Summary of Comments on Consultation Paper on Good Disclosure and Selling Practices for Variable Annuities - EIOPA-CP-11/007 CP No. 007-Variable Annuities	EIOPA-WG-CCPFI 13 Month 2012

EIOPA would like to thank its Insurance and Reinsurance Stakeholder Group (IRSG) as well as the Association of British Insurers (ABI), the Association of French Insurers (FFSA), the Association of International Life Offices (AILO), AXA, the Bund der Versicherten e.V., CEA, Chris Barnard, the European Fund and Asset Management Association (EFAMA), the Fédération des Associations Indépendantes de Défense des Epargnants pour la Retraite (FAIDER), Fédération Européenne des Conseils et Intermédiaires Financiers (FECIF), the Financial Services Consumer Panel (FSCP), ING Groep N.V., Investment and Life Assurance Group Ltd, the Investment Management Association (IMA), METLIFE, Munich Reinsurance Company and the European Federation of Investors (EuroInvestor) for their contributions.

The numbering of the paragraphs refers to Consultation Paper No. 007 (EIOPA-CP-11/007).

The views expressed in these Resolutions are preliminary and will not bind in any ways EIOPA or any other parties in the future development of the Report. They are aimed at gathering the stakeholders' and other relevant parties opinion to be used as working documents for the consultation.

No.	Name	Reference	Comment	Resolution
1.	Association of British Insurers	General Comment	The ABI welcomes the opportunity to respond to EIOPA's Draft Report on Good Practices for Disclosure and Selling of Variable Annuities. The ABI is the voice of the UK's insurance, investment and long-term savings industry. It has over 300 members, which together account for around 90% of premiums in the UK domestic market. The UK insurance industry is the third largest in the world and the largest in Europe. Employing more than 300,000 people in the UK alone, it is an important contributor to the UK economy and manages investments of £1.5 trillion, over 20% of the UK's total net worth.The ABI's registration number on the European Commission's Register of Interest	Noted The nature of a "Good Practices" Report has been stated explicitly in the final Report.

			Representatives is: 730137075-36. General commentsThe ABI attaches great importance to providing consumers with appropriate and clearly presented information to enable them to make informed investment decisions. Consumers need to have confidence in both the market and the firms operating within it. To achieve this we support moves to increase transparency, tackle the asymmetry of information between consumers and product providers and enable comparison between investment optionsHowever, we have some concerns about the scope and timing of this report. The European Commission, as part of the Packaged Retail Investment Products (PRIPs) initiative, has been consulting on a selling and disclosure regime for packaged products and it is, as yet, unclear whether variable annuities will fall within scope. We are concerned that EIOPA is setting out best practice while the debate on the most appropriate regime for packaged products is still on going.Furthermore, in making recommendations for best practice, the draft report does not appear to have taken account of developments on the PRIPs initiative. For PRIPs, the Commission is proposing using the Key Investor Information Document (KIID) developed for UCITS as the basis for disclosure while the approach to selling will be based on the rules within MiFID. In its report, EIOPA proposes that best practice would be a question and answer format for disclosure while selling would be done on a "demands and needs" basis. The departure from the proposed approach for PRIPs gives rise to concerns about potential inconsistencies in the treatment of variable annuities and packaged products more generally.Definition of variable annuitiesWe urge EIOPA to clarify the definition of variable annuities. In the UK, variable annuities may take a number of forms, for example a pension product or a bond. They are regulated as income drawdown (under the Finance Act 2004) and are distinct from other kinds of annuities because they are individual contracts that do not contain any element of mortality pooling. Though variable annuities are a specialist part of the UK annuities market, the value of sales has grown from £530m in 2007 to	

			approximately £1bn in 2010 (source: Towers Watson)The definition as currently set out by EIOPA, “unit-linked life insurance contracts with investment guarantees” would capture a broader range of products than what is understood and sold as a variable annuity in the UK; for example investment-linked annuities and unitised with-profits funds both meet the definition. While these products may share some features with UK variable annuity products, they do not necessarily rely on complex hedging arrangements in order to back the guarantees offered to policyholders. Since it is these complex hedging arrangements, and the subsequent cost that they add to policyholders, which is the basis for concern, we query whether EIOPA intended the definition to apply to products which do not have such a structure and urge them to provide greater clarity about the intended scopeComplexity and risWe are concerned about the extent to which the draft report conflates the complexity of variable annuities with the actual risk to the consumer. Whilst variable annuities may employ relatively ‘complex’ structures, particularly with regard to the guarantees offered, this does not necessarily equate to risk for the consumer. Complex structures are often aimed at delivering less risky outcomes for investors.In particular, it should be noted that the risk associated with offering guarantees in variable annuities is borne by the insurer, not the policy-holder, and the report provides no evidence of these products resulting in consumer detriment. Indeed, the ABI has not seen any evidence of detriment arising from the sale of these products within the EURather than using the complexity of product structures as the basis on which to develop disclosure and selling practices, the ABI believe EIOPA should focus on the potential outcomes of the investment including the variability, volatility and risks to the outcome for the consumer. In doing so, they would be able to establish more clearly which products required greater levels of consumer protection, using an approach which would apply equally across all financial instruments from shares to packaged products.DisclosureNotwithstanding our concerns about the timing of	

			this report vis-à-vis the PRIPs initiative, we believe that, in recommending answers to 35 FAQs, the report highlights the challenge of using the UCITS KIID for products. Namely the difficultly of providing all necessary information within a two page document.The ABI is supportive of the need to provide good quality product information to consumers, however, we have always expressed concern about the plan to use the two page KIID as the benchmark for product disclosure. We believe that the approach set out in this report (the use of FAQs under set headings, allowing flexibility for length and layout) may be more appropriate going forward.Nevertheless, we also believe that the list of questions set out in this report is long and overly- prescriptive. Balance must be sought between providing enough information so that consumers can make informed choices and comprehensive documents which are so detailed that they hinder consumer engagement with, and understanding of, the information provided.	
2.	Association of French Insurers (FFSA)	General Comment	The Association of French Insurers (FFSA) understands the aim for EIOPA to establish a report on good practices for disclosure and selling of products that may appear as complex products such as variable annuities. However, it might be difficult to assess the legal significance of such a document and especially regarding the uncertainty that lies on treatment of insurance products in the context of the upcoming Packaged Retail Investment Products (PRIP's) directive. At this stage, it is unclear whether variable annuities will fall within the scope of PRIP's. Therefore setting out best practices on a moving subject doesn't seem appropriate. The FFSA is of the opinion that the report on good practices for disclosure and selling on variable annuities should stick to general principles. In its current state, the report seems too prescriptive and might anticipate future measures. It might be risky indeed to introduce specific features as FAQ or key features that would not be in line with	Noted The nature of a "Good Practices" Report has been clarified in the final Report.

			precontractual requirements under which insurance products are regulated. Regarding good practices in the intermediation area, the report preempts in the same way upcoming rules to be decided as part of the revised directive (IMD).	
3.	Association of International Life Offices (AILO)	General Comment	The Association of International Life Offices ("AILO") is grateful for the opportunity to comment on the draft proposal for EIOPA's Report on Good Practices for Disclosure and Selling of Variable Annuities (the "Report"). 1. Introduction to AILO AILO represents the interests of a number of EU/EEA and other life insurance companies, many of which are members of internationally recognised groups. AILO members market life insurance contracts in the EU/EEA and in other regions of the world. The customer base encompasses residents in EU/EEA States, international and European expatriates and also the international business community. Member companies are responsible for approximately €80 billion of assets under management in total. Operating either on the basis of the EU's freedom of services or branch passport, AILO member companies make full use of possibilities offered by the EU Insurance Directives. In 2009, AILO member companies received an estimated €10 billion of premiums within the EEA. AILO members have over five million policyholders comprising EU nationals either in their home country or working in another Member State. Each year, they write substantial new premium income in Europe, providing policyholders with choice, security, transparency	Noted EIOPA would like to point out that the terms and conditions governing traditional with-profit policies across the EU vary significantly in respect of profit attribution. In addition, policyholders may not be guaranteed a minimum yearly rate of return. We therefore do not concur with the view that VA products and traditional with-profit offerings should be subject to the same conduct of business rules. Another point is the cross-border nature of the distribution of

			and value. As an association representing insurance companies operating on a cross-border basis within the EU/EEA, AILO is uniquely positioned to provide policymakers with insight into the practical issues facing EU/EEA cross-border life insurance business. This may assist EIOPA in achieving Solvency II's goal of deepening the Single Market in insurance and promoting a truly integrated Market. For further details please see our website: www.ailo.org. 2. Remarks on EIOPA's Report 1) AILO's Principal Concerns In our view, many of EIOPA's observations and conclusions on VA products would also apply to traditional with profits life insurance products purchased for savings, investment or retirement purposes ("traditional life products"). We see a significant danger in singling out VA products for special consideration without any mention of whether the matters addressed in the Report should also apply to traditional with profits life products ("traditional life products"). Our reasons are as follows: ☐ VA products and traditional life products are to a large extent	VA which makes it necessary to foster the convergence of disclosure and selling practices rules.

			simply different ways of providing guaranteed benefits to consumers. There is therefore no factual justification for any extensive differentiation. ☐ Since VA products are alternatives to traditional life products for retirement provision, it is important to ensure comparability. However, comparability would suffer, if traditional life products and VA products are subject to significantly different disclosure rules. ☐ Finally, differentiation of treatment could be understood to be an implied preference for traditional life products on the part of policymakers. However, the traditional method of providing guarantees will not necessarily provide a more favourable outcome or be less likely to lead to insurer insolvency in the future. EIOPA is no doubt fully aware of risks that may arise out of a long term low interest environment. The Report states that VA products fall within the category of insurance contracts with an investment element. We therefore expect such contracts to fall within a definition of an insurance PRIP under IMD2. We consider this should be the case even if VA products are purchased for the purpose of retirement provision. In that case, they constitute voluntary Pillar III provision and should be subject to the same PRIPS disclosure principles as alternative forms of retirement provision. We consider it essential that any definition of an insurance PRIP also clearly embrace "traditional", "classical" and "with profit" insurances other than those which provide pure protection benefits to ensure a	

			level playing field and to enable consumers to compare different PRIPS. The risks identified in this Report are equally relevant to all life insurance products used for savings/retirement purposes and so the same disclosure principles should apply. If this Report is to provide informal guidance to the European Commission on IMD2 and PRIPS, we therefore suggest that EIOPA state that the issues identified and recommendations made in this Report also apply to traditional life products. We are also concerned that some of the disclosure suggested in the Report could lead to excessively complex disclosures beyond those likely to be included within the insurance equivalent of a KII document. This would confuse rather than assist the consumer. For example, an explanation of how guarantees are achieved would require extensive technical details including an explanation of mathematical principles. The difficulty of explaining how guarantees are achieved would also arise in relation to the manufacture of guarantees within a traditional life product. In our view, such information should only be provided at a high level, as is currently the practice in relation to traditional life products. For the customer, a fair and clear description of the scope of the guarantee is much more important than a description of the mechanisms to achieve the guarantee. 2) Comparison of principal VA product features with traditional life products Some of the features identified by EIOPA in relation to VA products are set out below. We have compared these VA features to traditional life	

			products. In our view, there is no material difference between VA products and traditional products on the features identified. i) Product complexity EIOPA takes the view that VA products are inherently complex and must therefore generally be sold on an advised basis. We generally concur with this view. However, we would like to point out that VA products are not more complex than traditional life products from a consumer perspective. The rules governing allocation of profits and charges on traditional life products are highly complex and subject to numerous detailed regulations that require interpretation and discretionary decisions by individual insurers. This process is no more transparent for the consumer than the hedging strategies used to provide guarantees on VA products. Also, hedging instruments used for VA products may also be used by insurers to secure guarantees on traditional with profits products. The consumer is therefore likely to find VA products and traditional products equally complex in terms of the underlying “engine” that is used to deliver the insurance benefits. ii) Cost transparency It is also difficult to see why a consumer would find the charging structure of a VA product to be less transparent than a traditional life product. To the contrary, the VA product generally shows express product charges, while charges arising on a traditional life insurance	

			product are often not readily transparent to policyholders but are rather reflected within the calculation of overall profits available for allocation to policyholders. Given the fact that there is no substantial difference in consumer perceived complexity and transparency, we would welcome the application of the approach taken on VA products to traditional products as well. iii) Level of product charges EIOPA points out that VA product characteristics of some insurance groups nowadays may allow for better VA risk management after reflection of their lessons learned during the recent financial crisis. EIOPA also points out that VA product characteristics today (in particular product charges) may render these products less attractive. However, EIOPA should consider the attractiveness of VA products in light of product alternatives and overall market conditions. It is uncertain whether alternatives in the market such as traditional life products will in future necessarily deliver more attractive benefits than a VA product and whether the overall charges of traditional life products (which are largely not transparent) are actually lower. We strongly recommend that the final EIOPA Report consider the attractiveness of VA products in the context of the overall market for life insurance savings and retirement products. This would ensure that the Report provides a more balanced view. Alternatively, we suggest	

			that such an evaluation not be included in the Report. 3) Good selling practices and intermediary due diligence We agree that VA products should generally be sold on an advised basis, except where the consumer explicitly waives advice. An indicative list of questions to be used and disclaimer required in this context seems to be a valuable tool to avoid the risk of mis-selling. However, it makes no difference to a consumer whether a traditional life product or a VA product was mis-sold due to an inadequate sales process. In both cases, the product will not have met his demands and needs. For this reason, we would recommend against any differentiation based on product type. 4) Further general comments As AILO has consistently stated in submissions to the Commission we consider that the revised IMD2 should apply to all distributors of insurance products and so we take the same view in respect of this Report. We would also like to point to the risk of "gold plating", that is, the risk of requiring more information than necessary, and the need to consider Article 185 of the Solvency II Directive. This Article lists the mandatory information required to be provided to policyholders prior to conclusion of a contract. Any information suggested in the Report	

			not required by Article 185, such as for example, reference to the existence of a guarantee scheme, should be measured against the caveat set forth in Paragraph 7 of Article 185. Paragraph 7 states that Member States may require additional information to be furnished, "only if it is necessary for the proper understanding by the policyholder of the essential elements of the commitment". This principle should also be relevant to EIOPA's considerations on disclosure and we would question whether information on guarantee schemes, especially when there is no harmonisation at EU level, is relevant to the understanding of contractual terms. This may lead to market distortion despite the principle that existence of such a scheme should not be used to obtain a competitive advantage. Thank you for considering our general comments.	
4.	AXA	General Comment	1. 1. As a general matter, VA products are a ""naturally transparent product"" as by design all the fees are split out and disclosed to the client, very much unlike some other products (structured products or even conventional annuities) where the cost structure is completely opaque, which creates more opportunity for hidden fees and for falsely publicizing the product as ""free"". So in reality, at least from a cost point of view, VA products are already a lot more transparent than most investment products on the market. 2. 2. The combination of the complexity of VAs and the actual risk to the customer appears to be driving these changes to disclosure and selling practices. However, whilst VAs may employ relatively complex structures this does not necessarily equate to risk for the customer. In particular, the risk associated with offering guarantees is borne by the	Noted

			insurer, not the policyholder and we have not seen any evidence of consumer detriment in the EU from VAs. The level of risk to the consumer, as opposed to the technical complexity of the product should be used to gauge and establish which products really require greater levels of consumer protection. 3. 3. The EU Commission is currently consulting on the PRIPS directive and it is not yet clear whether VAs are in scope. The changes proposed by EIOPA would mean different disclosure practices for VAs which gives rises to concerns about inconsistencies should VAs fall out of scope of PRIPS and a lack of clarity about the best approach for selling and disclosure if they fall within scope. We are urging EIOPA to work more closely with the Commission to come up with a common approach.	
5.	BUND DER VERSICHERTEN E.V.	General Comment	Very useful and detailed report.	Noted
6.	CEA	General Comment	The CEA is of the view that the broad questions contained in the EIOPA report are not in line with the very specific considerations and recommendations it makes. Therefore, the CEA is not responding directly to the consultation questions, but rather providing a short note outlining our main points of concern. 1. Scope The CEA wishes to express its concerns about the scope and timing of this report from EIOPA. The European Commission, as part of its Packaged Retail Investment Products (PRIPs) initiative, has been consulting on a selling and disclosure regime for packaged products	Noted

			and it is, as yet, unclear whether variable annuities will fall within the scope of PRIPs. We are concerned therefore that EIOPA is setting out best practices while the debate on the most appropriate regime for PRIPs is still ongoing. Furthermore, the definition of variable annuities as set out by EIOPA in its consultation document requires clarification as to the intended scope, as the current definition – "unit-linked life insurance contracts with investment guarantees" – could capture a broader range of products than variable annuities. For example, investment-linked annuities and unitised with-profits funds both meet the definition. While these products do share some features with variable annuities, they work in a fundamentally different way. In particular, neither relies on complex hedging arrangements in order to back the guarantees offered to policy-holders. 2. Complexity and risk The CEA is concerned about the extent to which the draft report confuses the issue of the complexity of variable annuities with the level of risk to the consumer. Complex products do not necessarily mean high risk for the consumer. The interaction between the level of risk to the consumer and the complexity of the product needs to be properly taken into account. While variable annuities may employ relatively "complex" structures, particularly with regard to the guarantees offered, this does not necessarily result in risk for the consumer. In fact, complex structures are often aimed at delivering less risky outcomes for investors.	

