

EU regulatory update for actuaries

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EU regulatory update for actuaries

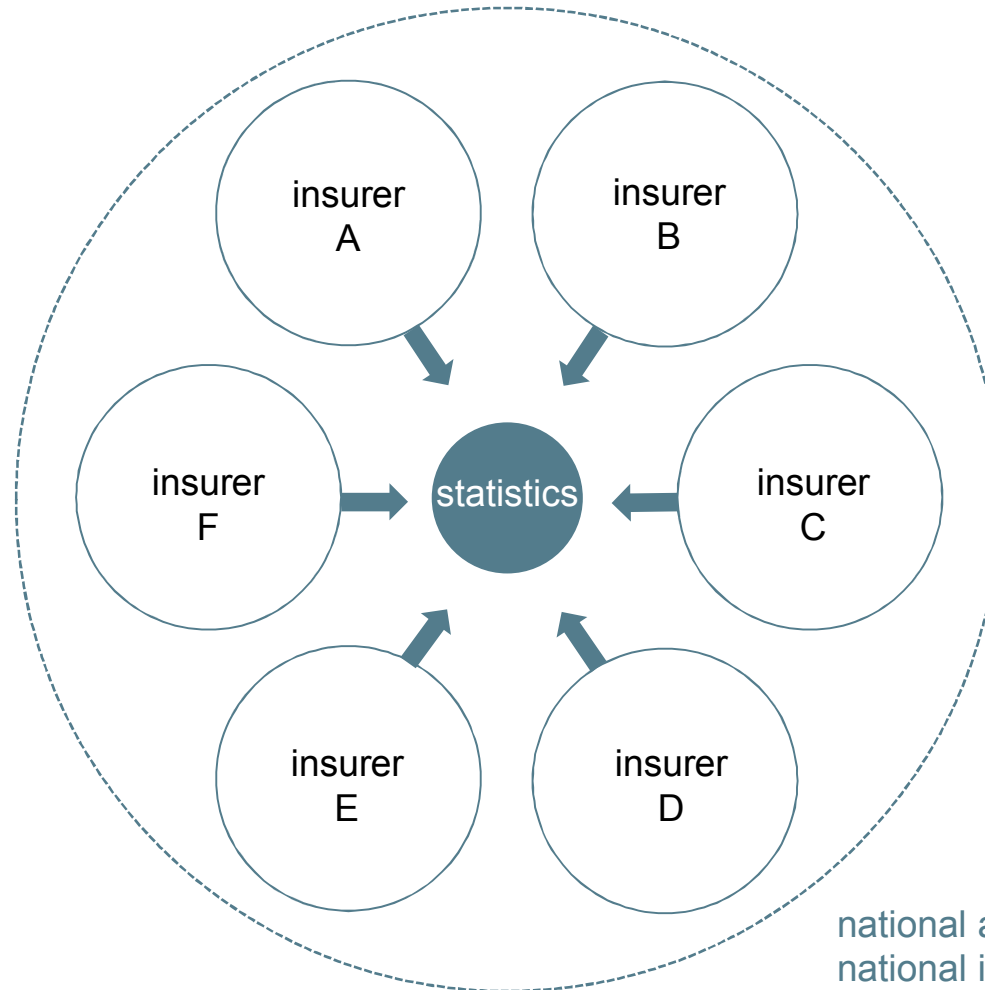
Agenda



How may we share risk data with other market participants?

Compatibility with EU competition law is now subject to self-assessment.¹

New legal basis since 01.04.17



national actuarial association,
national insurance association etc.

¹ Commission Regulation (EU) No 267/2010 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to certain categories of agreements, decisions and concerted practices in the insurance sector and Communication from the Commission: Guidelines on the applicability of Article 101 of the Treaty on the Functioning of the European Union to horizontal co-operation agreements (2011/C 11/01), no. 97

