European Securities and Markets Authority

Date: 10 November 2015

Responding to this paper

The European Securities and Markets Authority (ESMA) invites responses to the specific questions listed in the ESMA Consultation Paper on PRIIPs Key Information Documents, published on the ESMA website.

Instructions

Please note that, in order to facilitate the analysis of the large number of responses expected, you are requested to use this file to send your response to ESMA so as to allow us to process it properly. Therefore, ESMA will only be able to consider responses which follow the instructions described below:

- use this form and send your responses in Word format (pdf documents will not be considered except for annexes);
- do not remove the tags of type <ESMA_QUESTION_PRIIPS_1> - i.e. the response to one question has to be framed by the 2 tags corresponding to the question; and
- if you do not have a response to a question, do not delete it and leave the text “TYPE YOUR TEXT HERE” between the tags.

Responses are most helpful:

- if they respond to the question stated;
- contain a clear rationale, including on any related costs and benefits; and
- describe any alternatives that ESMA should consider

Naming protocol

In order to facilitate the handling of stakeholders responses please save your document using the following format:

ESMA_ PRIIPS _NAMEOFCOMPANY_NAMEOFDOCUMENT.

E.g. if the respondent were XXXX, the name of the reply form would be:

ESMA_ PRIIPS_XXXX_REPLYFORM or

ESMA_ PRIIPS_XXXX_ANNEX1

To help you navigate this document more easily, bookmarks are available in “Navigation Pane” for Word 2010 and in “Document Map” for Word 2007.

Deadline

Responses must reach us by **29 January 2016.**

All contributions should be submitted online at www.esma.europa.eu under the heading 'Your input/Consultations'.

Publication of responses

All contributions received will be published following the end of the consultation period, unless otherwise requested. **Please clearly indicate by ticking the appropriate checkbox in the website submission form if you do not wish your contribution to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.** Note also that a confidential response may be requested from us in accordance with ESMA's rules on access to documents. We may consult you if we receive such a request. Any decision we make is reviewable by ESMA's Board of Appeal and the European Ombudsman.

Data protection

Information on data protection can be found at www.esma.europa.eu under the headings 'Legal notice' and 'Data protection'.

Introduction

Please make your introductory comments below, if any:

<ESMA_COMMENT_PRIIPS_1>

MOPS

For the French market, it is a crucial point, MOPs represents 66% of the existing contracts and 85 % of the new contracts.

It is of utmost importance as regards to the Multi-option Products that a level playing field is ensured between different types of PRIIPs. Retail investors should get a fair view of the insurance product (regardless of the number of investment options it provides) notably to ensure comparability.

Many unit-linked insurances offer currently the possibility to invest in different kind of investments. In addition to UCITS funds, these underlying investments might be shares, bonds, structured products. The variety and amount of choice for the client might be very flexible. As the information produced according to the PRIIPs Regulation is pre-contractual information, the choices made by the client cannot be fully taken into account in the pre-contractual information, which is based on standardized situations. The wording in article 6.3 in the PRIIPs Regulation takes this well into account and states that in these cases, "*the KID shall provide at least a generic description of the underlying investment options and state where and how more detailed pre-contractual information… can be found*". So, Article 15.1 that provides "*where a PRIIP manufacturer chooses to produce a generic key information document, it shall additionally provide specific pre-contractual information on underlying investment options."* is not in line with Article 6.3. The word "*provide* "must be replaced by the words "*state where and how "*. Words *"can be found*" must be added at the end of the sentence. The draft RTS article 15.2 is not in line with 8.5 and must be deleted.

Pre-contractual information relating to unit of account provided by solvency 2 directive still exists. For insurance-based investment products, the additional information is due only for units to which the benefit are linked. Article 6.3 provides "*detailed pre-contractal information documentation relating* to the investment products backing the underlying investment options ".The RTS provides "*underlying investment options"*

The draft RTSs should be drafted in line with the mandate in article 6.3 and take account of the market reality in the field of unit linked insurance products. **In addition, PRIIPs regulation and the RTSs should in no way restrict the product variety, the innovation product or the options in underlying investments. This is not in the remit of the aim of the PRIIPs regulation itself.**

Should, against all the above arguments, it be decided to keep the wording without any change, it would be necessary to examine very carefully the following points.

The level 1 provides an exemption for UCITS asset managers at least until 2020. They are not obliged to deliver a KID. Asset managers provide the UCITS KIID. The level 2 (Article 15) provide that in the case of unit-linked life insurance contracts invested in UCITS, life insurers must deliver pre-contractual information equivalent to the PRIIPS KID content to the retail investor. The draft RTS should be drafted in line with the level 1. At least, Until 31 December 2019, the exemption as referred to in Article 32 of Regulation (EU) No 1286/ 2014 shall apply to unit-linked insurance policies where the units to which the benefits are linked are those defined in Article 32.

Furthermore, FFSA wishes to point out that for UCITS underlying options:

- The information flow of the necessary data for insurers to develop a PRIIPs KID for UCITS is likely to be burdensome and complicated considering that the data which will be needed is not the same as the one necessary to develop a UCITS KIID.

- It is not believed to be adequate to require insurers to develop a document for a product that they do not manufacture themselves.

Life insurer will have to receive information from a third party to deliver the exact information about UCITS which create a risk to not be updated as soon as for the UCITS KIID.

The asset manager is the only one who is authorized to make performance scenarios in line with regulation (code monétaire et financier). It is forbidden by the réglementation générale de l'Autorité des marches financiers for asset managers to deliver detailed information about investments done by UCITS in order to insure the equal information of investors and avoid market abuse concerning practice and insure independency regarding the management of these funds. In this legal context, we do not see how the life insurer could provide performance scenarios without legal risk.

In this context, FFSA suggests that for any UCITS underlying option, the manufacturer is enabled to provide the UCITS KIID, in line with the PRIIPs Regulation exemption under Article 32.

Otherwise, the level playing field would not exist.

Otherwise, it would exit a great risk of confusion for the consumer because both provisions of the PRIIPs regulation and solvency II must be applied.

In the French market, life insurers will have to deliver a precontractual information equivalent to the PRIIP KID and the UCITS KIID for the same UCITS choosen as unit of account. Concretely speaking, it means that for the same life insurance product referring to the same unit link, the consumer will receive two different information without the same content and without the same presentation.

It will create a great legal uncertainty for the PRIIP manufacturer because of Article 11 of the PRIIP regulation. "*The PRIIP manufacturer shall not incur liability solely on the basis of the key information document, including any transaction thereof, unless it is misleading, inaccurate or <u>inconsistent with the relevant parts of legally binding precontractual and contractual documents …;"</u>*

In the French market, financial supervisory authority AMF check before selling, several pre-contractual documents, what about precontractual information on PRIIPS (UCITS used as a unit of account)? Is AMF able to check all information required for thousands of UCITS before 31 December 2016?

For the same unit of account used in different contracts, the result would be different pieces of information which create a great confusion.

For the most spread type of French life insurance contracts (contract with "euros funds", with several numbers of units of accounts freely choosen, pre-profile choices, with optional insurance guaranties (for instance "*garantie plancher en cas de décès*"), due to the great number of documents required to provide and to update, FFSA is wondering whether the obligation created by the RTS which is not in line with the regulation would be really feasible in practice.

Even if it appears at the end that it is a realistic exercise. It would be disproportionate, costly and burdensome.