			It should also be pointed out that the risk associated with offering guarantees in variable annuities is borne by the insurer, not the policy holder, and the report provides no evidence of these products resulting in consumer detriment. Rather than using the complexity of product structures as the basis on which to develop disclosure and selling practices, we believe EIOPA should focus on the potential outcomes of the investment including the variability, volatility and risks to the outcome for the consumer. 3. Cross-border business The CEA is surprised that from the cross-border nature of the VA-business increased information requirements are derived. So far, we are of the impression that the EU wants to promote cross-border business. In this respect it is in our view incoherent, to impose special information requirements for cross-border business, i.e. information on the undertaking and the supervisory regime. It also contradicts the approach to inform the customer in a short and concise way. We believe that a consumer would not expect lengthy explanations about undertaking "x" and supervisory regime "y", when he is interested in a product "z". 4. Pre-contractual information disclosure The CEA supports a high level of consumer protection for all consumers buying insurance products but as insurance distribution markets vary significantly across Europe, a prescriptive regulatory approach may	

			have negative implications both for markets and consumers. This is particularly so when it comes to the pre-contractual information that must be disclosed to consumers. The EIOPA report proposes that best practice would adopt a question and answer format for disclosures and recommends providing the answers to 35 “frequently asked questions” as a way of communicating the relevant information. However, the provision of such a high amount of information would appear to go against the objective of streamlining pre-contractual information to allow consumers to make an informed choice. The CEA wishes to remind EIOPA of the Report of the 3L3 Task Force on PRIPs□, which stressed the importance of adhering to the principles of proportionality and materiality in developing product disclosure requirements, stating that disclosure should be a concise body of relevant and comparable information that can be understood by the investor and does not overwhelm or confuse the investor with too much information. Furthermore, the questions laid out in the report are referred to as being “indicative and not exhaustive”. The report states that notwithstanding these questions, insurance companies must also follow all legal and regulatory requirements which they are subject to. In this respect, the CEA wishes to stress the need to avoid duplication of disclosure requirements regarding pre-contractual information, particularly when it is not clear whether variable annuities will fall under the scope of the PRIPs initiative, as otherwise there is a risk of information overload that may result in hindering efforts to improve the situation for consumers.	

			5. Advice & conduct of business The CEA notes that in this report EIOPA appears to be proposing the sale of all variable annuities on an advised basis only. It is not fully clear what the intention is here, but we are concerned that linking the notions of complexity and the level of risk to the consumer may unnecessarily prohibit the sale of certain products to consumers on a non-advised basis. This may impede innovation within the market and consumer choice. Consumers do not always need or request advice. Therefore, it is important to ensure that the non-advised sale of insurance products in certain situations remains possible, such as when requested by the customer or where there is a low risk to the consumer. The consumer should remain of course always free to seek advice, but advice should not be imposed when specifically declined by the customer. It is crucial that non-advised sales may continue, so as not to limit or interfere with consumer choice, and to prevent restricting a consumer's ability to access products if advice were mandatory and he/she were not in a position to afford such advice. In any case, it should not be forgotten that even in the case of non-advised sales, all relevant pre-contractual and contractual information requirements will still be followed.	
7.	Chris Barnard	General Comment	Please note that the comments expressed herein are solely my personal views. Thank you for giving us the opportunity to comment on your Report on Good Practices for Disclosure and Selling of Variable Annuities.	Noted
8.	EFAMA	General Comment	EFAMA is the representative association for the European investment management industry. It represents through its 26 member	Noted

			associations and 56 corporate members approximately EUR 13.8 trillion in assets under management, of which EUR 7.7 trillion was managed by approximately 54,000 funds at end September 2011. Just over 36,000 of these funds were UCITS (Undertakings for Collective Investments in Transferable Securities) funds. EFAMA fully supports the PRIPs initiative, which addresses crucial issues such as investor protection and the lack of level playing field among retail financial products in the distribution of retail financial products. A harmonized framework at EU level is essential to eliminate regulatory arbitrage in the distribution of financial products to retail investors and to ensure a high level of investor protection. Our members strongly support a horizontal approach and welcome the fact that it will be used in the legislation for the disclosure elements of PRIPs. Regarding selling practices, a similar horizontal approach would have been preferable, but the European Commission has chosen instead to revise sectoral regulation (MiFID and IMD respectively), an approach which might not lead to harmonized implementation of sales rules. We strongly believe that the implementation of the PRIPs initiative must be coherent and harmonized not only at the principle level, but also in the details (Level 2). Furthermore, regulators must also ensure the same coherence and harmonized implementation in their technical standards and Level 3 work. As long as they include an element of capital accumulation, annuities should provide the same level of disclosure and investor protection as other financial products. EFAMA therefore believes that all annuities (including variable annuities) should be subject to the definition test applicable to all PRIPs, and should be included in the PRIPs initiative when offered to retail investors.	

			Against this background, EFAMA welcomes the Report on “Good practices for disclosure and selling of variable annuities”. However, as EIOPA states that the Report “does not set forth any guidelines or recommendations” we unfortunately do not see how its adoption can lead to significant improvements in industry practices. We would suggest that EIOPA should put forth Level 3 recommendations as temporary measures before the adoption of new rules under the PRIPs regime. Both product disclosures and selling rules should, however, be eventually regulated taking the UCITS KIID as the benchmark for product disclosure and MiFID for selling rules, with full and detailed harmonization across retail financial products within an overarching European PRIPs regime: simple Level 3 guidance or recommendations by regulators are not sufficient to provide equal levels of investor protection. We hope our comments will be helpful to EIOPA and remain at your disposal should you have any questions.	
9.	FAIDER	General Comment	The Federation des Associations Indépendantes de Défense des Epargnants pour la Retraite (FAIDER) welcomes the opportunity to comment on the draft proposal for EIOPA’s Report on Good Practices for Disclosure and Selling of Variable Annuities (the “Report”) and thanks EIOPA for launching this consultation. FAIDER (Fédération des Associations Indépendantes de Défense des Epargnants pour la Retraite) is a French organization which federates several associations of life policyholders, savers and small investors,	Noted

			representing more than 1 million of members. In 2010, mathematical provisions of FAIDER members accounted for more than 40 billions of Euros. FAIDER is an active member of the French ACP Commission des Pratiques Commerciales and of the French AMF Commission des Epargnants and participate actively to the retail investor and consumers consultations organized by EIOPA and ESMA. In order to be more proactive and to be better heard at the European level, FAIDER created EuroInvestors (the European Federation of Investors or EFI) with Euroshareholders and other European associations, in the summer of 2009. For further details please see our website: www.faider.org. Before answering to the consultation questions, FAIDER would like to point out the following important issues: Firstly, FAIDER regret that the questions for public consultation raised in this report are clearly targeted for the undertakings and not for customer organizations. This is maybe due to a certain lack of representatives of these organizations in the groups and task forces that have written this report and make the preceding studies. We hope and very strongly recommend to EIOPA to involve more representatives of customer and savers organizations in its expert groups and committee following the example of others European bodies. Secondly, we consider that VA products should be classified as PRIPS as should be all other more “traditional” classical and with profit life insurance products and that therefore they should be no difference of	

			treatment or disclosure between those products which are all purchased for investment or retirement purposes. In fact VA products offer a different approach from that of these traditional products, but the same objective of providing benefits for retirement. It is therefore very important to ensure a good level of comparability between these products when advised to the client and so they should not be subject to significantly different rules. Therefore we consider that EIOPA's recommandations for VA products concerning products features, costs transparency, level of products charges, selling practice and intermediary due diligence, apply also to the other traditionnal life and annuities products. We nevertheless recognize that VA products are complex in the sense that they incorporate (or are a mix of) two different categories of life insurance products: traditional with profit on one hand and annuities on the other hand. It is therefore also very important that these products should be sold only on an advised basis and that the risks inherent to these products in term of negative performance, consumption of capital at the beginning of the payoff period, if any be very clearly stated. In order to insure a satisfactory level of fairness and accuracy we would welcome the use of independent experts, actuaries or financial experts, which would assess the merits of these products for the small investor according to some predefined objectives.	
10.	FECIF	General Comment	The Fédération Européenne des Conseils et Intermédiaires Financiers ("FECIF") is grateful for the opportunity to comment on the draft proposal for EIOPA's Report on Good Practices for Disclosure and	Noted EIOPA would like to

			Selling of Variable Annuities (the “Report”). 1. Introduction to FECIF FECIF represents 167,165 individual practitioners (agents, brokers, consultants, etc.) through 23 trade bodies, 36 corporate entities (networks – large or small, wholesale & retail, local & cross border) and 4 financial institutions (life offices or banks). FECIF is committed to supporting EU politics to promote the single market in financial services. It advocates free and fair competition within the EU markets and support its members’ efforts to increase efficiency. The last survey carried on 1,245 intermediaries and 3,124 investors (existing and/or potential clients of intermediary’s member of FECIF) in 2010 across ten EU Member States indicates that: ☐ 37% of the total number of investors contacted prefer to deal through an intermediary because of the personal attention they received at the occasion of a face-to-face meeting ☐ 30% better trust dealing directly with an institution feeling secured by the size of the bank and/or the insurance company ☐ 18% prefer to rely on the assistance of a friend or a member of	point out that the terms and conditions governing traditional with-profit policies across the EU vary significantly in respect of profit attribution. In addition, policyholders may not be guaranteed a minimum yearly rate of return. We therefore do not concur with the view that VA products and traditional with-profit offerings should be subject to the same code of conduct rules. Another point is the cross-border nature of the distribution of VA which makes it necessary to foster the convergence of disclosure and selling practices rules.

			the family to provide advice ☐ 12% refer their queries to another professional (accountant, tax adviser, lawyer, etc.) ☐ 3% handle directly their affairs through the Internet for instance For further details please see our website: www.fecif.eu 2. Remarks on EIOPA's Report 1) FECIF's Principal Concerns In our view, many of EIOPA's observations and conclusions on VA products would also apply to traditional with profits life insurance products purchased for savings, investment or retirement purposes ("traditional life products"). We see a significant danger in singling out VA products for special consideration without any mention of whether the matters addressed in the Report should also apply to traditional with profits life products ("traditional life products"). Our reasons are as follows:	

			☐ VA products and traditional life products are to a large extent simply different ways of providing guaranteed benefits to consumers. There is therefore no factual justification for any extensive differentiation. ☐ Since VA products are alternatives to traditional life products for retirement provision, it is important to ensure comparability. However, comparability would suffer, if traditional life products and VA products are subject to significantly different disclosure rules. ☐ Finally, differentiation of treatment could be understood to be an implied preference for traditional life products on the part of policymakers. However, the traditional method of providing guarantees will not necessarily provide a more favourable outcome or be less likely to lead to insurer insolvency in the future. EIOPA is no doubt fully aware of risks that may arise out of a long term low interest environment. The Report states that VA products fall within the category of insurance contracts with an investment element. We therefore expect such contracts to fall within a definition of an insurance PRIP under IMD2. We consider this should be the case even if VA products are purchased for the purpose of retirement provision. In that case, they constitute voluntary Pillar III provision and should be subject to the same PRIPS disclosure principles as alternative forms of retirement provision.	

			We consider it essential that any definition of an insurance PRIP also clearly embrace “traditional”, “classical” and “with profit” insurances other than those which provide pure protection benefits to ensure a level playing field and to enable consumers to compare different PRIPS. The risks identified in this Report are equally relevant to traditional life products and so the same disclosure principles should apply. If this Report is to provide informal guidance to the European Commission on IMD2 and PRIPS, we therefore suggest that EIOPA state that the issues identified and recommendations made in this Report also apply to traditional life products. We are also concerned that some of the disclosure suggested in the Report could lead to excessively complex disclosures beyond those likely to be included within the insurance equivalent of a KII document. This would confuse rather than assist the consumer. For example, an explanation of how guarantees are achieved would require extensive technical details including an explanation of mathematical principles. The difficulty of explaining how guarantees are achieved would also arise in relation to the manufacture of guarantees within a traditional life product. In our view, such information should only be provided at a high level, as is currently the practice in relation to traditional life products. For the customer, a fair and clear description of the scope of the guarantee is much more important than a description of the mechanisms to achieve the guarantee. 2) Comparison of principal VA product features with traditional life products	

			Some of the features identified by EIOPA in relation to VA products are set out below. We have compared these VA features to traditional life products. In our view, there is no material difference between VA products and traditional products on the features identified. i) Product complexity EIOPA takes the view that VA products are inherently complex and must therefore generally be sold on an advised basis. We generally concur with this view. However, we would like to point out that VA products are not more complex than traditional life products from a consumer perspective. The rules governing allocation of profits and charges on traditional life products are highly complex and subject to numerous detailed regulations that require interpretation and discretionary decisions by individual insurers. This process is no more transparent for the consumer than the hedging strategies used to provide guarantees on VA products. Also, hedging instruments used for VA products may also be used by insurers to secure guarantees on traditional with profits products. The consumer is therefore likely to find VA products and traditional products equally complex in terms of the underlying “engine” that is used to deliver the insurance benefits. ii) Cost transparency	

			It is also difficult to see why a consumer would find the charging structure of a VA product to be less transparent than a traditional life product. To the contrary, the VA product generally shows express product charges, while charges arising on a traditional life insurance product are often hidden within the calculation of profits available for allocation to policyholders. Given the fact that there is no substantial difference in consumer perceived complexity and transparency, we would welcome the application of the approach taken on VA products to traditional products as well. iii) Level of product charges EIOPA points out that VA product characteristics of some insurance groups nowadays may allow for better VA risk management after reflection of their lessons learned during the recent financial crisis. EIOPA also points out that VA product characteristics today (in particular product charges) may render these products less attractive. However, EIOPA should consider the attractiveness of VA products in light of product alternatives and overall market conditions. It is uncertain whether alternatives in the market such as traditional life products will in future necessarily deliver more attractive benefits than a VA product and whether the overall charges of traditional life products (which are largely not transparent) are actually lower. We strongly recommend that the final EIOPA Report consider the	

			attractiveness of VA products in the context of the overall market for life insurance savings and retirement products. This would ensure that the Report provides a more balanced view. Alternatively, we suggest that such an evaluation not be included in the Report. 3) Good selling practices and intermediary due diligence We agree that VA products should generally be sold on an advised basis, except where the consumer explicitly waives advice. An indicative list of questions to be used and disclaimer required in this context seems to be a valuable tool to avoid the risk of mis-selling. However, it makes no difference to a consumer whether a traditional life product or a VA product was mis-sold due to an inadequate sales process. In both cases, the product will not have met his demands and needs. For this reason, we would recommend against any differentiation based on product type. 4) Further general comments As FECIF has consistently stated in submissions to the Commission we consider that the revised IMD2 should apply to all distributors of insurance products and so we take the same view in respect of this Report. Thank you for considering our general comments.	

