

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:	Insurance Sweden/ Svensk Försäkring	
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Reference	Comment	
General Comment	Insurance Sweden is the industry organisation for insurance companies in Sweden. About 50 insurance companies are members of Insurance Sweden and together they account for more than 90 per cent of the Swedish insurance market. Insurance Sweden fully supports Insurance Europe's response to EIOPA's technical advice on IDD delegated acts but we would like to add a few important remarks concerning question 11 and 19.	

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Question 11	Eiopa mentions up-front inducements as one type of inducement that pose a high risk for detrimental impact (page 54, item 4d)). However, Eiopa does not provide a definition for up-front inducements. Such a definition should be included in the technical advice, otherwise there is a risk that insurers in different member states will define up-front inducements differently.	
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Question 19	Defining other non-complex products We believe that the draft technical advice regarding what should be deemed as an "other non-complex products" is too detailed and will exclude safe, consumer friendly products from being looked upon as non-complex.	

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Eiopa/the European Commission should only prescribe a high-level criteria that indicate whether the product is complex or not and rather leave the judgement of whether a product is to be deemed-complex or non-complex, to the member states. Otherwise, local product development and distribution will be unnecessarily hindered by EU legislation. In short, we strongly believe that Eiopa should allow flexibility for the national supervision authorities to take into consideration the specificities of national products, otherwise there is a risk that IBIPs that are simple for the customer to understand and give the customer a high level of protection are classified as complex IBIPs, while other IBIPs, such as deposit insurance or unit-linked insurance, are classified as non-complex despite the fact that the level of protection for the customer is much lower (the customer risks losing the entire initial investment). Such an effect at the national level would be to the detriment of the customer.

As an example to illustrate the above, in Sweden, one of the best IBIPs from a customer point of view is endowment insurance with traditional asset management (also called "with-profits life insurance", " livförsäkring med traditionell förvaltning" in Swedish). This type of insurance normally uses different guarantees, i.e. between 80-100% of the customer's initial investment is guaranteed and the customer is also guaranteed a certain return on the investment (generally 1,5-3% of the investment). The structure of endowment insurance with traditional asset management is easy to understand for the customer allowing the customer to understand the risks involved. The customer is guaranteed a certain percentage of the investment (up to 100%) and a certain turn-over. In addition, the customer is entitled to a share in the return on capital generated by the management of asset.

The share is proportional to the investment of the customer. In contrast to unit-linked insurance, the customer does not have to take any investment decisions regarding the management of assets. The customer trusts instead the insurance company to manage the assets carefully and properly. How the insurance company manages the assets is rigorously regulated by Solvency II.

This product would most likely be looked upon as complex if the draft technical advice would remain unchanged. This is because the draft technical advice contains very

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detailed criteria on how to decide whether a product is non-complex or not. We struggle to see the importance of some of the detailed criteria, which is explained further below.

Eiopa seems to imply that exposure to derivatives per se makes the insurance product complex(draft technical advice 1. (a)). Most traditional asset management contains some exposure to a derivative. We firmly believe that it is counter-productive if Eiopa should enforce such a restriction making it impossible to have any derivative within the asset management of a with profits policy. As mentioned above, it is the insurance company, and not the customer, that makes the investment decisions and manages the assets carefully in accordance with Solvency II. This criteria should therefore be deleted. As an alternative, we believe it will be sufficient if the technical advice prescribes the following:

“the contract does not provide substantial investment exposure to a derivative.....”

- Eiopa also seems to imply that the use of beneficiary clauses per se is a strong indication that the product is complex (draft technical advice 1. (h)). This is a very strange requirement from a Swedish perspective. One of the customer’s most protected rights in Sweden is to allow the customer to decide who should be the beneficiary. This is a mandatory requirement for all types of life insurances, including IBIPs. It is hard to understand how a beneficiary clause could make it difficult for the customer to understand the risks related to the investment, not least since this apparently is without importance for unit- link products which are automatically deemed non-complex products and where the contracts provide equal opportunities to change beneficiary. We therefore believe this prerequisite should be deleted.

Finally, the existence of exit charges should not either be considered as a factor which makes the product complex per se (draft technical advice 1. (f)). Again, this exists under unit-link contracts as well and apparently does not influence the assessment of being non-complex.

Question 20

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