



Society of Actuaries in Ireland

Society of Actuaries in Ireland PRIIPs Survey

12th September 2018



Disclaimer

The views expressed in this presentation are those of the presenters and not necessarily of the Society of Actuaries in Ireland

Agenda

Background

KID content

KID production

KID provision and updates

KID assumptions and decisions

Concerns, impact and future developments

Conclusion



Background

Companies which Prepared PRIIPs KIDs for the Irish Market

- 6 companies in survey
- 56 questions posed to survey respondents

Contrast with Other Jurisdictions

- No regulatory guidance issued by the competent authority in Ireland
- No requirement to file PRIIPs KIDs with the competent authority in Ireland



Cross Border

- 11 Cross Border companies responded
- Most companies offer Portfolio Bonds (MOPs)
 - 89% indicate some form of MOP
- Markets covered
 - 6 EU jurisdictions
 - Requirements to file in 3 (Italy/Portugal/Finland)
 - 7 companies affected by filing requirements
- Guidance on KID production
 - Italy/Germany (German Insurance Association)



KID content



Comprehension Alert – Domestic Companies

**2 out of 6 Companies
include the
Comprehension Alert on
ALL KIDs**

Article 1(2)(a) of
Commission Delegated
Regulation 2017/653



Comprehension Alert – Domestic Companies

**2 out of 5 Companies
include the
Comprehension Alert on
SOME KIDs**

Fund Options
v
Product Level
Interpretation



Cross Border – Comprehension Alert

- 78% (7 / 9) include on all KIDs
 - 33% for Domestic Companies
- Main reason given: The range of options under MOPs



Liquidity Warning – Domestic Companies

Liquidity Warning

6 out of 6
NOT on
ALL
KIDs

5 out of 6
on
SOME
KIDs

PROPERTY
FUNDS
at fund level
KID only

RTS
liquidity
risk
criteria



Cross Border: Liquidity Warning

- 66% (6 / 9) include on all KIDs
 - Recall: zero per cent for domestic companies
- Main Reason: The range of options under MOPs



Recommended Holding Period (“RHP”) Domestic Companies

Modal RHP

- 7 years (4 out of 6 companies)
- 8 years and 10 years most common at 2 remaining companies

Different RHP for Different Funds / Product

- FUNDS: 2 out of 6 companies
- PRODUCTS: 1 out of 6 companies
- Investment v. savings products
- Cash funds



