explain your reasons and if an alternative presentation would be more appropriate and for which types of PRIIPs?</p> <p>It is appropriate to use approaches currently used for KIID. Some products will probably need some adaptation and hypothesis. For example, insurance products will have a cash value subject to valorization gross of costs and as those products propose discretionary benefit participation or bonus scheme (boosted rates), some hypothesis (and/or narrative explanation) must be disclosed.</p>	
Q4	<p>Question 4. Do you think that information on simulated past performance should be included in the KID where actual past performance is not available? If not, please explain your reasons.</p> <p>We do not think that past performance simulations should be included in the KID where actual past performance is not available. If we do so, it could generate biases in term of comparison between products, sometimes based on past performance and sometimes on future performance. In this case, product attractivity will be based on “past market timing” and could variate through time.</p>	
Q5	<p>Question 5. If you think that information on simulated past performance should be included in the KID, what approach do you think should be used to simulate the past performance, and how should this be presented in the KID?</p>	

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	Not applicable, see question 4.	
Q6	<p>Question 6. Do you consider these amendments to the narrative explanations to be an improvement on the current performance scenario approach?</p> <p>Narrative explanations are considered by the group as a requirement. We cannot provide such a performance estimation without explanations or disclaimers. Concerning the wording proposed in the CP:</p> <ul style="list-style-type: none"> - We propose to replace 'Market developments in the future cannot be accurately predicted [...] by 'Market developments in the future cannot be predicted [...]', - On the amendments to narrative explanations elements A to D, we propose closed sentence without duration information which could be misinterpreted by the consumer and should not give the impression that the validity of the approach could improve significantly between two and five years for example. 	
Q7	<p>7. Do you have any comments on the analysis set out in this Section of other possible options to improve the future performance scenarios?</p> <p><u>Future performance scenarios anchored in the risk-free rate of return</u> Using risk free rate of return means to consider that products live in a risk-neutral world. It could be too complicate for customers to understand real behaviors of assets compared to such scenario. Moreover, some assets have some other risks components that are not easy to estimate such as liquidity or construction risk on greenfield infrastructure projects.</p> <p><u>Amended approach and presentation for future performance scenarios to highlight the range of outcomes</u> Even if the graphic allows a better overview of the scenario, the group considers that this presentation could be misleading for consumers. In this presentation, investors can consider that they cannot go below (or higher). The table seems to be more appropriate. Moreover, on the "Simulated future performance" table, the word "possible" could be removed and replaced by "simulated" for example.</p>	

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	<p><u>Extend the historical period used to measure performance</u> Extend the historical value will not change the limits of simulation methodology. As crisis are not predictive and neither on a determined frequency, extension of the historical period used to compute performance does not solve the issue. For the group, historical value is more factual, identic and comparable.</p>	
Q8	<p>8. Do you have any views on how the presentation of the performance scenarios could otherwise be improved?</p> <p>For insurance products, scenarios are relatively relevant. As market does not agree on hypothesis, it makes it difficult to compare. We do not have any view at this stage.</p>	
Q9	<p>9. Do you agree with the proposals described in this section?</p> <p><u>4.2.1 Market risk measure (MRM) calculation for regular investment or premium PRIIPs</u> Insurers have some products under Category 2. There are no special difficulties on the calculation method on this. Solutions are already implemented and automatized.</p> <p><u>4.2.2 Products with an autocallable feature</u> The group agrees with those recommendation as it makes callability clearer and more understandable to investors, but insurers need data from producers to implement it.</p> <p><u>4.2.3 Narratives for the Summary Risk Indicator</u> Additional explanatories (or extend number of characters) are welcome to explain such indicator regarding its advantages and limits. The group agrees with this recommendation.</p> <p><u>4.2.4 Narrative for performance fees – composition of costs table</u> For the generical KID, this kind of explanation will loose investors. For this kind of KID, the group does not agree with this proposal.</p> <p><u>4.2.1 Growth assumption for the reduction in yield (RIY) calculation</u> For a large majority of products, it improves comparability between assets. In a frame without future performance, this solution could be suitable.</p> <p><u>4.2.2 Other minor amendments</u> At this stage the group does not see any “minor” recommendation. Concerning heading in the KID</p>	

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	Template for the “Term” of the product in the section “What is this Product?”, French actors have already included this in their KID.	
Q10	<p>10. Do you have any comments on the proposed approaches in relation to the analysis and proposals in this section?</p> <p>The group recommends to extend the exemption for KIID products. PRIIPS products continue to rely on DICI information (completed with costs and charges) and it is maybe early at this stage to issue any conclusion on this.</p>	
Q11	<p>11. Do you have any comments on the preliminary assessment of costs of benefits?</p> <p>As the regulation is now on run, any modification on KID would be very costly. For now on, the group does not see any need to change in the short term.</p>	
Q12	<p>12. Are you able to provide information on the costs of including information on past performance for different types of PRIIPs?</p> <p>No comment from the group.</p>	
Q13	<p>13. Are there significant benefits or costs you are aware of that have not been addressed?</p> <p>No comment from the group.</p>	