11.	Financial Services Consumer Panel	General Comment	The Financial Services Consumer Panel was established under the Financial Services and Markets Act 2000 by the Financial Services Authority to represent the interests of consumers. The Panel is independent of the FSA. The main function of the Panel is to provide advice to the FSA, but it also looks at the impact on consumers of activities outside the FSA's remit. The Panel represents the interests of all groups of consumers. This is the Financial Services Consumer Panel's response to EIOPA-CP-11/007, Report on good practices for disclosure and selling of variable annuities. Overview The Panel is pleased to support EIOPA's work on variable annuities and in particular, the good disclosure and selling practices set out in this recent report. We would like to know more about how the report could be developed into perhaps an industry standard or code and how this would be monitored/enforced in different Member States. Variable annuities are products that can meet specific consumer needs in certain circumstances, although their inherent complexity and risk profile mean that while consumers may be attracted by the 'downside guarantee', other product features may not be so clearly understood. We agree with the recommendation in the report that variable annuities should be sold on an advised basis only. It is important however that advisers have the necessary expertise, professional qualifications and up-to-date knowledge to give informed advice. We are conscious that consumers incur a cost in obtaining such advice, but the financial risk arising from buying without expert advice is potentially much greater.	Noted

			We have set out below comments on the two key areas covered by the report. We are not in a position to respond to most of the specific questions contained within the consultation paper however.	
12.	ING Groep N.V.	General Comment	We agree with the general direction of this report, questions raised and creating an environment that key features of the product are clearly explained. However, we wonder why the scope of this report is limited to Variable Annuities (VAs) and does not include other investment products as well. We also believe that a few items need to be clarified. 1. Section 1.2 (Executive Summary and main findings) states that "As a consequence of increased focus on risk management, insurance undertakings have had to reflect the associated costs in the charging structure of Variable Annuity products, thus reducing the potential benefits to customers". Although this statement is factually correct, changes in market conditions over the past several years have highlighted the significant benefits that these products provide to customers. Additionally, these market movements have clarified that the benefits provided in the past were in some cases materially higher than what they should have been. In other words, many products seem to have offered benefits that were mis-priced, in favour of the customer. The new products have made an attempt to price the benefits at levels that are consistent with current market conditions. Therefore these benefits, although lower than pre-crisis levels, are actually priced consistent with current market conditions, and therefore more sustainable and at appropriate levels. Furthermore, ING's VA block in Europe is in line with Solvency II requirements. In fact, VAs are one of the first products to move in this direction. 2. Section 1.5 (Executive Summary and main findings) states that "…	Noted

			because of their inherent complexity, variable annuities should always be sold on an advised basis, via a sales person…). The strong wording in this statement, and use of the word “always” concern us. Variable Annuities may be packaged in a simple and transparent way, so that it could be suitable for “Direct Channel” as well. Currently we do not sell VAs through Direct channel, but we can envision specific designs that may be suitable for this channel. Therefore, we suggest to change the wording to state that “unless the product passes certain simplicity and transparency tests, it should only be sold through trained agents, on an advised basis.”	
13.	Investment and Life Assurance Group Ltd	General Comment	ILAG is a trade body representing members from the Life Assurance and Wealth Management Industries. ILAG members share and develop their practical experiences and expertise, applying this practitioner knowledge to the development of their businesses, both individually and collectively, for the benefit of members and their customers.	Noted
14.	Investment Management Association (IMA)	General Comment	The IMA represents the asset management industry operating in the UK. Our Members include independent fund managers, the investment arms of retail banks, life insurers and investment banks, and the managers of occupational pension schemes. They are responsible for the management of around £3.9 trillion of assets, which are invested on behalf of clients globally. These include authorised investment funds, (UCITS and non-UCITS), institutional funds (e.g. pensions and life funds), private client accounts and a wide range of pooled investment vehicles. It is as managers of the investments underpinning variable annuities and as prtoviders of competing investment products that our members are interested in the outcome of this report and consultation.	Noted

			The IMA fully supports the the PRIPs initiative, which seesks to address the lack of a level playing field in the distribution of retail investment products and inconsistent disclosures. Comparable rulkes on disclosure and selling practices are essential to ensure a high level of investor protection. Our members strongly support a horizontal approach and welcome the fact that it will be used in the legislation for the disclosure elements of PRIPs. Regarding selling practices, a similar horizontal approach would have been preferable, but the European Commission has chosen instead to revise sectoral regulation (MiFID and IMD). We strongly believe that the implementation of the PRIPs initiative must be coherent and must result in consistent regulation across all retail investment products. Furthermore, regulators must ensure there is coherence and consistency of implementation of any technical standards. Variable annuities include an element of capital accumulation and consumers are subject to investment risk during the life of the product. As such, these annuities should provide the same level of disclosure and investor protection as other products. It is also important that legislation is sufficiently flexible to take account of any future development or innovation in product design. Therefore all annuities (including variable annuities) should be subject to the definition test applicable to all PRIPs, and should be included in the PRIPs initiative when offered to retail investors.	

			Against this background, we welcome the Report on "Good practices for disclosure and selling of variable annuities". However, as EIOPA states that the Report "does not set forth any guidelines or recommendations" we do not see how its adoption can lead to significant improvements in industry practices. We suggest that EIOPA issues Level 3 recommendations as temporary measures before the adoption of new rules under the PRIPs regime. Both product disclosures and selling rules should, however, be regulated, using the UCITS KIID as the benchmark for product disclosure and MiFID for selling rules, with full consistency across all retail investment products within an overarching European PRIPs regime. Level 3 guidance or recommendations by regulators alone are not sufficient to provide an appropriate level of investor protection. We hope our comments will be helpful to EIOPA and remain at your disposal should you have any questions.	
15.	METLIFE	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.	Noted

			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.	
16.	Munich Reinsurance Company, Munich, Germany	General Comment	In our view it is indispensable that identical regulation is applicable to a) unit-linked insurance without guarantees and without minimum benefits and b) unit-linked insurance with guarantees or minimum benefits, irrespective of technique with which the guarantee or minimum benefit is established (Variable Annuity, Constant Proportion Portfolio Insurance (CPPI), Option Based Portfolio Insurance (OBPI) or otherwise). In order to protect the policyholder interest through adequate disclosure, it is essential that in any case of promises made on unit-linked policies – either as legally binding guarantee or as an promise given by a third party – the policyholder information is subject to identical rules. A formal distinction, based a product classification between VAs and policies ""which do not include a guarantee by the insurance company"" appears as inapproporate in view of policyholder protection. Policyholder information should be very explicit about the level of legally binding guarantees. Moreover, disclosure of appropriate information on the guarantor where this is not the insurance undertaking is necessary.	Noted
17.	The European Federation of Investors	General Comment	The European Federation of Investors (EuroInvestors) welcomes the opportunity to comment on the draft proposal for EIOPA's Report on Good Practices for Disclosure and Selling of Variable Annuities (the	Noted

			"Report").The European Federation of Investors and other financial services users ("EuroInvestors") was created in 2009, following the financial crisis which demonstrated the limits of the almost exclusive dialogue between regulators and the financial industry, largely ignoring the user side. EuroInvestors is the dedicated European representative of the interests of the financial services users in order to promote training, research and information on investments, savings, life insurance, pensions, borrowings and Personal Finances of individuals in Europe, by grouping the organisations pursuing the same objectives at a national or international level. Already about 50 national organizations of investors and other financial services users have joined us, which – in turn – count more than four million European citizens as members. EuroInvestors has experts participating to the EC Financial Services User Group, to the Securities & Markets, the Banking and the Pensions Stakeholder Groups of the European Supervisory Authorities. Its national members also participate in the national financial regulators and supervisors bodies when allowed. For further details please see our website: www.euroinvestors.org.Before answering to the consultation questions, EuroInvestors would like to point out the following important issues: Firstly, EuroInvestors regrets that the questions for public consultation raised in this report are clearly targeted to the insurance industry and insurance distributors, and not to customer organizations. This is maybe due to a certain lack of representatives of customer organizations in the EIOPA stakeholder groups and task forces that have written this report and made the preceding studies.We hope and very strongly recommend EIOPA to involve more representatives of customer and savers organizations in its expert groups and committees following the example of the other European bodies. Secondly, we consider that VA products should be classified as PRIPs as should be all other more "traditional" classical and with profit life insurance products. There should be no difference of treatment or	

			disclosure between those products which are purchased for investment or retirement purposes. In fact VA products offer a different approach from that of these traditional products, but the same objective of providing benefits for retirement. It is therefore very important to ensure a good level of comparability between these products when advising to the client and they should not be subject to significantly different rules. Therefore, we consider that EIOPA's recommandations for VA products concerning products features, costs transparency, level of products charges, selling practice and intermediary due diligence, apply also to the other traditionnal life and annuities products. Nevertheless, we want to stress that VA products are very complex in the sense that they incorporate (or are a mix of) two different categories of life insurance products: traditional with profit or unit-linked on one hand and annuities on the other hand. It is therefore very important that these products should be sold only on an independent advise basis and that the risks inherent to these products in terms of negative real performance, consumption of capital at the beginning of the payoff period, if any be very clearly stated. In order to insure a satisfactory level of fairness and accuracy we would welcome the use of independent experts, actuaries or financial experts, who would assess the merits of these products for a small investor according to some predefined objectives.	
18.	IRSG	Q1.	The WS supports the development and use of key features/key facts documents as an aid to focus the potential purchaser's attention on the most important factors that will enable him or her to take an informed decision. The WS believes that buyers of VA should be provided with sufficient and clear information to make informed decisions about the purchase of the product, including downside risks of variable annuities, complex charging structures and all/ultimate costs.	Noted

			The WS agrees that the content of information should be appropriate for targeted customers and that too much information is of as much concern as too little information. Customers should not be weighed down with too much technical information. Given the level of cross-border sales of variable annuities it is important that there is absolute clarity about the identity and nationality of the underwriter and the mechanisms in place for and any limits on redress and compensation in the event that things go wrong. • One WS member believes that effective disclosure, however, while welcome is not a panacea and should not absolve the industry or advisers from effective targeting and sales of these products. This is why advice is necessary and over reliance on information is misplaced. • One WS member argued that any increased information requirements for cross-border business would contradict the basic EU-target of a single European market and constitute a clear obstacle to cross-border business and perhaps even impede VA offering as a result. “Cross-border” does not mean “heightened risk”. This would contradict also the European passport idea. The fact that VAs in Europe very often are sold cross-border is by the way a consequence of lack of adequate national accounting practice (GAAP) and tax rules, e.g. for hedging and “valuation units” in some EU Member States. • Both in the IMD and in the MIFID but also in the life assurance directives, there are clear rules on pre-contractual product disclosure which can arguably lead to increased cost for the customer. In various national markets the industry or the industries together with supervisors have built upon information systems which facilitate the comparability of offers in function of the needs of the customer. In other markets there are no such national information systems.	
19.	Association of British Insurers	Q1.	UK regulation requires the production of a “key features document” for all packaged products, including variable annuities. The document	Noted

			must include enough information about the product so that a retail client would be able to make an informed decision about whether to proceed. A key features document for a packaged product must: 1. Include the title 'key features of the [name of product]' 2. Describe the product in the order of the following information: 'Its aims' A brief description of the product's aims 'Your commitment' or 'Your investment' What a retail client is committing to or investing in and any consequences of failing to maintain the commitment of the investment 'Risks'	

			The material risks associated with the product, including a description of the factors that may have an adverse effect on the performance or are material to the decision to invest. 'Questions and Answers' (in the form of questions and answers) the principle terms of the product, what it will do for a retail client and any other information necessary to make an informed decision. In addition, firms are required to produce, for all packaged products, a key features illustration setting out appropriate charges information including a description of the nature and amount of the charges a client may be expected to bear, an 'effect of charges' table, and 'reduction in yield' information. The illustration must also include a projection showing benefits at the lower, intermediate and higher rates of return.	
20.	Association of French Insurers (FFSA)	Q1.	Variable annuities are sold in the strict respect of the precontractual and contractual regulation. Key features Documents are specific documents that one can find e.g on the UK market but that are not into force in France. At this stage there's no reason why such a document in its particular format would be disclosed.	Noted
21.	Association of International	Q1.	Are documents that communicate the key features of the product (Key Feature Documents) used for Variable Annuities? What features do	Noted

	Life Offices AILO)		they contain? Yes, key feature documents are already used for variable annuities products. The detailed contents of these key feature documents vary between Member States and depend on local regulatory requirements and market practice, though PRIPS requirements may well result in future changes. The following is an example of information typically provided for the German market: 1. short product description 2. insured risks/benefits 3. amount of premium(s) and due date 4. exclusions 5. applicant's duty of disclosure and during policy term 6. how to claim for benefits 7. policy duration 8. rights of cancellation 9. details of costs covered by premiums expressed in Euros (initial and renewal, including guarantee costs, fund management charges, policy administration charges) 1. details of any other costs or charges that may arise 2. statement as to whether profit participation is offered 3. basis for calculation of surrender values and information on any surrender penalties 4. extent to which surrender values are guaranteed 5. details on underlying funds	

			6. details of investment risks 7. tax treatment 8. name and address of provider 9. name and address of supervisory authority 1. information on availability of guarantee fund 2. availability of ombudsman 3. applicable law and jurisdiction for resolution of disputes 4. language of commitment	
22.	AXA	Q1.	A Key Features Document (KFD) such as described in the CP (a standalone, FAQ-type document describing the key features, benefits, and risks of the product) is used for our UK Variable Annuity products. This document contains information related to the following features and characteristics of the product: ☐ What is the Plan? ☐ Its aims ☐ Your commitment ☐ Risk factors ☐ Questions and answers about the Plan ☐ Who is this Plan offered by? ☐ What is a unit-linked investment Plan? ☐ Who is this Plan available to? ☐ How does the particular tax wrapper under which the Plan is offered work?	Noted