It will not reach the initial goal to have a concise and simple document for the retail investors.

It can be noted that such a disproportionately duty is not applied to a securities account. It could lead to a regulatory arbitrage.

See annex 1 "First elements of an impact study on the French insurance market and proposal for a modular approach".

Implementation timeframe – extension required

FFSA is very concerned about the unrealistically short period for the industry to implement the KID for PRIIPs.

There will only be 3 to 4 months between the publication of the final regulatory technical standards (RTS) — defining key elements of the KID — and its legal implementation for all insurance-based investment products according to the current level 1 deadlines and taking into account the Commission's adoption of the draft RTS as well as the European Parliament and Council's period for objection. A 3 to 4 months implementation timeframe is too short.

The final stage of defining technical specifications, programming, testing and launching by the industry can only begin once there is absolute certainty over the final presentation and content of the KID. The complex risk indicators for different classes of products, cost indicators and performance scenarios have been (and still are), however, the object of no less than three consultations and different proposed methodologies from the European Supervisory Authorities (ESAs) between November 2014 and February 2016. Considering the implementation of these complex methods, it has now become apparent that the time needed for the appropriate implementation of the KID has been underestimated.

As the regulation seeks to ensure comparability between as many products as possible, the provisions of the level 1 text will result in very complex implementation methods for manufacturers. These methods will require important modifications to IT systems which technically cannot be achieved in only a few months.

The insurance sector needs sufficient time to program, test and launch the PRIIPS KID correctly, to ensure that it delivers its objectives and facilitates consumers' ability to better compare and understand these products. A one-year extension of the PRIIPs implementation deadline is required to ensure that customers receive the best outcome.

Length of the KID

The PRIIPs Regulation is important to help enhance consumer protection and improve consumer confidence by aiming to improve the transparency and comparability of PRIIPs products. It is important that appropriate solutions are found, keeping in mind the objectives of the KID: comparability, legal certainty and helpful for retail investors.

In addition, the document must remain concise (limited to three pages according to Article 6(4)) to ensure that the information remains helpful for retail investors. In this context FFSA is concerned that the length of the three pages would be unrealistic for some products:

- More information will need to be displayed for insurance-based investment products, considering the insurance cover that the products offer.
- The level 2 provisions foresee more disclaimers in the KID than what was investigated in the consumer testing or presented by the ESAs during the December public hearing.
- Some real-world products are more sophisticated than the ones that seem to have been considered by the ESAs.
- Translation into some languages would extend the text by one additional page.

Therefore, it is important that translated KIDs for sophisticated products are also tested and consulted with stakeholders to ensure that the limit imposed by the PRIIPs Regulation's Article 6(4) can be respected throughout the EU. Furthermore, this will ensure that the terms used are meaningful and understandable for consumers. FFSA believes that the ESAs should duly consider the above points before submitting the RTS to the Commission.

Explanatory text in respect of the draft RTS

FFSA is concerned by the explanatory text in respect of the draft RTS (p74) holding that manufacturers of insurance-based investment products could prepare separate KIDs for target groups (where variables such as the age and probably the total premium differ. FFSA wishes to reiterate that the KID is provided at the pre-contractual stage and, therefore, is not a personalised document. It is not appropriate to consider several KIDs dependent on the "age of the customer and other parameters". The retail investor will obtain personalised information later in the product distribution process. Should personalisation be considered at the pre-contractual phase, there will be an overlap notably with the insurance offer itself.

Risk assessments for life insurance products take into account a large number of factors and criteria and age is only one factor that is taken into account. Age is not the only decisive biometric factor. Differentiation only on the basis of it would not be appropriate and considering all the other factors would be unfeasible. Lastly, developing several KIDs for will have an effect on the compliance costs. This should be kept in mind, particularly because other PRIIPs manufacturers would not have to produce such a large number of KIDs. This would also lead to insurers providing retail investors with an overload of KIDs.

<ESMA_COMMENT_ PRIIPS_1>

Question 1
Would you see merit in the ESAs clarifying further the criteria set out in Recital 18 mentioned above by way of guidelines?

<ESMA_QUESTION_PRIIPS_1>

There is no empowerment for the ESAs in the PRIIPs Regulation to specify the details of the criteria to be used for determining when a product should be regarded as not being simple and as being difficult to understand.

It should also be borne in mind that under Insurance Distribution Directive (Article 30(7)) EIOPA is asked to develop guidelines for the assessment of insurance-based investment products that incorporate a structure, which makes it difficult for the customer to understand the risks involved.

In line with the insurance industry call for a one-year extension of the application of the PRIIPs Regulation, it is therefore unnecessary for any further guidelines or criteria to be set regarding PRIIPs products that may be difficult for retail investors to understand, as the above-mentioned guidelines already address this very issue.

<ESMA_QUESTION_PRIIPS_1>

Question 2
(i) Would you agree with the assumptions used for the proposed default amounts? Are you of the opinion that these prescribed amounts should be amended? If yes, how and why?
(ii) Would you favour an approach in which the prescribed standardised amount is the default option, unless the PRIIP has a known required investment amount and price which can be used instead?

<ESMA_QUESTION_PRIIPS_2>

FFSA supports an approach in which the prescribed standardised amount is the default option, unless the PRIIP has a known required investment amount and price which can be used instead. The default amounts as proposed by the ESAs in the draft RTS are considered to be workable by the insurance sector.

<ESMA_QUESTION_PRIIPS_2>

Question 3
For PRIIPs that fall into category II and for which the Cornish Fisher expansion is used as a methodology to compute the VaR equivalent Volatility do you think a bootstrapping approach should be used instead? Please explain the reasons for your opinion?

<ESMA_QUESTION_PRIIPS_3>

The methodology for calculation of category IV products, in paragraphs 49 to 52 of the draft RTS, remains very unclear and should be further clarified. Namely, it is not explained to which methodology the adjustments for factors not observed in the market should apply. Clarifications as to the expected adjustments for factors not observed in the market are necessary. Otherwise, the industry will not be able to follow the methodology.

FFSA strongly believes that absolute clarity must be ensured whilst avoiding the elaboration of disproportionally complex measures.

<ESMA_QUESTION_PRIIPS_3>

Question 4
Would you favour a different confidence interval to compute the VaR? If so, please explain which confidence interval you would use and state your reasons why.

<ESMA_QUESTION_PRIIPS_4>
No comment
<ESMA_QUESTION_PRIIPS_4>

Question 5
Are you of the view that the existence of a compensation or guarantee scheme should be taken into account in the credit risk assessment of a PRIIP? And if you agree, how would you propose to do so?

<ESMA_QUESTION_PRIIPS_5>

Agregation of both market risk and credit risk to build the summary risk indicator is not in line with PRIIPs regulation.

Article 8.3 (d) (i) provides a summary risk indicator. Article 8.3 (e) provides a specific information about credit risk and its consequences. PRIIPs regulation does not provide to integrate credit risk in the summary risk indicator. Only the market risk must be taken into account.