Recommended Holding Period (“RHP”) Domestic Companies

Range
of
RHPs

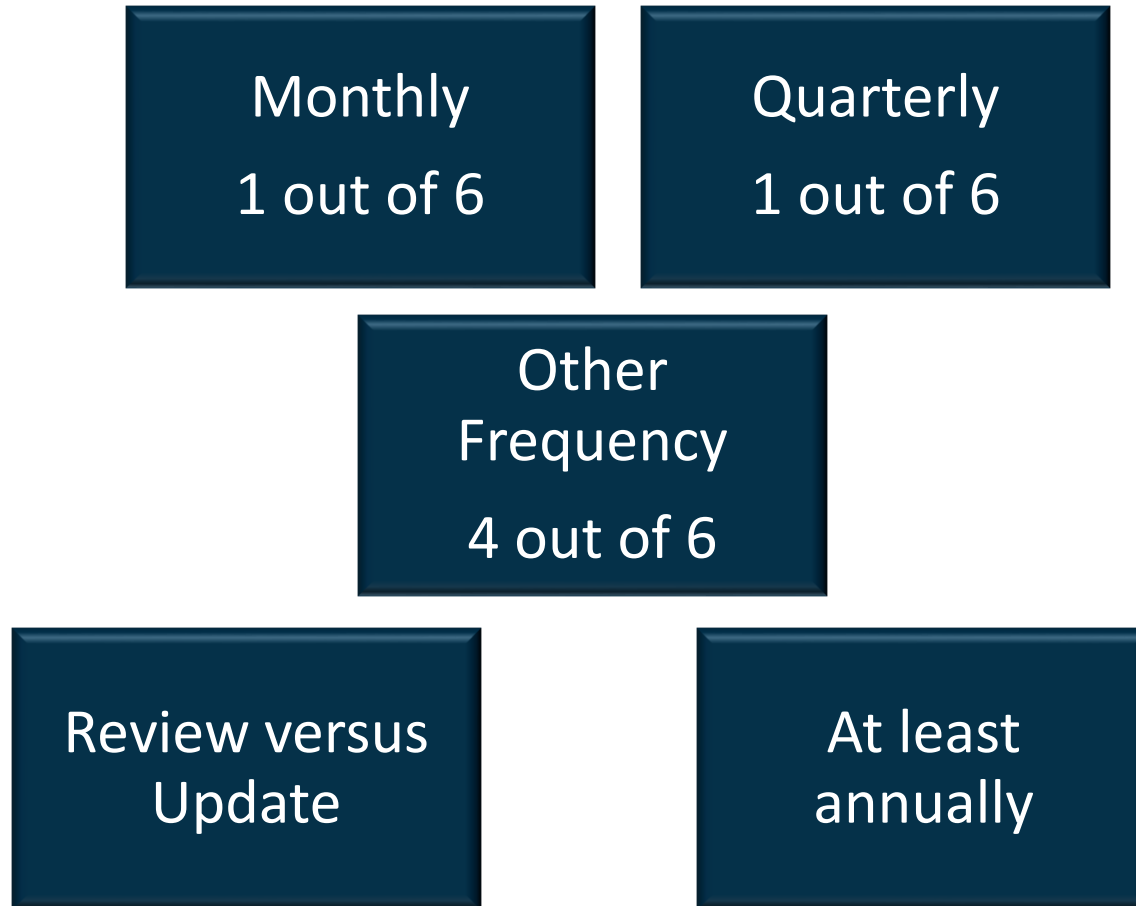
- 5 out of 6 companies answered
- 3-6 months – shortest
- 10 years – longest



KID Production



KID Review Frequency Domestic Companies





Other Issues

Domestic Companies

**Client
Specific KIDs**

NO (6 out of 6)

**Category 3
Funds**

2 out of 6 companies classified PRIIPs as Category 3

**Source of
Data**

2 out of 6 companies use an external firm for PRIIPs data on externally managed funds