			☐ What must I pay into the Plan? ☐ How are my Contributions invested? ☐ What is the Automatic Monthly Investment Option? ☐ Can I change how my money is invested? ☐ How will I know how my Plan is performing? ☐ What payments can be made from the Plan? ☐ What does it mean to say that the Plan offers a ““guarantee”“? ☐ How does the guarantee work and how is it calculated? ☐ What is the impact of partial surrenders on the guarantee? ☐ Is there a Charge for the guarantee? ☐ Can I surrender all or part of my Plan? ☐ How much will be paid if I surrender all or part of my Plan? ☐ What is the Free Corridor Amount? ☐ What about tax? ☐ What Death Benefit will be paid? ☐ How will the Death Benefit be paid? ☐ What Charges or deductions will be payable under the Plan? ☐ Can I change my mind about the Plan? ☐ What to do to make a complaint? ☐ Applicable Law ☐ Communication ☐ Compensation	

			☐ Contacting Us Although not in the same type of format, the Nota Informative which we produce for our Spanish products contains similar type of information to what is described above. This document is in a table format with headings prescribed by the Spanish regulation, and contains information on the functioning and on any limitative clauses related to features, benefits and guarantees, charges, underlying investments, contract duration, modalities of surrenders, and fiscal treatment of the contract. At 11 pages long versus the 16+ pages in the UK, it is much easier to wade through and find relevant information. In France, the inside front cover of the General Conditions contains the key, at-a-glance items about the contract, such as: Type of Contract, Benefits and Guarantees, Profit Sharing, Modalities of Surrenders, Fees, Contract Duration, and Beneficiary Designation. While not as detailed, it has the benefit of being just one page long, and covers the main characteristics of the contract and points to the relevant section of the General Conditions where more information can be obtained. Therefore, while not in the same KFD-type format, a facility to convey the key information about the products exists throughout most European countries, and is a convenient way to convey the basic product information that a KFD would be capturing without creating additional documents.	
23.	BUND DER VERSICHERTEN E.V.	Q1.	Key Feature Documents should be used for Variable Annuities. They should contain description of the product, type and date of garantees (especially when garantees are given), charges and risks, complaints	Noted

			and legal regulation. It is very important that the rules for changing maturity are clearly fixed, or it has to be written that no changes are possible.	
24.	CEA	Q1.	See CEA's comments under "General Comment"	Noted
25.	Chris Barnard	Q1.	Documents that communicate the key features of the product (Key Features Documents / Key Facts etc) are commonly used for Variable Annuities. Such documents usually contain: - the name / description of the company offering the product - a description of the product and its benefits - eligibility conditions - details on premium limits and premium payment methods - a description of the guarantees - withdrawal features - fund choices Further information may be given about: - the risk factors associated with the product and funds - any tax advantages or tax reliefs associated with the product and its payments in the particular market - charges and deductions (types and how levied) - the liability of the company offering the product in relation to guarantees There is quite some variation in the amount of information provided in these documents, which can range from a couple of pages to over 20 pages in length.	Noted
26.	FAIDER	Q1.	Are documents that communicate the key features of the product (Key	Noted

			Feature Documents) used for Variable Annuities? What features do they contain? Although there is no a unique mandatory Key Information Document (KID) as in the UCITS market, a key feature document is already used in many countries like in France of example where this document called “encadré” which is mandatory, provides the following information : 1) Type of contract 2) The contract guarantees 3) Participation in profits 4) Right of partial or total redemption 5) Costs incurred under the contract 6) Contract Period 7) Beneficiary Designation The purpose of this “encadré” is to give to the client the minimum necessary information on the product and the possibility to compare its features to the others. Besides this document a “note d’information” has also to be provided which will contain much more detailed information about the product, its features, the guarantees, the costs, etc…,the insurance company, the country and the laws and regulations under which the undertaking operates, the national supervisory authority and the complaint handling procedures. Concerning complex products like VA, such an “encadré” will not be sufficient and should be replaced by a Key Information Document which should be mandatory for all insurance PRIPS and would detailed more precisely the features of the product : - its guarantees, - the consolidated and detailed costs at inception and during the life of the product,	

			- the possible outcomes through different positive and negative scenarios, - the minimum underlying units performance required to offset all charges on a real (net of inflation) basis, - the past performance of the underlying assets - and more globally all necessary information to understand completely how the product works, what are the risks assumed, what are the reward to be expected from such an investment. As we have pointed out in our general comments , in order to insure a satisfactory level of fairness and accuracy we would welcome the use of independent experts, actuaries or financial experts, which would assess the merits of these products for the small investor according to some predefined objectives. Indeed, “dependent” advice (in the sense of article 24 of the MiFID proposal of 20 October 2011) must be avoided in particular for VA which are complex but also highly charged products.	
27.	FECIF	Q1.	Are documents that communicate the key features of the product (Key Feature Documents) used for Variable Annuities? What features do they contain? Yes, key feature documents are already used for variable annuities products. The detailed contents of these key feature documents vary between Member States and depend on local regulatory requirements	Noted

			and market practice, though PRIPS requirements may well result in future changes. The following is an example of information typically provided for the German market: 1. short product description 2. insured risks/benefits 3. amount of premium(s) and due date 4. exclusions 5. applicant's duty of disclosure and during policy term 6. how to claim for benefits 7. policy duration 8. rights of cancellation 9. details of costs covered by premiums expressed in Euros (initial and renewal, including guarantee costs, fund management charges, policy administration charges) 1. details of any other costs or charges that may arise 2. statement as to whether profit participation is offered 3. basis for calculation of surrender values and information on any surrender penalties 4. extent to which surrender values are guaranteed 5. details on underlying funds 6. details of investment risks 7. tax treatment 8. name and address of provider 9. name and address of supervisory authority	

			1. information on availability of guarantee fund 2. availability of ombudsman 3. applicable law and jurisdiction for resolution of disputes 4. language of commitment	
28.	Financial Services Consumer Panel	Q1.	We support the development and use of key features/key facts documents as an aid to communication of the most important features of financial products, alongside information about firms and legal/regulatory issues. They help to focus the potential purchaser's attention on the most important factors that he or she should take into account in reaching a decision. Given the level of cross-border sales of variable annuities it is important that there is absolute clarity about the identity of the underwriter and the mechanisms in place for and any limits on redress and compensation in the event that things go wrong. The key facts/key features documents and any promotional material should also set out clearly the downside risks of variable annuities as well as other product features. Particular care will also have to be taken to ensure that the often complex charging structures and ultimate costs are transparent. For complex products such as variable annuities however we agree that the principal disclosure regime could be enhanced by the use of tools such as frequently asked questions and scenarios. Care would have to be taken to ensure that consumers were not overwhelmed with information that could result in them not reading the key features document at all. There is also a need for consistency in the way in which information is made available. While we agree that there should be some flexibility in the way in which non-mandatory disclosure is carried out, if the terminology or approach used in different Member States – or even by	Noted

			different firms – is inconsistent, this could hinder rather than enhance consumers' ability to compare products. The term "guaranteed" appears frequently in relation to variable annuities and it is a term that will make variable annuity products appealing to many consumers. Unfortunately the simple, everyday language meaning of "guaranteed" does not always seem to apply in financial services. We would like the use of the term "guaranteed" banned where the particular feature of the product is not in fact guaranteed in the way that consumers would understand it. If that cannot be done, it should be made absolutely clear that any limitation or contingency on what is being offered changes a guarantee into an aim or intention.	
29.	ING Groep N.V.	Q1.	ING uses documents that describe key features in communicating VA products. In general, we use two sets of documents. The first document concerns the marketing brochure, which provides high-level information describing the product type and main benefits such as duration, premium, age, and type of guarantee(s). It also describes asset allocation techniques (if any), taxation, and an illustration of the product for a fictive customer (case study). The second document is the financial info sheet that provides more detailed information such as the main features of the product (product type, duration, minimum and maximum premium, and minimum and maximum age). It also describes the guaranteed benefits, death benefit, roll up rates, and ratchets, or any other feature that is included. Underlying funds, their investment objective and risk profile are also described in these documents, plus an illustration of how the	Noted

			guarantee works under favourable and unfavourable market circumstances. Charges are clearly described, including one-time fees, annual charges, guarantee costs, fund management fees and duration and level of surrender charges.	
30.	Investment and Life Assurance Group Ltd	Q1.	A Key Features Document is used that contains Aims, Commitments and Risks and then a Question and answer section which contains details on transfers, investment choices, taking benefits, income guarantee, death benefits, tax, how to apply, changing your mind, a glossary and other information at the back.	Noted
31.	METLIFE	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.	Noted
32.	The European Federation of	Q1.	13. Although there is no unique mandatory Key Information Document (KID) as in the UCITS market, a key feature document is	Noted

	Investors		already used in many countries like in France for example, where this document called “encadré” is mandatory and provides the following information : 14. 1) Type of contract 2) The contract guarantees 3) Participation in profits 4) Right of partial or total redemption 5) Costs incurred under the contract 6) Contract Period 7) Beneficiary Designation 15. The purpose of this “encadré” is to give to the client the minimum necessary information on the product and the possibility to compare its features with those of the other products. Besides this document, a “note d’information” has also to be provided and contains much more detailed information about the product, its features, the guarantees, the costs, etc., the insurance company, the country and the laws and regulations under which the undertaking operates, the national supervisory authority and the complaint handling procedures. 16. Concerning complex products like VA, an “encadré” is not be sufficient and should be replaced by a Key Information Document which should be mandatory for all insurance PRIPs and would detail more precisely the features of the product: - its guarantees, - the consolidated and detailed costs at inception and during the life of the product, - the possible outcomes through different positive and negative scenarios, - the minimum underlying units performance required to offset all charges on a real (net of inflation) basis,	

			- the past performance of the underlying assets - and more globally all necessary information to understand completely how the product works, what are the risks assumed, what are the rewards to be expected from such an investment. As we have pointed out in our general comments, in order to insure a satisfactory level of fairness and accuracy we would welcome the use of independent experts, actuaries or financial experts, who would assess the merits of these products for a small investor according to some predefined objectives. Indeed, “dependent” advice (in the sense of article 24 of the MiFID proposal of 20 October 2011) must be avoided in particular for VA which are complex but also highly charged products.	
33.	IRSG	Q2.	Consistency, simplicity, transparency and an aid to comparison. The aim must be to give clear information to help make more informed decisions about the purchasing of products that are suitable to specific needs and situations.	Noted
34.	Association of British Insurers	Q2.	Key features documents should provide a clear and balanced summary of the pros and cons of product and in doing so enable consumers to make informed decisions and comparisons between products and providers.	Noted
35.	Association of French Insurers (FFSA)	Q2.	The FFSA supports a high level of consumer protection but as insurance distribution markets vary significantly across Europe, a prescriptive regulatory approach would have negative implications both for markets and consumers at this stage.	Noted
36.	Association of International Life Offices (AILO)	Q2.	What kinds of benefits may flow from the use of such a key features document by insurance undertakings?	Noted

			A key features document is intended to put the consumer in a better position to compare products. A KII type document for insurance PRIPS will benefit the consumer by highlighting the most important aspects of the product in a short and readily understandable manner to enable comparison and the making of an informed decision. This will also reduce the risk of customer complaints and mis-selling.	
37.	AXA	Q2.	The premise behind a KFD-type of document is the right one, in a sense that the KFD is supposed to contain the information about the product which is most relevant to the customer, and present it in a simplified, client friendly, and legal jargon-free manner. In reality, however, the document still ends up long and unwieldy, and with many disclaimers and legal details that are there in order to avoid any possibility of the information in the KFD being interpreted as not balanced or misleading. Therefore, while in theory such a document can be beneficial, in practice it becomes yet another mandatory regulatory document which the client is required to obtain. In addition, in markets where a standalone KFD does not exist, this will make Variable Annuity-type products less attractive to clients and distributors as it will create the impression that the products are so complex that they require a whole other document to contain all of its disclosures. Therefore, as long as country-specific disclosures and practices exist, a better approach would be to fold in the necessary information in a format that exists in each market. This will ensure that VAs do not appear as an aberration in terms of the disclosures required and will not make them less attractive compared with products of a similar complexity which will not be subject to such a KFD.	Noted
38.	BUND DER	Q2.	Customers need pre-contractual information that is easily	Noted

	VERSICHERTEN E.V.		understandable, clear, fair and not misleading. The KFDs have to help the customer to understand the “life” of his contract, too: if figures are low, why does this happen?	
39.	CEA	Q2.	See CEA’s comments under “General Comment”	Noted
40.	Chris Barnard	Q2.	A key features document provides a single, concise document containing all of the key information about the product and benefits, and its investments. It is a softer document than the contractual terms and conditions for example, and should therefore be more understandable to customers. This helps to manage the customer’s expectations regarding the product and how the product will fulfil the customer’s needs, and the product’s risk and reward profile, and can be a useful tool to reduce potential misselling.	Noted
41.	FAIDER	Q2.	What kinds of benefits may flow from the use of such a key features document by insurance undertakings? As said in Q1, the purpose of a key features document is to put the consumer in a better position to understand, evaluate and compare products. A KII type document for insurance PRIPS, which we strongly recommend, will benefit the consumer by highlighting the most important aspects of the product in a short and readily understandable manner to enable comparison and the making of an informed decision. If information is clear, understandable and not misleading this will also reduce the risk of customer complaints and mis-selling.	Noted
42.	FECIF	Q2.	What kinds of benefits may flow from the use of such a key features document by insurance undertakings? A key features document is intended to put the consumer in a better position to compare products. A KII type document for insurance	Noted

			PRIPS will benefit the consumer by highlighting the most important aspects of the product in a short and readily understandable manner to enable comparison and the making of an informed decision. This will also reduce the risk of customer complaints and mis-selling.	
43.	ING Groep N.V.	Q2.	We believe it is critical to ensure a proper description of the product is provided to customers. Use of a fairly standard "key features document" by insurance undertakings would bring consistency in the disclosure of the pre-contractual information to customers. It would ensure that any reader would have a good understanding of the product, the charges, terms in relation to redemption/ maturity and any specific risks that they should be aware of. This would also make comparisons of different choices easier, even within different Variable Annuity types. It enables the customer to consider whether the Variable Annuity would be the right product for him/ her. This could improve the level of confidence and trust customers have in financial products.	Noted
44.	Investment and Life Assurance Group Ltd	Q2.	A consistent document across providers with similar sections improves the ability of the customer/Independent Financial Advisor to compare the benefits of each product. It also ensures that the main risks of the product are detailed in an easy to understand and comparable way.	Noted
45.	METLIFE	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.	Noted
46.	The European Federation of	Q2.	As pointed in answer to Q1, the purpose of a key features document is to put the consumer in a better position to understand, evaluate and	Noted