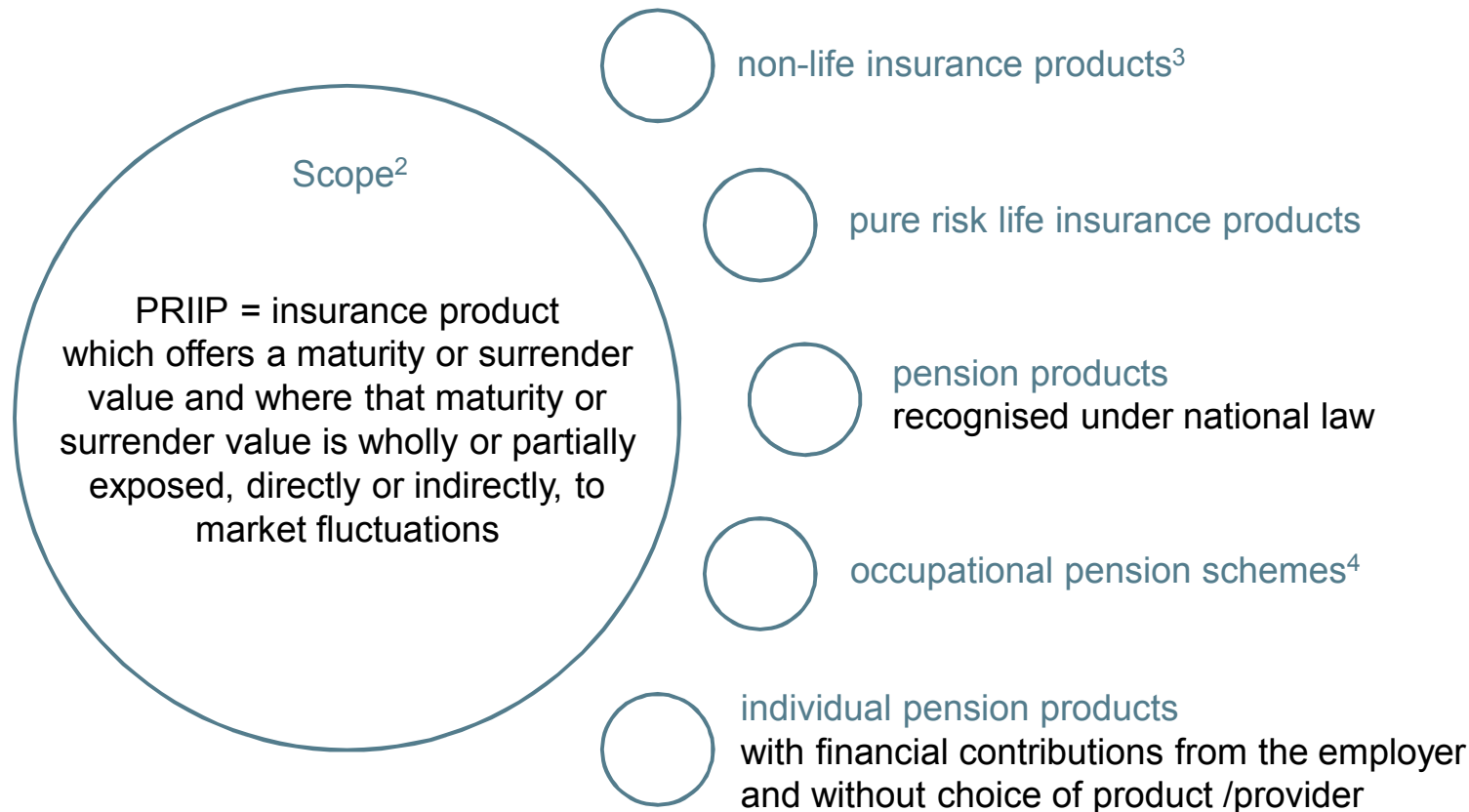
EU regulatory update for actuaries

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What is a Packaged Retail and Insurance-Based Investment Product (PRIIP)?¹

Life insurance with European and national carve-outs



¹ Regulation (EU) No. 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs)

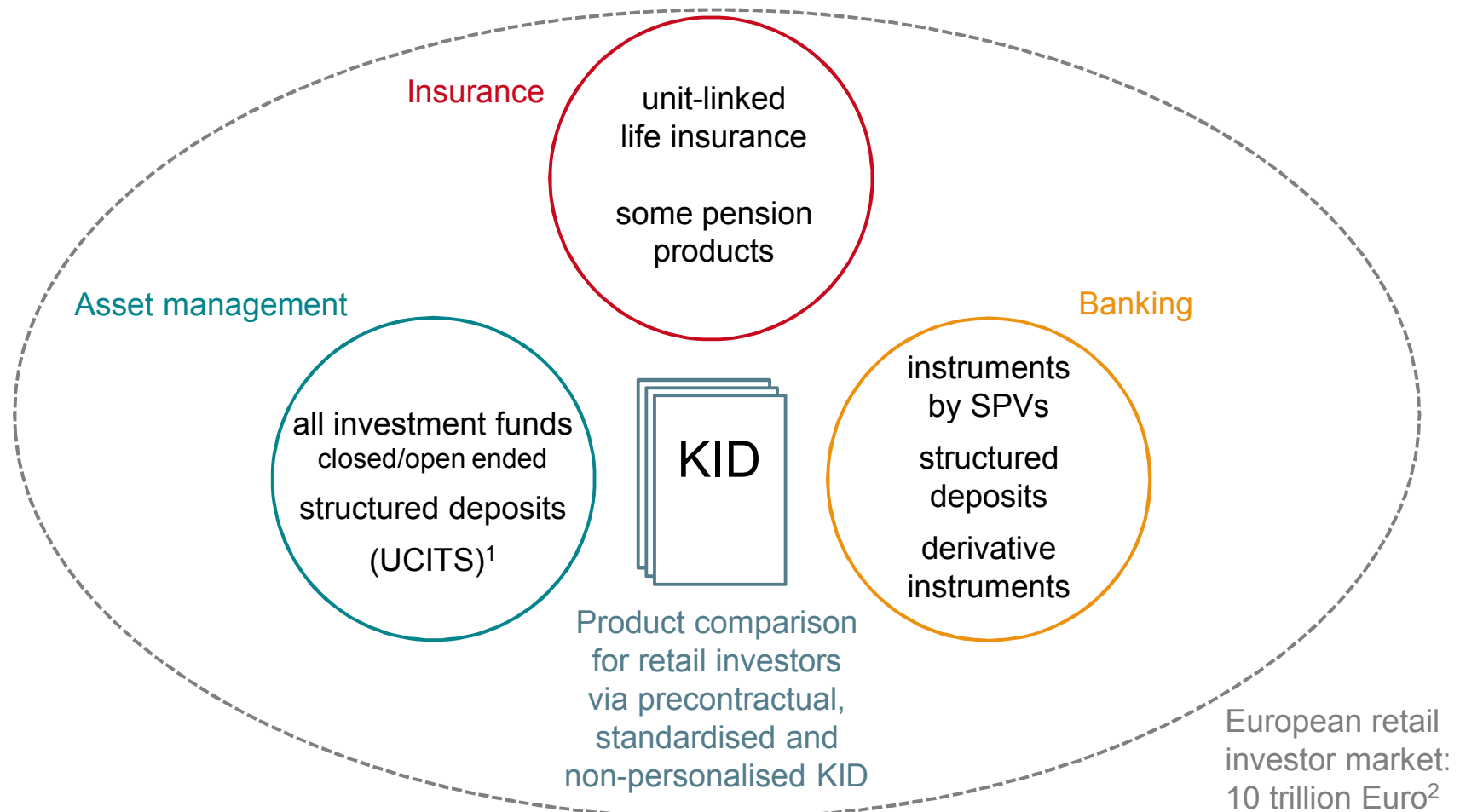
² Art 2 para 17 and Regulation (EU) No. 1286/2014 Art 4 para 3

³ Classes of non-life insurance as listed in Annex I to Directive 2009/138/EC

⁴ Occupational pension schemes falling under the scope of Directive 2003/41/EC (IORP) or Directive 2009/138/EC (Solvency II)

Why do consumers need a Key Information Document (KID)?