Should, against all the above arguments, it be decided to keep the draft RTS without any change,

FFSA strongly believes that the following risk mitigating factors specific to insurers need to be taken into account:

1. The **very strict prudential regime** that insurance companies are subject to (Solvency II) already incentivises the diversification of insurers' risks and ensures the financial capability of insurers to fulfil their contractual obligations, even under stressed conditions. Furthermore, Solvency II allows regulators to intervene promptly when they suspect that an insurer faces difficulties.
2. **Insurance guarantee schemes:** Not considering guarantee schemes as a mitigating factor contradicts previous views of the ESAs, where it is stated that "credit risk could be mitigated in some situations such as when there is a guarantee or a compensation scheme (such as the deposit compensation scheme) in place or when appropriate collateral is provided". The credit risk retail investors could be facing, when purchasing a PRIIP, is the risk linked to a PRIIP manufacturer's insolvency. If this risk is already mitigated at national level by a guarantee scheme, then the credit risk from the point of view of the retail investor, is immaterial.

When an insurer is subject to Solvency II and an IGS exists in its jurisdiction which is the case in France, these mitigating factors taken together represent a **double protection layer** against credit risk for investors in an insurance-based investment product manufactured by an insurer. Therefore, these need to be fully acknowledged by the draft RTS and they should be reflected when determining to which credit risk class insurers belong to.

FFSA would suggest that any insurance-based investment product manufactured by an insurer subject to the Solvency II regime is automatically classified in the credit risk class 1.

<ESMA_QUESTION_PRIIPS_5>

Question 6
Would you favour PRIIP manufacturers having the option to voluntarily increase the disclosed SRI? In which circumstances? Would such an approach entail unintended consequences?

<ESMA_QUESTION_PRIIPS_6>

FFSA does not favour PRIIP manufacturers having the option to voluntary increase the disclose Summary Risk Indicator (SRI). Such an option would lead to legal uncertainty and undermine comparability for retail investors.

<ESMA_QUESTION_PRIIPS_6>

Question 7

Do you agree with an adjustment of the credit risk for the tenor, and how would you propose to make such an adjustment?

<ESMA_QUESTION_PRIIPS_7>

FFSA does not agree with an adjustment of the credit risk for the tenor in the case of insurers. Given the strict prudential regime that insurance companies are subject to (Solvency II), this requirement would be disproportionate. Solvency II already incentivises the diversification of insurers' risks and ensures the financial capability of insurers to fulfil their contractual obligations, even under stressed conditions. Furthermore, Solvency II allows regulators to intervene promptly when they suspect that an insurer faces difficulties.

<ESMA_QUESTION_PRIIPS_7>

Question 8

Do you agree with the scales of the classes MRM, CRM and SRI? If not, please specify your alternative proposal and include your reasoning.

<ESMA_QUESTION_PRIIPS_8>

Aggregation of both market risk and credit risk to build the summary risk indicator is not in line with PRIIPs regulation.

Article 8.3 (d) (i) provides a summary risk indicator. Article 8.3 (e) provides a specific information about credit risk and its consequences. PRIIPs regulation does not provide to integrate credit risk in the summary risk indicator. Only the market risk must be taken into account.

Should, against all the above arguments, it be decided to keep the draft RTS without any change, FFSA does not agree with the scales of the classes. This is because the Credit Risk Measure (CRM) does not take into account all the risk mitigating factors appropriately and many insurers will be automatically end up in CR3. According to the aggregation method proposed, this would mean that even if the insurer has a MR1, its final SRI would be 3. FFSA believes that this is not a reasonable outcome, given that market risk is the most relevant factor for insurance-based investment products.

FFSA is of the view that credit risk should not be integrated in the quantitative risk indicator as this only adds complexity to the model. However, should it be decided to aggregate the market and the credit risks, the market risk should be factored in a much more prominent manner than what is proposed in the current draft RTS. The ESAs' alternative scale proposed page 9 is already a step in the right direction because the default credit assessment 3 would allocate an insurer to CR2. The aggregated risk indicator would, therefore, still allow that insurer to be allocated a summary risk indicator of 1 if they belong to MR1 class.

<ESMA_QUESTION_PRIIPS_8>

Question 9

Are you of the opinion that for PRIIPs that offer a capital protection during their whole lifespan and can be redeemed against their initial investment at any time over the life of the PRIIP a qualitatively assessment and automatic allocation to MRM class 1 should be permitted?
Are you of the opinion that the criteria of the 5 year tenor is relevant, irrespective of the redemption characteristics?

<ESMA_QUESTION_PRIIPS_9>

It is a crucial point.

FFSA is of the view that the five years tenor criteria selected by the ESAs is arbitrary, irrelevant and based on no concrete evidenced need to differentiate between products that offer a capital protection at maturity of the product. A guaranteed product with a maturity of more than five years does not have a higher market risk than a similar product with a shorter tenor. Therefore, this arbitrary cap also becomes misleading for retail investors. What is important is capital protection at any time whatever the recommended holding period or the tenor. **FFSA is of the opinion that PRIIPs that offer a capital protection at maturity and can be redeemed against their initial amount invested at any time over the life of the PRIIP, a qualitative assessment and automatic allocation to MRM class 1 should be permitted regardless of their tenor.**

Otherwise, the RTS would conduct to classify better a structured product with a capital protection at maturity of 5 years than an insurance contract with a capital protection at any time. This is not understandable and explainable to a saver.

The criteria of the 5 year tenor was presumably introduced to address inflation concerns. In FFSA's view, the impact of inflation on the value of the PRIIP should not affect the market risk mainly because inflation is not a risk inherent for PRIIPs but affects all investment products in the same way. In addition, this feature is not included in pre-contractual information disclosure for other products (MiFID and UCITS for instance). This distinction is not helpful, therefore, for retail investors nor does it increase comparability or transparency of products.

<ESMA_QUESTION_PRIIPS_9>

Question 10
Are you aware of other circumstances in which the credit risk assessment should be assumed to be mitigated? If so, please explain why and to what degree it should be assumed to be mitigated?

<ESMA_QUESTION_PRIIPS_10>

Agregation of both market risk and credit risk to build the summary risk indicator is not in line with PRIIPs regulation.

Article 8.3 (d) (i) provides a summary risk indicator. Article 8.3 (e) provides a specific information about credit risk and its consequences. PRIIPs regulation does not provide to integrate credit risk in the summary risk indicator. Only the market risk must be taken into account.

Should, against all the above arguments, it be decided to keep the draft RTS without any change, FFSA strongly believes that the following risk mitigating factors specific to insurers need to be taken into account:

1. The **very strict prudential regime** that insurance companies are subject to (Solvency II) already incentivises the diversification of insurers' risks and ensures the financial capability of insurers to fulfil their contractual obligations, even under stressed conditions. Furthermore,

Solvency II allows regulators to intervene promptly when they suspect that an insurer faces difficulties.

2. **Insurance guarantee schemes:** Not considering guarantee schemes as a mitigating factor contradicts previous views of the ESAs, where it is stated in its June Technical Paper that "credit risk could be mitigated in some situations such as when there is a guarantee or a compensation scheme (such as the deposit compensation scheme) in place or when appropriate collateral is provided". The credit risk retail investors could be facing, when purchasing a PRIIP, is the risk linked to a PRIIP manufacturer's insolvency. If this risk is already mitigated at national level by a guarantee scheme, then the credit risk from the point of view of the retail investor, is immaterial.