	Investors		compare products. A KII type document for insurance PRIPs, which we strongly recommend, will benefit the consumer by highlighting the most important aspects of the product in a short and readily understandable manner, and will enable comparison and an informed decision. If information is clear, understandable and not misleading this will reduce the risk of customer complaints and mis-selling.	
47.	IRSG	Q3.	The WS believes that VA product information should be clear, fair, not misleading and timely. As far as is reasonably possible, the product information should be provided in a format that facilitates comparison between providers and to the features of other, comparable, products. Key features should be consistent and customers should also be able to request more detailed information from potential providers. . While the precise form and content may vary according to the nature of the specific product, the WS is of the opinion that product information tools should be developed which include, where relevant, information on the following: • Key product characteristics (that may vary according to product type), including the possible existence and features of any capital guarantee; • The nature of redress should things go wrong. Customers buying cross border need information about possible compensation and redress and the exact definition and nature of any guarantees, including who bears the risk • Investment risk and in particular the minimum agreed capital (which can vary in time) o Performance indicators; and o The precise nature of costs and the total amount of all costs (making clear the difference between the sum of all premiums paid and that part of the premium that is actually invested).	Noted

			Upon request of the customer (where applicable via the intermediary), the provider of a variable annuity should at any time be prepared to give information on the performance of the product in particular if the benefits are not guaranteed. One WS member suggested this might be combined with special rights to cancel, although this might disadvantage the customer or lead to underperformance. Some WS members, while supportive of a high level of consumer protection for all consumers buying insurance products thought that, as insurance distribution markets vary significantly across Europe, a prescriptive regulatory approach may have negative implications both for markets and consumers. This is particularly so when it comes to the pre-contractual information that must be disclosed to consumers. **The Role of Frequently Asked Questions** While some members welcomed the use of information which might help customer understanding and help them relate scenarios and benefits to their own particular situation, the WS did query whether the number and nature of FAQs were excessive. Some particular comments from individuals are given below: • FAQ can be a valuable tool, provided they are presented in a fair and simple way and highlight the disadvantages and potential risks of such a product as well as the advantages. • Care will have to be taken to ensure consumers, though, are not overwhelmed with material to such an extent that they do not read the key features document at all. • the provision of such a high amount of information would appear to go against the objective of streamlining pre-contractual information to allow consumers to make an informed choice. EIOPA should take account of the Report of the 3L3 Task Force on PRIPs, which stressed the importance of adhering to the principles of proportionality and	

			materiality in developing product disclosure requirements, stating that disclosure should be a concise body of relevant and comparable information that can be understood by the investor and does not overwhelm or confuse the investor with too much information. • It would be preferable to stick to key features information as being defined for insurance products in general, taking the significant differences between insurance markets in Europe adequately into account. Any doubling of requirements should be avoided. • The manufacturer can provide certain information, but the distributor should be obliged to inform the customer, based on the information provided by the insurer. With reference to the 'total amount of costs', the manufacturer can include in the information inherent product costs, not distributor-incurred costs.	
48.	Association of British Insurers	Q3.	Yes. The FAQ format is widely used in the UK for pre-contractual disclosure.	Noted
49.	Association of French Insurers (FFSA)	Q3.	4. The recent consultation on PRIP's at the initiative of the European Commission pointed out three broad areas: 5. ☐ the scope of the initiative ; 6. ☐ the broad legislative approach to be followed ; 7. ☐ the content of a possible regime for product disclosure. 8. The FFSA would like to stress the need to avoid duplication of disclosure requirements regarding precontractual information, particularly when it is not clear whether variable annuities will fall under the scope of the PRIP's directive. 9. There is a risk of information overload since as mentioned by	Noted

			EIOPA, insurance companies have to follow all legal and regulatory requirements notwithstanding EIOPA's good practices proposal. Disclosure should be a concise body of relevant information. Good practices regarding precontractual information should be based on general principles and not subject to prescriptive measures that aren't legal or regulatory.	
50.	Association of International Life Offices (AILO)	Q3.	Do you consider FAQ as a useful way of presenting pre-contractual information? What other alternatives do you consider appropriate? We agree that the use of "frequently asked questions" is a transparent way of communicating relevant information. It is common practice in some markets.	Noted
51.	AXA	Q3.	We have performed market research with consumers from the target segments for our Variable Annuity proposition in the UK. This research involved the customers reading and commenting on our Key Features Document and our Client Marketing Brochure. While clients appreciated the Q&A format of the KFDs, the feedback unequivocally stated that: ☐ the clients perceive the KFDs as the ""legal, mandatory, cover-your back"" type of document and approach it as such ☐ the document is much more difficult to read and absorb than the Client Marketing Brochure which contains charts and other visuals explaining the product and its features ☐ the document is difficult to digest due to its containing only large blocks of text ☐ very few clients said that they would actually read it in reality Given this feedback from a market where the KFD is a necessary	Noted

			document for any product, it is very doubtful that in markets where it would represent an additional regulatory requirement, and an additional document on top of the documents required by local legislation, requiring this type of document would actually lead to increased understanding of the product, regardless of whether it is in FAQ format or not.	
52.	BUND DER VERSICHERTEN E.V.	Q3.	FAQ are useful, if they are concentrated on the Key Features as described above (including pre-contructual information and after conclusion).	Noted
53.	CEA	Q3.	As stated in CEA's comments under "General Comment", the CEA supports a high level of consumer protection for all consumers buying insurance products but as insurance distribution markets vary significantly across Europe, a prescriptive regulatory approach may have negative implications both for markets and consumers. This is particularly so when it comes to the pre-contractual information that must be disclosed to consumers. The EIOPA report proposes that best practice would adopt a question and answer format for disclosures and recommends providing the answers to 35 "frequently asked questions" as a way of communicating the relevant information. However, the provision of such a high amount of information would appear to go against the objective of streamlining pre-contractual information to allow consumers to make an informed choice. The CEA wishes to remind EIOPA of the Report of the 3L3 Task Force on PRIPs□, which stressed the importance of adhering to the principles of proportionality and materiality in developing product disclosure requirements, stating that disclosure should be a concise body of relevant and comparable information that can be understood by the investor and does not overwhelm or confuse the investor with too much information.	Noted

			Furthermore, the questions laid out in the report are referred to as being "indicative and not exhaustive". The report states that notwithstanding these questions, insurance companies must also follow all legal and regulatory requirements which they are subject to. In this respect, the CEA wishes to stress the need to avoid duplication of disclosure requirements regarding pre-contractual information, particularly when it is not clear whether variable annuities will fall under the scope of the PRIPs initiative, as otherwise there is a risk of information overload that may result in hindering efforts to improve the situation for consumers.	
54.	Chris Barnard	Q3.	Yes. FAQ by definition aim to answer the most commonly asked questions in a single, controllable format (control is important here). This provides a basic level of understanding and information to a potential customer before going into more detail during later stages of the selling process.	Noted
55.	FAIDER	Q3.	Do you consider FAQ as a useful way of presenting pre-contractual information? What other alternatives do you consider appropriate? The use of "frequently asked questions" is certainly a good way of communicating relevant information, but it should not be considered as sufficient for several reasons: it cannot cover all cases and the questions (and answers) being selected by the undertakings, may be biased in favour of the insurer.	Noted
56.	FECIF	Q3.	Do you consider FAQ as a useful way of presenting pre-contractual information? What other alternatives do you consider appropriate?	Noted

			We agree that the use of "frequently asked questions" is a transparent way of communicating relevant information. It is common practice in some markets.	
57.	ING Groep N.V.	Q3.	Yes, a FAQ document can be a useful way of presenting pre-contractual information. An alternative could be an online simulation of the product for the customer. This should then give an explanation of the key product features, the charges, terms in relation to redemption/maturity and any specific risks for the customer's specific situation. Simulations can be an effective method to enhance the customer's understanding of the product, given that providers clearly explain that simulations are used for illustrative purposes only and that they are by no means a guarantee of what the client gets. As such, the policyholder cannot derive any rights from the information obtained from the simulations.	Noted EIOPA finds the suggestion on simulations very useful.
58.	Investment and Life Assurance Group Ltd	Q3.	Yes. Other clear customer friendly literature formats could be appropriate but one of the values of the KFD is in its conformity and the fact that customers might be familiar with the layout and rough content through other financial services products they might have purchased.	Noted
59.	METLIFE	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.	Noted

60.	The European Federation of Investors	Q3.	The use of “frequently asked questions” is certainly a good way of communicating relevant information, but it should not be considered as sufficient for several reasons: it cannot cover all cases and the questions (and answers) being selected by the undertakings, may be biased in favour of the insurer.	Noted
61.	IRSG	Q4.	Some WS members believed information was required on a yearly basis at least by local regulations.	
62.	Association of British Insurers	Q4.	One provider confirmed that they provide policyholders with an annual benefit statement highlighting the level of their funds and the level of their guarantees. In additions clients have the option to ask for ad-hoc valuations at any time.	Noted
63.	Association of International Life Offices (AILO)	Q4.	During the life of the contract how do providers inform customers on the performance of their VA contract? The customers are informed in writing or through the provider’s client extranet service about the performance of their VA contract (i.e. fund value) on a regular basis (usually annually or more frequently) or at any time upon request of the customer.	Noted
64.	AXA	Q4.	Most countries require that the insurer provide at least an annual statement to the client regarding the performance of their contract. We send an annual statement to the client, and, in addition, the client can request a policy valuation via his adviser anytime.	Noted
65.	BUND DER VERSICHERTEN E.V.	Q4.	It is necessary that once in a year providers inform customers on the performance of their VA contract and on the change of the garantees, if this happens.	Noted
66.	CEA	Q4.	See CEA’s comments under “General Comment”	Noted
67.	Chris Barnard	Q4.	This varies depending on the country and regulation. The insurance	Noted

			company will normally send the customer a statement once a year containing information about the current value of the VA contract. The customer should be able to contact the intermediary or the insurance company to obtain further information. Information on the funds' performance would be distributed in various media, for example a national newspaper or the internet. Some insurance companies offer a "calculator" on their website which provides some additional information / calculation on potential performance.	
68.	FAIDER	Q4.	During the life of the contract how do providers inform customers on the performance of their VA contract? As far as we know, the customers are informed in writing or through the provider's client extranet service about the performance of their VA contract (i.e. fund value) on a regular basis (usually annually or more frequently) or at any time upon request of the customer.	Noted
69.	FECIF	Q4.	During the life of the contract how do providers inform customers on the performance of their VA contract? The customers are informed in writing or through the provider's client extranet service about the performance of their VA contract (i.e. fund value) on a regular basis (usually annually or more frequently) or at any time upon request of the customer.	Noted
70.	ING Groep N.V.	Q4.	1. Providers distribute an annual statement of the contract to customers. 2. In the majority of the countries where ING launched Variable	Noted

			Annuity products, the customer has daily access to his/ her funds performance. 3. Customers can contact their financial advisors at any time, to request the performance of their investment.	
71.	Investment and Life Assurance Group Ltd	Q4.	Provision of an annual statement showing the plan summary, summary of payments in and out of the plan, detailed breakdown of the payments into and out of the plan, details of fund holdings, breakdown of current and future income limits and reviews, glossary of terms and contact details.	Noted
72.	METLIFE	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.	Noted
73.	The European Federation of Investors	Q4.	17. As far as we know, the customers are informed in writing or through the provider's client extranet service about the performance of their VA contract (i.e. fund value) on a regular basis (usually annually or more frequently) or at any time upon request of the customer.	Noted
74.	Association of British Insurers	Q5.	The KFI requires the production of an illustration showing the benefits at lower, intermediate and higher rates of return, taking into account	Noted

			the effect of inflation and charges. For variable annuities, the Financial Services Authority (FSA) sets the rates of return at 5% (lower), 7% (intermediate) and 9% (higher). However, the standardised projection must use lower rates of return if the rates set by the FSA overstate the investment potential of the variable annuity.	
75.	Association of International Life Offices (AILO)	Q5.	Which scenarios should providers use to illustrate potential payouts to customers? In our opinion specimen calculations as provided for in Article 185 (5) of the Solvency II directive is a valuable and sufficient tool to illustrate potential payouts to customers. We also consider that illustrations should show the effect of charges by means of a reduction in yield or similar methodology. In addition, it may be appropriate to provide non-individualised scenarios on how different market developments (e.g. sharp market downturn or prolonged market downturn) could impact the product.	Noted
76.	AXA	Q5.	The scenarios shown to clients in the product literature should be such that the functioning of the product can be clear to the customer. While showing at least a favourable and an unfavourable scenario makes sense, it is worth to keep in mind that these scenarios are shown either in a table or in a graph format, and our research has shown that customers have difficulties interpreting graphs and tables on their own. This is where the product being sold on an advised basis is key, as there are very few clients that can comprehend the functioning of the product and how the product might meet their needs just by reading the literature provided by the insurer. In addition, including multiple charts and/or graphs in the literature leads to a longer document, which increases the chance of the document considered inaccessible and intimidating to clients.	Noted

			A single scenario containing fluctuations in the underlying funds such that the client can see in one table or one picture how the product performs in an up vs. a down market should be sufficient to give a sense of the behaviour of the product under various market conditions. This is also a more realistic representation of what true market movements are likely to be (the market moves in cycles and never always upwards or always downwards and the products are designed to capture that variability and both protect the client from it but also take advantage of it.) Some qualitative descriptions about product performance in extreme market scenarios could complete the picture, or, alternatively, if the insurer has the means to provide an illustration of an unfavourable scenario, they should not have to include it in the core product literature.	
77.	BUND DER VERSICHERTEN E.V.	Q5.	Three scenarios should be used, related to the real developments during the last ten years (best, average and worse performance really achieved during that period). Reality was worse than any theoretical scenario before! The scenarios should contain changes in non-financial topics, too, like increase or decrease of longvity.	Noted
78.	CEA	Q5.	See CEA's comments under "General Comment"	Noted
79.	Chris Barnard	Q5.	This is an important topic, as illustrations of potential payout are often a key decision factor for customers, which can also create expectations. As a minimum, providers should present three potential scenarios, e.g. unfavourable, medium (or most likely or best estimate) and favourable. Within these a balance needs to be struck between risk and reward. It is paramount that the scenarios presented do not mismanage customers' expectations, or unfairly distort their perception of the various investment options available. I would recommend one of two options to allow for the different asset allocations: - 1) the three scenarios could be chosen from a stochastic set,	Noted

			which would allow explicitly for the expected risk and return profiles of the different assets in its parameter settings and calibration. E.g. 1000 such scenarios could be created, and the mean (middle) scenario could be disclosed along with the 25th and 975th best scenarios after ranking. - 2) The three scenarios could be run deterministically. A risk premium could be included for equity-oriented investment options within the three deterministic scenarios, but also a wider spread of outcomes, which would thus explicitly illustrate the greater expected range of returns for equity-oriented investment options. This could then fairly illustrate the greater risk and reward profile for equity-oriented investment options. Either of the above options would fairly and reasonably manage expectations concerning the relative risk/reward profiles for different investment options. Perhaps a "worst-case" scenario should also be presented, which would show the minimum possible payout to customers (not including default of the provider). Scenarios should always include the effect of all charges on the potential payouts. For more information on the benefits of regulation in this area, including on the effect of charges and the reduction in yield, please refer to: http://www.fsa.gov.uk/pubs/other/cra_report_benefits.pdf	
80.	FAIDER	Q5.	Which scenarios should providers use to illustrate potential payouts to customers? First of all, the scenarios must be probable ones, not improbable ones, so not as to mislead customers (providers can assess rough probabilities using rebuilt past performance and volatility data for example).	Noted

