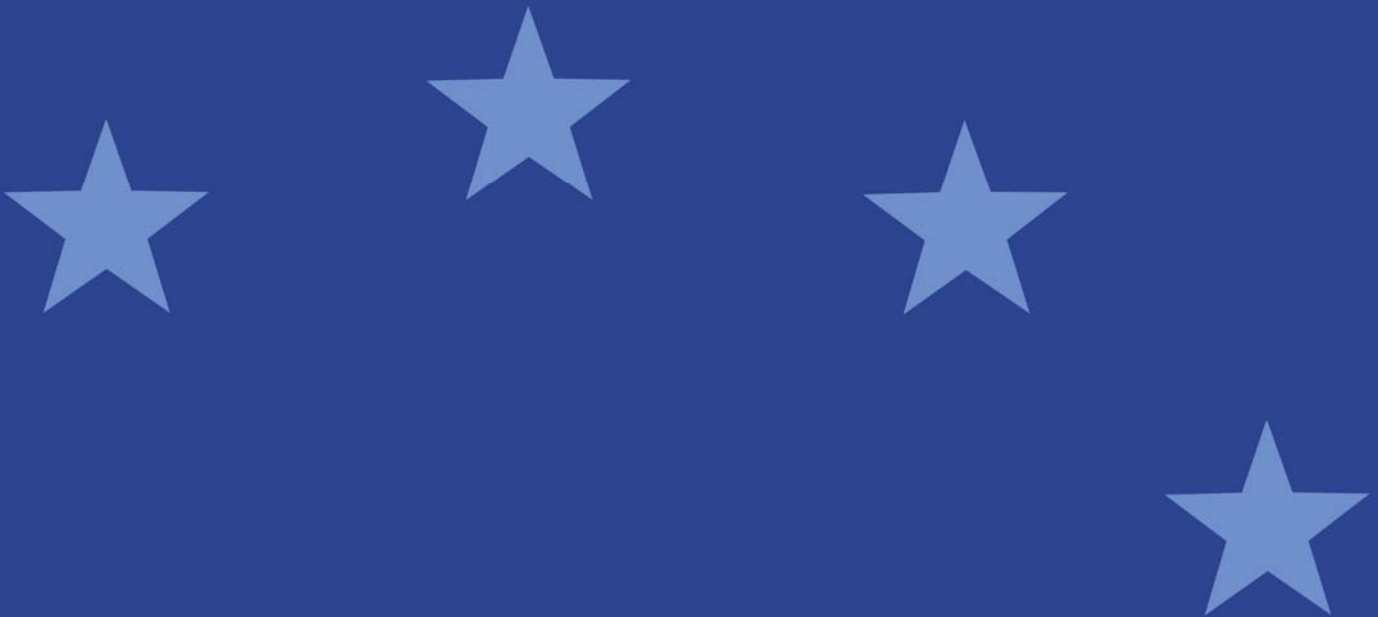


Response form for the Joint Consultation Paper concerning amendments to the PRIIPs KID





JOINT COMMITTEE OF THE EUROPEAN
SUPERVISORY AUTHORITIES

Responding to this paper

The European Supervisory Authorities (ESAs) welcome comments on this consultation paper setting out proposed amendments to Commission Delegated Regulation (EU) 2017/653 of 8 March 2017 (hereinafter “PRIIPs Delegated Regulation”).

The consultation package includes:

- The consultation paper
- Template for comments

The ESAs invite comments on any aspect of this paper. Comments are most helpful if they:

- contain a clear rationale; and
- describe any alternatives the ESAs should consider.

When describing alternative approaches the ESAs encourage stakeholders to consider how the approach would achieve the aims of Regulation (EU) No 1286/2014 (hereinafter “PRIIPs Regulation”).

Instructions

In order to facilitate analysis of responses to the Consultation Paper, respondents are requested to follow the below steps when preparing and submitting their response:

- Insert your responses to the questions in the Consultation Paper in the present response form.
- Please do not remove tags of the type <ESA_QUESTION_PKID_1>. Your response to each question has to be framed by the two tags corresponding to the question.
- If you do not wish to respond to a given question, please do not delete it but simply leave the text “TYPE YOUR TEXT HERE” between the tags.
- When you have drafted your response, name your response form according to the following convention: ESA_PKID_nameofrespondent_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESA_PKID_ABCD_RESPONSEFORM.

