



**eiopa**  
EUROPEAN INSURANCE  
AND OCCUPATIONAL PENSIONS AUTHORITY

# PRIIPs Consumer Testing

**Tim Shakesby & Pieter Hulst**

EIOPA

IRSG, 10 February 2015

---

## **Regulation on key information documents for retail and insurance-based investment products**

- o Proposed in 2012
- o Agreed by EP and Council 1st April 2014
- o Published in OJ 09/12: Regulation(EU) 1286/2014

- **Directly Applicable:** no need to transpose
- Establishes new Key Information Document
- **Applies in 2 years – 31 Dec 2016**
- **Level One** sets out scope, content, format
- Regulation is focused on the KID only
  - ... **not** rules on sales
  - ... **not** product regulation

# Regulatory change



<b>Problem</b>	<b>What Regulation does</b>
<b><i>Too much information</i></b>	<b>focus on key information</b>
<b><i>Too many documents</i></b>	<b>short, stand alone KID</b>
<b><i>Key information difficult to locate</i></b>	<b>highlight main messages</b>
<b><i>Documents difficult to compare</i></b>	<b>standardisation of key information</b>
<b><i>'Legalese' and 'caveats'</i></b>	<b>plain language, short document, prescribed content</b>
<b><i>Documents not seen, read or used</i></b>	<b>make visually attractive make sure given, used by seller</b>

# Content / Format– Level 1

- Prescribed 'Q&A' format
- Short (<3 pages)
- Jargon free
- Includes easy-to-compare summary information on key metrics:
  - o 'Summary Risk Indicator'
  - o 'Performance scenarios'
  - o Costs Indicators



# Work now on RTS – Level 2



- Level Two measures on details:
  - RTS to Commission **March 2016**
- Work led by EIOPA
  - Joint work of three ESAs through Joint Committee
  - Sub Group set up for work; EIOPA staff chairing
  - Number of workstreams
  - Consumer Testing with Commission



- European Commission contract
- London Economics and IPSOS
- Contract signed 10 October
- Two Phases:
  - o Phase 1: October 2014 – April 2015
  - o Phase 2: April 2015 – September 2015

# Consumer Testing Phase 1

- Elements of the KID
  - o Risk
  - o Performance
  - o Costs
  - o Wrappers
- 3 - 5 options for each, 4 types of product
- Qualitative and quantitative testing



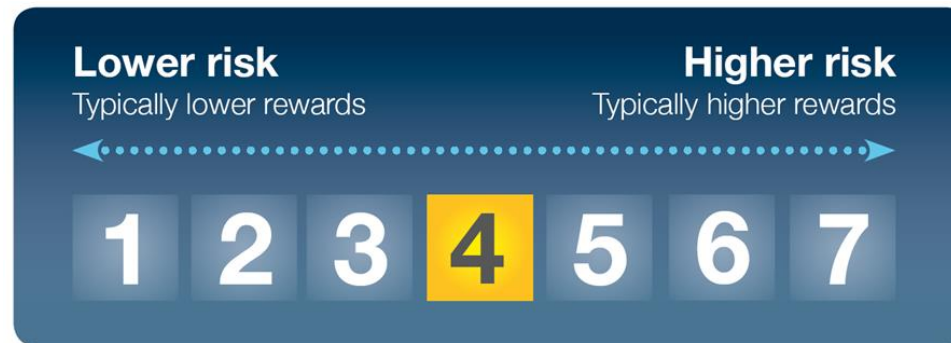
# Consumer Testing Phase 1



- 10 Member States
  - o Small and Big
  - o New Member States, old Member States
  - o Large samples (1000, 500 depending on Member State)
  - o Demographically representative
- Objective testing of comprehension, comparability, 'engagement' – not only preferences

# Risk indicator: visuals

Simple?

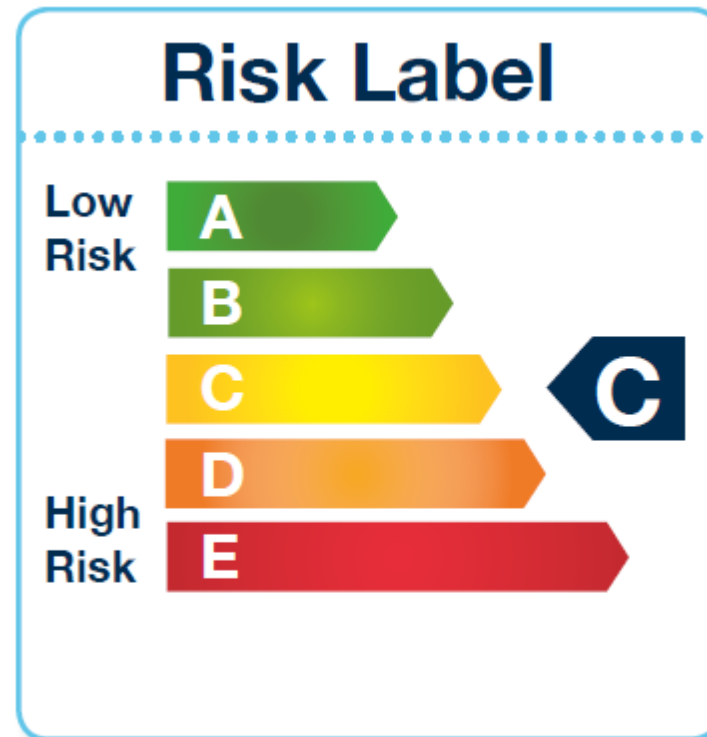


More complex?