CRM

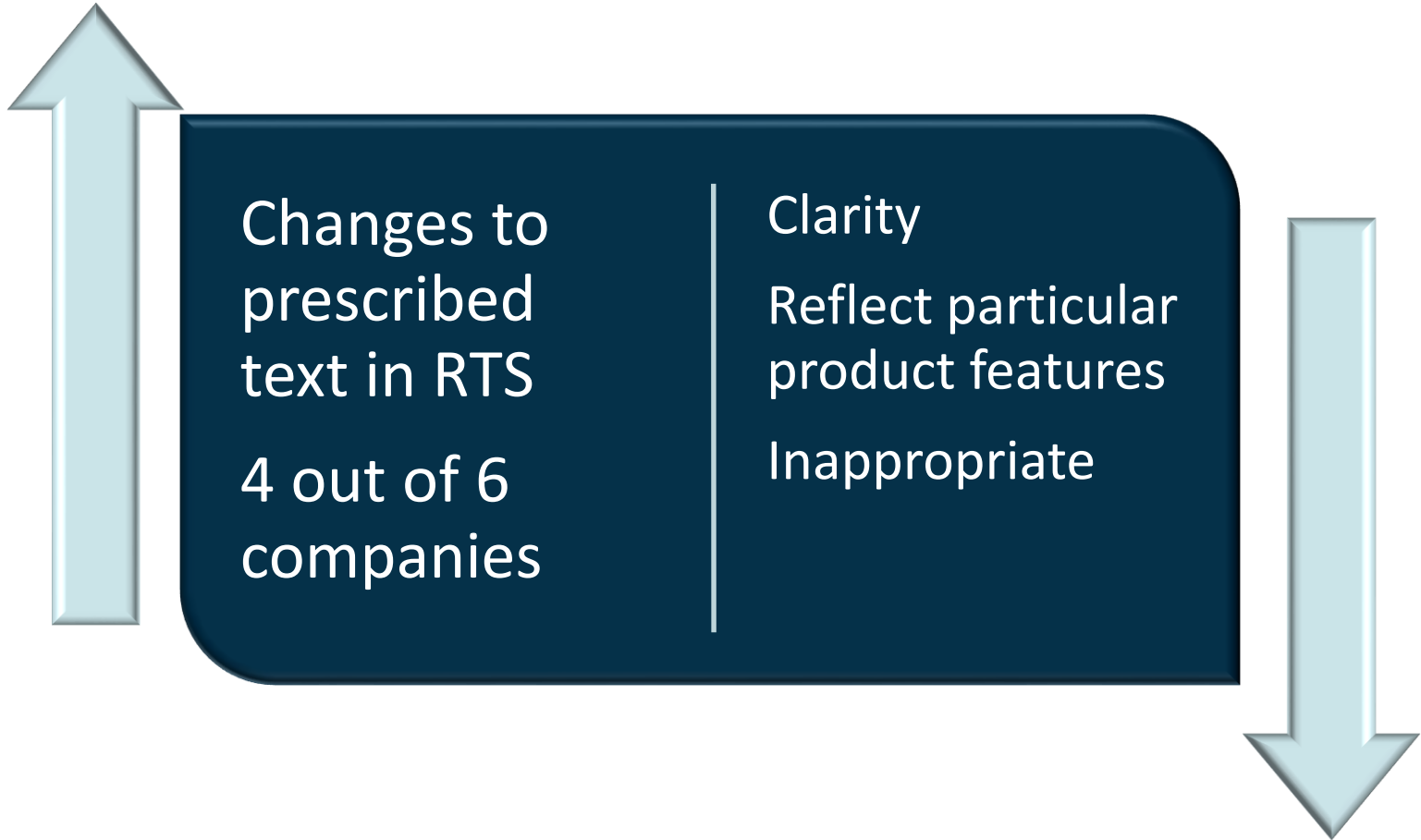
5 out of 6 companies used cascade assessment to calculate the credit risk at the level of the underlying exposures and the PRIIP

