



Society of Actuaries in Ireland

PRIIPs Update

28th June 2017

Disclaimer

The views expressed in this presentation are those of the presenter(s) and not necessarily of the Society of Actuaries in Ireland



Agenda

	Agenda Item	Presenter
1	Introduction	Linda Kerrigan
2	What is a KID?	David Flood
3	How are the performance scenarios constructed?	Paul McMahon
4	What are the key technical issues to be addressed during implementation ?	Karl Murray
5	How will the KID interact with Life Disclosure?	Stuart Redmond



PRIIPs Regulations

- New disclosure regime applying to Packaged Retail and Insurance-based Investment Products (PRIIPs)
- Implementation timeline deferred to 1 January 2018
- Requirements are set out in:
 - Level 1: Regulation No 1286/2014 passed on 26 November 2014
 - Level 2: Regulatory Technical Standards (RTS) adopted in March 2017
 - Level 3: Awaiting guidelines from ESAs
- Process of adopting the RTS delayed due to concerns on:
 - Performance scenarios
 - The disclosure of biometric risk
 - Treatment of multi-option products
 - Circumstances in which the comprehension alert is required



SAI's PRIIPs Working Group

- Reports into the Life Committee
- Objectives:
 - 1) Consider the approach to disclosing projected values under PRIIPs and how this may affect policyholders' expectations of potential returns over time.
 - 2) Consider areas requiring technical interpretation and review potential approaches to these areas of interpretation.
 - 3) For Irish policyholders, consider the differences and areas of overlap with the current life disclosure regime.
 - 4) Create awareness amongst SAI members of the issues considered under (1) to (3) above.
- Members: Linda Kerrigan (Chair), Gary Colclough, Fergus Collis, David Flood, Mark Maguire, Paul McMahon, Karl Murray, Stuart Redmond, Philip Shier, John Caslin



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KID - Document Specifics

- Document Guidelines
 - 9 Sections
 - 3 A4 Pages (max)
 - Specific layout supplied with little to no room for divergence
 - Pre – Contractual document
 - To be given to potential investor ‘in good time’
 - Must be available on the manufacturer website
 - Must be referred to in marketing literature
 - That it is available and how to obtain it
 - May not contradict or diminish the importance of the KID
 - Updated at least annually
 - Ongoing Monitoring is also required



KID content: Sections 1-4 / 9

1. Comprehension alert

Where relevant

2. Identity information

Information about PRIIP manufacturer and its competent authority

3. “What is this product?”

Type of PRIIP, objectives, consumer type (target market), information on insurance benefits, main drivers of return, the term of the PRIIP

4. “What are the risks and what could I get in return?”

Brief description of the risk-reward profile, containing: a summary risk indicator with supplementary explanations; possible maximum loss of invested capital, performance scenarios

Deloitte		Key Information Document								
<p>Purpose: This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.</p> <p>Caution: You are about to purchase a product that is not simple and may be difficult to understand.</p>										
<p>Product</p> <p>[Name of product]</p> <p>[Name of PRIIP manufacturer]</p> <p><small>[Where applicable] ISIN [Website for PRIIP manufacturer] [Call (telephone number) for more information]</small></p> <p><small>[Competent Authority of the PRIIP manufacturer in relation to the PRIIP]</small></p> <p><small>[Date of production of the KID]</small></p>										
<p>What is this product?</p> <p>Type</p> <p>The type of the PRIIP shall be described by reference to the legal form taken by the PRIIP.</p> <p>Objectives</p> <p>Information stating the objectives of the PRIIP and the means for achieving those objectives shall be summarised in a brief, clear and easily understandable manner. That information shall identify the main factors upon which return depends, the underlying investment assets or reference values, and how the return is determined, as well as the relationship between the PRIIP's return and that of the underlying investment assets or reference values. That information shall reflect the relationship between the recommended holding period and the risk and reward profile of the PRIIP.</p> <p>Where the number of assets or reference values referred to in the first subparagraph is such that specific references to all of them cannot be provided within a key information document, only the market segments or instrument types in respect of the underlying investment assets or reference values shall be identified.</p> <p>Intended retail investor</p> <p>The description of the type of retail investor to whom the PRIIP is intended to be marketed shall include information on the target retail investors identified by the PRIIP manufacturer, in particular depending on the needs, characteristics and objectives of the type of client for whom the PRIIP is compatible. This determination shall be based upon the ability of retail investors to bear investment loss and their investment horizon preferences, their theoretical knowledge of, and past experience with PRIIPs, the financial markets as well as the needs, characteristics and objectives of potential clients.</p> <p>Insurance benefits</p> <p>The details of insurance benefits shall include, in a general summary, the key features of the insurance contract, a definition of each benefit included, and information which reflects the typical biometric characteristics of the target retail investors, showing the overall premium, the biometric risk premium that forms part of that overall premium and, where the premium is paid in the form of a single lump sum, the amount invested. Where the premium is paid periodically, the number of periodic payments, an estimation of the average biometric risk premium as a percentage of the annual premium, and an estimation of the average amount invested shall be included in the information.</p> <p>The information relating to the term of the PRIIP shall include all of the following:</p> <p>(a) the maturity date of the PRIIP or an indication that there is no maturity date;</p> <p>(b) whether the PRIIP manufacturer is entitled to terminate the PRIIP unilaterally;</p> <p>(c) a description of the circumstances under which the PRIIP can be automatically terminated, and the termination date, if known.</p>										
<p>What are the risks and what could I get in return?</p> <p>Risk Indicator</p> <table border="1"><tr><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td></tr></table> <p>Lower Risk → Higher Risk</p> <p>The risk indicator assumes you keep the product for 5 years until date (where there is no exact maturity date). (Where applicable) The actual risk can vary significantly if you cash in at an early stage and you might get back less. (When considered liquid) (You can neither may not be able to) cash in early. (When considered to have a materially relevant liquidity risk) You may not be able to sell (and) your product early or you may have to sell (and) at a price that significantly impacts on how much you get back.</p> <p>The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you.</p> <p>We have classified this product as [1/2/3/4/5/6/7] out of 7, which is [1="the lowest" / 2="a low" / 3="a medium-low" / 4="a medium" / 5="a medium-high" / 6="the second-highest" / 7="the highest"] risk class.</p> <p>[Brief explanation of the classification of the product with a maximum of 300 characters in plain language]</p> <p>[An example explanation: This rates the potential losses from future performance at a [1="very low"/2="low"/3="medium-low"/4="medium"/5="medium-high"/6="high"/7="very high"] level, and poor market conditions [1, 2="are very unlikely to/3="are unlikely to/4="could be/will lead to/5="are very likely to"] impact [out] [the] capacity [of X] to pay you.</p> <p>[Where applicable] In bold Be aware of currency risk. You will receive payments in a different currency, so the final return you will get depend on the exchange rate between the two currencies. This risk is not considered in the indicator shown above.</p> <p>[Where applicable] However, you may benefit from a consumer protection scheme (see the section 'What happens if we are unable to pay you'). The indicator shown above does not consider this protection.</p> <p>[Where applicable] In some circumstances you may be required to make further payments to pay for losses. (In bold) The total loss you may incur may significantly exceed the amount invested.</p> <p>[Where applicable] [Other risks materially relevant to the PRIIP not included in the summary risk indicator to be explained with a maximum of 200 characters]</p> <p>[Where applicable] You are entitled to receive back at least [insert %] of your capital. Any amount over this, and any additional return, depends on future market performance and is uncertain.</p> <p>[Where applicable] However, this protection against future market performance will not apply if you [...]</p> <p>[Where applicable] (Where early exit conditions apply) cash-in before [... years/months] days.</p> <p>[Where ongoing payments must be made] fail to make your payments in time.</p> <p>[Where other limitations apply: explain these in a maximum of [...]] characters in plain language.</p> <p>[Where applicable] This product does not include any protection from future market performance so you could lose some or all of your investment.</p> <p>[Where applicable] If (we) [are] not able to pay you what is owed, you could lose your entire investment.</p>				1	2	3	4	5	6	7
1	2	3	4	5	6	7				

