

CEA comments on CESR's consultation paper on technical issues relating to Key Information Document (KID) disclosures for UCITS

CEA reference:	LIF-09-022	Date:	15 May 2009
Referring to:	CESR consultation paper on technical issues relating to Key Information Document (KID) disclosures for UCITS		
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CEA comments:

The European Commission has published on 30 April a communication on "packaged retail investment products" (COM (2009) 204 final). In this communication the EC refers explicitly to the "Key Investor Information" Document on page 10 and states as follows:

"The recent work on developing KII for UCITS provides a clear benchmark of the standard for mandatory disclosures that is being sought across other packaged retail investment products, though these disclosures would need to be adjusted to reflect the particular features and legal forms of other products."

The CEA would like to point to the fact that the development of the KII/ KID did so far not target insurance and therefore the insurance industry did not participate in the development of this document.

The CEA would like to reiterate its full support that consumers deserve a high level of consumer protection.

However the CEA would like to emphasise that it is essential that consumers receive the right level and quality of information. The main features of a particular product should be described in a way which would help the consumer to understand what is important for her/him and make an informed decision according to her/his needs.

In this respect, appropriate information about the particular characteristics of products (e.g. unit-linked life insurance) and ultimate risks associated with them is essential to ensure consumer's confidence in products. As acknowledged by Commissioner Mc Creevy, "*differences between products require different metrics for information disclosure*"¹. The CEA fully supports this view and considers that product specific information is required in order to achieve an adequate level of information for different products and to guarantee a high level of consumer protection.

Such product specific information helps policyholders to understand not only the design of a product but its functioning and characteristics. Product specific information also helps consumers to understand that insurance products entail different risks and benefits compared to other products². The importance of product specific information is also highlighted shown by CEIOPS in its opinion of December 2007, where is noted that identical information requirements for unit-linked life insurance products and UCITS could be misleading³.

The CEA would like to stress the importance of consumers' financial education and consumers' understanding of financial products in the debate on key information for consumers. A high level of professional qualifications of intermediaries does not exclude the need for sufficient financial education for consumers to fully understand which particular product would meet their needs in the best way. However, it is important to recognize that the effectiveness of initiatives on consumers' financial education depends on the stability over time of the regulatory framework for financial services.

The CEA stands ready to continue explaining and discussing these issues.

About the CEA

The CEA is the European insurance and reinsurance federation. Through its 33 member bodies, the national insurance associations, the CEA represents all types of insurance and reinsurance undertakings, e.g. pan-European companies, monoliners, mutuals and SMEs. The CEA, which is based in Brussels, represents undertakings that account for approximately 94% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers generate premium income of €1 122bn, employ one million people and invest more than €7 200bn in the economy.

¹ Speech/ 08/393, Opening remarks, Open Hearing on Retail Investment Products, Brussels, 15 July 2008, Page 4.

² The main differences between insurance products and UCITS were highlighted in the European Commission's Feedback Statement on contributions to the Call for Evidence on "substitute" retail investment products, March 2008, Page 16-17.

³ CEIOPS-DOC-21/07, CEIOPS' Reply to CESR's Consultation Paper on content and form of Key Investor Information disclosures for UCITS (CESR/07-669), 17 December 2007, Page 2