**1% Premium
Levy**

6 out of 6 companies allowed for the 1% premium level



Changes to RTS Text Domestic Companies



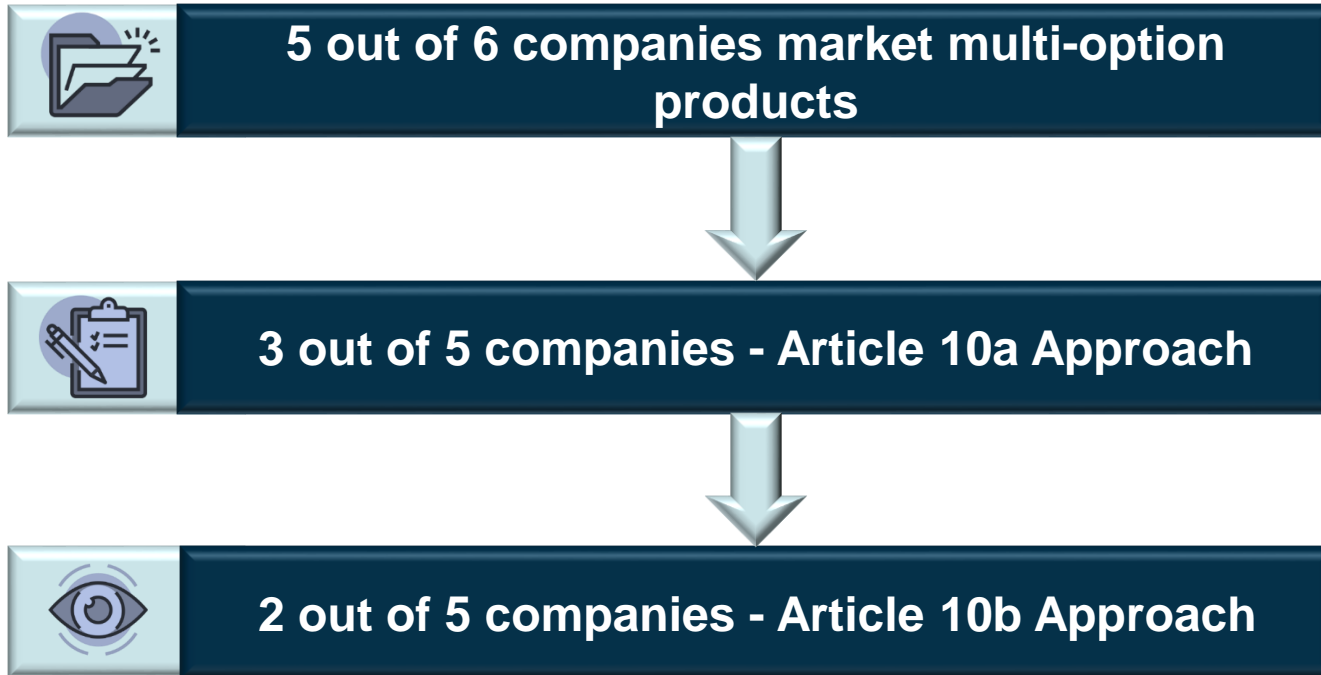


Provision of KID and Updates



Multi-option PRIIPs Products

Domestic Companies





Other Issues

Domestic Companies

UCITS Exemption	NO (6 out of 6)
Number of KIDs	From 11 to 3,300
Application Form	5 out of 6 amended the application form for PRIIPs
CPC Warnings	CPC WARNINGS in PRIIPs KIDs: 1 out of 6 companies
KID on Fund Switch or on Top Up	NO: 6 out of 6 companies



Cross Border: MOPs Approach

- 25% opted for 10a approach (KID per option)
- Remaining 75% therefore operating with generic KID and specific information
 - Suspect this is ‘sign-posting’ to UCITS KID
 - Likely also sign-posting to third party KIDs
- 60% of domestic companies use 10a



Cross Border: UCITS Exemption

- 33% of Cross Border companies using UCITS exemption
 - Recall: Zero per cent for domestic companies



Cross Border: Receipt of KID

- 87.5% of Cross Border companies amended forms to confirm receipt of KID
 - Very similar to domestic companies (83%)



Cross Border: Top-ups & Switches

- 50:50 providing KIDs on switches
 - Recall: Zero per cent providing KIDs on switches in the domestic market



Cross Border: Approach to Costs

- Entry costs:
 - 50% of companies using maximum charges
 - 33% using ranges of min – max (consistent with generic KID approach)
 - Overall 83% show maximum charges
 - Recall: For domestic companies, 67% use maximum charges
- Ongoing
 - Similar: 83% showing maximum costs
 - Recall: For domestic companies, the figure is 83% also