# Risk indicator: visuals

Colour?

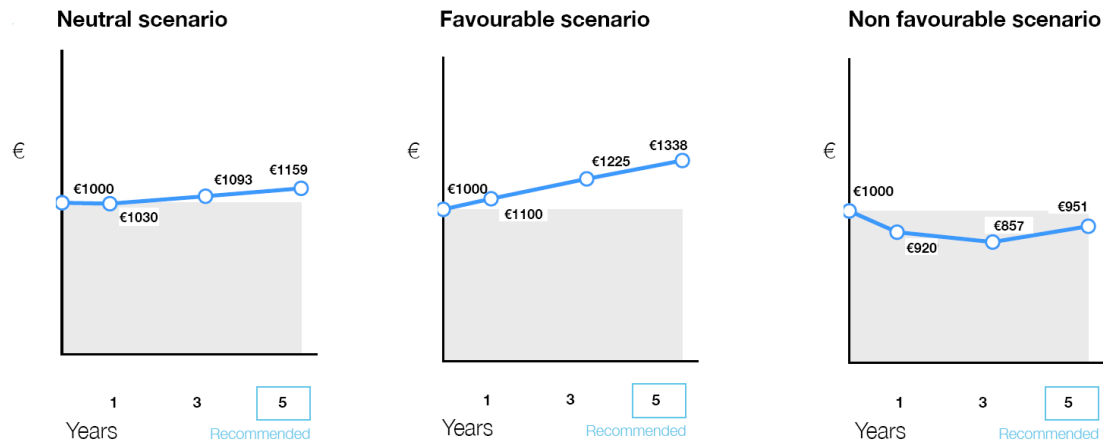


# Performance Scenarios: visuals

Tables?

Investment = 1000 € each year				
Scenarios		1 years	5 years	Recommended (12 years holding period)
<b>Non favourable scenario</b>	Estimated return (net of costs) (€)	921	4,904	12,996
	Average annual return (%)	-7.79%	-0.6%	1.2%
<b>Neutral scenario</b>	Estimated return (net of costs) (€)	930	5,080	13,887
	Average annual return (%)	-7%	0.8%	2.2%
<b>Favourable scenario</b>	Estimated return (net of costs) (€)	937	5,111	14,845
	Average annual return (%)	-6.1%	1.1%	3.2%

Graphs?



# Costs: visuals

## Tables?

**What are the costs?**

	Investment Made -	Entry and yearly Costs +	Return -	Exit Costs =	What you might get back	Costs per year (%)
After 1 year	€1,000 -	€92 +	€20 -	€0 =	€928	9.2% a year
After 2 years	€1,000 -	€92 +	€41 -	€0 =	€948	4.7% a year
After 3 years <i>Recommended</i>	€1,000 -	€80 +	€61 -	€0 =	€981	2.6% a year

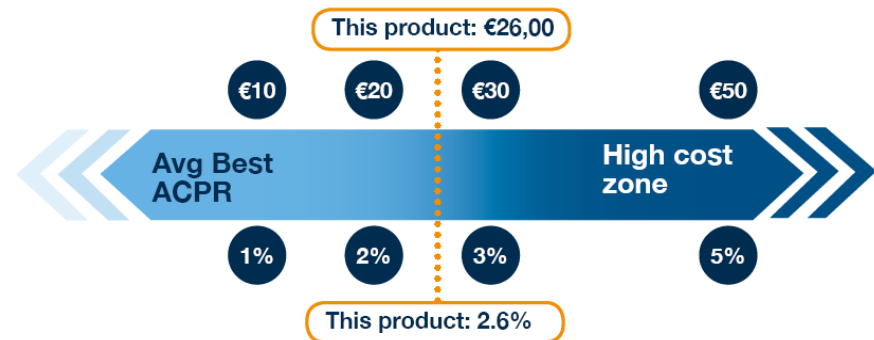
The resulting costs based on a forecast of 2% increase in the value of the investment, if you left in the year shown

## Single figure?

### Annual percentage rate (APR)

Costs per year for three years  
(€1.000 invested)

**2.6% APR**



## Both?

# Consumer Testing Phase 2



- Look at KID as a whole
- 3 - 5 overall versions
- 4 types of product
- Basic design – same as for Phase 1

# Next steps overall

Technical  
Discussion  
Paper **May**  
**2015**

Deadline for  
draft RTS  
**end March**  
**2016**

Consultation  
Paper  
**Autumn**  
**2015**

New KID  
used from **1**  
**January**  
**2017**



**eiopa**  
EUROPEAN INSURANCE  
AND OCCUPATIONAL PENSIONS AUTHORITY

**Questions?**