Source: PRIIPs KID Factory Platform

Note: KID Template above is based on 2016 RTS



KID content: Sections 5-6 / 9

4. “What are the risks and what could I get in return?”

5. “What happens if [name of the PRIIP manufacturer] is unable to pay out?”

Brief description of whether the related loss is covered by a compensation or guarantee scheme, if so, which risks are covered and which not

6. “What are the costs?”

Costs associated with an investment in the PRIIP, comprising direct and indirect costs, one-off and recurring costs with summary cost indicators and aggregate costs;

4

Performance Scenarios

Investment (€1000) Insurance premium (€)			
		1 year	[2] years (5) years (Recommended holding period)
[Survival Scenarios]			
Unfavourable scenario	What you might get back after costs	€920	€857
	Average return each year	-8%	-5%
Moderate scenario	What you might get back after costs	€1,030	€1,063
	Average return each year	3%	3%
Favourable scenario	What you might get back after costs	€1,100	€1,325
	Average return each year	10%	7%
Accumulated Invested amount		[--]	[--]
[Death Scenario]			
Insured event	What your beneficiaries might get back after costs	[--]	[--]
Accumulated Insurance premium		[--]	[--]

[Note: all figures in the tables are for illustration purposes only.]

This [table/graph] shows the money you could get back over the next (recommended holding period) years, under different scenarios, assuming that you invest €[] per year.

The scenarios shown illustrate how your investment could perform. You can compare them with the scenarios of other products.

The scenarios presented are an estimate of future performance based on evidence from the past, and are not an exact indicator. What you get will vary depending on how the market performs and how long you keep the investment/product.

[Where applicable] This product cannot be (easily) cashed in. This means it is difficult to estimate how much you would get back if you cash in before (the recommended holding period/maturity). You will either be unable to cash in early or you will have to pay high costs or make a large loss if you do so.

The figures shown include all the costs of the product itself, (where applicable) but may not include all the costs that you pay to your advisor or distributor (and include the costs of your advisor or distributor). The figures do not take into account your personal tax situation, which may also affect how much you get back.

[For Category 1 PRIIP] This graph illustrates how your investment could perform. You can compare them with the pay-off graphs of other derivatives.

[For Category 1 PRIIP] The graph presented gives a range of possible outcomes and is not an exact indication of what you might get back. What you get will vary depending on how the underlying will develop. For each value of the underlying, the graph shows what the profit or loss of the product would be. The horizontal axis shows the various possible prices of the underlying value on the expiry date and the vertical axis shows the profit or loss.

[For Category 1 PRIIP] Buying this product holds that you think the underlying price will [increase/decrease].

[For Category 1 PRIIP] Your maximum loss would be that you will lose all your investment (premium paid).

[For Category 1 PRIIP] The figures shown include all the costs of the product itself, but may not include all the costs that you pay to your advisor or distributor. The figures do not take into account your personal tax situation, which may also affect how much you get back.

What happens if XYZ is unable to pay out?

