	Comments Template on EIOPA-CP 11/007 **Draft proposal for Report on** **Good Practices for Disclosure and Selling of Variable Annuities**	**Deadline** **03.01.2012** **12:00 CET**
Company name:	METLIFE	
Disclosure of comments:	EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential. *Please indicate if your comments on this CP should be treated as confidential, by deleting the word **Public** in the column to the right and by inserting the word **Confidential**.*	Public
	The paragraph numbers below correspond to the questions raised in the grey boxes of EIOPA Consultation Paper No. 11/007. **Please follow the instructions for filling in the template:** ⇨ Do **not** change the numbering in column "Reference", or any other formatting in the file. ⇨ Please fill in your comment in the relevant row. If you have no comment on a question, keep the row empty. Please do not delete rows in the table. ⇨ Our IT tool does not allow processing of comments which do not refer to the specific question numbers below. o If your comment refers to multiple questions, please insert your comment at the first relevant question and mention in your comment to which other questions this also applies. **Please send the completed template to CP_007@eiopa.europa.eu, in MSWord Format, (our IT tool does not allow processing of any other formats).**	
Reference	**Comment**	
General Comment	MetLife welcomes the opportunity to respond to this consultation by EIOPA on Variable Annuities. **About MetLife** MetLife is a leading innovator and a recognised leader in protection planning and retirement and savings solutions around the world. We have established a strong presence in the Americas, Europe	

	and Asia Pacific through organic growth, acquisitions, joint ventures and other partnerships. We acquired Alico, part of AIG's international Life businesses in November 2010. This increases our global presence to more than 60 countries worldwide, including 16 in the European Union. **MetLife's Variable Annuity Business:** Within the EU we sell Retirement and Savings, Protection and Insurance products. We are highly experienced provider of Variable Annuities around the globe, and our VA activity is underpinned by a world-class hedging programme. The majority of MetLife's European VA business is written into the UK market, and so we have focused on our UK business in our responses to this questionnaire. **Definition of Variable Annuities** For the purposes of these disclosure requirements within the EU, we would interpret Variable Annuities as follows: A Variable Annuity is a unit-linked investment product with investment guarantees. The VA may take a number of forms eg a pension product or a bond, but the defining characteristic is the **guarantee** which may apply to different aspect of the product. When MetLife entered the UK market selling VAs in 2008 we deliberately chose to describe our VA products as ‚'unit-linked guarantees (capital or income)' which describes most clearly what they do and helped with customer transparency. The focus should be on the critical need for a clear explanation of VA product features etc - in line with TCF guidelines in the UK. **Treatment of Variable Annuities and Disclosure Requirements** We are supportive of ensuring appropriate disclosure highlighting the risks and features of different products. We are however concerned that VA is perceived as being more risky from a disclosure and selling practice view. We feel that it is important to differentiate between the prudential regulation of Variable Annuities, and regulation on the sales of these products. VAs usually involve complex hedging arrangements which need to be regulated from a prudential perspective. However, from a consumer perspective they are fairly straightforward and easy to understand, and they should therefore not be subject to additional requirements apart from those which are normally applied to	

	the sale of unit-linked investment products across Europe. VA features and risk factors can be easily explained and there have currently been no known cases of mis-selling of this kind of business in Europe. We understand that there needs to be appropriate risk management for these products, but this is a prudential rather than a sales disclosure issue and should be dealt with separately, for example under Solvency II. **A consistent disclosure regime for all Packaged Retail Investment Products** To support appropriate disclosure for VA products we would suggest the application of consistent requirements across different investment products highlighting appropriate features and client risks in a clear and concise way. In that way clients can assess the costs and benefits of VA relative to other investment products. For example should a client be choosing between a VA and a unit linked hedge fund investment, they should have enough information to understand the risks they are exposed to. For this reason, we would suggest that EIOPA's work on Variable Annuities should take place within the context of the European Commission's work on Packaged Retail Investment Products (PRIPS). We do not see a reason to single out Variable Annuities for different treatment on disclosure requirements to other kinds of investment products. In summary, MetLife supports the need for all investment produts to be suitable and appropriate for the customers who choose them. We see a real customer need for VAs that provide certainty around some aspects of investment outcomes whilst providing customers with the opportunity to participate in equity markets. We would therefore support a consistent approach to sales disclosure requirements across all investment products rather than singling out VAs.	
Q1.	**Are documents that communicate the key features of the product (Key Features Documents) used for Variable Annuities? What features do they contain?** MetLife uses Key Feature Documents for our Variable Annuities products in the UK which highlight the key risks and product features. We have undertaken an internal review of our Key Features	

	documents to ensure maximum transparency to customers. Different countries have different approaches to disclosing the Key Features and charges. In the UK we ensure each customer is provided with a copy of: - Key features of the guarantees offered - Key risks - The charges on the plan We have attached an example of a Key Features document used for one of our Variable Annuities products which is sold in the UK as well as an example illustration document for information.	
Q2.	**What kinds of benefits may flow from the use of such a key features document by insurance undertakings?** Clients have the benefit of knowing the key features of the product and the risks they are exposed to.	
Q3.	**Do you consider FAQ as a useful way of presenting pre-contractual information? What other alternatives do you consider appropriate?** Yes. We often use Frequently Asked Questions as a means of providing customers with clear information. We attach an example of an FAQ document which is used for our UK VA product.	
Q4.	**During the life of the contract how do providers inform customers on the performance of their VA contract?**	