Standard comparison of insurance, banking and investment products



¹ Art 32: Management and investment companies selling UCITS will have to comply with the PRIIPS Regulation from 1 January 2020

² European Commission Press Release IP/12/736 of 3 July 2012

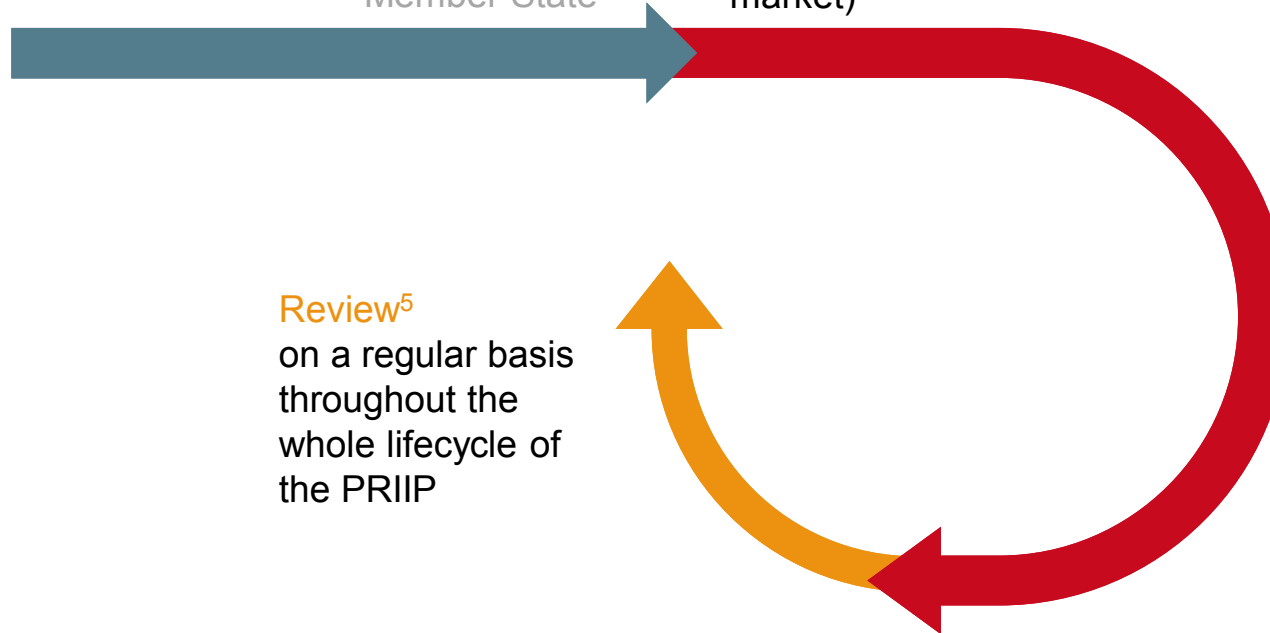
What do we have to do?

The KID lifecycle

Drawing up the KID according to the mandatory template¹

Ex ante notification² to the supervisory authority if required by the Member State

Publication³ on own website (as long as the product is traded incl. the secondary market)



Review⁵ on a regular basis throughout the whole lifecycle of the PRIIP

Dissemination⁴

- free of charge
- in good time before the conclusion of the contract or any offer, except for distance selling
- paperless KIDs upon agreement of the customer

¹ Art 6ff and Regulatory Technical Standards in the form of a Delegated Regulation