When an insurer is subject to Solvency II and an IGS exists in its jurisdiction, these mitigating factors taken together represent a **double protection layer** against credit risk for investors in an insurance-based investment product manufactured by an insurer. Therefore, these need to be fully acknowledged by the draft RTS and they should be reflected when determining to which credit risk class insurers belong to. **FFSA would suggest that any insurance-based investment product manufactured by an insurer subject to the Solvency II regime is automatically classified in the credit risk class 1.**

This would also solve another important issue, which is that the draft RTS relies excessively on credit ratings given by agencies when determining credit risk classes; this is contradictory to all recent regulatory trends at EU level. Indeed, several insurers in France do not have a credit rating. According to the draft RTS, the default credit assessment is the credit risk class 3. In FFSA's view, this is an arbitrary and unfair classification. Insurance companies which do not have ratings will face a very high comparative disadvantage on the only basis that they do not have a rating. This will in particular affect small and medium insurers which cannot necessarily afford to pay a rating agency.

<ESMA_QUESTION_PRIIPS_10>

Question 11
Do you think that the look through approach to the assessment of credit risk for a PRIIP packaged into another PRIIP is appropriate?

<ESMA_QUESTION_PRIIPS_11>

FFSA believes that the RTS are not very clear on this topic (see paragraphs 54 and 55 (pages 40 and 41).

The look through approach to the assessment of credit risk for a unit linked insurance product is not at all appropriate. It's fully inaccurate, and misleading for the consumer.

All the efforts of pedagogy toward the consumer for years have been tending to make a clear distinction between what is the risk and what is the guarantee given by the units of account and those provided by the life insurance contract, not to mix it.

The legal insurance provisions are built upon this principle which is the clearest for the consumer

If the draft RTS are not substantially revised, it will create a great legal uncertainty for the PRIIP manufacturer because of Article 11 of the PRIIP regulation. "*The PRIIP manufacturer shall not incur liability solely on the basis of the key information document, including any transaction thereof, unless it is misleading, inaccurate or inconsistent with the relevant parts of legally binding precontractual and contractual documents …;"*

<ESMA_QUESTION_PRIIPS_11>

Question 12
Do you think the risk indicator should take into account currency risk when there is a difference between the currency of the PRIIP and the national currency of the investor targeted by the PRIIP manufacturer, even though this risk is not intrinsic to the PRIIP itself, but relates to the typical situation of the targeted investor?

<ESMA_QUESTION_PRIIPS_12>

This type of contracts are rather rare. It is not the most important subject to deal with.

It should be noted that, in the case where the retail investor invests an amount in the same currency of the product (meaning that this product is being paid out in the same currency), there is no currency risk inherent to the product as the consumer has already taken the currency risk when the currency was bought.

Should there be a currency risk inherent to the product, the fact that there is a currency risk should be disclosed in a generic way. In order to avoid adding any additional complexity to the risk indicator, the currency risk should not be integrated in the quantitative indicator.

<ESMA_QUESTION_PRIIPS_12>

Question 13
Are you of the opinion that the current Consultation Paper sufficiently addresses this issue? Do you it is made sufficiently clear that the value of a PRIIP could be significantly less compared to the guaranteed value during the life of the PRIIP? Several alternatives are analysed in the Impact Assessment under policy option 5: do you see any additional analysis for these assessment?

<ESMA_QUESTION_PRIIPS_13>

The PRIIP Regulation establishes that there is a single risk indicator (Article 8(3)(d)). This is to be a summary indicator, which takes account of and combines the relevant factors. Thus, the presentation of several risk indicators for different intermediate stages as suggested in option 5.2 would be contrary to the level 1 text. Its limitations should be also explained. In our view, a warning, specifying the boundaries of the risk indicator would make sense.

Furthermore, the PRIIP Regulation foresees an entire section of the KID for the description of what happens if consumers take out money early (Article 8(3)(g)(iv)). Thus, consumers are informed in this section about what happens when they surrender early. If the same information is included differently in different sections, this would only lead to confusion.

The same applies to the option 5.1. Consumers will be confused if the term for the risk indicator was shorter than the term of the product displayed in Article 8(3)(d). Moreover, a risk indicator based on short and standardised holding period for all products is not meaningful since for long-term products, such as insurance-based investment products, consumers will receive a wrong impression about the real risk of the product.

<ESMA_QUESTION_PRIIPS_13>

Question 14
Do you agree to use the performance fee, as prescribed in the cost section, as a basis for the calculations in the performance section (i.e. calculate the return of the benchmark for the moderate scenario in such a way that the return generates the performance fee as prescribed in the cost section)? Do you agree the same benchmark return should be used for calculating performance fees for the unfavourable and favourable scenarios, or would you propose another approach, for instance automatically setting the performance fees to zero for the unfavourable scenario? Please justify your proposal.

<ESMA_QUESTION_PRIIPS_14>
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<ESMA_QUESTION_PRIIPS_14>

Question 15
Given the number of tables displayed in the KID and the to a degree mixed consumer testing results on whether presentation of performance scenarios as a table or a graph would be most effective, do you think a presentation of the performance scenarios in the form of a graph should be preferred, or both a table and a graph?

<ESMA_QUESTION_PRIIPS_15>

FFSA is of the view that in order for consumers to understand the performance scenarios section of the KID, targeted and effective information must be provided. The presentation of performance scenarios would be better in a graph,
The presentation ,whether in a table or a graph must take into account the following:

- The PRIIPs level 1 Regulation dedicates a specific section of the KID to the surrender. In order to avoid confusion and double-counting the early redemption fee, it is key that early redemption fees are not treated as a cost and do not appear neither in the performance scenarios nor in the costs.
- Insurance-based investment products tend to be long-term products and are selected by retail investors also for this feature. Showing in the KID returns after 1 or 3 years is completely irrelevant for insurance-based investment products. Insurance-based investment products would be put in a competitive disadvantage compared to other PRIIPs. For illiquid PRIIPs, showing intermediate returns is irrelevant, also for longer time periods. For these PRIIPs, only returns for the recommended holding period is relevant.

<ESMA_QUESTION_PRIIPS_15>

Question 16 *Do you agree with the scope of the assets mentioned in paragraph 25 of Annex VI on transaction costs for which this methodology is prescribed? If not, what alternative scope would you recommend?*

<ESMA_QUESTION_PRIIPS_16>

FFSA wishes to point out that the table on transaction costs in paragraph 25 of Annex VI cannot be extended, as such, for insurance based investment products. The specificities of the insurance products should be duly taken into account particularly for the costs structure.

<ESMA_QUESTION_PRIIPS_16>

Question 17 *Do you agree with the values of the figures included in this table? If not, which values would you suggest? (please note that this table could as well be included in guidelines, to allow for more flexibility in the revision of the figures)*

<ESMA_QUESTION_PRIIPS_17>
TYPE YOUR TEXT HERE
<ESMA_QUESTION_PRIIPS_17>

Question 18 *Do you agree that the monetary values indicated in the first table are a sum of costs over the respective holding periods? Or should the values reflect annualized amounts? If you prefer annualized amounts, which method for annualisation should be used (e.g. arithmetic average or methods that consider discounting effects)?*

<ESMA_QUESTION_PRIIPS_18>

Since the insurance-based investment products have terms that sometimes last over decades, only annualised costs are comparable for different PRIIPs in a consistent, robust and stable way. A presentation of the total costs for the whole investment period:

- would not allow for an effective comparison between, for example, a product with a few months investment period and one characterised by a 30 years investment period.
- would make a product with a longer term automatically look more expensive – even if it is cheaper – than a product with a shorter term.
- would be misleading for consumers that compare products with different terms and investment amounts since the total costs in monetary terms cannot be linearly scaled.

