

**Comments Template on
Consultation Paper on Technical Advice on possible delegated acts
concerning the Insurance Distribution Directive**

**Deadline
3 October 2016
18:00 CET**

Name of Company:	German Association of Actuaries (DAV)	
Disclosure of comments:	<p>EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential.</p> <p>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.</p>	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ <u>Do not change the numbering</u> in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇒ Leave the last column <u>empty</u>. ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. <p>Please send the completed template, in Word Format, to CP-16-006@eiopa.europa.eu.</p> <p>Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the questions refers to the Consultation Paper on Technical Advice on possible delegated acts concerning the Insurance Distribution Directive</p>		
Reference	Comment	
General Comment		
Question 1		
Question 2	<ul style="list-style-type: none"> • <i>The German Association of Actuaries (DAV) recommends a reflected approach to product design. It is important to take customer needs appropriately into account.</i> 	

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- *In the analysis, EIOPA requests insurers to assess the price (e.g. p. 17 no. 31 "Is the price of the policy in balance with the worth of the underlying", no. 32 "How is the risk reward profile balanced, taking into account the cost structure of the product") and the benefits of a product taking the claims ratio into account (cf. p. 18 no. 34, 36). It should be clarified that these provisions are not intended to result in price controls or detailed rules for product design.*
- *The DAV agrees with EIOPA that the needs of potential customers should be at the heart of the description of target markets. Defining a negative target market most likely will not be possible in many cases and therefore should not be required. Moreover, it should be noted that not every customer who does not belong to a specific target market automatically belongs to the negative target market. In addition, the Draft Technical Advice needs to be very clear about selling outside the target market which should remain possible if a proper justification is given (cf. DTA p. 21 no. 53).*
- *While it is acceptable to ask insurers to "take appropriate action", it would be unnecessary and misleading to require them to inform their customers about relevant remedial actions taken. Considering the interests of the community of insureds, it should be critically assessed whether informing the customers would be appropriate.*
- *Only essential changes require the performance of product tests.*
- *The DAV welcomes the fact that the interests of the community of insureds are taken into account (cf. DTA p. 18 no. 15). From a mathematical point of view, the notion of "risk pooling" is more accurate than "principles of solidarity".*
- *The fundamental term "insurance product" lacks a definition. The DAV suggests that "risk pooling" should be one of the essential criteria for an insurance product.*

Question 3

- *The DAV agrees that manufacturers should be required to employ skilled employees as outlined in Draft Technical Advice no. 11 on p. 21. We would like to emphasize that this necessity should also apply to intermediaries who act as manufacturers.*
- *The necessary skills should not only refer to the products' main features and characteristics and to the target markets, but should also explicitly mention mathematical and actuarial skills. Risk pooling is intrinsic to all insurance*

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	<i>products. They can only be manufactured when certain stochastic methods are followed and monitored.</i>	
Question 4		
Question 5		
Question 6		
Question 7		
Question 8		
Question 9		
Question 10		
Question 11		
Question 12		
Question 13		
Question 14		
Question 15		
Question 16		
Question 17		
Question 18		
Question 19	<p><i>To point (a):</i></p> <ul style="list-style-type: none"> • <i>From our point of view, it is appropriate to apply the criteria as defined in the Draft Technical advice to determine whether it is a complex or non-complex product, when there is a direct link between the amount and maturity of insurance payment and the underlying capital market product.</i> • <i>A look through approach is not possible when the insurance company invests into "complex" capital market products at its own risk and there is no direct link between the capital market product which is held by the insurer and the amount or maturity of the insurance payment. This is the case for many insurance products where the insurer promises to guarantee an amount of</i> 	

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insurance payment. Examples are traditional German life insurance products or other life insurance products with significant guarantees, i.e. the amount of guarantee reaches a significant level (e.g. dynamic hybrid products).

To point (e) and (h):

- *A lot of insurance products have a very long duration, often several decades. This is the reason why the policyholder typically has the right to change the insurance product during the term. It would not be appropriate if an insurance product becomes "complex" only because the policyholder has the right to change the insurance contract in a way where the underlying investment product is not touched. There are a lot of examples where this is the case:*
 - *The policyholder changes the beneficiary of the insurance payment.*
 - *The policyholder takes a lump sum instead of an annuity.*
 - *The policyholder uses his legal right to surrender the insurance contract.*
 - *The policyholder contradicts an indexation of the insurance contract.*
 - *The policyholder reduces the annual premium of the insurance contract.*
 - *...*
- *In addition an insurance product should not get the "complex"-status when the policyholder has the right to change the underlying investment product from a non-complex one to another non-complex one.*
- *It is indispensable to change the insurance product during the term because of the long duration of insurance products. The change of an insurance contract should not change its status to "complex" when the changes of insurance benefits and premiums are calculated in an actuarial way.*

To point (f):

- *Insurance products with a long duration typically have acquisition costs (for the whole duration of the contract) that are financed with a significant portion of the first premiums. The result is a lower surrender value of the insurance*

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	<i>contract than the paid premiums. In this situation the insurance product should not be categorised as complex.</i>	
Question 20	<i>Please see our answer to question No. 19.</i>	
Question 21	<i>Please see our answer to question No. 19.</i>	
Question 22		
Question 23		
Question 24	<p><i>To point (4), (5) and (6):</i></p> <ul style="list-style-type: none"> • <i>In many cases insurance contracts have a very long duration, often several decades. From our point of view an annual frequency or more frequently is not appropriate for insurance contracts which have a duration of several decades.</i> • <i>With respect to insurance contracts that already exist on the date of IDD becoming effective, it has to be ensured that the periodic suitability assessment must not be carried out according to new rules.</i> • <i>The proposed rules for the suitability assessment and the trigger events place high demands on the data storage concerning the advice to the customer and the insurance product. It will be very expensive to save all the data permanently over the whole duration of the insurance contract which is often several decades. The insurance products will become more expensive.</i> 	
Question 25	<i>We agree with the insurance specificities, but it would be important to add the "insured benefits".</i>	
Question 26		