² Art 5 para 2

³ Art 14

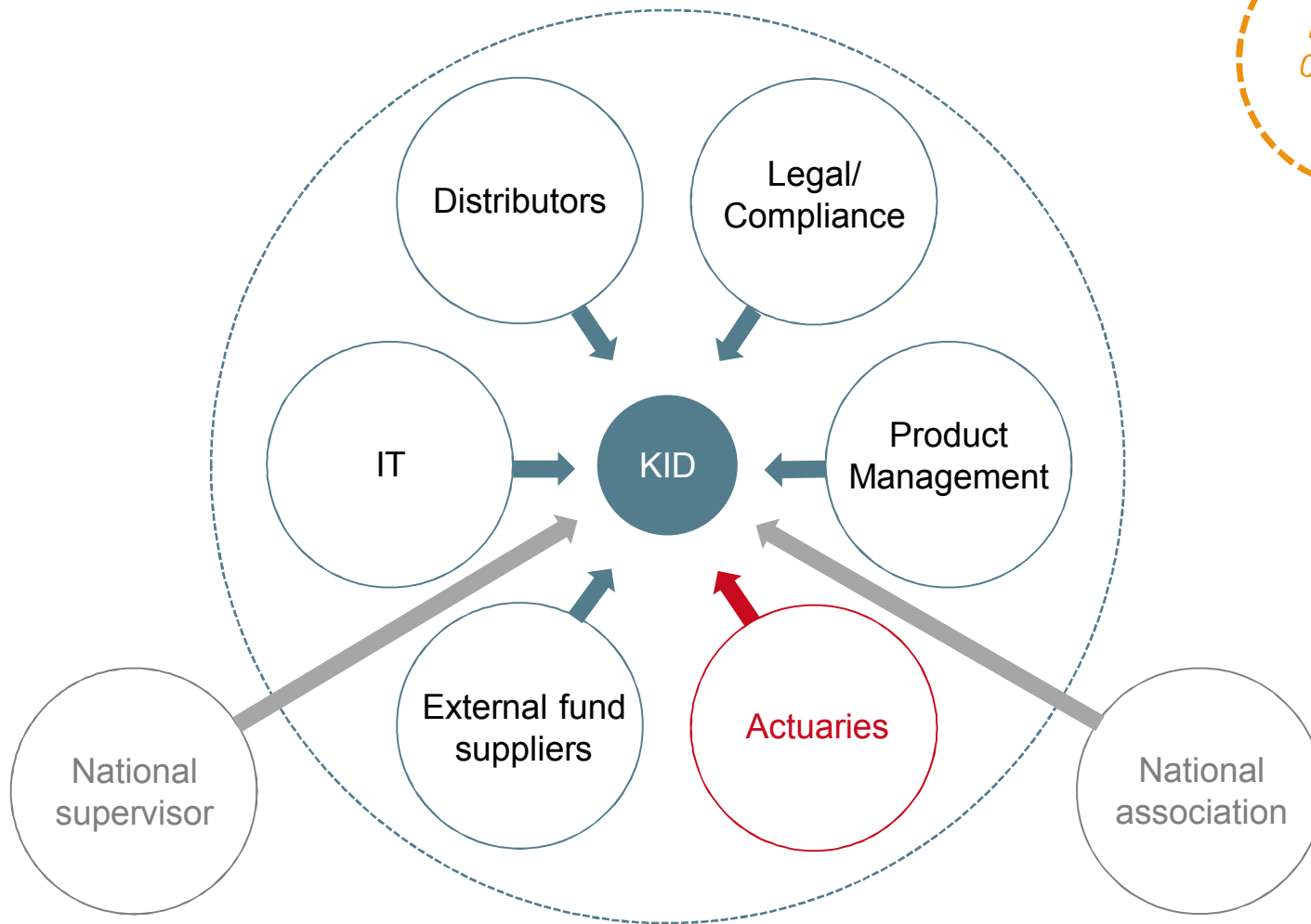
⁴ Art 13 and 14

⁵ Art 10

Who should be involved?

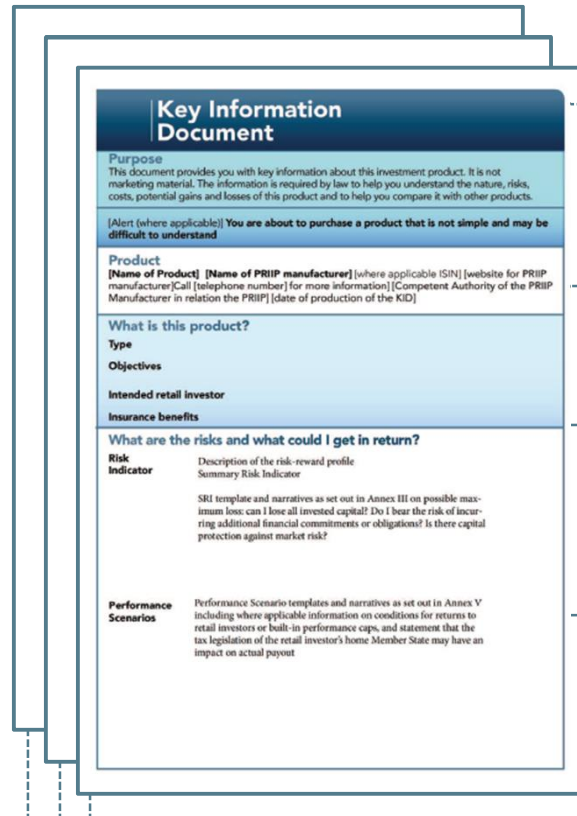
Coordination of all stakeholders

Deadline
01.01.18



Drawing up the KID

Restricted design options



Corporate branding or logos
shall not distract the retail investor from the information contained in the document or obscure the text

Font size
using characters of readable size

Language
clear and easy to read - no „actuarial jargon“;
official language of the retail investor's Member State

Colours
shall not diminish the comprehensibility of the document if the KID is then photocopied or printed in black and white

Length
maximum of three sides of A4-sized paper when printed

Mandatory template (1/3)

Fixed information elements and wordings



Key Information Document	
Purpose	This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.
[Alert (where applicable)] You are about to purchase a product that is not simple and may be difficult to understand	
Product	[Name of Product] [Name of PRIIP manufacturer] [where applicable ISIN] [website for PRIIP manufacturer] [Call (telephone number) for more information] [Competent Authority of the PRIIP Manufacturer in relation the PRIIP] [date of production of the KID]
What is this product?	
Type	
Objectives	
Intended retail investor	
Insurance benefits	
What are the risks and what could I get in return?	
Risk Indicator	Description of the risk-reward profile Summary Risk Indicator SRI template and narratives as set out in Annex III on possible maximum loss: can I lose all invested capital? Do I bear the risk of incurring additional financial commitments or obligations? Is there capital protection against market risk?
Performance Scenarios	Performance Scenario templates and narratives as set out in Annex V including where applicable information on conditions for returns to retail investors or built-in performance caps, and statement that the tax legislation of the retail investor's home Member State may have an impact on actual payout

Title

“Key Information Document”

Explanatory statement

“This document provides you ...”

PRIP name

PRIP ISIN

or any other universal identifier, where available

PRIP manufacturer

legal name and contact details incl. website

Competent authority

name and Member State of the competent authority of the PRIIP manufacturer

Date

of production and of any subsequent revision

Comprehension alert¹

“You are about to purchase a product that is not simple and may be difficult to understand”

¹ Recital 13 and Art 33 - Guidance by national competent authorities required

Mandatory template (2/3)

Fixed section order, titles and indicators



What is this product?

- type
- objectives
- retail investor target group, but not target market¹
- insurance benefits if available – insurer’s USP!
- term

What are the risks and what could I get in return?