Keeping in mind FFSA's position that intermediate periods should not be presented in the KID, the total cost should be presented:

- in monetary terms per year (annualised average) and;
- percentage terms as a "reduction in Yield" (RIY) for the holding period of the contract, which shows the total impact of costs in percentage, as well as includes all costs: direct and indirect, one-off and recurring costs.

As regards the method of annualisation, it is important that the compound interest effect is taken into account. Therefore, methods that consider discounting effects should be applied.

Question 19
Do you think that estimating the fair value of biometric risk premiums as stated in paragraph 55(b) of Annex VI would raise any technical or practical difficulties?

<ESMA_QUESTION_PRIIPS_19>

In order to achieve meaningful comparisons between products, the biometric risk premium and the investment costs cannot be aggregated in one figure and must be presented in separate sections of the KID.

The PRIIPs Regulation is important to help enhance consumer protection and improve consumer confidence by aiming to improve the transparency and comparability of PRIIPs products. It is, therefore, extremely important that the features of insurance-based investment products are appropriately presented in the key information document.

FFSA welcomes that the ESAs acknowledge that the aggregation of the investment costs and the biometric risk premium would be inappropriate. It is indeed, the insurance sector's views that, such an aggregation would (1) not seem to be in line with the level 1 PRIIPs Regulation; (2) not be in the interest of consumers who will not be in a position to compare what is comparable; and (3) create an unlevel playing field for insurance-based investment products.

Nevertheless, FFSA considers that, only if the biometric risk premium for the inherent insurance cover is presented separately, would consumers actually be able to make a meaningful comparisons. Meaningful comparison remains the key objective of the PRIIPs Regulation and the insurance sector considers that only separating the full biometric risk premium from the investment costs could achieve such an objective.

If this separation is not made, the consumer will be disadvantaged in several ways, as they would not be in a position to compare what is comparable:

- The cost indicator of an insurance-based investment product will be deceptively higher than that of other PRIIPs, and consumers will not be in a position to compare the investment part of the different products on the market.
- The amount of the insurance premium will not be clearly visible to consumers and this will prevent them from comparing the insurance cover, including the potentially high benefits if the insurance cover payment is granted. It will also allow them to compare the premium with the ones offered through other insurance-based investment products and through pure life insurance products with no investment component.

Therefore, in order to achieve meaningful comparisons between products, these two features cannot be aggregated in one figure and must be presented in separate sections of the KID. Optional insurance cover could be mentioned narratively in the section "What is this product ?"

<ESMA_QUESTION_PRIIPS_19>

Question 20
Knowing that the cost element of the biometric risk premium is included in the total costs calculation, how do you think the investor might be most efficiently informed about the other part of the biometric risk premium (i.e. the fair value), and/or the size of biometric risk premium overall? Do you consider it useful to include the fair value in a separate line in the first table, potentially below the RIY? Or should information on the fair value be disclosed in another part of the KID (for instance, the "What is this product?" section, where the draft RTS currently disclose biometric risk premiums in total, and/or in the

performance section)? What accompanying narrative text do you think is needed, and where should this be placed, including specifically narrative text in the cost section?

<ESMA_QUESTION_PRIIPS_20>

First, it seems key to recall that the level 1 PRIIPs Regulation Article 8(f) introduces in the KID a section on costs which should include “the costs associated with an investment in the PRIIP” – it does not say “costs associated with an investment and biometric protection”. Therefore, separating the full biometric risk premium and the investment cost, as well as being the most transparent and meaningful approach, is also in line with the level 1 text.

Insurance-based investment products comprise an insurance cover, consisting of protection against biometric risks faced by consumers, alongside an investment element. When freely choosing an insurance-based investment product, a consumer is looking for both beneficial investment opportunities and for insurance protection for his or her family against biometric risks. The life insurance part of an insurance-based investment product may offer a number of benefits:

- Protection of surviving dependants: first and foremost, death benefits provide surviving family members with funds allowing them to maintain their living standards. For instance, it can provide funds for college education when the principal income earner is deceased and/or a financial safety net to offset the impact of estate taxes upon the policyholder’s death.
- Income protection: benefits that ensure a stable living income in case the consumer is not able to exercise his profession or work in any capacity, either temporarily or permanently.
- Succession planning: allows a customer to save or invest money for his children or grandchildren while keeping control over the funds and the time of pay-out (eg not automatically after a certain period of time).
- Long-term care: the organisation and delivery of a broad range of services and assistance to people who become limited in their ability to function independently on daily basis over an extended period of time, due to mental and/or physical disability.

All these benefits are unique to insurance-based investment products and are secured by the payment of the insurance premium (i.e. the price to pay in exchange for these insurance services). A sharp and clear distinction must, therefore, be made between investment costs associated to the insurance-based investment product and the insurance premiums paid. Premiums — which are payments that directly finance the insurance benefits of the products — should never be considered as costs. This is simply because the consumer knowingly receives insurance benefits for these payments and in fact specifically chooses an insurance-based investment product in order to receive these benefits along with investment returns. If the consumer is not interested in receiving additional insurance benefits, he or she would not opt for an insurance-based investment product in the first place. However, if consumers are interested in receiving additional insurance benefits, the presentation of insurance premiums as investment costs would not give them the appropriate and necessary information on the product.

Effective comparison should be ensured for consumers. Meaningful comparison remains the key objective of the PRIIPs Regulation and the insurance sector considers that only separating the biometric risk premium from the investment costs could achieve such an objective. FFSA strongly believes that it is in the interest of the consumer that:

- The biometric risk premium for the inherent insurance cover is presented in a section separate from the KID cost section
- No part of the insurance biometric risk premium is presented in the cost section of the KID
- To ensure complete transparency, a reference to this could be made in the cost section, such as: "The contributions for additional benefits that are not related to the savings process are presented separately.” Similarly, a reference to this separate section could be made in the performance scenario section, such as: "The additional benefits that are not related to the savings process are presented separately."

If this complete separation is not made, the consumer will be disadvantaged in several ways, as they would not be in a position to compare what is comparable:

- The cost indicator of an insurance-based investment product will be deceptively higher than that of other PRIIPs, and consumers will not be in a position to compare the investment part of the different products on the market.
- The amount of the insurance premium will not be clearly visible to consumers and this will prevent them from comparing the insurance cover, including the potentially high benefits if the insurance cover payment is granted. It will also allow them to compare the premium with the ones offered through other insurance-based investment products and through pure life insurance products with no investment component.

Separating and displaying the biometric risk premium (1) in different formats; (2) several times; and (3) in different sections of the KID, will only lead to confusion for consumers. This will, in turn, create a competitive disadvantage for insurance-based investment products. Therefore, in order to achieve meaningful comparisons between products, these two features cannot be aggregated in one figure and must be presented in separate sections of the KID. Optional insurance cover could be mentioned narratively in the section “what is this product ?”.

<ESMA_QUESTION_PRIIPS_20>

Question 21

Given evidence as to the difficulties consumers may have using percentage figures, would you prefer an alternative presentation of the second table, solely using monetary values instead? As with the first table, please also explain what difficulties you think might arise from calculating monetary values, and whether this should be on an annualized basis, and if so, how?