¹ COMMISSION DELEGATED REGULATION (EU) 2017/653 of 8 March 2017 supplementing Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents

² Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs), OJ L 352, 9.12.2014, p. 1.

- The consultation paper is available on the websites of the three ESAs and the Joint Committee. Comments on this consultation paper can be sent using the response form, via the [ESMA website](#) under the heading 'Your input - Consultations' by **13 January 2020**.
- Contributions not provided in the template for comments, or after the deadline will not be processed.

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise in the respective field in the template for comments. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESAs rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESAs Board of Appeal and the European Ombudsman.

Data protection

The protection of individuals with regard to the processing of personal data by the ESAs is based on Regulation (EU) 2018/1725³. Further information on data protection can be found under the [Legal notice](#) section of the EBA website and under the [Legal notice](#) section of the EIOPA website and under the [Legal notice](#) section of the ESMA website.

³ Regulation (EU) 2018/1725 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC, OJ L 295, 21.11.2018, p. 39.

General information about respondent

Name of the company / organisation	Bund der Versicherten (BdV – German Association of Insured)
Activity	Audit/Legal/Individual
Are you representing an association?	<input checked="" type="checkbox"/>
Country/Region	Germany

Introduction

Please make your introductory comments below, if any:

<ESA_COMMENT_PKID_1>

As Germany's most important NGO of consumer protection related to private insurances (with about 45.000 members) we would like to thank EIOPA for the opportunity to publish comments on this consultation. Our organization – by its statutes – is focused on private insurances and on private pension products. Therefore we primarily comment on questions linked to insurance-based investment products. In the same way we already contributed to the former ESAs / EIOPA consultations on the PRIIPs KID in February and August 2015, January 2016 and December 2018.

Additionally we attended EIOPA's Public Hearing on 29 November 2019 and EIOPA's Round Table on 11 December 2019 in which we clearly stressed our criticism of the Reduction in Yield as aggregate cost indicator being mathematically correct, but not understandable for customers. We propose to replace it by the Reduction in Wealth (cf. the article already published in the German insurance journal VERSICHERUNGSWIRTSCHAFT and sent to EIOPA with English translation).

<ESA_COMMENT_PKID_1>

Q1 : Are there provisions in the PRIIPs Regulation or Delegated Regulation that hinder the use of digital solutions for the KID?

<ESA_QUESTION_PKID_1>

No, we do not see any provisions that hinder the use of digital solutions for the KID.

<ESA_QUESTION_PKID_1>

Q2 : Do you agree that it would be helpful if KIDs were published in a form that would allow for the information to be readily extracted using an IT tool?

<ESA_QUESTION_PKID_2>

Yes, we agree.

<ESA_QUESTION_PKID_2>

Q3 : Do you think that the amendments proposed in the consultation paper should be implemented for existing PRIIPs as soon as possible before the end of 2021, or only at the beginning of 2022?

<ESA_QUESTION_PKID_3>

Yes, we agree. The replacement of the Reduction in Yield by the Reduction in Wealth which we propose instead of it should be implemented as soon as possible (cf. our comments on Introduction and Q 42).

<ESA_QUESTION_PKID_3>

Q4 : Do you think that a graduated approach should be considered, whereby some of the requirements would be applied in a first step, followed by a second step at the beginning of 2022?

<ESA_QUESTION_PKID_4>

No, we urgently advocate that any changes proposed by this consultation should be implemented as soon as possible.

<ESA_QUESTION_PKID_4>

Q5 : Are there material issues that are not addressed in this consultation paper that you think should be part of this review of the PRIIPs Delegated Regulation? If so, please explain the issue and how it should be addressed.