- risk and reward profile including a summary risk indicator (SRI) combining market and credit risk
- possible maximum loss of invested capital
- capital guarantees
- four performance scenarios for survival (stress, unfavourable, moderate, favourable) and death for 1, 3 and 5 years

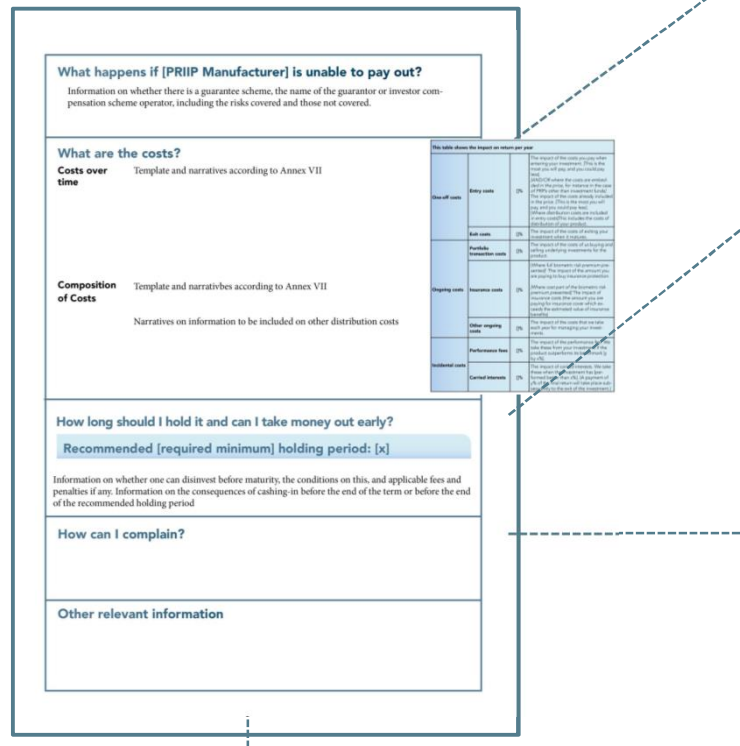
What happens if the PRIIP manufacturer is unable to pay out?

- investor compensation or guarantee schemes
- risks covered

¹ Final Report on Public Consultation on Preparatory Guidelines on product oversight and governance arrangements by insurance undertakings and insurance distributors, 6 April 2016 EIOPA-BoS-16-071

Mandatory template (3/3)

Fixed section order and titles



What are the costs?

- total costs by summary cost indicator for different holding periods (reduction in yield + absolute amount)
- composition of costs: one-off (entry & exit), recurring, incidental; biometric risk premium ≠ cost

How long should I hold it and can I take money out early?

- cancellation period
- recommended or required minimum holding period
- ability and conditions of disinvestments before maturity
- potential consequences of early cashing in

How can I complain?

detailed directions on how and where to lodge a complaint about the product and/or the manufacturer's/distributor's conduct¹

Other relevant information

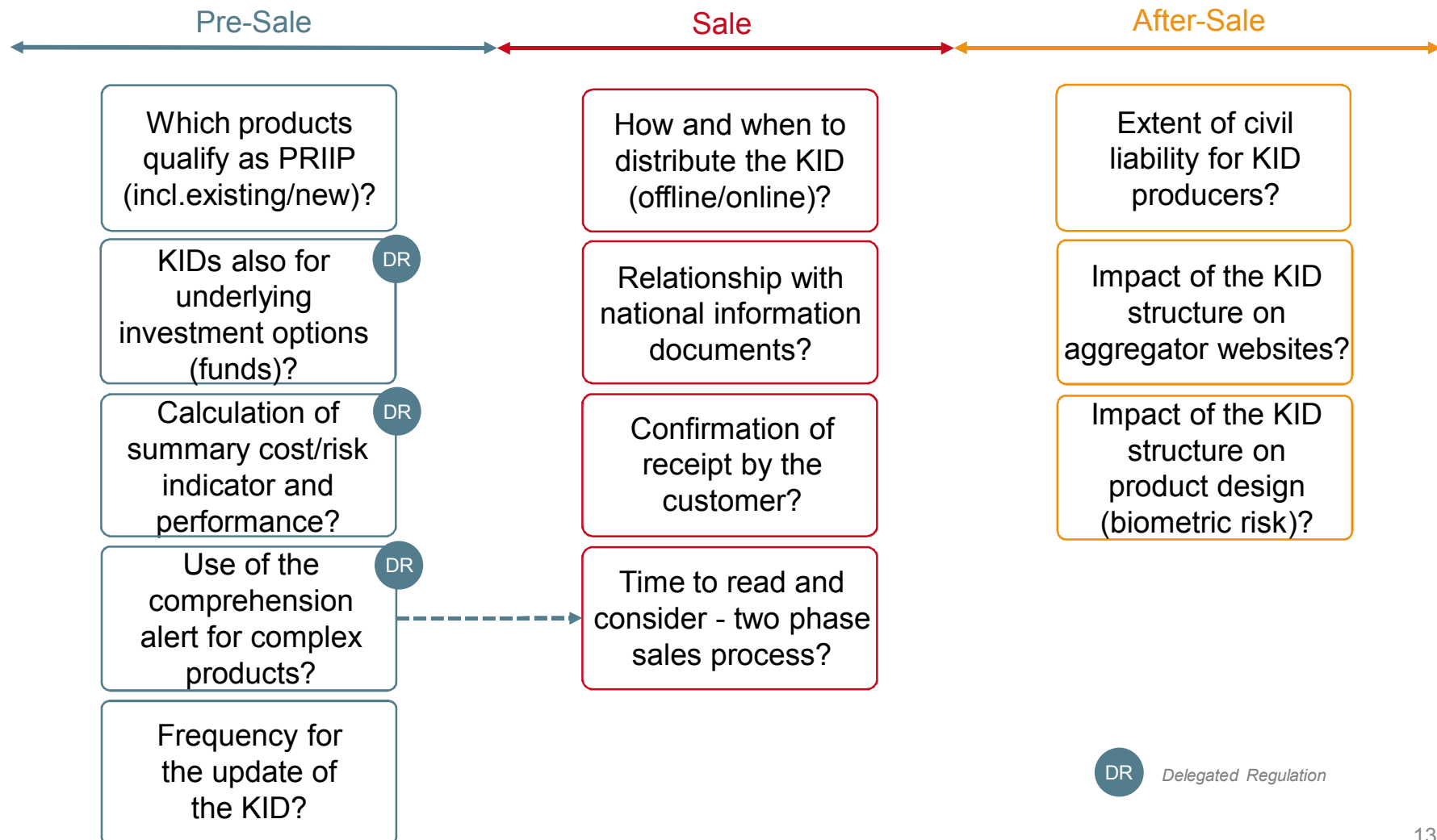
cross-references to any additional information documents (e.g. prospectus, KIID for UCITS², not marketing material)