<ESMA_QUESTION_PRIIPS_21>

The question relates to the second table on the presentation of costs. FFSA does not support the ESAs’ proposed format of presentation of the costs. FFSA considers the proposed format to be misleading and confusing for consumers.
There is a contradiction in the visual representation of the risk class and costs of PRIIPs. FFSA welcomes the fact that the presentation of the risk indicator suggested by the ESAs includes only one number corresponding to the total risk of the product and is easy to grasp for retail investors. Unfortunately, the opposite is true for the representation of costs: the ESAs suggest two tables which not only exceed the requirements of level 1 text but also include 15 numbers in the first table and five numbers in the second table. The comprehensibility of such information is highly questionable. According to the consumer testing: “There was support for more detailed information in the qualitative study among some participants. How-ever, increased detail often meant poorer performance on the objective questions within the quantitative testing”. In this context, the insurance sector fails to understand why such a complex detailed presentation of the costs was selected by the ESAs. In addition, FFSA wishes to point out that the document must remain concise (limited to three pages according to Article 6(4) to ensure that the information remains helpful for retail investors. The most important information – i.e. the costs a consumer will bear if he holds the product up to maturity, which are displayed through RIY and annualised total costs in monetary terms at maturity – is almost impossible to find. The visual focus is wrongly on the first years of the contract and not on the term until which consumer intends to hold the product.

Keeping in mind FFSA’s position that intermediate periods should not be presented in the KID, the representation of:

- annualised costs in monetary terms, together with:
- a “reduction in yield (RIY)” for the holding period of the contract, which shows the total impact of costs in percent and includes all costs: direct and indirect, one-off and recurring costs;

is the most appropriate method for the cost representation, which is consistent with the Regulation, ensures comparability of products with different terms and is also very useful and understandable for retail investors.
Only the costs at the recommended holding period or at maturity are meaningful. Otherwise, not only would the presentation lead to confusing information and information overload for consumers, but it would also simply send the wrong message to retail investors:

- The proposed representation of the costs contradicts the provisions of the Regulation on the structure of the KID. For products with a fixed term, the Regulation envisages the KID to describe the characteristics of the PRIIP under the assumption that the regular term is adhered to. For this reason, the term of the product is prominently specified in the section titled 'What is this product?' It is with the knowledge of the regular holding period, that the retail investor will subsequently consider the information on risk and costs of the product. Explanations on the consequences of cashing in before the end of the term are supposed to be provided under the section which was specifically created for this purpose: 'How long should I hold it and can I take money out early?' Furthermore, it should be pointed out that Level I regulation does not mention intermediate holding periods.

- Insurance-based investment products are usually long-term products. These products are being considered by retail investors also for this very feature. When acquiring an insurance-based investment product, the retail investor should aim to keep it until the recommended holding period or at maturity. Displaying, at a pre-contractual stage, holding periods inferior to the recommended holding period or the product's maturity would send the wrong message to retail investors.

- In order to ensure full transparency, the Regulation text dedicates an entire section of the PRIIPs KID to the surrender value of the product. Therefore, consumers are in-formed in this section about what happens when they surrender early. If the same in-formation is included differently in different sections, this would only lead to confusion.

- The information on the costs for early stages of the contract will wrongly present possi-bly cheaper products with non-linear cost structure as more expensive than products with a linear cost structure.

- In addition, FFSA wishes to point out that the RIY method, selected by the ESAs, has the advantage of taking into account the timing of costs, compared to the total cost ratio. In this context, it seems irrelevant to display all these costs figures over time.

- Finally, it has been argued that intermediate holding periods would facilitate the bench-marking of a PRIIP against competing products. However, in this case consumers should compare values at maturity of an insurance-based investment product with a shorter term with the respective investment product and not the intermediate value of a product with a longer duration.

Should it be decided, in spite of all the above arguments, to include intermediate periods it must be acknowledged, that the draft RTS must consider the different products included in the PRIIPs Regulation, including long-term (such as insurance-based investment products) and very short-term investment products. Regarding insurance-based investment products specifically, it should be noted that adding costs for intermediate stages of one, three and five years as suggested in Annex VII makes no sense, given that insurance-based investments generally have very long recommending holding periods (of 30 years and more in many jurisdictions).

In addition, considering that the RIY method has the advantage of taking into account the timing of costs, the insurance sector questions the added value of presenting separately the entry, recurring and exit charges. It should be taken into account that retail investors are interested in what a product will cost them, not how these costs are constructed. It would be irrelevant for retail investors to receive such a break-down of costs. The RIY for the recommended holding period and the total annualised costs in monetary terms are the only costs that would add value to retail investors and will enable them to compare different products.

Keeping in mind FFSA's position that intermediate periods should not be presented in the KID, the total cost should be presented in monetary terms per year (annual average). An option presenting the total costs for the whole investment period would not allow for an effective comparison between, for example, a product with a few months investment period and one characterised by a 35 years investment period.

Finally, since risk and reward as well as costs and performance are strongly correlated, a thorough consistent approach of these features is needed.
<ESMA_QUESTION_PRIIPS_21>

Question 22
Given the number of tables shown in the KID, do you think a more graphic presentation of the breakout table should be preferred?

<ESMA_QUESTION_PRIIPS_22>

The question relates to the second table on the presentation of costs. FFSA does not support the ESAs proposed format of presentation of the costs. FFSA considers the proposed format to be misleading and confusing for consumers.

According to the consumer testing: "There was support for more detailed information in the qualitative study among some participants. However, increased detail often meant poorer performance on the objective questions within the quantitative testing". In this context, the insurance sector fails to understand why such a complex detailed presentation of the costs was selected by the ESAs. In addition, FFSA wishes to point out that the document must remain concise (limited to three pages according to Article 6(4)) to ensure that the information remains helpful for retail investors.

The representation of:

- annualised costs in monetary terms, together with:
- a "reduction in yield (RIY)" for the holding period of the contract, which shows the total impact of costs in percent and includes all costs: direct and indirect, one-off and recurring costs;

is the most appropriate method for the cost representation, which is consistent with the Regulation, ensures comparability of products with different terms and is also very useful and understandable for retail investors.

First of all, only the costs at the recommended holding period or at maturity are meaningful. Otherwise, not only would it lead to confusing information and information overload for consumers, but such a presentation would simply send the wrong message to retail investors:

- The proposed representation of the costs contradicts the provisions of the Regulation on the structure of the KID. For products with a fixed term, the Regulation envisages the KID to describe the characteristics of the PRIIP under the assumption that the regular term is adhered to. For this reason, the term of the product is prominently specified in the section titled 'What is this product?' It is with the knowledge of the regular holding period, that the retail investor will subsequently consider the information on risk and costs of the product. Explanations on the consequences of cashing in before the end of the term are supposed to be provided under the section which was specifically created for this purpose: 'How long should I hold it and can I take money out early? Furthermore, it should be pointed out that Level I regulation does not mention intermediate holding periods.

- Insurance-based investment products are usually long-term products. These products are being considered by retail investors also for this very feature. When acquiring an insurance-based investment product, the retail investor should aim to keep it until the recommended holding period or at maturity. Displaying, at a pre-contractual stage, holding periods inferior to the recommended holding period or the product's maturity would send the wrong message to retail investors.

- In order to ensure full transparency, the Regulation text dedicates an entire section of the PRIIPs KID to the surrender value of the product. Thus, consumers are informed in this section about what happens when they surrender early. If the same information is included differently in different sections, this would only lead to confusion.

- The information on the costs for early stages of the contract will wrongly present possibly cheaper products with non-linear cost structure as more expensive than products with a linear cost structure.