			In our opinion specimen calculations as provided for in Article 185 (5) of the Solvency II directive is not a valuable and sufficient tool to illustrate potential payouts to customers. In fact the complexity of VA products make it necessary the use of complex scenarios, due to the variety of possible cases and their impact on the possible outcomes. For example it may be appropriate for the supervisory authority to provide scenarios on how different market developments (e.g. sharp market downturn or prolonged market downturn) could impact the product. These illustrations should show the effect of charges not only by means of a reduction in yield or similar methodology but also directly on the capital. They should be submitted to an independent examination by independent experts to ensure their fairness and accuracy.	
81.	FECIF	Q5.	Which scenarios should providers use to illustrate potential pay-outs to customers? In our opinion specimen calculations as provided for in Article 185 (5) of the Solvency II directive is a valuable and sufficient tool to illustrate potential pay-outs to customers. We also consider that illustrations should show the effect of charges by means of a reduction in yield or similar methodology. In addition, it may be appropriate to provide non-individualised scenarios on how different market developments (e.g. sharp market downturn or prolonged market downturn) could impact the product.	Noted

82.	ING Groep N.V.	Q5.	Expected results should be illustrated under favourable and unfavourable fund performance. In addition, depending on the duration of the maturity/term, insurers should be allowed to illustrate the best, worst, and most recent X (term) number of years of performance of the product. In particular for GMWB: favourable and unfavourable fund performance would show the value of the products well. In unfavourable market scenarios, the withdrawal benefit would still be paid out to the customer, although the Account Value could be at zero. Policyholder value should also be explained if the contract is ended prior to maturity as a consequence of full surrender under favourable and unfavourable fund performance, which may include a surrender charge.	Noted
83.	METLIFE	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	Noted

			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.	
84.	Munich Reinsurance Company, Munich, Germany	Q5.	Ideally, the life insurer provides the prospect (in the pre-contractual phase) as well as the policyholder (at each policy anniversary date during policy term) with at least the following illustrations: 1. The expected value (or median) of the predictive distribution of the maturity benefit of the policy, i.e. ““What is the expected value of the maturity benefit of this product?”“ The result of this illustration is hereafter referred to as the ““expected outcome illustration”“. 2. An risk measure of the predictive distribution of the maturity benefit of the policy, i.e. ““What is the expected value of the maturity benefit of this product in p% of the most unfavourable scenarios?”“. A typical value of the confidence level p could be 10%. The result of this illustration is hereafter referred to as the ““unfavourable outcome illustration”“. The results of the illustrations are based on stochastic simulations rather than deterministic projections. Stochastic simulations are based upon realistic and reproducible assumptions relating to (real world)	Noted

			drift μhist and (real world) volatility σhist. The parameters shall reflect a sufficiently long history. Appropriate is a period which is equal to the (remaining) term of, at minimum 10 years. In those situations where historical data is not available, an appropriate benchmark shall be used. The assumptions relating to μhist and σhist shall be updated annually. Moreover, within all stochastic simulations, the life insurer shall take into account all risk, guarantee and expense charges, both on a policy level as well as on a fund level. The information provided to the prospect or policyholder needs to be independent of the product type, i.e. whether it is a VA insurance or an alternative form of guarantee. In particular, in case the guarantee or minimum benefit is established by means of CPPI techniques, the so called ""cash-lock risk"", if any, shall be reflected in an adequate way in the stochastic simulations leading to the predictive distribution of the maturity benefit.	
85.	The European Federation of Investors	Q5.	18. First of all, the scenarios must be the probable ones, not improbable ones, in order not to mislead customers (providers can assess rough probabilities using rebuilt past performance and volatility data for example). 19. In our opinion specimen calculations as provided for in Article 185 (5) of the Solvency II directive is not a valuable and sufficient tool to illustrate potential payouts to customers. In fact the complexity of VA products make necessary the use of complex scenarios, due to the variety of p ossible cases and their impact on the possible outcomes. 20. For example it may be appropriate for the supervisory authority to provide scenarios on how different market developments (e.g. sharp market downturn or prolonged market downturn) could impact the product.	Noted

			21. These illustrations should show the effect of charges not only by means of a reduction in yield or similar methodology but also directly on the capital. 22. They should be submitted to an independent examination by independent experts to ensure their fairness and accuracy.	
86.	IRSG	Q6.	Downside risk should always be clear, so that consumers are informed about the risks as well as the benefits of such products. It is also important to clarify what the term ‘guarantee’ means, as often it is assumed by consumers that this will guarantee income and capital, yet often the term is used differently by the industry. We recommend that the term ‘guarantee’ is not used where the particular feature of the product is not in fact guaranteed in the way that consumers would understand it. If that cannot be done, it should be made absolutely clear that any limitation or contingency on what is being offered changes a guarantee into an aim or intention.	Noted
87.	Association of British Insurers	Q6.	19. Where the value of the capital is at risk from fluctuations in the stock market, this should be explained to the consumer. 20. As the report states, the risk in providing the guarantees associated with a variable annuity is taken on by the firm. The only circumstance in which the firm would not meet these commitments would be if it were insolvent. Though an unlikely event, the impact on the consumer if the firm went into insolvency should also be explained.	Noted
88.	Association of International Life Offices (AILO)	Q6.	Which unfavourable scenarios should always be presented? A zero performance of the underlying funds could be considered as an unfavourable scenario. However, it is difficult to provide a general answer to this question, as	Noted

			the relevance of unfavourable scenarios often depend on the type of VA product being offered. For instance, a one-off steep market drop or a prolonged market downturn may be appropriate (non-individualised) scenarios to present, depending on the impact that these scenarios would have on the benefit to the customer. In our view, it is most important to ensure that the customer is aware of the maximum investment risk (see below). The presentation of other scenarios simply helps underline the fact that a wider range of outcomes is possible.	
89.	AXA	Q6.	See answer to question 5. An unfavourable scenario should not systematically be required;; however, if one has to be provided, a 0% flat return on the underlying funds (after the fund management fee has been applied) is a good one to use as it demonstrates the functioning of the guarantees but does not show consistently negative returns which could scare the client off and put the product at a disadvantage.	Noted
90.	BUND DER VERSICHERTEN E.V.	Q6.	One unfavourable scenario that should always be used is the zero interest rate scenario (no benefits, only charges are realised). It should be combined with a decrease of longevity if pension schemes are concerned.	Noted
91.	CEA	Q6.	See CEA's comments under “General Comment”	Noted
92.	Chris Barnard	Q6.	See my response to question 5.	Noted
93.	FAIDER	Q6.	Which unfavourable scenarios should always be presented? It is not easy to define in absolute unfavourable scenarios because they depend on the features of the products. Absolute scenarios should be defined in relation to the maximum risk of losses incurred by the beneficiary under unfavourable market circumstances.	Noted

			However, it is difficult to provide a general answer to this question, as the relevance of unfavourable scenarios often depend on the type of VA product being offered. For instance, a one-off steep market drop or a prolonged market downturn may be appropriate (non-individualised) scenarios to present, depending on the impact that these scenarios would have on the benefit to the customer. In our view, it is most important to ensure that the customer is aware of the maximum investment risk (see below). The presentation of other scenarios simply helps underline the fact that a wider range of outcomes is possible. Anyway, these scenarios should be submitted to an independent examination by independent experts to ensure their fairness and accuracy.	
94.	FECIF	Q6.	Which unfavourable scenarios should always be presented? A zero performance of the underlying funds could be considered as an unfavourable scenario. However, it is difficult to provide a general answer to this question, as the relevance of unfavourable scenarios often depend on the type of VA product being offered. For instance, a one-off steep market drop or a prolonged market downturn may be appropriate (non-individualised) scenarios to present, depending on the impact that these scenarios would have on the benefit to the customer. In our view, it is most important to ensure that the customer is aware of the maximum investment risk (see below). The presentation of other scenarios simply helps underline the fact that a wider range of outcomes is	Noted

			possible.	
95.	ING Groep N.V.	Q6.	An “unfavourable” scenario may be different in different designs. For example, in an unfavourable scenario where funds perform poorly, the guaranteed amount is paid, or in a withdrawal benefit for life, account value may go to zero, but payments continue to be paid. ING believes the necessity to show at least two deterministic scenarios (over-perform and under-perform), and at least three historical scenarios (best, worst and most recent X number of years) as described earlier.	Noted
96.	METLIFE	Q6.	Which unfavourable scenarios should always be presented?	No comment
97.	The European Federation of Investors	Q6.	23. It is not easy to define in absolute unfavourable scenarios because they depend on the features of the products. Absolute scenarios should be defined in relation to the maximum risk of losses incurred by the beneficiary under unfavourable market circumstances. 24. However, it is difficult to provide a general answer to this question, as the relevance of unfavourable scenarios often depend on the type of VA product being offered. For instance, a one-off steep market drop or a prolonged market downturn may be appropriate (non-individualised) scenarios to present, depending on the impact that these scenarios would have on the benefit to the customer. In our view, it is most important to ensure that the customer is aware of the maximum investment risk (see below). The presentation of other scenarios simply helps underline the fact that a wider range of outcomes is possible.	Noted

			25. Anyway, these scenarios should be submitted to an independent examination by independent experts to ensure their fairness and accuracy.	
98.	Association of British Insurers	Q7.	21. As the consultation states, when purchasing a variable annuity, policyholders are usually given a number of choices and options, for instance in relation to fund selection, which they can exercise at inception or during the life of the contract. As such, we are particularly concerned about the suggestion that disclosure documents should provide an indication of risk using the same approach as that used for UCITS. 22. We are supportive of producing a single risk rating at the fund level, however, there are significant challenges to attempting to produce one for a product that could potentially be invested in multiple funds. In addition to the issue of developing an accurate methodology for a risk rating at the product level, there are other significant limitations. For example, the existing risk indicator is a volatility measure which takes no account of an individual's circumstances or the broader outcomes for the consumer. Though there are benefits to standardised risk/reward indicator, it must be acknowledged that this may not be possible at the product level and other otions, such as a narrative approach, should be considered.	Noted
99.	Association of International Life Offices (AILO)	Q7.	How should the maximum risk assumed by the customer be illustrated? We would define maximum risk as the negative difference, if any, between the guarantee and the sum of premiums paid. In providing this information, any conditions attaching to a guarantee should be clearly stated. If there are conditions attaching to a guarantee, a statement should be added that the return to the policyholder may be	Noted

			less than the guaranteed amount. We would not recommend using a numerical example in this case, as there would be too many possible scenarios and corresponding complexity in relation to such information.	
100.	AXA	Q7.	The attempt to quantify the maximum risk taken by the customer and make that part of the illustration is ultimately dangerous and inefficient because: ☐ This is not required for any other product ☐ It will reduce the whole product to one number or one metric focusing on risk only and without a comparable metric regarding benefits. ☐ Most measures of risk such as standard deviation or percentiles, or distribution of returns are highly technical metrics which are not easily understood by clients. ☐ The risks the client takes in buying the product are much better explained in a balanced, qualitative way. ☐ Finally, the aim of illustrations should not be to illustrate the maximum risk the customer assumes but rather to give the customer sufficient explanations about the performance of the contract under a variety of growth return scenarios	Noted
101.	BUND DER VERSICHERTEN E.V.	Q7.	On a period of ten years back from the date of contract conclusion the worst really achieved performance should be illustrated by figures which must not be distorted (completely equal and regular scales). If these figures are not available, at least the zero interest rate scenario should be showed as worst case.	Noted
102.	CEA	Q7.	See CEA's comments under "General Comment"	Noted
103.	Chris Barnard	Q7.	See my response to question 5.	Noted
104.	FAIDER	Q7.	How should the maximum risk assumed by the customer be	Noted

			illustrated? In most VA products they are two risks that are supported by the beneficiary. One relates to the negative performance net of inflation and of taxes of the premiums paid. It is linked also to the level of the guarantee provided. In providing this information, any conditions attaching to a guarantee should be clearly stated. If there are conditions attaching to a guarantee, a statement should be added that the return to the policyholder may be less than the guaranteed amount. Another one relates to the speed of capital consumption during the first payout years, which will cancel more or less quickly the possibility of repurchase and therefore the capital guarantee. Here again there is a need of independent expertise to ensure a sufficient level of fairness and accuracy.	
105.	FECIF	Q7.	How should the maximum risk assumed by the customer be illustrated? We would define maximum risk as the negative difference, if any, between the guarantee and the sum of premiums paid. In providing this information, any conditions attaching to a guarantee should be clearly stated. If there are conditions attaching to a guarantee, a statement should be added that the return to the policyholder may be less than the guaranteed amount. We would not recommend using a numerical example in this case, as there would be too many possible scenarios and corresponding complexity in relation to such information.	Noted
106.	ING Groep N.V.	Q7.	If held to maturity, the maximum risk will be the minimum amount the customer will receive as compared to his initial investment.	Noted

107.	METLIFE	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?	Noted
108.	Munich Reinsurance Company, Munich, Germany	Q7.	The result of the ""expected outcome illustration"" and the ""unfavourable outcome illustration"", taking into account realistic real world parameters µhist and σhist.	Noted and comment introduced in the Report to reflect the suggestion made
109.	The European Federation of Investors	Q7.	26. In most VA products they are two risks that are supported by the beneficiary. One relates to the negative performance net of inflation and of taxes of the premiums paid. It is also linked to the level of the guarantee provided. In providing this information, any conditions attached to a guarantee should be clearly stated. If there are conditions attached to a guarantee, a statement should be added that the return to the policyholder may be less than the guaranteed amount. Another one relates to the speed of the capital consumption during the first payout years, which will cancel more or less quickly the possibility of repurchase and therefore the capital guarantee. Here again there is a need of independent expertise to ensure a sufficient level of fairness and accuracy.	Noted

110.	Association of British Insurers	Q8.	The purpose of illustrations is to give consumers an understanding of how their investment might perform over time and the effect that charges and inflation will have. This is important in helping consumers compare and choose the appropriate product for their needs as well as helping them plan their finances efficiently.	Noted
111.	Association of International Life Offices (AILO)	Q8.	What kinds of benefits may flow from the use of illustrations by insurance undertakings? 1. Illustrations can help give customers an understanding of what payouts they may receive and what it might cost them in a given set of circumstances. They may also make the product more transparent and easier for the customer to understand subject to clear caveats that these do not give any promise of future benefits.	Noted
112.	AXA	Q8.	The benefits of illustrations are numerous: ☐ They are a bespoke document provided to the client and created and adapted to his/her circumstances, thus strengthening the sales process, and linking the contract back to the client''s needs ☐ It allows the adviser and the client to have a conversation around the features, benefits, and charges of the product given certain growth rates However, for the above to be true, and for illustrations to be indeed a useful document as opposed to just another regulatory requirement, it would be preferable that the following be in place: ☐ The illustrations should be clear, unbiased, and not misleading, and focus on explaining product functionality and providing an idea of the way the product would perform under given scenarios ☐ No metrics which are not required for other types of investment	Noted

			products should be required for variable annuities. Where particular metrics are required, their limitations should be explained. An example for this is the reduction in yield-type measure. While it is a decent indicator of the effect of all charges annualized and ""smoothed over"" a given duration, it has become the metric widely used to compare products. This greatly disadvantages VA products because it makes them look much less attractive due to the additional fee for the guarantee, but also because there is no metric in place to fully capture the benefits of the product – the RIY does not at all capture the fact that the product could provide longevity and death protection for example. In addition, different providers have different charges for different benefits which renders the RIY comparison invalid in those cases. ☐ Appropriate growth rates should be used: While unreasonable growth rates or growth rates which are improbable given the underlying funds should not be used, the use of flat growth rates for every year of the illustration horizon is not appropriate for VA products. No underlying fund ever performs this way, so illustrations at a flat rate of x% are unrealistic both from a fund performance point of view, but also as it could misrepresent the product a bit (constant growth every year could mean, for example, that we will illustrate a ratchet occurring every year, which will not be the case in practice, or the client would never be shown how the minimum guarantee floor operates.) Using past returns or backtested returns using appropriate indices, appropriately disclosed and derived, should be allowed even in circumstances where in certain years the rates of return are above the minimum growth rate allowed by a jurisdiction.	
113.	BUND DER VERSICHERTEN E.V.	Q8.	Illustrations can provide fair information to the customer, but only if they are not distorted (regular scales) and standardized for all insurers.	Noted