KID Assumptions and Implementation Decisions



Customer Communications Domestic Companies

Changes to KIDs

- 6 out of 6 companies
- Existing customers not informed

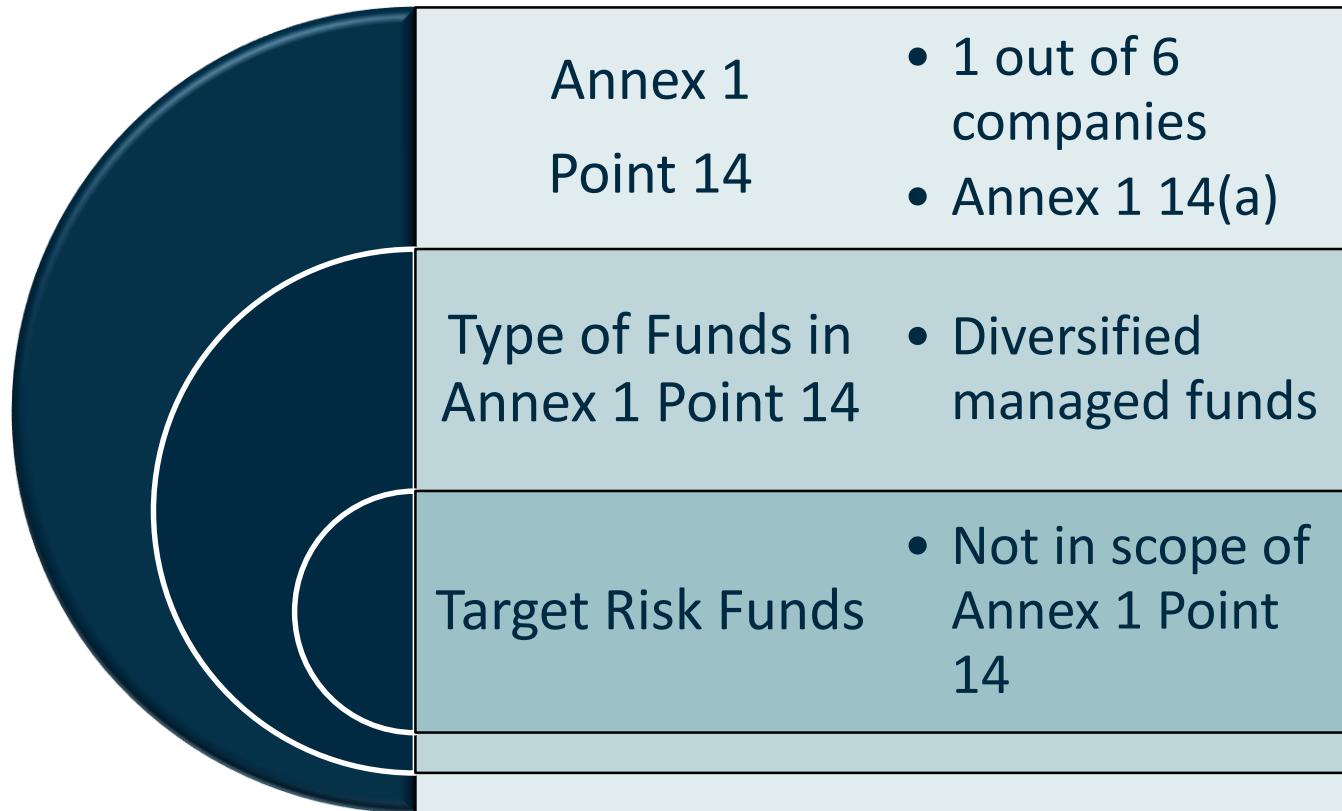
Financial Brokers
informed when
KIDs are updated: 1
out of 6

Under
consideration: 1 out
of 6



Funds with Flexible Investment across Asset Classes

Domestic Companies





Portfolio Transaction Costs & Other Ongoing Costs Domestic Companies

2 out of 6 companies had to make estimates of portfolio transaction costs

Source of Estimates: Earlier draft of RTS or UCITS KIID

For 2 out of 6 companies, were unable to obtain EPTs from ALL external investment managers

For 2 out of 6 companies, the external investment manager provided an estimate of portfolio transaction costs and other ongoing costs

3 out of 6 companies set negative transaction costs to zero



Cost Assumptions in KIDs Domestic Companies

4 out of 6 companies use
maximum initial
commission

2 out of 6 companies use
modal initial commission



Cost Assumptions in KIDs Domestic Companies

5 out of 6 companies use
maximum trail
commission

1 out of 6 companies use
modal trail commission



Exit Tax and Performance Fees Domestic Companies

- 1 out of 6 companies allowed for the exit tax in producing figures for the performance scenarios
- 4 out of six companies show performance fees as a separate line item in PRIIPs KIDs