<ESA_QUESTION_PKID_5>

A material issue which is not addressed in this consultation paper are the percentage figures of insurance risk costs which are outlined in the second section of the KID "What is this product?", paragraph "Insurance benefits and costs". We have found a lot of examples that, besides the absolute figures of the costs of death risk coverage (if included), the impact of these costs on the total return of the contract (until maturity) is outlined in percentage figures which - again - are not understandable at all for average customers. These percentage figures often indicate figures of 0,0X% or even less.

Sometimes these costs even turn out to have a positive impact on the total return. Without any additional mathematical explanations, which of course cannot be outlined in the KID (for reasons of space and information overload), these percentage figures are strongly mis-leading and should be omitted. They enhance the wrong impression for the customers that the costs of the contract are neglectable (like currently in the tables of the section "What are the costs?").

<ESA_QUESTION_PKID_5>

Q6 : Do you have comments on the modifications to the presentation of future performance scenarios being considered? Should other factors or changes be considered?

<ESA_QUESTION_PKID_6>

- Intermediate scenarios: for the insurance-based investment products and any kind of pension they must be maintained. They should outline the performance scenario at half time of the recommended holding period at maturity.
- Probability indicators: Performance scenarios should always be based on probabilistic modeling. The probabilistic approach is supported by Professor Ralf Korn (University of Kaiserslautern / DE) and by Professor Sascha Füllbrunn (University of Radboud / NL), both present at EIOPA's Round Table on PRIIPs KID on 11 December 2019.
- Stress scenario: the stress scenario should be included for all those products which do not include a guaranteed minimum investment return.
- Past performance: it should be included as far as this is possible (especially for mutual funds and unit-linked IBIPs, consistent with MIFID II provisions).
- Illustrative approach: it should only be used if the probabilistic approach cannot be implemented. It should be based on empirical evidence (based on the results of Product Oversight and Governance requirements) in order to avoid arbitrary discretion by the product providers. No matter which approach is used, probabilistic or illustrative, figures on future performance are inevitably uncertain. Therefore an alert in the KID is necessary.
- Additional general comment: Following to article 6 of the PRIIPs Regulation (1286/2014) the pre-contractual information given by the KID must be "accurate, fair, clear and not-misleading". In order to fulfill this requirement, we stress again that any assumptions on future profit participations must "not be based on unreasonably optimistic assumptions that will overstate the likely potential of the PRIIP". These assumptions shall be "consistent with the assumption on the annual rates of return of the underlying assets", and they shall be "realistic and in line with the current business practice and business strategy of the manufacturer". "Historical product performance" is one essential element for the realistic analysis of market conditions, which undoubtedly are available for insurance-based investment products.

Related to specific requirements for insurance-based investment products, especially to their profit participation via cost bonuses, we agree upon the requirement that they have to declared separately from other parts of participation bonus (in Germany this is already fixed by law). But besides the fact that they may considered as cost rebate (for consumers), we stress again that these costs may be a source of additional benefits for the life insurers as well. This "double" effect of prudential assumptions on future costs and on future profits must clearly be disclosed, if not in the KID at least in additional documents to which the KID should refer to.

<ESA_QUESTION_PKID_6>

Q7 : If intermediate scenarios are to be included, how should they be calculated for Category 3 PRIIPs (e.g. structured products)? If intermediate scenarios are not shown in the performance section, which performance assumption should be used for the 'What are the costs?' section?

<ESA_QUESTION_PKID_7>

TYPE YOUR TEXT HERE

<ESA_QUESTION_PKID_7>

Q8 : If a stress scenario is included in the presentation of future performance scenarios, should the methodology be modified? If so, how?

<ESA_QUESTION_PKID_8>

TYPE YOUR TEXT HERE

<ESA_QUESTION_PKID_8>

Q9 : Do you agree with how the reference rate is specified? If not, how should it be specified?

<ESA_QUESTION_PKID_9>

TYPE YOUR TEXT HERE

<ESA_QUESTION_PKID_9>

Q10 : The revised methodology specifies that the risk premium is determined by future expected yields. The methodology further specifies that future expected yields should be determined by the composition of the PRIIP decomposed by asset class, country and sector or rating. Do you agree with this approach? If not, what approach would you favour?