PRIIP's manufacturer shall include the following:

(a) an indication whether the retail investor may face a financial loss due to the default of the manufacturer or to the default of an entity other than the PRIIP manufacturer, and the identity of that entity;

(b) a clarification whether the loss referred to in point (a) is covered by an investor compensation or guarantee scheme, and whether there are any limitations or conditions to that cover.

What are the costs?

The Reduction in Yield (RIY) shows what impact the total costs you pay will have on the investment return you might get. The total costs take into account one-off, ongoing and incidental costs.

The amounts shown here are the cumulative costs of the product itself, for three different holding periods. They include potential early exit penalties. The figures assume you invest (€10 000 (or €1000 each year for regular premium PRIIPs)). The figures are estimates and may change in the future.

The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will have on your investment over time.

5

6



KID content: Sections 7-9 / 9

7. “How long should I hold it and can I take money out early?”

Applicable cooling off or cancellation period, description of recommended holding period and how it was set. Any minimum holding period, disinvestments before maturity and consequences (e.g. surrender penalties)

8. “How can I complain?”

How and to whom can complaints be made

9. “Other relevant information”

Brief indication of any additional information documents, excluding marketing material

Costs over time			
Investment (€10000)	If you cash in after [1] year	If you cash in after [2] years	If you cash in after [3] years (recommended)
Total costs	€ 53	€ 85	€ 125
Impact on return (RIY) per year	0.5%	0.8%	1.2%
The table shows how the impact the different types of costs have on what you get back at the recommended holding period and what the different cost categories mean.			
Composition of costs			
The table below shows:			
• The impact each year of the different types of costs on the investment return you might get at the end of the recommended holding period			
• What the different cost categories mean.			
One-off costs	Entry costs	2%	The impact of the costs you pay when entering your investment. (This is the most you will pay, and you could pay less) (AND/OR where the costs are embedded in the price, for instance in the case of PRIIPs other than investment funds) The impact of the costs already included in the price. (This is the most you will pay, and you could pay less) (Where distribution costs are included in entry costs) This includes the costs of distribution of your product.
	Exit costs	0%	The impact of the costs of exiting your investment when it matures.
	Portfolio transaction costs per year	0%	The impact of the costs of us buying and selling underlying investments for the product.
Recurring costs	Insurance costs	1.3%	(When full biometric risk premium presented) The impact of the amount you are paying to buy insurance protection. (Where cost part of the biometric risk premium presented) The impact of insurance costs (the amount you are paying for insurance cover which exceeds the estimated value of insurance benefits).
	Other ongoing costs	0%	The impact of the costs that we take each year for managing your investments.
Incidental costs	Performance fees	0%	The impact of the performance fee. We take these from your investment if the product outperforms its benchmark (y by x%).
	Carried interests	0%	The impact of carried interests. We take these when the investment has performed better than x%. (A payment of y% of the final return will take place subsequently to the exit of the investment.)
On the same basis, the additional impact of your insurance premium payments (equivalent to the estimated value of insurance benefits) is [x%]. Details of the insurance benefits such as death benefits are in the section “what is this product?”.			
7 How long should I hold it and can I take money out early?			
Recommended holding period: [3] years			
PRIIP manufacturers shall include the following in the section entitled “How long should I hold it and can I take my money out early?” of the key information document:			
(a) a brief description of the reasons for the selection of the recommended, or the minimum required, holding period;			
(b) a description of the features of the disinvestment procedure and when disinvestment is possible, including an indication of the impact of cashing-in early on the risk or performance profile of the PRIIP; or on the applicability of capital guarantees;			
(c) information about any fees and penalties which are incurred for disinvestments prior to maturity or any other specified date other than the recommended holding period, including a cross reference to the information on costs to be included in the key information document pursuant to Article 5 and a clarification of the impact of such fees and penalties for different holding periods.			
8 How can I complain?			
PRIIP manufacturers shall provide the following information in summary format:			
(a) steps to be followed for lodging a complaint about the product or the conduct of the PRIIP manufacturer or the person advising on, or selling, the product;			
(b) a link to the relevant website for such complaints;			
(c) an up-to-date postal address and an email address to which such complaints may be submitted.			
9 Other relevant information			
PRIIP manufacturers shall indicate any additional information documents that may be provided, and whether such additional information documents are made available based on a legal requirement or only at the request of the retail investor.			
The information included in the section entitled “Other relevant information” of the key information document may be provided in summary format, including a link to the website where further details to documents are made available.			



What are the costs?

- Approach goes much deeper than existing UCITs requirements
 - Better for consumers?
- Industry concerns
 - Asset Manager engagement
 - Comparability concerns
 - Differences with existing disclosure regime

This table shows the impact on return per year			
One-off costs	Entry costs	[...] %	The impact of the costs you pay when entering your investment. [This is the most you will pay, and you could pay less]. [AND/OR where the costs are embedded in the price, for instance in the case of PRIPs other than investment funds] The impact of the costs already included in the price. [This is the most you will pay, and you could pay less]. [Where distribution costs are included in entry costs] This includes the costs of distribution of your product.
	Exit costs	[...] %	The impact of the costs of exiting your investment when it matures.
Ongoing costs	Portfolio transaction costs	[...] %	The impact of the costs of us buying and selling underlying investments for the product.
	Other ongoing costs	[...] %	The impact of the costs that we take each year for managing your investments and the costs presented in Section II.
Incidental costs	Performance fees	[...] %	The impact of the performance fee. We take these from your investment if the product outperforms its benchmark [y by x%].
	Carried interests	[...] %	The impact of carried interests. We take these when the investment has [performed better than x%]. [A payment of y% of the final return will take place subsequently to the exit of the investment.]



