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Update on PRIIPs KID work

IRSG
Frankfurt, 28 October 2016

- **Consultation Paper**
 - o Publication foreseen for **11 November**
 - o Three month consultation period
- **Content of Consultation Paper**
 - o Draft RTS (Article 8, 10 and 13)
 - o Questions on details of draft RTS, some alternatives
 - o Also feedback on prior Discussion Papers, draft Impact Assessment
- **Consumer Testing**
 - o Final report to be published on/around 11 November

- Presentation today is to give early indication of the likely contents of the Consultation Paper
- BUT still subject to approval by BoSs
- Final proposals in March next year will take into account responses to the Consultation Paper
- PRIIPs team ready to provide detailed written input to IRSG on the topics raised by IRSG on TDP

- A *summary risk indicator* (ranking from 1 to 7)
- Simple presentation (single scale, with some narrative explanations and warnings)
- Aggregates market and credit risk – no separate indicators
 - o Market risk: similar to UCITS, but some differences, e.g, for structured products, most important part of the indicator
 - o Credit risk: uses credit ratings amongst other factors
 - o Some low risk products automatically in class 1 and some high risk ones automatically in class 7

- Includes 'what-if' style *performance scenarios*
- Tabular presentation
- **No** probabilistic modelling necessary – deterministic
- **No** information on probabilities to be shown

- Two tables in KID
 - *'costs over time'* – accumulation of costs
 - *'constitution of costs'* – breakdown of different costs
- Reduction in Yield (RIY) figures used
- Costs over time table also to include monetary amounts (level one)
- Standardisation of how to calculate figures, but with separate sections for different types of PRIIP, including insurance based investment products.

- Insurance benefits summarised in the 'what is this product' section
- Insurance scenario included in the 'rewards' (performance scenario) section
- Costs associated with insurance benefits included in the cost section
 - Biometric risk premium as a whole NOT treated as a cost, but cost part calculated and included

- Specific rules for '*multi-option products*' (unit-linked contracts)
- Some flexibility:
 - **Either** a KID can be prepared for each investment option offered, combining details of the option with information on the product as a whole
 - **Or** a general KID can be produced for the product as a whole with generic information on the range of options offered, with details of the investment options provided separately
 - This separate information to be consistent however with the corresponding information in a normal KID, e.g. same risk indicator, performance scenarios and costs information



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Thank you

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