<ESA_QUESTION_PKID_10>

TYPE YOUR TEXT HERE

<ESA_QUESTION_PKID_10>

Q11 : The ESAs are aware that historical dividend rates can be averaged over different time spans or that expected dividend rates can be read from market data providers or obtained from analyst reports. How should the expected dividend rates be determined?

<ESA_QUESTION_PKID_11>

TYPE YOUR TEXT HERE

<ESA_QUESTION_PKID_11>

Q12 : How should share buyback rates be estimated?

<ESA_QUESTION_PKID_12>

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<ESA_QUESTION_PKID_12>

Q13 : Do you agree with the approach for money-market funds? Are there other assets which may require a similar specific provisions?

<ESA_QUESTION_PKID_13>

TYPE YOUR TEXT HERE

<ESA_QUESTION_PKID_13>

Q14 : The methodology proposes that the future variance be estimated from the 5-year history of daily returns. Should the volatility implied by option prices be used instead? If so, what estimate should be used if option prices are not available for a particular asset (equities namely)?

<ESA_QUESTION_PKID_14>

TYPE YOUR TEXT HERE

<ESA_QUESTION_PKID_14>

Q15 : Do you think compensatory mechanisms for unforeseen methodological faults are needed? If yes, please explain why.

<ESA_QUESTION_PKID_15>

TYPE YOUR TEXT HERE

<ESA_QUESTION_PKID_15>

Q16 : Do you favour any of the options above? If so, which ones? How would you ensure that the information in the KID remains comparable for all products?

<ESA_QUESTION_PKID_16>
TYPE YOUR TEXT HERE
<ESA_QUESTION_PKID_16>

Q17 : Are there any other compensatory mechanisms that could address unforeseen methodological faults? If yes, please explain the mechanism; explain how it ensures that scenario information in the KID allows investors to compare PRIIPs, and explain how the information for similar products from different manufacturers remains sufficiently consistent.

<ESA_QUESTION_PKID_17>
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<ESA_QUESTION_PKID_17>

Q18 : What are your views on the use of a simplified approach such as the one detailed above, instead of the use of probabilistic methodologies with more granular asset specific requirements?

<ESA_QUESTION_PKID_18>
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<ESA_QUESTION_PKID_18>

Q19 : Do you consider the use of a single table of growth rates appropriate? If no, how should the methodology be amended?

<ESA_QUESTION_PKID_19>
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<ESA_QUESTION_PKID_19>

Q20 : More generally, do your views about the use of a probabilistic methodology vary depending on the type of product (e.g. structured products vs non-structured products, short-term vs long-term products)? For which type of products do you see more challenges to define a probabilistic methodology and to present the results to investors?

<ESA_QUESTION_PKID_20>
With regard to insurance-based investment products it will always be possible to present past performances. If any guarantees are given, e.g. German life insurers publish each year a fixed amount of additional surplus. In case of unit-linked products, e.g. other life insurers should be obliged to disclose the average surplus paid out for each year based on the "smoothing" method. No matter if guarantees are given or not, life insurers are always able to calculate the total interest rate ("Gesamtverzinsung") they had paid out to their customers each year, and this can be shown by a linear graph.
<ESA_QUESTION_PKID_20>

Q21 : Do you think these alternative approaches should be further assessed? If yes, what evidence can you provide to support these approaches or aspects of them?

<ESA_QUESTION_PKID_21>
TYPE YOUR TEXT HERE
<ESA_QUESTION_PKID_21>

Q22 : Are there any other approaches that should be considered? What evidence are you able to provide to support these other approaches?

<ESA_QUESTION_PKID_22>
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<ESA_QUESTION_PKID_22>

Q23 : Do you think illustrative scenarios should be included in the KID as well as probabilistic scenarios for structured products?

<ESA_QUESTION_PKID_23>
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<ESA_QUESTION_PKID_23>

Q24 : If not, do you think illustrative scenarios should replace probabilistic scenarios for structured products?

<ESA_QUESTION_PKID_24>
TYPE YOUR TEXT HERE
<ESA_QUESTION_PKID_24>

Q25 : Do you agree with this approach to define PRIIPs which would show illustrative performance scenarios using the existing definition of Category 3 PRIIPs? If not, why not? Where relevant, please explain why this approach would not be appropriate for certain types of Category 3 PRIIPs?