114.	CEA	Q8.	See CEA's comments under "General Comment"	Noted
115.	Chris Barnard	Q8.	Illustrations help to manage customer expectations regarding potential payouts by showing a reasonable range of potential payouts, including unfavourable ones. (Illustrations may therefore provide a level of protection against mismanaging expectations during the selling process.) This should help to reduce misselling.	Noted
116.	FAIDER	Q8.	What kinds of benefits may flow from the use of illustrations by insurance undertakings? 1. Illustrations can help give customers an understanding of what payouts they may receive and what it might cost them in a given set of circumstances. They may also make the product more transparent and easier for the customer to understand subject to clear caveats that these do not give any promise of future benefits. 2.	Noted
117.	FECIF	Q8.	What kinds of benefits may flow from the use of illustrations by insurance undertakings? 1. Illustrations can help give customers an understanding of what pay-outs they may receive and what it might cost them in a given set of circumstances. They may also make the product more transparent and easier for the customer to understand subject to clear caveats that these do not give any promise of future benefits.	Noted
118.	ING Groep N.V.	Q8.	It would provide a proper understanding of the risks assumed by the policyholder in a variable annuity contract.	Noted

119.	METLIFE	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.	Noted
120.	Munich Reinsurance Company, Munich, Germany	Q8.	The result of the ""unfavourable outcome illustration"" expressed as a percentage of the sum of all premiums payable under the policy is a meaningful risk indicator that is easy to understand for the prospect or policyholder.	Noted
121.	The European Federation of Investors	Q8.	Illustrations can help to give customers an understanding of what payouts they may receive and what it might cost them in a given set of circumstances. They may also make the product more transparent and easier for a customer to understand subject to clear caveats that these do not give any promise of future benefits.	Noted
122.	IRSG	Q9.	Insurance and financial intermediaries play an important role in the distribution of insurance and financial products and are the interface with consumers, guaranteeing clarity and comparability of increasingly diversified financial products. VAs are sold through a range of distribution channels. In some of the EU Member States, intermediaries are by far the main distribution channel for these products (although competition with other forms of distribution and direct distribution is strong).	Noted
123.	Association of British Insurers	Q9.	Variable annuities (as understood in the UK) are sold via financial advisors.	Noted
124.	Association of	Q9.	What are the distribution channels used in your market?	Noted

	International Life Offices (AILO)		AILO members generally use independent intermediaries as their distribution channel for their cross-border EU business.	
125.	AXA	Q9.	In all our markets, we sell the product through both proprietary channels (tied agents, salaried salesforce) as well as non-proprietary channels (banks, IFAs.)	Noted
126.	BUND DER VERSICHERTEN E.V.	Q9.	Insurers, banks, agents, intermediary firms, internet.	Noted
127.	CEA	Q9.	See CEA's comments under "General Comment"	Noted
128.	FAIDER	Q9.	What are the distribution channels used in your market? As far as we know, all distributions channels are being used: insurance employees, agents, insurance brokers (traditional or internet based), financial "advisors", etc.	Noted
129.	FECIF	Q9.	What are the distribution channels used in your market? Generally independent intermediaries are used as distribution channel for the cross-border EU business.	Noted
130.	Financial Services Consumer Panel	Q9.	The nature of variable annuities is such that the products are not suitable for mass marketing. This is particularly important at a time when many consumers might be attracted to an investment that has some form of underlying guarantee of income. Firms should take steps to ensure that the potential target market for variable annuities	Noted EIOPA agrees with the point about

			is identified carefully before the products are promoted and, as we have said, that important information around the identity of the underwriter and degree of downside risk are clearly articulated. The good selling practices identified within the report support the view that variable annuities should be sold only with the benefit of advice and we agree. The complex nature of the product and key lifestyle significance are such that the comprehensive fact-find (identification of customer needs and personal financial circumstances) and detailed product description and outcome scenarios suggest that expert advice should be a pre-requisite. For advice to be of value however it must be provided by an individual with the necessary level of professional qualifications, independently assessed knowledge and expertise. Sales staff or advisers without expert knowledge of these products and the environmental issues that can have an impact on their performance would be unlikely to understand the product themselves, and would not be in a position to provide the necessary information and advice to the client. An appropriate benchmark of qualifications and experience might be the international standard for financial planning ISO 22222, although only where this has been awarded by an independent third party assessor. As regards explaining the underlying mechanics of a variable annuity to the consumer, we are not persuaded that this would be necessary. The key issue for the consumer is the risk arising from the structure of the product or the way in which it works, rather than the mechanics of the product in itself. The use of scenarios would be helpful in communicating the impact of structural or external factors on the performance of the product.	specific training for distributors and direct sales staff selling VAs . A reference has been included in the Report.
131.	ING Groep N.V.	Q9.	1. Bancassurance – We work with both ING banks and third-party banks. 2. Tied Agents – Exclusively sell ING products and are trained and	Noted

			serviced by ING. However, they are not employed by ING. 3. Brokers – Independent Brokers who give financial advice to customers.	
132.	METLIFE	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.	Noted
133.	Munich Reinsurance Company, Munich, Germany	Q9.		Noted
134.	The European Federation of Investors	Q9.	27. As far as we know, all distributions channels are being used: insurance employees, agents, insurance brokers (traditional or internet based), financial “advisors”, etc.	Noted
135.	IRSG	Q10.	See Q9.	
136.	Association of British Insurers	Q10.	No. However, we are concerned that the conflation between complexity and risk to consumer outcomes by EU regulators may unnecessarily prohibit the sale of products on an execution-only basis. This may impede innovation within the market and consumer choice. We urge EIOPA to base decisions on selling based on the outcomes for consumers, rather than complexity.	Noted
137.	Association of International Life Offices	Q10.	Are these products also distributed via direct sales in your market?	EIOPA agrees. Best practices are not limited to

	(AILO)		AILO member companies do not currently distribute their VA products via direct sales. However, we consider that the same requirements should apply to all distribution channels not just insurance intermediaries as currently defined in the IMD.	intermediaries, but are also applicable to direct sales.
138.	AXA	Q10.	We do not sell these type of products via direct sales. Due to their complicated nature, any direct distribution strategy will have to be carefully constructed in order to ensure that the client has as good a comprehension of what he/she is purchasing as if they had bought it as a result of an advised sale.	Noted
139.	BUND DER VERSICHERTEN E.V.	Q10.	Yes, direct sales exist.	Noted
140.	CEA	Q10.	See CEA's comments under "General Comment"	Noted
141.	FAIDER	Q10.	Are these products also distributed via direct sales in your market? Yes and we consider that the same requirements should apply to all distribution channels not just insurance intermediaries as currently defined in the IMD.	Noted
142.	FECIF	Q10.	Are these products also distributed via direct sales in your market? VA products may be distributed via direct sales in some EU Member States. However, we consider that the same requirements should apply to all distribution channels not just insurance intermediaries as currently defined in the IMD.	Noted

143.	ING Groep N.V.	Q10.	No, although given the evolution of web-based solutions, we can envisage that some of our products might be distributed online in the future. We do believe that some VAs could be sold through Direct channel, only if the product is simplified enough and fully transparent, with proper communication in place.	Noted
144.	METLIFE	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.	Noted
145.	The European Federation of Investors	Q10.	Yes and we consider that the same requirements should apply to all distribution channels not just insurance intermediaries as currently defined in the IMD.	Noted
146.	IRSG	Q11.	A pragmatic and practical approach could be to take the contents and parameters of a KIID of a product or a set of KIIDs as a source of inspiration for the basis for a dialogue between the consumer and the intermediary or provider. The KIID produced by the product manufacturer could have a general description of the possible target group. The specific information or the KIID information elements can be used as a checklist for testing in more detail the demands and needs of the consumer. Information on the customer's economic situation, purpose of the investment/protection, consumer knowledge of financial instruments, customer risk appetite, required time horizon are helpful. One WS member felt the KIID should be the responsibility of the distributor as the distributor owes a duty of care and pre and post contractual information. Practically, white label KIIDs will be provided to the distributor, similar to other marketing material.	Noted

147.	Association of British Insurers	Q11.	In the UK, existing regulation is based on the MiFID suitability requirements. UK regulation therefore requires that, when making a recommendation on the sale of a packaged product, the salesperson must assess the suitability of a product and obtain information regarding the client's: ☐ knowledge and experience in the investment field relevant to the specific type of investment or service; ☐ financial situation; and ☐ investment objectives; This is so the advisor can ensure: ☐ that the product meets the clients investment objectives; ☐ that the client is able financially to bear any related investment risks consistent with his investment objectives; and ☐ that the client has the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of his portfolio. The information regarding the investment objectives of a client must include, where relevant, information on the length of time for which he wishes to hold the investment, his preferences regarding risk taking, his risk profile, and the purposes of the investment. The information regarding the financial situation of a client must include, where relevant, information on the source and extent of his	Noted

			regular income, his assets, including liquid assets, investments and real property, and his regular financial commitments.	
148.	Association of International Life Offices (AILO)	Q11.	What type of information does the sales person need to have on the customer prior to giving advice / making a recommendation? Prior to recommending a VA product (or any other insurance product) to a customer a sales person need to be aware of the following: - the customer's age - the customer's personal demand, i.e. private saving for retirement or investment opportunity - the customer's time horizon for his investment (short, medium or long-term) - the customer's financial situation - the customer's knowledge of financial products and markets - alternative products which may also be suitable for the consumer - that there are no conflicts of interest However as previously stated we believe that if the consumer so requires then an execution only sale (or one where less than full information is provided) should be permitted	Noted
149.	AXA	Q11.	The sales, advice, and recommendation process is and should be the responsibility of the distributor. In any case, like with all investment products, a VA product should be considered in the context of the needs of the client and such a product should represent only a piece of	Noted

			a client's investment portfolio.	
150.	BUND DER VERSICHERTEN E.V.	Q11.	Every sales person has to be trained in termes of due diligence and best advice by the their insurer. They have to be able to answer at any question concerning the general and product specific disclosures (points 3.1.1. to 3.1.5. of the draft).	Noted
151.	CEA	Q11.	See CEA's comments under "General Comment"	Noted
152.	FAIDER	Q11.	What type of information does the sales person need to have on the customer prior to giving advice / making a recommendation? Prior to recommending a VA product (or any other insurance product) to a customer a sales person need to know : a. the age of the customer b. the purpose of the investment : saving for retirement or investment opportunity c. the time horizon for the investment (short, medium or long-term) d. the customer's financial situation e. the customer's knowledge of financial products and markets He or she should also propose alternative products which may also be suitable for the consumer and disclose any possible conflict of interest as well as the remunerations and incentives he or she will receive following the sale of the product. However as previously stated we believe that if the consumer so requires then an execution only sale (or one where less than full information is provided) should be permitted	Noted

153.	FECIF	Q11.	What type of information does the sales person need to have on the customer prior to giving advice / making a recommendation? Prior to recommending a VA product (or any other insurance product) to a customer a sales person need to be aware of the following: - the customer's age - the customer's personal demand, i.e. private saving for retirement or investment opportunity - the customer's time horizon for his investment (short, medium or long-term) - the customer's financial situation - the customer's knowledge of financial products and markets - alternative products which may also be suitable for the consumer - that there are no conflicts of interest However as previously stated we believe that if the consumer so requires then an execution only sale (or one where less than full information is provided) should be permitted	Noted
154.	ING Groep N.V.	Q11.	ING strives to meet customers' needs throughout their life cycle. In order to meet these needs, it is crucial that we know the customer and fully understand their needs. ING has therefore developed a Needs Identification Document (NID) questionnaire with the following sections: 1. Demographic data – ie. name, age, location, family status,	Noted

			number and age of children, occupation, field of activity, profession, etc. 2. Income/wealth data – ie. Existing savings - types and amount - ; investments, properties, life insurances, loans. Personal income, household income, # of dependencies, regular expenses, available income for insurance services; official income which is the basis of all social security services: expected level of social pension, social health care, etc. 3. Financial goals and motivation – What are the clients' key financial goals and what is his motivation in achieving these goals? 4. Assessment of financial risk profile – What is the clients' risk appetite? ING has embedded minimum standards to ensure our sales agents know the customer and are able to properly identify his/her financial needs.	
155.	METLIFE	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.	Monitoring sales to address misselling at an early stage seems a good practice.
156.	The European Federation of Investors	Q11.	28. Prior to recommending a VA product (or any other insurance product) to a customer a sales person need to know :	Noted

			a. the age of the customer b. the purpose of the investment: saving for retirement or investment opportunity c. the time horizon for the investment (short, medium or long-term) d. the customer's financial situation e. the customer's knowledge of financial products and markets 29. He or she should also propose alternative products which may also be suitable for the consumer and disclose any possible conflict of interest as well as the remunerations and incentives he or she will receive following the sale of the product. However, as previously stated we believe that if the consumer requires so, an execution only sale (or one where less than full information is provided) should be permitted	
157.	IRSG	Q12.	Some WS members thought that the nature of variable annuities is such that the products are not suitable for mass marketing. This is particularly important at a time when many consumers might be attracted to an investment that has some form of underlying guarantee of income. They argued that firms should take steps to ensure that the potential target market for variable annuities is identified carefully before the products are promoted and that important information around the identity of the underwriter and degree of downside risk are clearly articulated. Others disagreed. While agreeing target audiences needed to be defined, they felt mass marketing was appropriate and that the product was suitable and helpful for a broad audience and that they fulfil declared governments' targets to cope with the consequences of demographic changes and the fostering of private old age provisioning. They can also prove attractive in providing flexibility in fluctuating	Noted

			income situations. One WS member felt mass marketing would not be harmful, provided it was combined with proper advice prior to signing off application forms.	
158.	Association of British Insurers	Q12.	In practice, the reasons for purchasing a variable annuity are key to establishing if it is the appropriate product for the consumer. For example, where a consumer is purchasing a variable annuity for retirement purposes it is necessary to establish certain facts such as when the individual expects to be able to take income and whether they want to provide for a spouse. However, for the purposes of regulation, it is not necessary to be overly prescriptive since a high level suitability requirement can be adapted to the particular circumstances of the product/consumer.	Noted
159.	Association of International Life Offices (AILO)	Q12.	Does it matter in relation to selling practices for which purpose the product is offered (retirement saving vs. investment solution)? In relation to the selling practice, it does matter for which purpose the product was designed by an insurance undertaking. For example, a consumer who is interested in long-term savings for his retirement should not be offered products which focus on short or medium term investment strategies.	Noted
160.	AXA	Q12.	This only matters in so far as the product is being offered within a Pension Tax wrapper, because in such a case the adviser would need to be able to explain to a client how the guarantees work in the context of or within the mechanics of a Pension wrapper which can be much more technically complicated in some countries. But as far as the guarantee goes, whether the product is being proposed as an investment solution or as a specific retirement solution, there would be nothing different that would need to be disclosed or addressed during	Noted

			the sales process.	
161.	BUND DER VERSICHERTEN E.V.	Q12.	Yes, the purpose of the product is very important. Retirement savings must not be exposed to the same volatilities of financial markets than pure investment solutions.	Noted
162.	CEA	Q12.	See CEA's comments under "General Comment"	Noted
163.	Chris Barnard	Q12.	The selling process should be similar, but the selling practice can depend on the purpose of the product. The purpose of the product will inform the risk and reward profile of the customer, the customer's needs and the potential range of suitable products available to meet those needs.	Noted
164.	FAIDER	Q12.	Does it matter in relation to selling practices for which purpose the product is offered (retirement saving vs. investment solution)? Yes because a GMIB VA product which will guaranty minimum income benefit may not be suitable for a person looking for a short or medium term investment whereas a guaranteed minimum accumulation benefit product should be more appropriate, this depending also on the age of the policyholder. Conversely GMIB or GMWB products could be recommended to people who are saving for retirement.	Noted
165.	FECIF	Q12.	Does it matter in relation to selling practices for which purpose the product is offered (retirement saving vs. investment solution)? In relation to the selling practice, it does matter for which purpose the product was designed by an insurance undertaking. For example, a consumer who is interested in long-term savings for his retirement should not be offered products which focus on short or medium term investment strategies.	Noted

