

**ACTUARIAL ASSOCIATION OF EUROPE (AAE)  
COMMENTS ON ESA CONSULTATION  
ON CHANGES TO THE KEY INFORMATION FOR PRIIPS**

**SUMMARY**

The implementation of the PRIIPs regulation brought about uncertainty in interpretation of its provisions arising from the complexity which was introduced. In some cases, interpretations which were required to be made may give rise to contest and generate a significant legal risk for insurers with possible prudential outcomes.

Many stakeholders expressed dissatisfaction with some aspects of the standard, and particularly with the performance scenarios. The AAE expressed its own concerns with regards to the consumer protection risks introduced by those scenarios.

In assessing the ESAs' intention to address the concerns raised with performance scenarios, the AAE remains very sensitive to the fact that resulting methodological requirements should lead to reliable results for different products within their scope. The results should be capable of being understood by consumers. They should also lend themselves to non-complex implementation, taking account of the various product configurations which exist. It is important that this objective is met through introduction of coherent, consistent and sustainable methods, and not short term solutions.

The AAE has already suggested that a full review of the standard would be appropriate in order to address the structural problems raised. We do not see that the current review meets this objective. From a pragmatic point of view, and taking into account the efforts already made by insurers and the complexity and non-accessibility of the PRIIPs KID for the consumer, the AAE remains opposed to adding further information to that already required. This view extends to adding past performance figures to existing performance scenarios.

The AAE has concerns relating to several of the proposals which are included in the consultation paper. Some of the proposed methods become even more complex than the current methods, which will make the results and figures disclosed even more difficult for the consumer to understand, and will increase the legal and technical risk involved in establishing these figures. The aims of transparency, comprehensibility and comparability stated in the PRIIPs Regulation are threatened if the changes which are described in the consultation to PRIIPs RTS are implemented. While the use of risk premiums is a standard approach, it is not clear how this fits consistently into the existing methodology for categories 2 and 3. In addition, the different methods for determining risk premiums for different assets do not seem to form one consistent approach. We are concerned that proposals introduce technical complexity and some loss of consistency. The simpler approaches

contemplated by the consultation paper may represent interesting alternatives and merit further consideration.

The AAE recognises the importance of the matters addressed by the PRIIPs regulation in the context of the CMU and is available to contribute to the work on these issues. The material heterogeneity of insurance markets and products both at national level and across Europe is an important factor for this work. To be successful, any solution to issues raised will need to cater for this heterogeneity, without excluding proportionate methodological adaptations where required by specific product features. A one-size-fits-all approach is problematic if it leads to inappropriate representation of certain products.

The AAE considers that an in depth and comprehensive review, including of level 1, would bring considerable benefits. A short term solution should be avoided. In this regard, we consider that important issues raised by level 1 would nevertheless remain even were level 2 to be satisfactorily addressed.

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