¹ EIOPA Guidelines on complaints-handling by insurance undertakings, EIOPA-BoS-12/069, 14 June 2012

² Art 32: Management and investment companies selling UCITS will have to comply with the PRIIPS Regulation from 1 January 2020

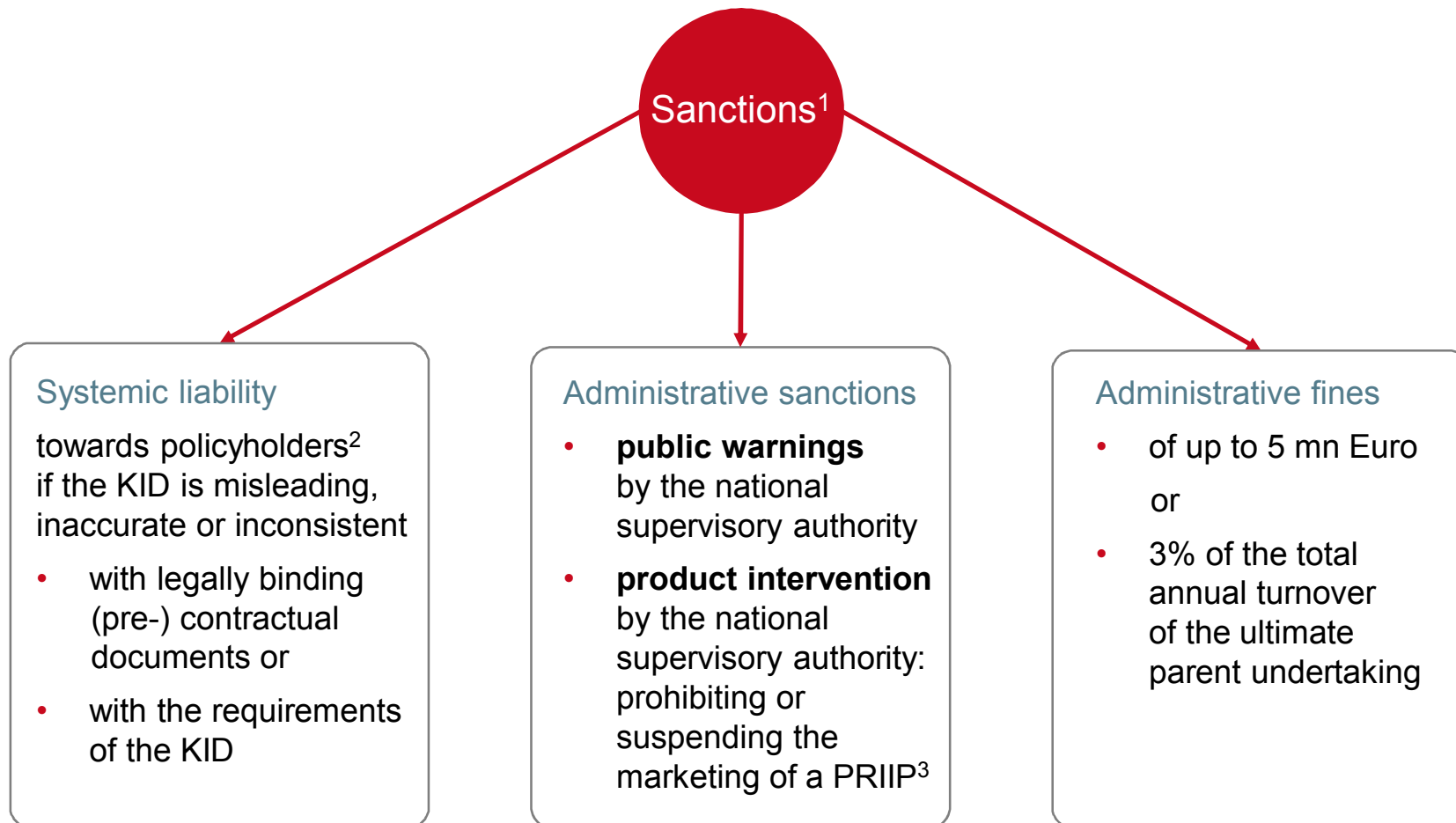
Critical questions

Only a few are answered by the delegated regulation.



What happens if we don't comply?

Financial, business and reputational risks



¹ Art 22ff

² Art 12: No liability towards the beneficiary

³ Commission Delegated Regulation (EU) 2016/1904 supplementing Regulation (EU) No 1286/2014 with regard to product intervention