<ESA_QUESTION_PKID_25>
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<ESA_QUESTION_PKID_25>

Q26 : Would you be in favour of including information on past performance in the KID?

<ESA_QUESTION_PKID_26>
With regard to insurance-based investment products it will always be possible to present past performances. If any guarantees are given, e.g. German life insurers publish each year a fixed amount of additional surplus. In case of unit-linked products, e.g. other life insurers should be obliged to disclose the average surplus paid out for each year based on the "smoothing" method. No matter if guarantees are given or not, life insurers are always able to calculate the total interest rate ("Gesamtverzinsung") they had paid out to their customers each year, and this can be shown by a linear graph (cf. our comment on Q 20).
<ESA_QUESTION_PKID_26>

Q27 : Would your answer to the previous question be different if it were possible to amend Article 6(4) of the PRIIPs Regulation?

<ESA_QUESTION_PKID_27>
No, our answer would not be different. The limit of three pages for the PRIIPs KID should strictly be maintained.
<ESA_QUESTION_PKID_27>

Q28 : Do you think that it can be more appropriate to show past performance in the form of an average (as shown in the ESA proposal for consumer testing) for certain types of PRIIPs? If so, for exactly which types of PRIIPs?

<ESA_QUESTION_PKID_28>

No, information on past performance should always be as precise as possible. This is particularly important with regard to the ongoing low interest rate phase. The severe impact of the ongoing decreasing interest rate must clearly be shown in order to underline the necessary alerts that future outcomes are different from those of the past.

<ESA_QUESTION_PKID_28>

Q29 : Do you have any comments on the statement that would supplement the display of past performance (e.g. with regard to the presentation of costs which are not included in the net asset value (NAV))?

<ESA_QUESTION_PKID_29>

TYPE YOUR TEXT HERE

<ESA_QUESTION_PKID_29>

Q30 : Are you of the opinion that an additional narrative is required to explain the relationship between past performance and future performance scenarios?

<ESA_QUESTION_PKID_30>

We recommend simplifying the language and propose a very simple and short warning, preferably in a substantial size and red colour of the font, such as “Future performance scenarios are NOT reliable indicators of actual future performance. Also, they are themselves based on past performances, if possible”.

<ESA_QUESTION_PKID_30>

Q31 : Do you see merit in further specifying the cases where the UCITS/AIF should be considered as being managed in reference to a benchmark, taking into account the provisions of the ESMA Questions and Answers on the application of the UCITS Directive⁴?

<ESA_QUESTION_PKID_31>

TYPE YOUR TEXT HERE

<ESA_QUESTION_PKID_31>

Q32 : Do you see the need to add additional provisions for linear unit-linked insurance-based investment products or linear internal funds?

<ESA_QUESTION_PKID_32>

KIDs for insurance products should always include absolute figures (especially guaranteed amounts and performance scenarios of surplus / benefits.) Related to life insurances and annuities, the guaranteed amounts are more important than the performance scenarios of more or less probable benefits and should therefore be highlighted.

<ESA_QUESTION_PKID_32>

⁴ See “Section II – Key Investor Information Document (KIID) for UCITS” (in particular, Q&A 8) of the Q&A document available at: https://www.esma.europa.eu/sites/default/files/library/esma34-43-392_qa_ucits_directive.pdf

Q33 : Do you agree that a fixed intermediate time period / exit point should be used instead of the current half the recommended holding period to better facilitate comparability?

<ESA_QUESTION_PKID_33>

No, we do not agree. As the contract duration of IBIPs and pension products can be very different, the inevitable impacts of distribution costs, exit fees and different performance scenarios on the real returns should be disclosed after one year, half of the duration and at maturity. If ESAs decide for fixed intermediate time, for IBIPs a five-years-period should be taken in order to disclose the severe impact of entry / distribution costs in case of early withdrawal.