Summary Risk Indicator (SRI)



Market Risk Measure

- PRIIPs can be assigned to seven MRM classes and for this purpose, they are divided into four categories
- Category I PRIIPs are assigned based on qualitative criteria, while for Category II, III and IV the basis for the MRM is the Value-at-Risk @ 97,5%

Credit Risk Measure

- Credit risk assessed when the return on the investment depends on the creditworthiness of manufacturer or other party
- On AIFs and UCITS credit risk shall be assessed on a look-through basis

Aggregation to a single SRI

- Overall indicator of investment risk.
- It takes into account how likely it is the investor will lose money and the possibility of some form of protection

Liquidity Risk

- Reflected in narrative disclosures if relevant.

- Example of PRIIPs' classification according to four categories (non exhaustive list):
- Category I : Where investors could lose more than the amount invested and derivatives ;
- Category II : PRIIPs which offer non-leveraged exposure to the prices of underlying investments, or with constant multiples; e.g. standard unit linked products
- Category III : PRIIPs whose values reflect the prices of underlying investments, but not as a constant multiple of the prices of these underlying investments; e.g. structured products, variable annuities
- Category IV : PRIIP whose value depends in part on factors not observed in the market.; e.g. with-profits products

- PRIIP's manufacturer defines one or more credit rating agencies, whose credit assessment constitutes the reference for the CRM assignment
- Credit risk level of each counterparty is then assessed

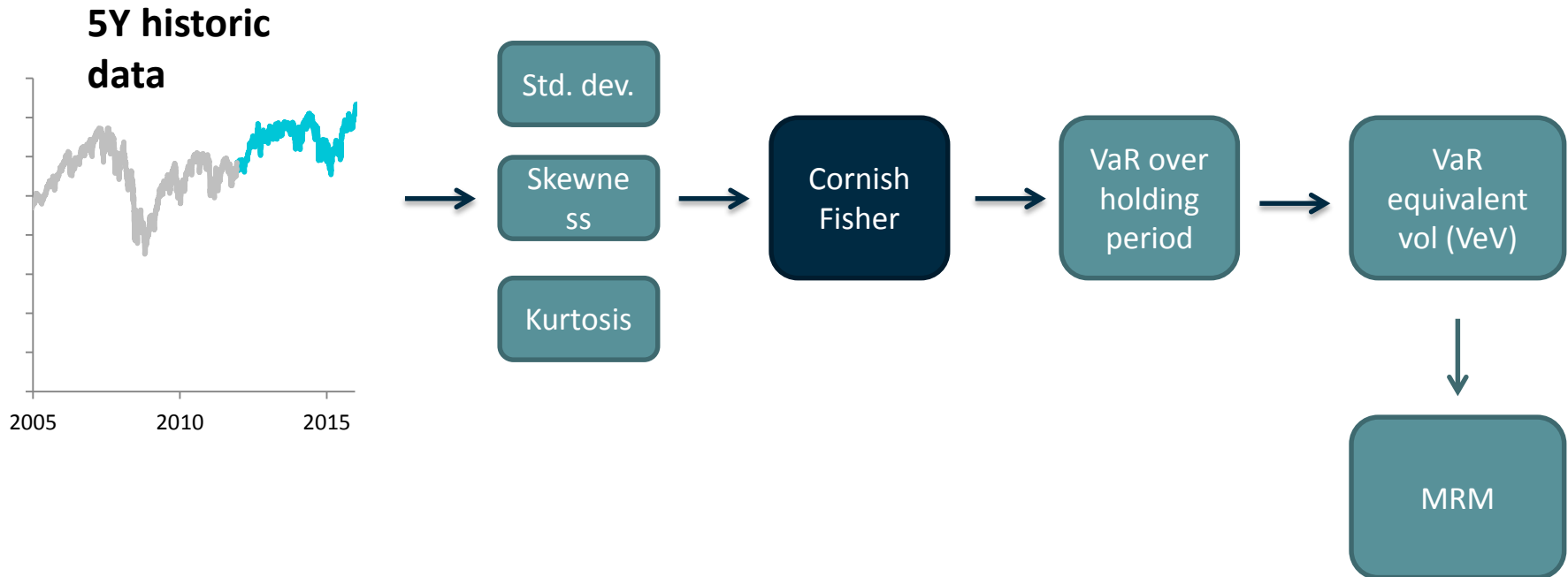
Credit Quality step	Credit Risk class	Rating Class
0	CR1	AA / AAA
1	CR1	AA
2	CR2	A
3	CR3	BBB
4	CR4	BB
5	CR5	B
6	CR6	CCC

Credit Risk	Market Risk						
	MR1	MR2	MR3	MR4	MR5	MR6	MR7
CR1	1	2	3	4	5	6	7
CR2	1	2	3	4	5	6	7
CR3	3	3	3	4	5	6	7
CR4	5	5	5	5	5	6	7
CR5	5	5	5	5	5	6	7
CR6	6	6	6	6	6	6	7