Age and Death Benefit Assumptions

Domestic

- 5 out of 6 companies answered
 - 4 said not applicable
 - 1 said age 35 and the following covers:
 - Life: €240,000;
 - Accidental death: €200,000;
 - Critical illness: €120,000;
 - Accidental injury: €4,000;
 - Hospital cash: €100 per day; and
 - Personal accident: €250 per week



Impact, concerns and future developments



Non PRIIPs Products Domestic Companies

**Changes
arising
from
PRIIPs**

1 out of 6 companies
will change cost
disclosures for non-
PRIIPs products



Summary Risk Indicator (“SRI”) Domestic Companies

6 out of 6 Companies

Will NOT adopt SRI as its
system of risk rating



Cross Border: Adoption of SRI

- 25% said they would adopt SRI for fund risk ratings
 - Recall: For domestic companies, none are considering adopting the SRI



RTS Formulae

Domestic Companies

RTS Formulae

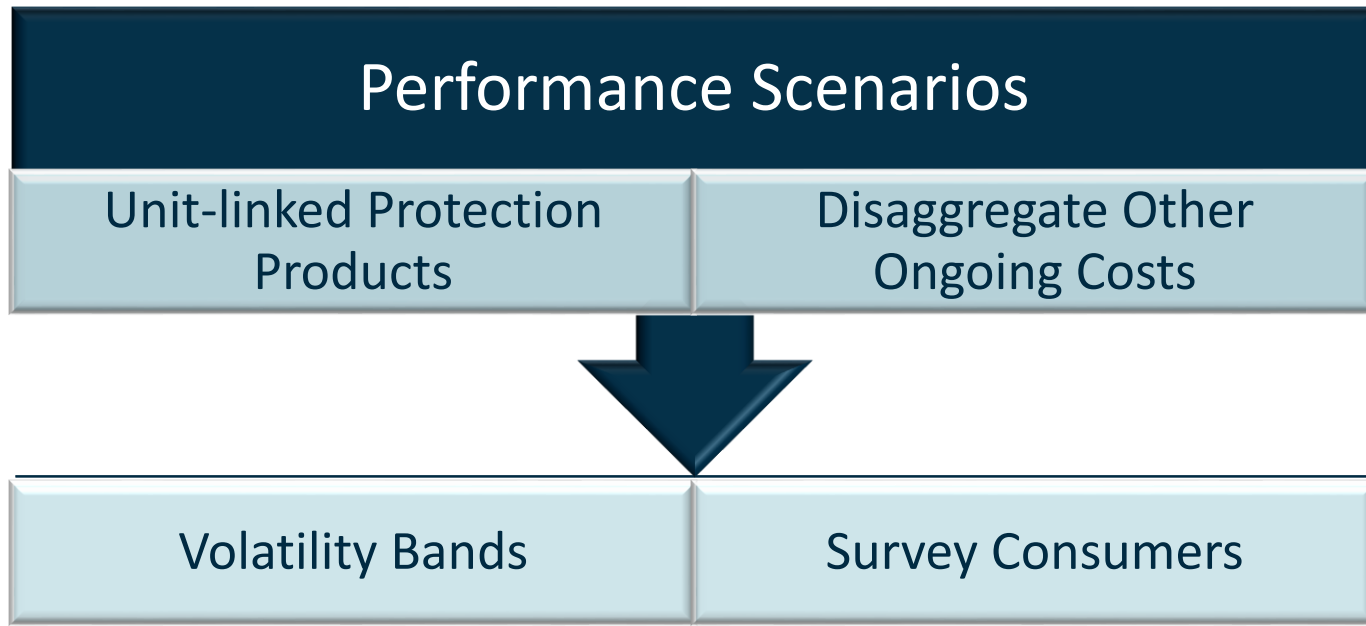
- 2 out of 6 companies identified errors
- 1 company implemented a correction to the formula