<ESA_QUESTION_PKID_33>

Q34 : In this case (of a fixed intermediate time period), do you agree to show costs if the investor would exit after 5 years for all PRIIPs with a recommended holding period of at least 8 years? Or do you prefer a different approach such as:

<ESA_QUESTION_PKID_34>

The proposal may be appropriate for PRIIPs, but not for IBIPs. If ESAs decide for fixed intermediate time, for IBIPs a five-years-period should always be taken in order to disclose the severe impact of entry / distribution costs in case of early withdrawal no matter what is the contract duration (cf. our comment on Q 33).

<ESA_QUESTION_PKID_34>

Q35 : Do you think it would be relevant to either (i) use an annual average cost figure at the recommended holding period, or (ii) to present both an annual average cost figure and a total (accumulated) costs figure?

<ESA_QUESTION_PKID_35>

In case of IBIPs usually entry and distribution costs have their main impacts on the real return during the first (five) years of the contract duration. That is why they should be disclosed separately (particularly for the cases of early withdrawal), and therefore proposal (ii) is preferable. Only if distribution costs are calculated and deducted from the investment part of the premium equally during the total duration of the contract, proposal (i) may be appropriate.

<ESA_QUESTION_PKID_35>

Q36 : Do you think that it would be helpful, in particular for MiFID products, to also include the total costs as a percentage of the investment amount?

<ESA_QUESTION_PKID_36>

Yes, we agree. In Germany, this is already realized and fixed by law for the product information sheets of the state subsidized private pensions ("Produktinformationsblätter für Riester/Rürup-Verträge: Abschluss- und Vertriebskosten in der Ansparphase").

<ESA_QUESTION_PKID_36>

Q37 : In this context, are there PRIIPs for which both performance fees and carried interests are applied?

<ESA_QUESTION_PKID_37>

In the case of IBIPs this could especially be possible for unit-linked products.

<ESA_QUESTION_PKID_37>

Q38 : Do you agree with this analysis from the ESAs? If yes, what are your views on the extent to which fees related to the management of the underlying real estate assets, i.e. the properties themselves, should be taken into account in the calculation of the cost indicators?

<ESA_QUESTION_PKID_38>
TYPE YOUR TEXT HERE
<ESA_QUESTION_PKID_38>

Q39 : Do you agree with the ESAs' preferred option 3 to revise the cost tables?

<ESA_QUESTION_PKID_39>
We acknowledge that it is very difficult to find a reliable compromise between necessary information on basic figures and any kind of information overload. The proposed option 3 is not bad, but option 4 (as presented for EIOPA's Round Table on 11 December 2019) is better, because there is less narrative text and the link between the total amounts of the costs and the particular cost categories is more obvious.
<ESA_QUESTION_PKID_39>

Q40 : If not, which option do you prefer, and why?

<ESA_QUESTION_PKID_40>
Cf, our comment 39. Having this in mind, we prefer option 4 as presented for EIOPA's Round Table on 11 December 2019: only one table, disclosing absolute costs figures in the first rows, adding percentage figures downwards in the following rows. We stress again that these additional percentage figures should be calculated following to the Reduction in Wealth method (cf. our comments on Introduction and Q 42).
<ESA_QUESTION_PKID_40>

Q41 : In particular, do you think that the proposed changes to the presentation of the impact of costs on the return in percentage terms (i.e. including reduction in return before and after costs) is an improvement on the current presentation?

<ESA_QUESTION_PKID_41>
Yes, we strongly agree (cf. our comments on Q 40 and Q 42).
<ESA_QUESTION_PKID_41>

Q42 : Do you have other comments on the proposed changes to the cost tables?

<ESA_QUESTION_PKID_42>
Besides the unequivocal description of the objectives and target markets of each product, the customers primarily need *transparent* information on *risks, returns and costs*. That is exactly why we reject the "Reduction in Yield" as a summary cost indicator. Very shortly resumed, the Reduction in Yield is a percentage based on another percentage, the future return, which is just assumed and not even disclosed.