MRM calculation for category 2 PRIIPs

- Cornish-Fisher expansion – extension of “square root of time” rule





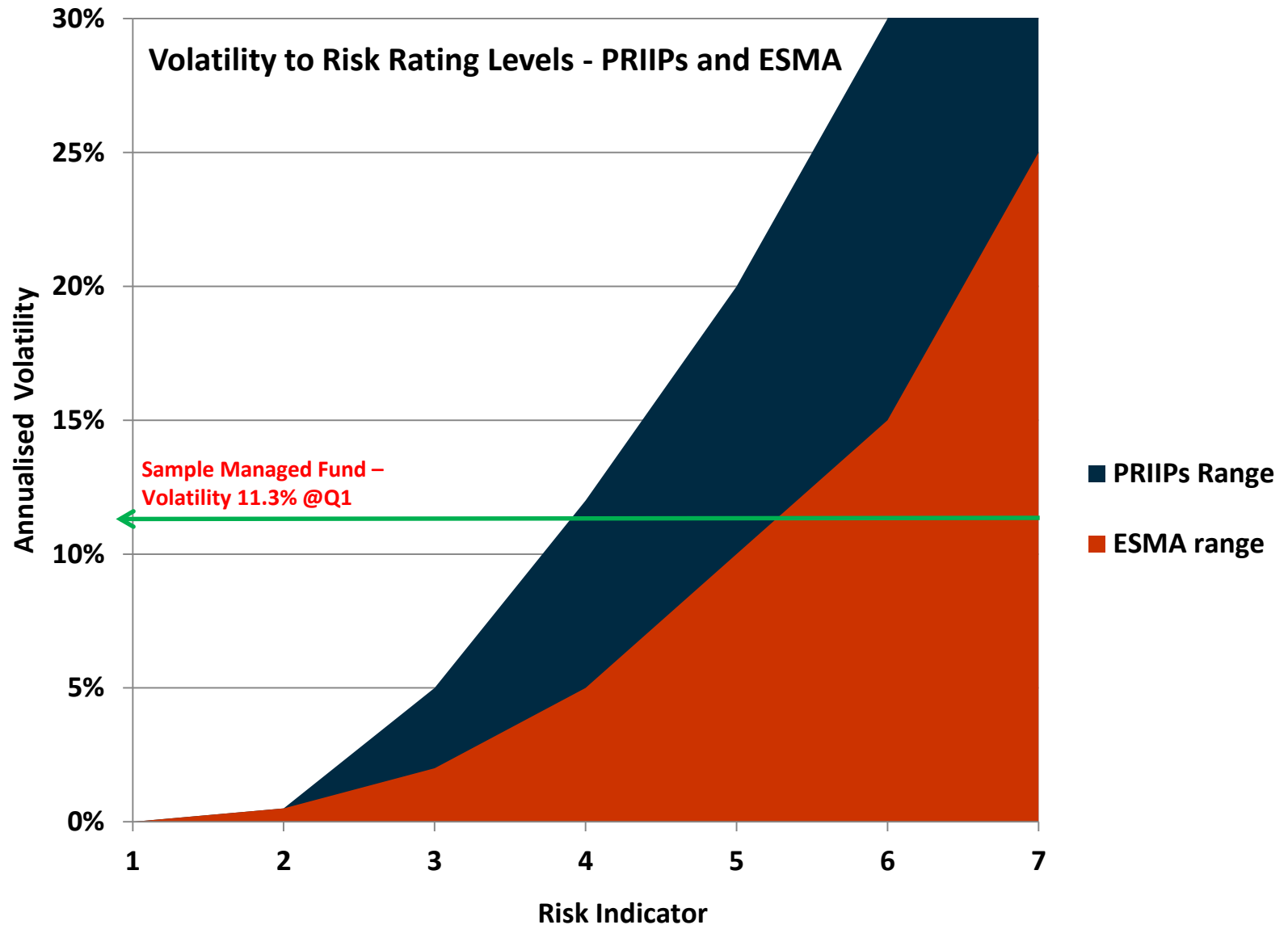
MRM Calculation

- Capture risk over holding period as measured by historic performance (97.5% VaR)
- VaR then expressed as an equivalent volatility figure (VeV)

MRM class	VeV range	ESMA range
1	<0.5%	<0.5%
2	0.5% - 5%	0.5% - 2%
3	5% - 12%	2% - 5%
4	12% - 20%	5% - 10%
5	20% - 30%	10% - 15%
6	30% - 80%	15% - 25%
7	>80%	>25%



MRM vs existing ESMA Ratings





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KID Performance Scenarios

- Projection is based on a standard investment
 - €10,000 for single investment
 - €1,000 p.a. for regular investments
- Figures provided at
 - End of year 1
 - Recommended holding period
 - Half recommended holding period
- Performance scenarios calculated net of all applicable costs in accordance with Annex VI
 - Costs are different and higher than current disclosures



Calculation of values

- Annex IV:
 - “The scenario values under different performance scenarios shall be calculated in a similar manner as the market risk measure.”
 - Uses a 5 year history of returns where available
 - Determines mean and volatility of expected future returns
- Future projections depend on past experience