	Following taking out a MetLife contract we will provide an issue pack highlighting the fund value and guarantee benefits the client is purchasing. In that way they can make an informed decision about their right to cool-off of the plan. We provide our unit linked customers with annual benefit statements highlighting the level of their funds and the level of their guarantees. In addition clients have the option of asking for ad-hoc valuations at any time.	
Q5.	**Which scenarios should providers use to illustrate potential payouts to customers?** We take the view that information requirements about potential benefits should be applied to all investment products, not just Variable Annuities. For this reason, we support the need for consistent approaches to illustrating benefits of different investment products. In that way customer can make informed decisions about different product types. VAs are not necessarily more risky than other investment products, and in fact the investment risks of a VA product are far less than those of an unprotected investment product. The PRIPS initiative should go some way to ensuring consistent information requirements across all investment products. For VA products it is important for a customer to understand not just the costs but also the benefits of the guarantee. It is not always necessary to show an illustration of future projected benefits to highlight how the product works. However, we should mention that for our products including our UK VA products we do provide detailed projected illustrations with a range of low prescribed growth rates, including zero or negative fund value outcomes to illustrate the value of the guarantee. We would suggest that a wide range of low returns be made available to illustrate how the guarantee works in poor markets. We would also suggest that providers disclose a range of possible growth scenarios to offer customers a range of outcomes some of which should highlight the benefits of the VA offering rather than just the charge.	

Q6.	**Which unfavourable scenarios should always be presented?**	
Q7.	**How should the maximum risk assumed by the customer be illustrated?** We do not believe the maximum risk is always best highlighted to a customer on an illustration. This is because the range of investments can have significantly different outcomes. We believe it is best to highlight to customers the risks associated with different investment options. VA products are less risky than other types of non-guaranteed investment products, and this should be made clear in the disclosure requirements. However, it is important for the kind of guarantee to be illustrated clearly so that the customer may understand where the risk that they are carrying sits eg does the guarantee apply to fund performance or to the final pay-out?	
Q8.	**What kinds of benefits may flow from the use of illustrations by insurance undertakings?** Illustrations may show customers a range of their potential benefits and can play an important role in increasing transparency. However, it is important to bear in mind the risk that the illustration may set some customer expectation and the output needs to be represented appropriately so that there are no misleading pieces of information.	
Q9.	**What are the distribution channels used in your market?** Within Europe MetLife VA products are only sold by independent financial advisers and Bancassurance advisers. This does not rule out the possibility of selling VAs through other channels, but the products would have to be designed accordingly.	
Q10.	**Are these products also distributed via direct sales in your markets?** These products are currently not sold via direct sales. However as stated above we believe that there is the potential for a VA to be structured to be simple enough to be sold directly.	

Q11.	**What type of information does the sales person need to have on the customer prior to giving advice?** There are suitability and conduct of business rules on the sale of VA and other investment products which apply in each EU country and which are overseen by national supervisors. MetLife works with our distributors on best practice methods for sales of our VA products in order to ensure good outcomes for consumers. We monitor sales of our products to identify any potential mis-selling issues and to address them at an early stage.	
Q12.	**Does it matter in relation to selling practices for which purpose the product is offered (retirement saving vs. Investment solution)?** We believe it is important to highlight the puropose of a product so that clients can understand whether it is suitable for them. Once again, the PRIPS initiative will play an important role here.	
Q13.	**Does it matter which type of guaranteed minimum benefit is offered?** Different guarantees appeal to different customers. We believe that the features of the guarantee need to be clearly communicated so that a client can make informed decisions.	
Q14.	**In which instances, if any, should an insurance intermediary present variable annuities, if he informs the customer that he gives his advice on the basis of an analysis of a sufficiently large number of insurance contracts (Article 12 (2) IMD)? Should this principle also apply to any other sales person?** Variable Annuity products should be presented where an adviser believes they would be appropriate for the customer's needs. It is worth pointing out that VAs can be presented very simply and can be less complex than other unit linked and structured products. As with all investment products, an adviser should take account of a customer's needs before suggesting a product.	
Q15.	**In relation to the due diligence on insurance intermediaries are there any other good**	

	practices that providers should consider? Advisers and intermediaries are ultimately responsible for how they conduct their business. Insurers should not be held liable for this. Mis-selling risk will remain the responsibility of the distributor authorised and registered for giving advice in the jurisdiction where the products are being sold. However, we believe that there is an obligation on the product provider to ensure that advisers and intermediaries have sufficient information on an investment product to inform themselves of its features and risks and to advise customers accordingly. Unless an insurer is also a distributor of their products, they cannot be held liable for advice given.	