Though *mathematically* correct, the RiY is not *understandable* for the customers. The *only* reference parameter which is immediately understandable for the customers is – from our point of view - the *total amount of contributions or premiums* paid by the customer. A customer should know, what is the expected outcome at the end of the savings period, based on a given contribution or premium flow and on an assumed return on assets. This *return on assets* should be the return *before* any costs are deducted, and the *expected outcome* is clarified *after* costs are deducted. Then the customer has two absolute figures which he is able to compare, and the difference between the two figures may additionally be elucidated by a percentage as a summary cost indicator (cf. article of Professor Andreas Oehler – University of Bamberg / DE, for EIOPA's Round Table on PRIIPs KID on 11 December 2019).

This is – partly - already realized in the product information sheets for the Riester and Rürup pensions in Germany. These product information sheets disclose the total return of the accumulated savings and the probable monthly annuity, both in absolute figures and net of costs. There are four assumed returns on assets based on different interest rates which are disclosed.

Following to our analysis of the KIDs for IBIPs currently published, the use of the RiY is highly mis-leading for consumers. In the Table “Costs over time”, whatever the absolute figures of total costs are, at maturity the percentages calculated on the base of the RiY are nearly always 1 or 2% or even less. That is the same for the Table “Composition of costs” including entry and exit costs, transaction costs, performance fees etc. We stress that at least 40% of life insurances and annuities are cancelled *before* reaching maturity.

Article 8 paragraph (3) (f) of the PRIIPs Regulation (EU) 1286/2014 only stipulates “summary indicators of these costs” or “total aggregate costs expressed in monetary and percentage terms” in order to ensure comparability. Obviously it does *not* stipulate the RiY. Instead of this we propose the Reduction in Wealth as alternative calculation method for presenting percentage figures of costs in the PRIIPs KID (cf. our introductory comment).

<ESA_QUESTION_PKID_42>

Q43 : What are your views on the appropriate levels of these thresholds? Please provide a justification for your response.

<ESA_QUESTION_PKID_43>

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<ESA_QUESTION_PKID_43>

Q44 : If UCITS would fall in the scope of the PRIIPs Regulation, do you agree that the coexistence of the UCITS KII (provided to professional investors under the UCITS Directive) and the PRIIPs KID (provided to retail investors under the PRIIPs Regulation) would be a negative outcome in terms of overall clarity and understandability of the EU disclosure requirements? Are you of the view that the co-legislators should therefore reconsider the need for professional investors to receive a UCITS KII, as the coexistence of a PRIIPs KID together with a UCITS KII (even if not targeted to the same types of investors) would indeed be confusing, given the differences in the way information on costs, risks and performance are presented in the documents? Alternatively, are you of the view that professional investors under the UCITS Directive should receive a PRIIPs KID (if UCITS would fall in the scope of the PRIIPs Regulation)?

<ESA_QUESTION_PKID_44>

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<ESA_QUESTION_PKID_44>

Q45 : What are your views on the issue mentioned above for regular savings plans and the potential ways to address this issue?

<ESA_QUESTION_PKID_45>

TYPE YOUR TEXT HERE

<ESA_QUESTION_PKID_45>

Q46 : Do you agree that these requirements from Article 4 should be extended to all types of PRIIPs, or would you consider that it should be restricted to Management Company of UCITS or AIFs?

<ESA_QUESTION_PKID_46>
TYPE YOUR TEXT HERE
<ESA_QUESTION_PKID_46>

Q47 : Do you agree that this requirement should be extended to all types of PRIIPs, or would you consider that it should be restricted to Management Company of UCITS or AIF?

<ESA_QUESTION_PKID_47>
TYPE YOUR TEXT HERE
<ESA_QUESTION_PKID_47>

Q48 : Do you agree that these requirements should be extended to all types of PRIIPs, or would you consider that they should be restricted to the Management Company of the UCITS or AIF?

<ESA_QUESTION_PKID_48>
TYPE YOUR TEXT HERE
<ESA_QUESTION_PKID_48>

Q49 : Do you have any comments on the proposed approaches in relation to the analysis and proposals in this Section, and in particular on the extent to which some of the abovementioned requirements should be extended to other types of PRIIPs?

<ESA_QUESTION_PKID_49>
TYPE YOUR TEXT HERE
<ESA_QUESTION_PKID_49>

Q50 : Do you think this proposal would be an improvement on the current approach?