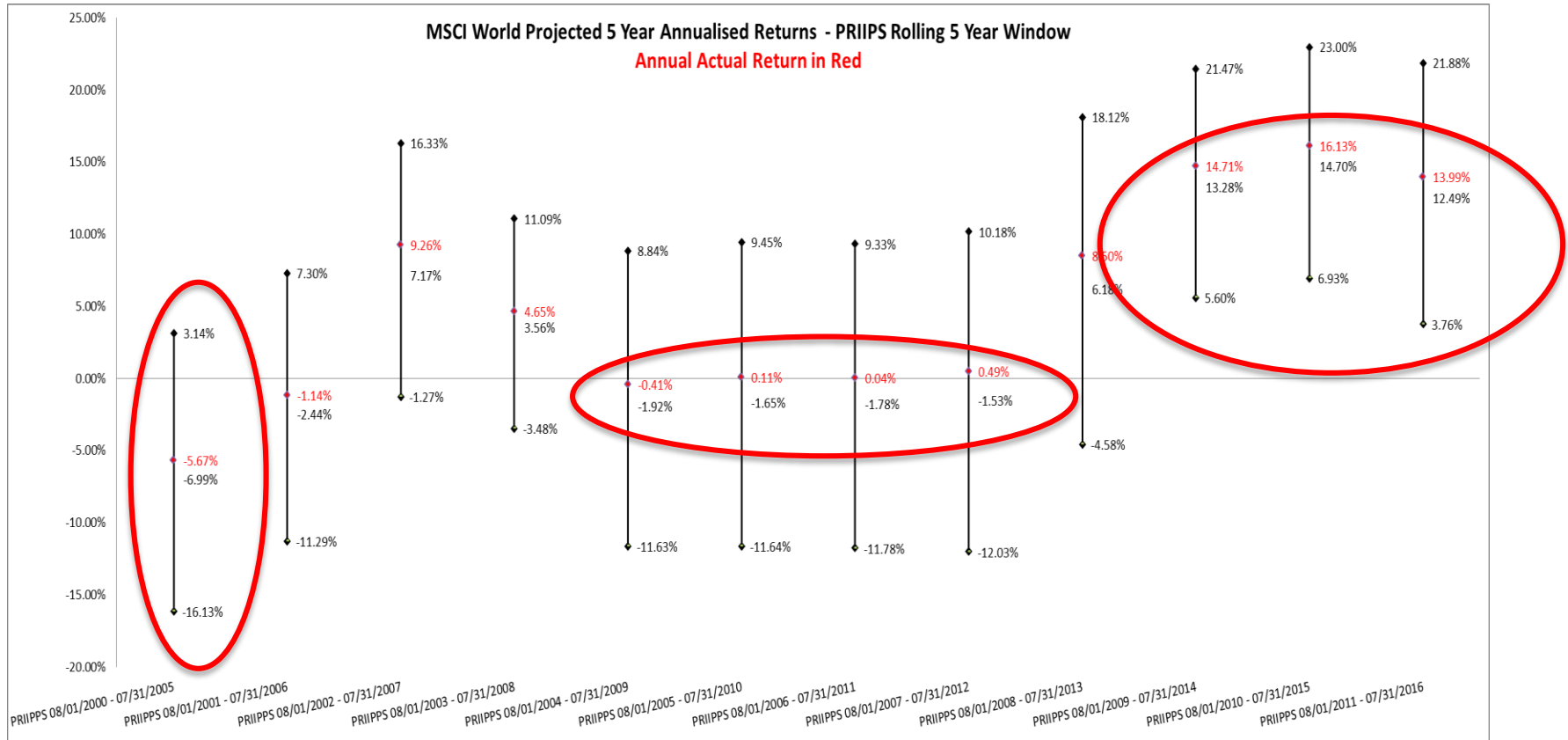
Calculation of values

- KID shows 4 performance scenarios
 - Favourable
 - Moderate
 - Unfavourable
 - Stress
- Favourable, moderate and unfavourable scenarios show 90th, 50th and 10th percentiles
- Stress scenario uses extreme volatility measures and percentiles depending on term



MSCI world index

- Chart shows KID projected returns 2005 – 2016 *



* Returns are gross for comparison purposes



MSCI world index

- Turning these returns into expected values at end of 5 years: *

Scenario:	Based on projections prepared in:					
	Aug 2015	Aug 2013	Aug 2011	Aug 2009	Aug 2007	Aug 2005
Favourable	€28,130	€22,993	€15,617	€15,272	€21,300	€11,671
Moderate	€19,840	€13,498	€9,141	€9,077	€14,135	€6,961
Unfavourable	€13,967	€7,909	€5,343	€5,388	€9,381	€4,149

* Returns are gross for comparison purposes



Points to note

- Moderate scenarios
 - 2009 and 2011 projections shows a loss
 - 2005 projections show a significant loss
- Unfavourable scenario in 2015
 - Higher than moderate scenario in 2013
 - Not much lower than favourable scenario for 2009 and 2011
- Range of returns narrowed between 2011 and 2015
 - Reflects lower volatility in markets generally



Observations

- Figures need to be updated at least once a year
 - Market volatility can lead to significant changes from year to year
- Working party position paper submitted through AAE and CBI
 - Ideally would project based on long-term expectations by asset class
 - Not accepted
- Subsequent proposal to show 0% return in moderate scenario for all funds presented other problems
 - We suggested an alternative that used long-term returns, and based volatility on data over 10 years; Reduces volatility



Considerations

- Potential impact on policyholders/consumers
 - Will they understand volatility and projections as shown on KID?
 - Will projection figures exacerbate “herd mentality” during bull/bear markets?
 - Potential for consumer complaints?
- Comparisons with other policyholder communications



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Background

- General areas of consideration
 - pure PRIIPs issues
 - issues that overlap with existing Irish disclosure rules e.g. approach to commission & tax disclosure
- Working Groups's objectives were
 - To identify areas of complexity, uncertainty or dissatisfaction
 - Raise concerns with regulatory bodies where necessary
 - Seek guidance at Level 3 from ESAs or from Central Bank
 - Identify issues potentially where Working Group could offer some viewpoints to members



Challenges – introduction

PRIIPs scoping

Calculations

Taxation

Recommended
Holding
Periods (RHP)

KID review and
revision

Flexible /
multi-asset
funds

Multi Option
Products
(MOPs)



PRIIPs scoping

- Issues at Level 1 which are unclear

Legacy
business

Pensions

Top-ups

Switches

Riders

- Pre-retirement accumulation products e.g. competing life and pension products
- Drawdown and withdrawal-based products
 - Particular interest in ARFs in Irish market
- Unit-linked protection products



Calculations – risk

1. MRM Categorisation

Investment guarantees

- Always Category 3?

Flexible funds / multi-asset funds

- Some features of Category 2 & 3

Leveraged products

- e.g. geared property

Products with significant use of derivatives

- Category 1 or 3?