- In addition, FFSA wishes to point out that the RIY method, selected by the ESAs, has the advantage of taking into account the timing of costs, compared to the Total Cost Ratio. In this context, it seems irrelevant to display all these costs figures over time.

- Finally, it has been argued that intermediate holding periods would facilitate the benchmarking of a PRIIP against competing products. However, in this case consumers should compare values at maturity of an insurance-based investment product with a shorter term with the respective investment product and not the intermediate value of a product with a longer duration.

Should, against all the above arguments, it be decided to include intermediate periods, it must be acknowledged that the draft RTS must consider the different products included in the PRIIPs Regulation, including long-term (such as insurance-based investment products) and very short term investment products. Regarding insurance-based investment products specifically, it should be noted that adding scenarios for intermediate stages of 1, 3 and 5 years as suggested in Annex VII makes no sense, given that insurance-based investments generally have very long recommending holding periods (of 30 years and more in many jurisdictions).

In addition, considering that the Reduction In Yield method has the advantage of taking into account the timing of costs, the insurance sector questions the added value of presenting separately the entry, recurring and exit charges. It should be taken into account that retail investors are interested in what a product will cost them, not how these costs are constructed. It would be irrelevant for retail investors to receive such a break-down of costs. The RIY for the recommended holding period and the total annualised costs in monetary terms are the only costs are the only costs that would add value to retail investors and will enable them to compare different products.

Finally, the total cost should be presented in monetary terms per year (annual average). An option presenting the total costs for the whole investment period would not allow for an effective comparison between, for example, a product with a few months investment period and one characterised by a 35 years investment period.

Since risk and reward as well as costs and performance are strongly correlated, a thorough consistent approach of these features is needed.

<ESMA_QUESTION_PRIIPS_22>

Question 23

The example presented above includes a possible way of showing the variability of performance fees, by showing the level for all three performance scenarios in the KID, highlighting the 'moderate' scenario, which would be used for the calculation of the total costs. Do you believe that this additional information should be included in the KID?

<ESMA_QUESTION_PRIIPS_23>
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Question 24
To reduce the volume of information, should the first and the second table of Annex VII be combined in one table? Should this be supplemented with a breakdown of costs as suggested in the graphic above?

<ESMA_QUESTION_PRIIPS_24>

FFSA does not support the ESAs proposed format of presentation of the costs. FFSA considers the proposed format to be misleading and confusing for consumers.

Performance fees play a secondary role for insurance-based investment products. A separate display of performance fees or even a breakdown thereof would mean showing non-useful information to consumers.
According to the consumer testing: "There was support for more detailed information in the qualitative study among some participants. However, increased detail often meant poorer performance on the objective questions within the quantitative testing". In this context, the insurance sector fails to understand why such a complex detailed presentation of the costs was selected by the ESAs. In addition, FFSA wishes to point out that the document must remain concise (limited to three pages according to Article 6(4)) to ensure that the information remains helpful for retail investors.

The representation of:

- annualised costs in monetary terms, together with:
- a "reduction in yield (RIY)" for the holding period of the contract, which shows the total impact of costs in percent and includes all costs: direct and indirect, one-off and recurring costs;

is the most appropriate method for the cost representation, which is consistent with the Regulation, ensures comparability of products with different terms and is also very useful and understandable for retail investors.

First of all, only the costs at the recommended holding period or at maturity are meaningful. Otherwise, not only would it lead to confusing information and information overload for consumers, but such a presentation would simply send the wrong message to retail investors:

- The proposed representation of the costs contradicts the provisions of the Regulation on the structure of the KID. For products with a fixed term, the Regulation envisages the KID to describe the characteristics of the PRIIP under the assumption that the regular term is adhered to. For this reason, the term of the product is prominently specified in the section titled 'What is this product?' It is with the knowledge of the regular holding period, that the retail investor will subsequently consider the information on risk and costs of the product. Explanations on the consequences of cashing in before the end of the term are supposed to be provided under the section which was specifically created for this purpose: 'How long should I hold it and can I take money out early? Furthermore, it should be pointed out that Level I regulation does not mention intermediate holding periods.

- Insurance-based investment products are usually long-term products. These products are being considered by retail investors also for this very feature. When acquiring an insurance-based investment product, the retail investor should aim to keep it until the recommended holding period or at maturity. Displaying, at a pre-contractual stage, holding periods inferior to the recommended holding period or the product's maturity would send the wrong message to retail investors.

- In order to ensure full transparency, the Regulation text dedicates an entire section of the PRIIPs KID to the surrender value of the product. Thus, consumers are informed in this section about what happens when they surrender early. If the same information is included differently in different sections, this would only lead to confusion.

- The information on the costs for early stages of the contract will wrongly present possibly cheaper products with non-linear cost structure as more expensive than products with a linear cost structure.

- In addition, FFSA wishes to point out that the RIY method, selected by the ESAs, has the advantage of taking into account the timing of costs, compared to the Total Cost Ratio. In this context, it seems irrelevant to display all these costs figures over time.

- Finally, it has been argued that intermediate holding periods would facilitate the benchmarking of a PRIIP against competing products. However, in this case consumers should compare values at maturity of an insurance-based investment product with a shorter term with the respective investment product and not the intermediate value of a product with a longer duration.

Should, against all the above arguments, it be decided to include intermediate periods, it must be acknowledged that the draft RTS must consider the different products included in the PRIIPs Regulation, including long-term (such as insurance-based investment products) and very short term investment products. Regarding insurance-based investment products specifically, it should be noted that adding scenarios for intermediate stages of 1, 3 and 5 years as suggested in Annex VII makes no sense, given that insurance-based investments generally have very long recommending holding periods (of 30 years and more in many jurisdictions).

In addition, considering that the Reduction In Yield method has the advantage of taking into account the timing of costs, the insurance sector questions the added value of presenting separately the entry, recurring and exit charges. It should be taken into account that retail investors are interested in what a product will cost them, not how these costs are constructed. It would be irrelevant for retail investors to receive such a break-down of costs. The RIY for the recommended holding period and the total annualised costs in monetary terms are the only costs are the only costs that would add value to retail investors and will enable them to compare different products.

Finally, the total cost should be presented in monetary terms per year (annual average). An option presenting the total costs for the whole investment period would not allow for an effective comparison between, for example, a product with a few months investment period and one characterised by a 35 years investment period.

Since risk and reward as well as costs and performance are strongly correlated, a thorough consistent approach of these features is needed.

<ESMA_QUESTION_PRIIPS_24>

Question 25

In relation to paragraph 68 a) of Annex VI: Shall the RTS specify that for structured products calculations for the cost free scenario have always to be based on an adjustment of the payments by the investor?

<ESMA_QUESTION_PRIIPS_25>
It is necessary that provisions are uniform and comparable.

<ESMA_QUESTION_PRIIPS_25>

Question 26

Regarding the first table of the cost section presented in Annex VII, would you favour a detailed presentation of the different types of costs, as suggested in the Annex, including a split between one-off, recurring and incidental costs? Alternatively, would you favour a shorter presentation of costs showing only the total costs and the RIY?