<ESA_QUESTION_PKID_50>

First we stress that we fully agree with ESAs analysis of current issues on MOPs (cf. CP, page 51): "Where a generic KID is used (in accordance with Article 10(b) of the PRIIPs Delegated Regulation) it is difficult for the investor to identify the total costs related to a particular investment option. This arises because the generic KID shows a range of costs, but does not always identify which costs are specific to an investment option and which costs relate to the insurance contract... Information on the combination of options is not explicitly required by the PRIIPs Delegated Regulation and is often not provided within the KID documentation... In particular, where very wide cost ranges are shown, it can be argued that the usefulness of this information is quite limited. This provides the retail investor with only a general idea of what the costs will be depending on their choices. They can only know that costs may fluctuate a lot and what the extremes of their fluctuations are." Therefore we support ESA's general conclusion: "If PRIIP manufacturers were required to include in the option-specific information the total costs of investing in that option, this can be seen to provide more complete information to the investors."

But with regard to the practical proposal outlined in the CP on page 52 ("approach to a minimum of four options or combination of options") we share the concerns expressed by participants of EIOPA's Public Hearing on 29 November 2019. These four options chosen by the product provider may be misunderstood by the customers as a recommendation. It is quite obvious that eg. mutual funds which are sold the most are not necessarily the best with regard to the real return. The minimum requirement for this pro-

posal should therefore be that an strong alert is added stressing that the chosen options are only a proposal, not a recommendation and that other combination of investment options are also possible. In our comment to Q 54 we propose a different approach.

<ESA_QUESTION_PKID_50>

Q51 : Do you envisage significant practical challenges to apply this approach, for example for products which allow the investor to choose between a wide range or large number of options?

<ESA_QUESTION_PKID_51>

No, we do not envisage any significant practical challenges.

<ESA_QUESTION_PKID_51>

Q52 : Do you see any risks or issues arising from this approach in relation to consumer understanding, for instance whether the consumer will understand that other combinations of investment options are also possible?

<ESA_QUESTION_PKID_52>

With regard to the practical proposal outlined in the CP on page 52 ("approach to a minimum of four options or combination of options") we share the concerns expressed by participants of EIOPA's Public Hearing on 29 November. These four options chosen by the product provider may be mis-understood by the customers as a recommendation. It is quite obvious that eg. mutual funds which are sold the most are not necessarily the best regarding real return.

Therefore the minimum requirement for this proposal should therefore be that an strong alert is added stressing that the chosen options are only a proposal, not a recommendation and that other combination of investment options are also possible. In our comment to Q 54 we propose a different approach (cf. our comment on Q 50)

<ESA_QUESTION_PKID_52>

Q53 : Do you think this proposal would be an improvement on the current approach?

<ESA_QUESTION_PKID_53>

If cost ranges are applied, we agree with this proposal.

<ESA_QUESTION_PKID_53>

Q54 : Are there other approaches or revisions to the requirements for MOPs that should be considered?

<ESA_QUESTION_PKID_54>

We propose a different approach for MOPs: The product provider shall calculate an average return of all investment options which he currently offers in the particular PRIIP. For example, if within an IBIP several mutual funds are offered as investment options, the product provider shall calculate the average return of these mutual funds as if there were all put together in a "fund of funds". This average return must be updated every year. The same should be done for the cost indicators. We clearly think that this average approach is much less prone to information overload than ranges of returns and costs which are not more precise than an average but expounded by many more figures in KID.

We stress that this approach of average figures is strongly put forward in Germany for the ongoing renewal of the production information sheets of the state subsidized private retirement pension products.

<ESA_QUESTION_PKID_54>

Q55 : Do you have any comments on the preliminary assessment of costs and benefits?

<ESA_QUESTION_PKID_55>

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Q56 : Are you able to provide information on the implementation costs of the proposed changes, in particular regarding, (1) the proposed revised methodology for performance scenarios (using a reference rate and asset specific risk premia), and (2) the overall changes to the KID template?

<ESA_QUESTION_PKID_56>

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Q57 : Are there significant benefits or costs you are aware of that have not been addressed?

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