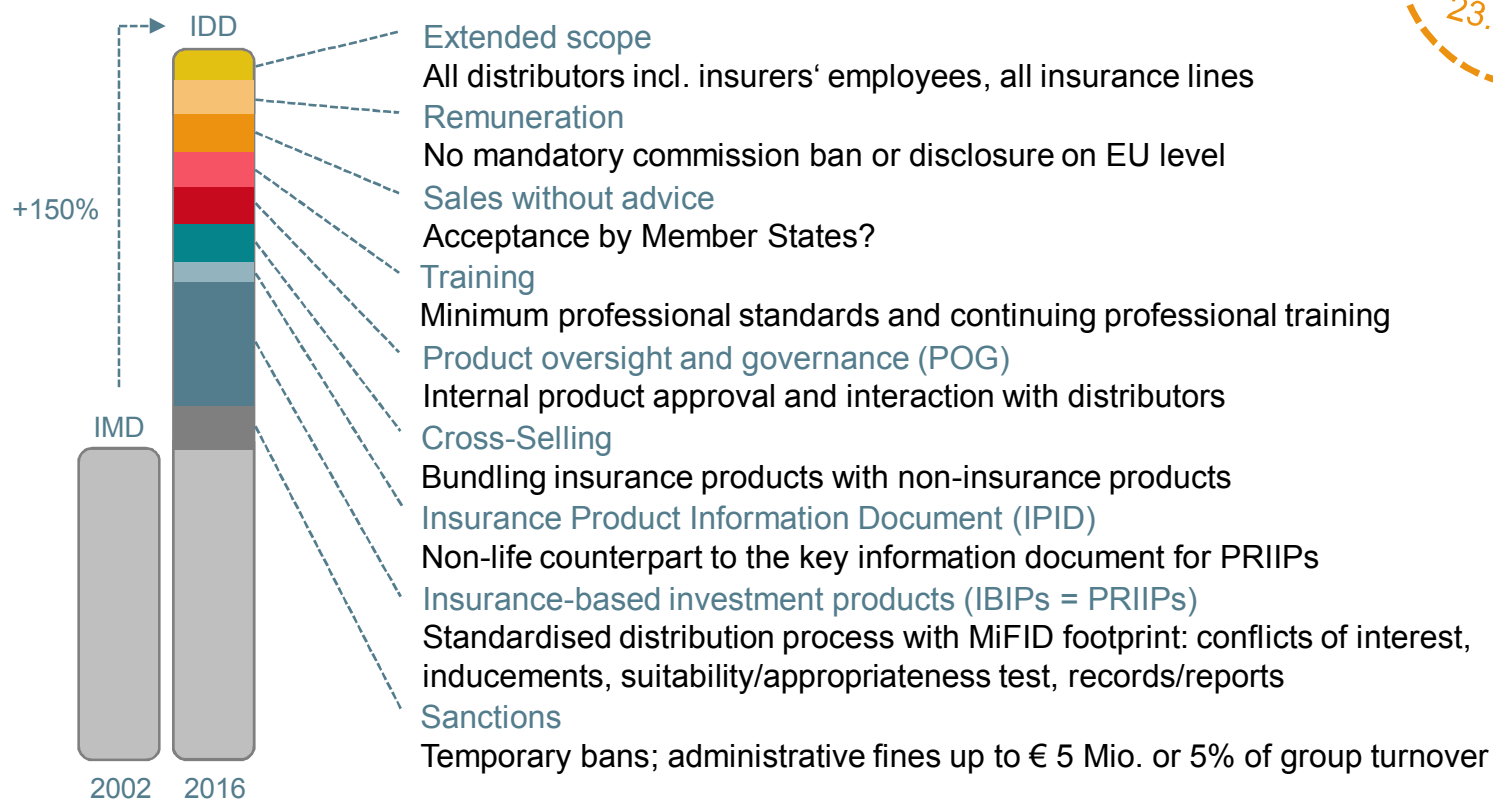
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Insurance Distribution Directive (IDD)