166.	ING Groep N.V.	Q12.	We believe it does. ING only sells products and services that match the needs, risk profile, knowledge and financial situation of the customer. Moreover, it is very important to us to understand whether the customer wants a product/service primarily to cover risk or to accumulate wealth. As such, a customer-suitability form is made to document the customer's financial needs, objectives, risk tolerance, knowledge, experience and financial situation. If the customer wants to deviate from their professed risk appetite (documented through a risk profile document), they need to explicitly acknowledge this.	Noted
167.	METLIFE	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.	Noted
168.	The European Federation of Investors	Q12.	Yes, because a GMIB VA product which will guaranty minimum income benefit may not be suitable for a person looking for a short or medium term investment whereas a guaranteed minimum accumulation benefit product should be more appropriate, this depending also on the age of the policyholder. Conversely GMIB or GMWB products could be recommended to people who are saving for retirement.	Noted
169.	Association of British Insurers	Q13.	Yes. The consumer's circumstances, their reasons for purchasing a variable annuity and the associated costs will determine which benefit is most appropriate for them.	Noted
170.	Association of International Life Offices	Q13.	Does it matter which type of guaranteed minimum benefit is offered?	Noted

	(AILO)		Yes. Since there are a variety of guaranteed minimum benefits, it is important that the type of VA presented to the customer is appropriate, given the customer's personal circumstances and requirements. Please also refer to our response to question 11.	
171.	AXA	Q13.	Obviously, with any guarantee being offered, the mechanics and functioning of the guarantee needs to be clearly explained to the client. Once this is in place, there is no need for any differences in selling practices based on the type of guarantee offered.	Noted
172.	BUND DER VERSICHERTEN E.V.	Q13.	Yes. Any kind of guarantees offered has to be explained following to the demands and needs of the customer (especially concerning maturity, charges and risks; point 4.1 of the draft).	Noted
173.	CEA	Q13.	See CEA's comments under "General Comment"	Noted
174.	Chris Barnard	Q13.	See my response to question 12. The type of guaranteed minimum benefit offered should meet the evaluated needs of the customer.	
175.	FAIDER	Q13.	Does it matter which type of guaranteed minimum benefit is offered? Yes, see our response to questions 11 and 12. Because of the diversity of guaranteed minimum benefits, it is important that the VA product offered to the customer be adapted to the customer's personal objectives and requirements.	Noted
176.	FECIF	Q13.	Does it matter which type of guaranteed minimum benefit is offered? Yes. Since there are a variety of guaranteed minimum benefits, it is important that the type of VA presented to the customer is appropriate, given the customer's personal circumstances and	Noted

			requirements. Please also refer to our response to question 11.	
177.	ING Groep N.V.	Q13.	Absolutely. Customer's needs change throughout their life cycle. Consequently the products/services need to change to match these needs over time. A customer at an advanced age may require a different guaranteed benefit type than at the younger ages. These needs must be evaluated at an individual level.	Noted
178.	METLIFE	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.	Noted
179.	The European Federation of Investors	Q13.	Yes, see our response to questions 11 and 12. Because of the diversity of guaranteed minimum benefits, it is important that the VA product offered to the customer be adapted to the customer's personal objectives and requirements.	Noted
180.	IRSG	Q14.	This would entirely depend upon the situation and must be considered on a case by case basis. The same principles should apply to all distribution models. The main findings of the EIOPA draft Report are that good practices in relation to selling practices should ensure that variable annuities are always sold on an advised basis. As already articulated the WS had differing views, with some agreeing wholeheartedly with this view, (and arguing that advisers also needed to be free of inappropriate incentives/remuneration practices, genuinely working in the client's interest and demonstrating appropriate credentials and professional qualification/expertise) while	Noted

			others argued equally vociferously that variable annuities were suitable for mass marketing and did not require to be sold only on an advised basis, for all the reasons previously articulated.	
181.	Association of British Insurers	Q14.	We would not support a requirement forcing advisors to present variable annuities where they did not feel suitably informed about the product. These are specialist products, often aimed at high net worth individuals and it would be inappropriate to make it a requirement for all intermediaries to present them to consumers as there is a danger that they may not understand them well enough to recommend them.	Noted
182.	Association of International Life Offices (AILO)	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? As there is more than one type of VA product; the appropriateness of presenting a VA product will depend on the client demands and needs as per question 11. However, generally speaking the insurance intermediary should present a variable annuity product to a customer as an alternative, if the risk profile of the customer indicates that a minimum guarantee is desired or appropriate. In particular, since a VA product provides guarantees, it should be considered as an alternative to a traditional with profits product with guarantees rather than a unit-linked product without investment guarantees. To the extent that a customer wishes potential additional returns to arise from a specific fund choice rather than the general profits of the insurer, then the VA product could be a suitable alternative product to present to the customer.	Noted

			We are of the view that the same principles should apply to sales persons presenting a VA product who are only providing advice with respect to a limited number of insurance contracts.	
183.	AXA	Q14.	An insurance intermediary should present the product when the product is an acceptable solution to the client''s needs.	Noted
184.	BUND DER VERSICHERTEN E.V.	Q14.	Every intermediary or sales person of VA contracts has to evaluate the risk limits of the customers (personal circumstances). The result of this evaluation has to be fixed by a written document (i.e. in Germany following to the Wertpapierhandelsgesetz). Only if there is an equal risk limit between customer and VA product, the contract can be concluded without any sanction for the intermediary.	Noted
185.	CEA	Q14.	See CEA's comments under "General Comment"	Noted
186.	FAIDER	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? See our response above to questions 11 to 13. VA products have to be considered as alternatives to other savings and life insurance products. For example, they could be proposed together with classical with profit life insurance products, unit-linked products based on guaranteed units, or even annuities products. In all cases the specificities of each product in terms of guarantees,	Noted

			costs transparency, possible outcome should be clearly stated and explained. We are of the view that the same principles should apply to sales persons presenting a VA product who are only providing advice with respect to a limited number of insurance contracts, as these are the vast majority of financial distributors in continental Europe.	
187.	FECIF	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? As there is more than one type of VA product; the appropriateness of presenting a VA product will depend on the client demands and needs as per question 11. However, generally speaking the insurance intermediary should present a variable annuity product to a customer as an alternative, if the risk profile of the customer indicates that a minimum guarantee is desired or appropriate. In particular, since a VA product provides guarantees, it should be considered as an alternative to a traditional with profits product with guarantees rather than a unit-linked product without investment guarantees. To the extent that a customer wishes potential additional returns to arise from a specific fund choice rather than the general profits of the insurer, then the VA product could be a suitable alternative product to present to the customer. We are of the view that the same principles should apply to sales	Noted

			persons presenting a VA product who are only providing advice with respect to a limited number of insurance contracts.	
188.	ING Groep N.V.	Q14.	Before being allowed to sell, all new advisors/sales representatives should be fully trained (including possibly minimum exams), and this should be done according to local requirements and ING standards. New advisors and sales representatives should be coached and supervised at least until they have passed the minimum requirements. This is to secure and safeguard a high professional standard on customer suitability and to reduce the probability of mis-selling. At ING we adhere to all of these requirements, whether they are required regulatory wide or not.	Noted
189.	METLIFE	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.	Noted
190.	The European Federation of Investors	Q14.	30. See our responses to questions 1, 11 to 13. 31. VA products have to be considered as alternatives to other savings and life insurance products. 32. For example, they could be proposed together with classical with profit life insurance products, unit-linked products based on	Noted

			guaranteed units, or even annuities products. 33. In all cases the specificities of each product in terms of guarantees, costs transparency and a possible outcome should be clearly stated and explained. We are of the view that the same principles should apply to sales persons presenting a VA product who are only providing advice with respect to a limited number of insurance contracts, as these are the vast majority of financial distributors in continental Europe.	
191.	IRSG	Q15.	Regarding due diligence on the intermediary, the starting point of any consideration in this respect is that intermediaries are regulated, registered and supervised (IMD) and that there are various models of intermediation. One WS member argued that this was not appropriate; product providers have increased responsibilities for intermediaries. The responsibility for intermediaries must always remain with the relevant supervisory authorities and with intermediaries themselves which is why they are obliged to have professional indemnity insurance. A requirement for product providers to assume greater responsibility for intermediaries will lead to the law of “unintended consequences applying”. Product providers may not wish to assume greater responsibility for large numbers of intermediaries and as a consequence, may decide to place greater emphasis on “tied intermediaries” and reduce the numbers of intermediaries that are not tied. This may adversely impact on consumer’s access to advice.) For advice to be of value, it must be provided by an individual with the necessary level of professional qualifications, independently assessed knowledge and expertise. Sales staff or advisers without expert knowledge of these products and the environmental issues that can have an impact on their performance would be unlikely to understand the product themselves and would not be in a position to provide the necessary information and advice to the client.	Noted

			Due diligence should also include continuing communication with the client beyond mandatory post sales disclosure information as an aid to root cause analysis in the event of significant levels of complaints cancellation or contract lapses. In terms of explaining the underlying mechanics of a variable annuity to the consumer, we do not think this is necessary. The key issue for the consumer is the risk arising from the structure of the product or the way in which it works, rather than detailed mechanics. Again the exact nature and definition of any 'guarantee' needs to be clearly explained, particularly as consumer understanding of guarantee is often very different to the industry's understanding. A consumer view was that if the product could not offer a guarantee as understood by the consumer, that word should not be used as it was misleading for the customer. It was argued that Post-sales advice should be the clear task of the distributor and that e.g. for broker business the insurer might not even have client contact details.	
192.	Association of British Insurers	Q15.	The ABI is opposed to suggestions which introduce a responsibility on product providers to ensure that advisors and intermediaries understand the products they are selling. In the UK providers are subject to general TCF requirements on product governance and can assist imtermediaries by providing sufficient information on products. However, responsibility for ensuring understanding the products they are advising on sits with the intermediary. It is important, in terms of accountability, that there is no confusion over where responsibility lies.	Noted
193.	Association of French Insurers (FFSA)	Q15.	10. According to the recent consultation opened by the European Commission on the revision of the Insurance Mediation Directive (IMD), this directive aims to guarantee a high level of consumer protection. The IMD has also established a legal framework, aiming at a high level of professionalism and competence among insurance intermediaries.	Noted

			11. Insurance intermediaries are required to provide comprehensive information to the consumer prior to the conclusion of any initial insurance contract. 12. The Commission also addressed specifically cross-sectoral inconsistencies regarding the marketing of investment products through its PRIP's initiative. Therefore, it doesn't seem appropriate to add to the IMD directive by any recommendation even based on good practices.	
194.	Association of International Life Offices (AILO)	Q15.	In relation to the due diligence on insurance intermediaries are there any other good practices that providers should consider? Any good practices used for traditional life products are also relevant for VA products. As outlined in our introductory note, we are of the view that a differentiation in controls as between VA and traditional life products is not warranted.	Noted
195.	AXA	Q15.	We are against the introduction of responsibility on product providers to conduct due diligence in order to ensure advisers understand VA products. Duty of advice is and going forward should remain with the adviser and firm who employs him/her. Moreover, from a practical point of view, performing such due diligence on every intermediary a company sells through is practically unfeasible.	Noted
196.	BUND DER VERSICHERTEN E.V.	Q15.	The good practices summarized under due diligence (point 4.2 of the draft) are very useful. Most important is to fix as many as possible of them as obligations under civil law. Additionally the practical experiences of the Florida Department of Financial Services should be analysed. In this US state it is obligatory for the intermediaries to take part at professional trainings before they	Noted

			are allowed to sell Variable Annuities. For further information look at these links: http://www.fldfs.com/pressoffice/ViewMediaRelease.asp?ID=3079 http://www.lawyersandsettlements.com/features/variable-annuity-insurance-annuities-7.html	
197.	CEA	Q15.	See CEA's comments under "General Comment"	Noted
198.	FAIDER	Q15.	In relation to the due diligence on insurance intermediaries are there any other good practices that providers should consider? VA products are life insurance products and any good practices used for traditional life products are relevant for them. This will automatically apply if all these products are classified in the same category of insurance PRIPS.	Noted
199.	FECIF	Q15.	In relation to the due diligence on insurance intermediaries are there any other good practices that providers should consider? Any good practices used for traditional life products are also relevant for VA products. As outlined in our introductory note, we are of the view that a differentiation in controls as between VA and traditional life products is not warranted.	Noted
200.	Financial Services Consumer Panel	Q15.	We were pleased to see examples of due diligence being included in the report and we strongly support the good practice that has been identified. It is particularly important that post sales reviews focus on market demographics and factors such as sales and complaints data,	Noted

			so that alignment with the product provider's target market can be assessed. Due diligence should also include continuing communication with the client beyond mandatory post-sales disclosure information, as an aid to root cause analysis in the event of significant levels of complaints, cancellation or contract lapses.	
201.	ING Groep N.V.	Q15.	Intermediaries should be trained properly on products that insurance providers offer, and should demonstrate an appropriate level of knowledge. Selling practices should also be reviewed regularly. Creating customer value is a key element. That is why ING is in favour of a continuous dialogue between the insurer, the distributor, the customer and the regulator. We are already doing this in a number of countries such as in the Netherlands.	Noted
202.	METLIFE	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.	Noted
203.	The European	Q15.	VA products are life insurance products and any good practices used	Noted

	Federation of Investors		for traditional life products are relevant for them. This will automatically apply if all these products are classified in the same category of insurance PRIPS.	