2. Credit risk look-through (CRM)

Solvency II compliant = CRM 2?

Application of 10% threshold

3. Liquidity risk

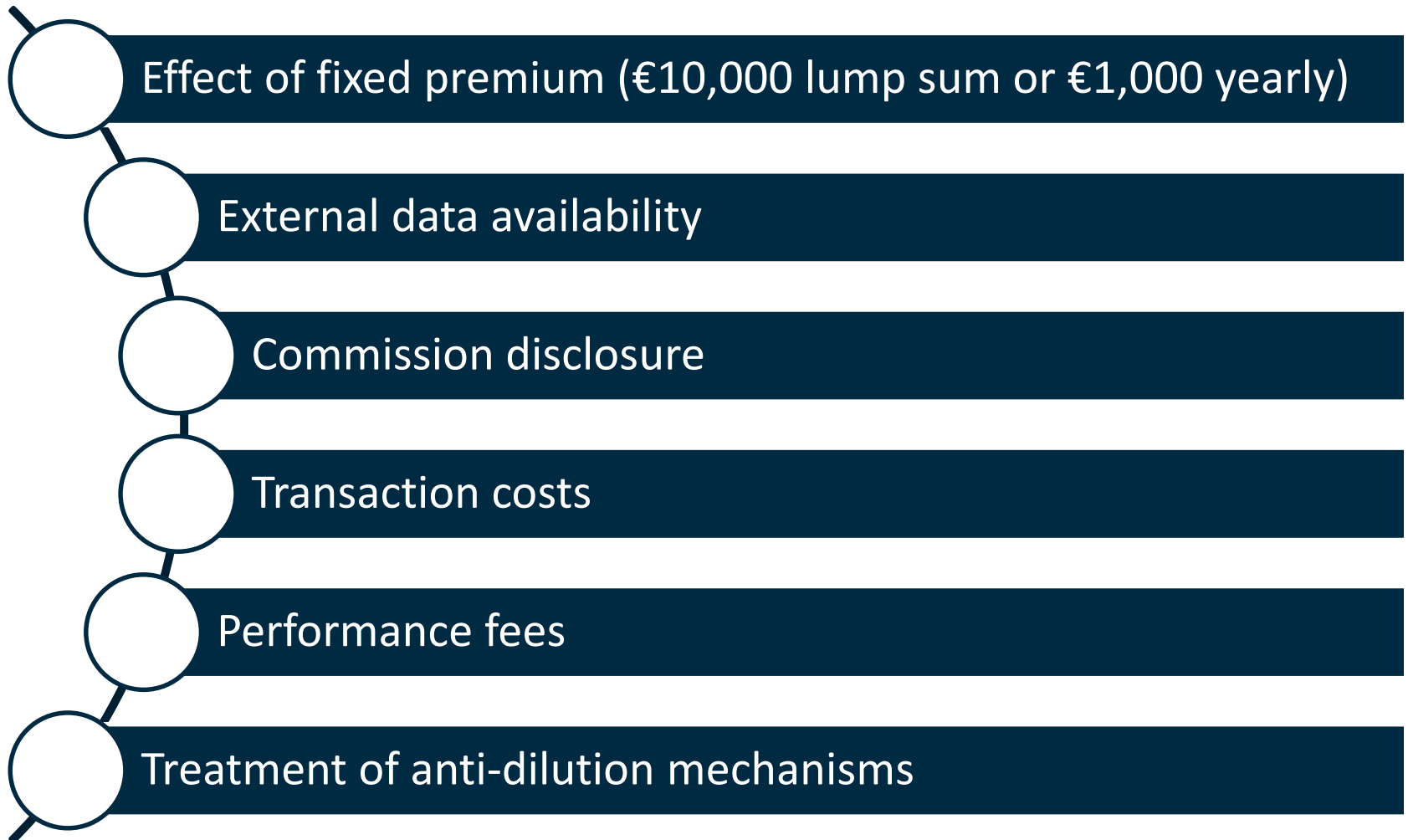
Liquid

Illiquid

Materially
relevant
liquidity risk



Calculations – costs





Taxation

Levy & exit tax

- Performance scenarios
- Costs / RIY

Unlevel playing field

- PRIIPs where tax deducted within the PRIIP
- PRIIPs where tax deducted outside the PRIIP