<ESMA_QUESTION_PRIIPS_26>

FFSA does not support the ESAs proposed format of presentation of the costs. FFSA considers the proposed format to be misleading and confusing for consumers.
According to the consumer testing: "There was support for more detailed information in the qualitative study among some participants. However, increased detail often meant poorer performance on the objective questions within the quantitative testing". In this context, the insurance sector fails to understand why such a complex detailed presentation of the costs was selected by the ESAs. In addition, FFSA wishes to point out that the document must remain concise (limited to three pages according to Article 6(4) of the PRIIPs Regulation) to ensure that the information remains helpful for retail investors.
FFSA firmly believes that the reduction in yield (RIY) provides consumers a simple and understandable figure and enables them to compare different products in a uniform, robust and consistent way. Moreover, RIY is the most relevant figure for the consumers since it shows the total impact of costs and takes all costs into account. Therefore, it is important that RIY is visually highlighted in the costs section. In our view, prominent presentation of RIY and total annualised costs in monetary terms is more suitable than graphic presentation of the breakout table, keeping in mind FFSA's position that intermediate

periods should not be presented in the KID. Such a presentation would also agree with a simple visual presentation of risk.
Only the costs at the recommended holding period or at maturity are meaningful. Otherwise, not only would the presentation lead to confusing information and information overload for consumers, but it would also simply send the wrong message to retail investors:

- The proposed representation of the costs contradicts the provisions of the Regulation on the structure of the KID. For products with a fixed term, the Regulation envisages the KID to describe the characteristics of the PRIIP under the assumption that the regular term is adhered to. For this reason, the term of the product is prominently specified in the section titled "What is this product?" It is with the knowledge of the regular holding period, that the retail investor will subsequently consider the information on risk and costs of the product. Explanations on the consequences of cashing in before the end of the term are supposed to be provided under the section which was specifically created for this purpose: "How long should I hold it and can I take money out early?". Furthermore, it should be pointed out that Level I regulation does not mention intermediate holding periods.

- Insurance-based investment products are usually long-term products. These products are being considered by retail investors also for this very feature. When acquiring an insurance-based investment product, the retail investor should aim to keep it until the recommended holding period or at maturity. Displaying, at a pre-contractual stage, holding periods inferior to the recommended holding period or the product's maturity would send the wrong message to retail investors.

- In order to ensure full transparency, the Regulation text dedicates an entire section of the PRIIPs KID to the surrender value of the product. Thus, consumers are informed in this section about what happens when they surrender early. If the same information is included differently in different sections, this would only lead to confusion.

- The information on the costs for early stages of the contract will wrongly present possi-bly cheaper products with non-linear cost structure as more expensive than products with a linear cost structure.

- In addition, FFSA wishes to point out that the RIY method, selected by the ESAs, has the advantage of taking into account the timing of costs, compared to the total cost ratio. In this context, it seems irrelevant to display all these costs figures over time.

- Finally, it has been argued that intermediate holding periods would facilitate the bench-marking of a PRIIP against competing products. However, in this case consumers should compare values at maturity of an insurance-based investment product with a shorter term with the respective investment product and not the intermediate value of a product with a longer duration.

Should it be decided, against all the above arguments, to include intermediate periods, it should be acknowledged that the draft RTS must consider the different products included in the PRIIPs Regulation, including long-term (such as insurance-based investment products) and very short-term investment products. Regarding insurance-based investment products specifically, it should be noted that adding scenarios for intermediate stages of 1, 3 and 5 years as suggested in Annex VII makes no sense, given that insurance-based investments generally have very long recommending holding periods (of 30 years and more in many jurisdictions).

In addition, considering that the RIY method has the advantage of taking into account the timing of costs, the insurance sector questions the added value of presenting separately the entry, recurring and exit charges. It should be taken into account that retail investors are interested in what a product will cost them, not how these costs are constructed. It would be irrelevant for retail investors to receive such a break-down of costs. The RIY for the recommended holding period and the total annualised costs in monetary terms are the only costs that would add value to retail investors and will enable them to compare different products.

The total cost should be presented in monetary terms per year (annual average). An option presenting the total costs for the whole investment period would not allow for an effective comparison between, for example, a product with a few months investment period and one characterised by a 35 years investment period.

Since risk and reward as well as costs and performance are strongly correlated, a thorough consistent approach of these features is needed.
<ESMA_QUESTION_PRIIPS_26> <ESMA_QUESTION_PRIIPS_26>

Question 27
Regarding the second table of the cost section presented in Annex VII, would you favour a presentation of the different types of costs showing RIY figures, as suggested in the Annex, or would you favour a presentation of costs under which each type of costs line would be expressed differently, and not as a RIY figure -expressed as a percentage of the initial invested amount, NAV, etc.?

<ESMA_QUESTION_PRIIPS_27>

In our view, the second table is completely misleading for consumers since the values do not provide an added value. Furthermore, FFSA fails to understand the motivation to introduce additional indicators since the suggested presentation is already too complex and not comprehensible for retail investors. Notwithstanding FFSA position on the presentation of costs, it is important that costs are expressed using the same approach in the two tables. <ESMA_QUESTION_PRIIPS_27>

Question 28
Do you have any comments on the problem definition provided in the Impact Assessment?

Are the policy issues that have been highlighted, in your view, the correct ones? If not, what issues would you highlight?

Do you have any views on the identified benefits and costs associated with each policy option?

Is there data or evidence on the highlighted impacts that you believe needs to be taken into account?

Do you have any views on the possible impacts for providers of underlying investments for multi-option products, and in particular indirect impacts for manufacturers of underlying investments used by these products, including where these manufacturers benefit from the arrangements foreseen until the end of 2019 under Article 32 of the PRIIPs Regulation?

Are there significant impacts you are aware of that have not been addressed in the Impact Assessment? Please provide data on their scale and extent as far as possible.

<ESMA_QUESTION_PRIIPS_28>

The level 1 provides an exemption for UCITS asset managers at least until 2020. They are not obliged to deliver a KID. Asset managers provide the UCITS KIID. The level 2 (Article 15) provide that in the case of unit-linked life insurance contracts invested in UCITS, life insurers must deliver pre-contractual information equivalent to the PRIIPS KID content to the retail investor. The draft RTS should be drafted in line with the level 1. At least, Until 31 December 2019, the exemption as referred to in Article 32 of Regulation (EU) No 1286/ 2014 shall apply to unit-linked insurance policies where the units to which the benefits are linked are those defined in Article 32.

Otherwise, the level playing field would not exist.

Otherwise, it would exit a great risk of confusion for the consumer because both provisions of the PRIIPs regulation and solvency II must be applied.

In the French market, life insurers will have to deliver a pre- contractual information equivalent to the PRIIP KID and the UCITS KIID for the same UCITS chosen as unit of account. Concretely speaking, it means that for the same life insurance product referring to the same unit link, the consumer will receive two different information without the same content and without the same presentation.

It will create a great legal uncertainty for the PRIIP manufacturer because of Article 11 of the PRIIP regulation. "*The PRIIP manufacturer shall not incur liability solely on the basis of the key information document, including any transaction thereof, unless it is misleading, inaccurate or <u>inconsistent with the relevant parts of legally binding pre- contractual and contractual documents …;"</u>*

Life insurer will have to receive information from a third party to deliver the exact information about UCITS which create a risk to not be updated as soon as for the UCITS KIID.

In the French market, financial supervisory authority AMF check before selling, several pre-contractual documents, what about pre- contractual information on PRIIPS (UCITS used as a unit of account)? Is AMF able to check all information required for thousands of UCITS before 31 December 2016?

See annex 1 "First elements of an impact study on the French insurance market and proposal for a modular approach".

<ESMA_QUESTION_PRIIPS_28>