Potential Errors

- Annexes – page 22
- Formula for stress scenario
- Choice of simulation for intermediate holding period for category 3



EU Review of PRIIPs Legislation 2018





Issues for PRIIPs review

Domestic

Performance Scenario Methodology
x 4

Relevance for mainly protection
products with some savings

Calculation & sourcing of transaction
costs

Inconsistency between PRIIPs & Life
Disclosure regulations

Inconsistency in application between
providers (e.g. costs)

SRI volatility bands too wide

Cross Border

Performance Scenario Methodology
x 3

Approach to MOPs not working
- Particularly links to external funds

Alignment of RHP x 3
- Guidance required

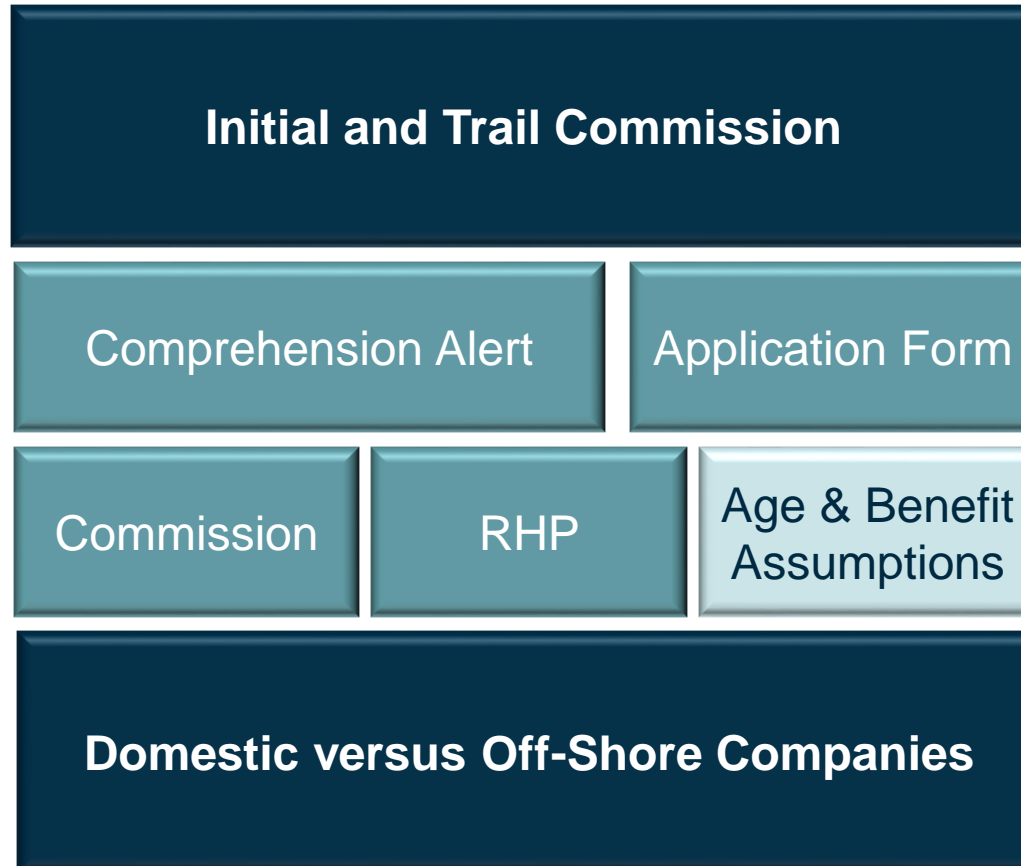
Treatment of RP products

Need to align market practice for
calculations methodology

Need to simplify quantitative
information



Conclusion





Society of Actuaries in Ireland

Thank you for your attention