Multiple rates of tax

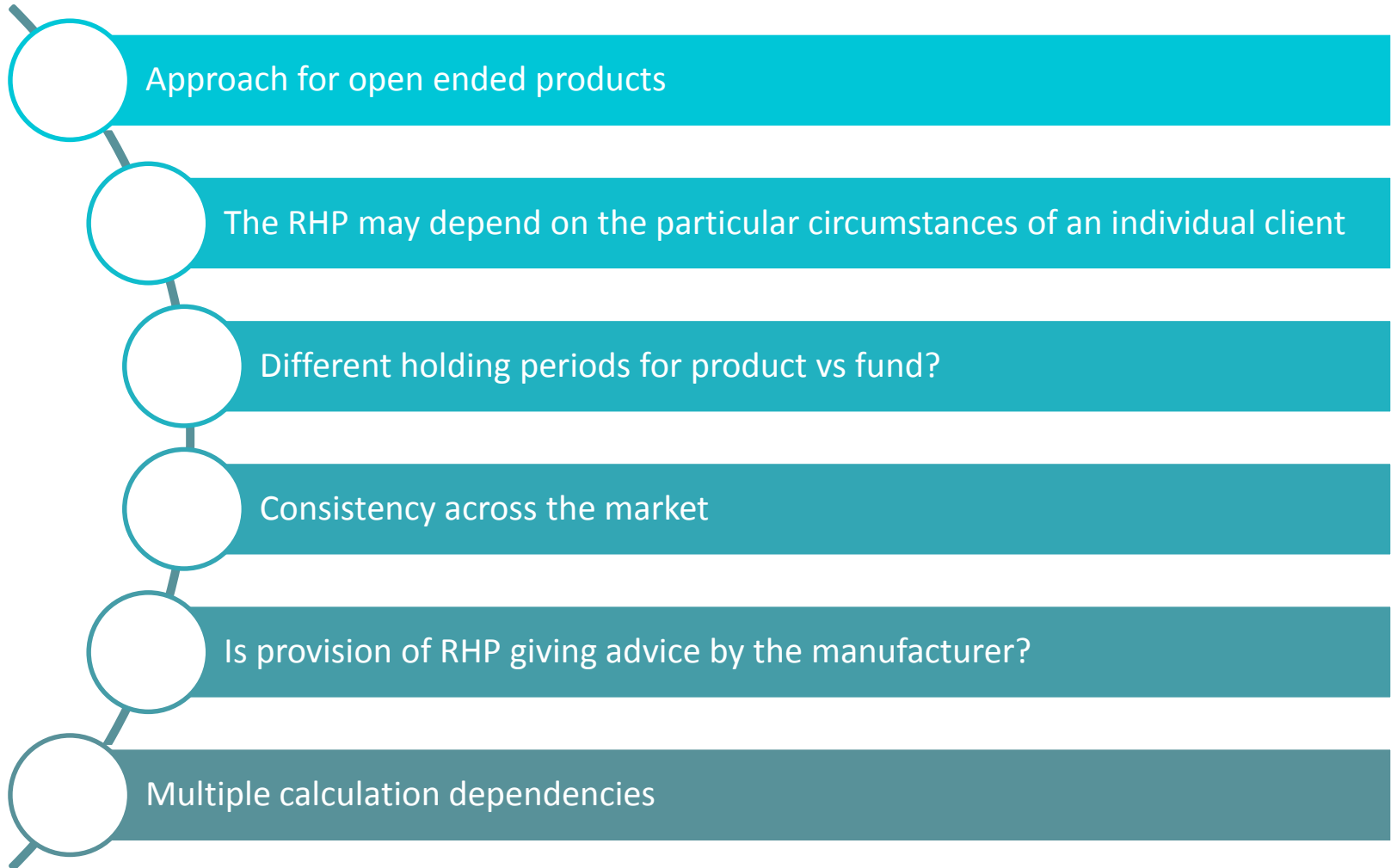
- Retail business
- Corporate business

Tax exempt customers

- Non-residents
- Charity business



Recommended Holding Periods





KID review and revision

- Guidance needed on the required frequency of monitoring for costs, risk and performance
 - Yearly at a minimum
 - But SRI and performance scenarios likely to be sensitive to new market data
 - When should cost ratios be re-calculated more frequently than once a year?



Flexible funds / multi-asset funds

Relevance of past data?

Total Return Funds

- e.g. flexible asset class allocation

Absolute Return Funds

- e.g. flexibility to take short positions

Life-cycle Funds

- e.g. target date funds

Rules-based Funds

- e.g. target volatility funds, CPPI

- Applicability of risk rating methodology unclear
 - Reflects mix of past performance, current asset allocation and fund risk limits
- Performance scenario issue
 - paragraph 14 of Annex II not carried over to performance scenario methodology



Multi Option Products

- MOPs cover:
 - (a) vanilla unit-linked investment and savings products offering multiple pre-defined funds within a wrapper, and
 - (b) “open architecture” business where the underlying investments are less pre-defined
- Further clarification needed on the cost disclosure for generic KIDs and specific information documents (SID), if used for MOPs
- “Open architecture”
 - Changing investment option universe
 - How should wrapper charges be reflected?
- Final RTS caters for scenarios where a PRIIP invests in a UCITs fund, but not where a PRIIP invests in another PRIIP



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5	How will the KID interact with Life Disclosure?	Stuart Redmond



Background

- What do we mean by the “domestic disclosure regime”?
 - Life Assurance (Provision of Information) Regulations, 2001
 - Actuarial Standards of Practice (ASP LA-8, ASP-LA-9)
 - Consumer Protection Code
 - Solvency II Directive (Article 185)
- Working party analysed the areas of commonality between the current domestic disclosure regime and the PRIIPs requirements.



Areas of Overlap

- Product suitability
- Product information
- Early encashment rules
- Cancellation rules
- How to complain
- Product manufacturer info



Areas of Difference

- Scope
- Reduction in yield
- Cost disclosures
- Personalisation of projections
- Remuneration disclosure



Other Issues

- Provision of projected values on an ongoing basis
- Taxation
- Unit-linked protection
- Interaction of the KIDs with other documents



Update on CBI Interaction








- Working party has actively engaged with the CBI.
- CBI considering impact of PRIIPs on the domestic disclosure regime.
- Working Party analysed a sample Customer Information Notice (CIN) – what might it look like post-PRIIPs?



Customer Information Notice (2018)

A: Information about the policy



- Make sure the policy meets your needs 
- What happens if you want to cash in the policy early or stop paying premiums? 
- What are the projected benefits under the policy? 
- What intermediary remuneration or sales remuneration is payable? 
- Are returns guaranteed and can the premium be reviewed? 
- Can the policy be cancelled or amended by the insurer? 
- Information on taxation issues 

B: Information on service fee



C: Information about the insurer or insurance intermediary or sales employee





Questions?