Essential building blocks

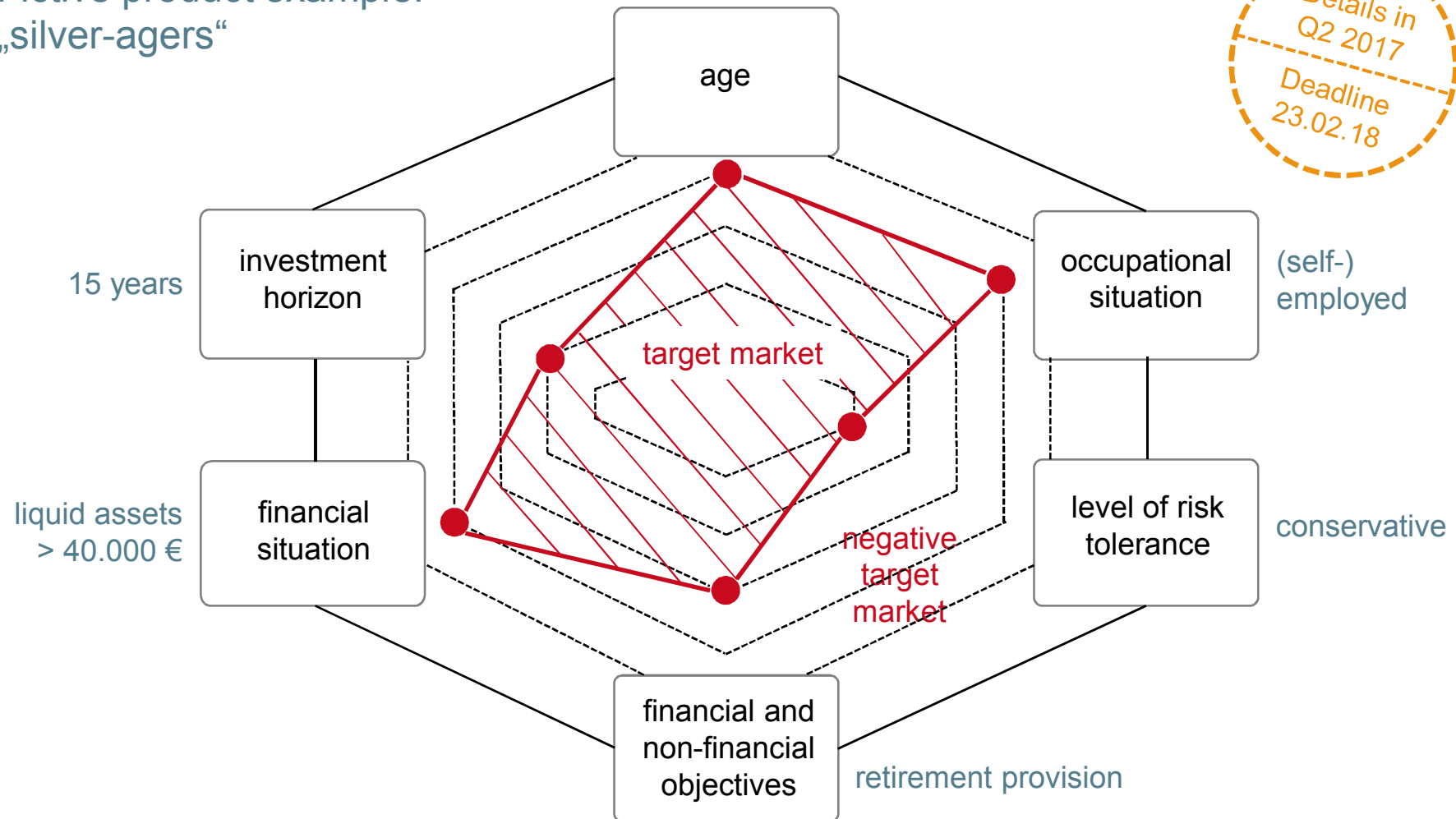


How to determine the target market for investment-based insurance products?

Non-binding European criteria¹

Fictive product example:
„silver-agers“

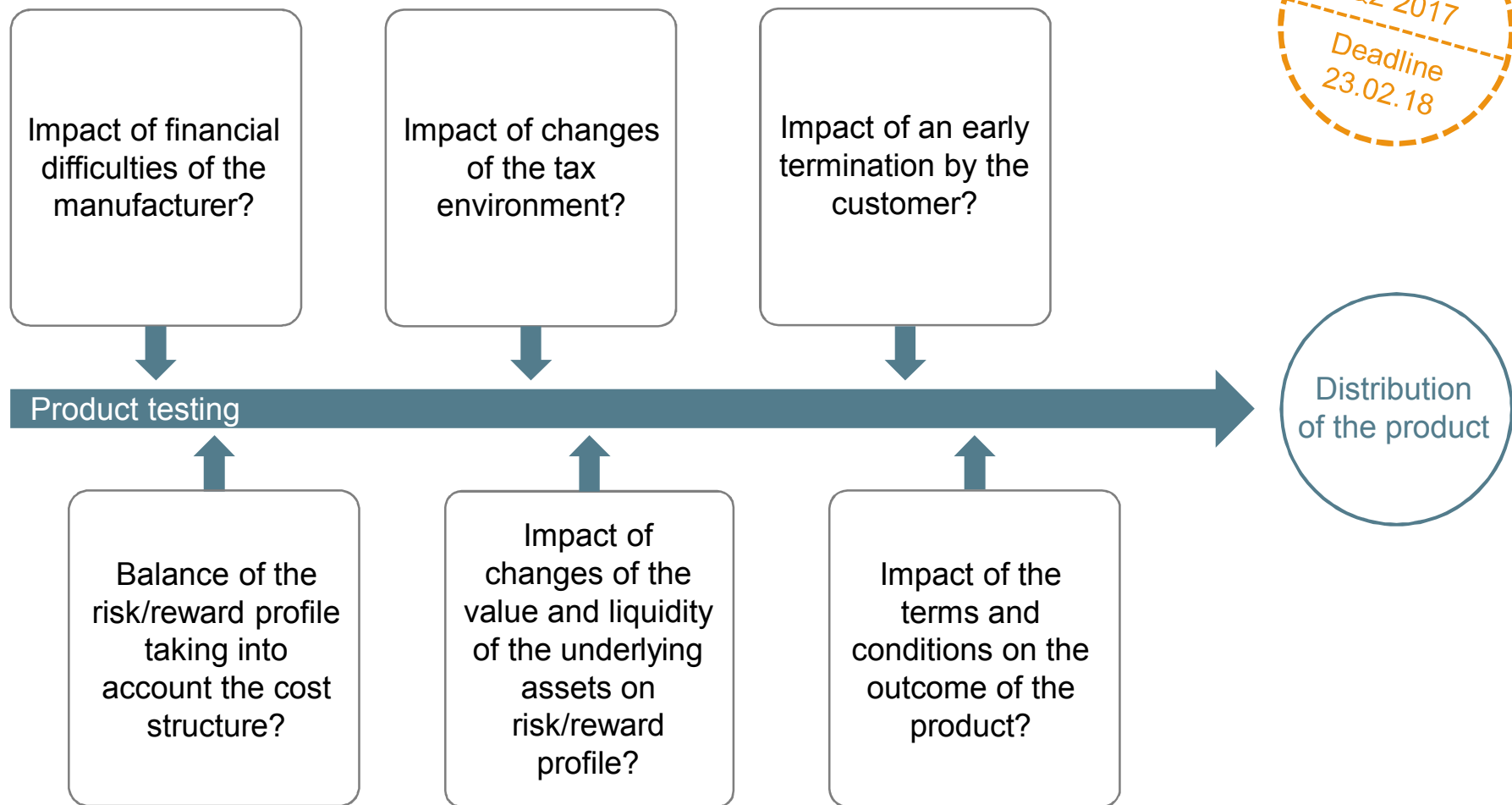
Details in
Q2 2017
Deadline
23.02.18



¹ Consultation Paper on Technical Advice on possible delegated acts concerning the Insurance Distribution Directive, EIOPA-CP-16/006, 4 July 2016, p. 32

How to test insurance-based investment products?

More than a profit test - potential questions for scenario analyses¹



¹ Consultation Paper on Technical Advice on possible delegated acts concerning the Insurance Distribution Directive, EIOPA-CP-16/006, 4 July 2016, p. 17

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risk data
sharing

key information
documents

product
development

**data
protection**

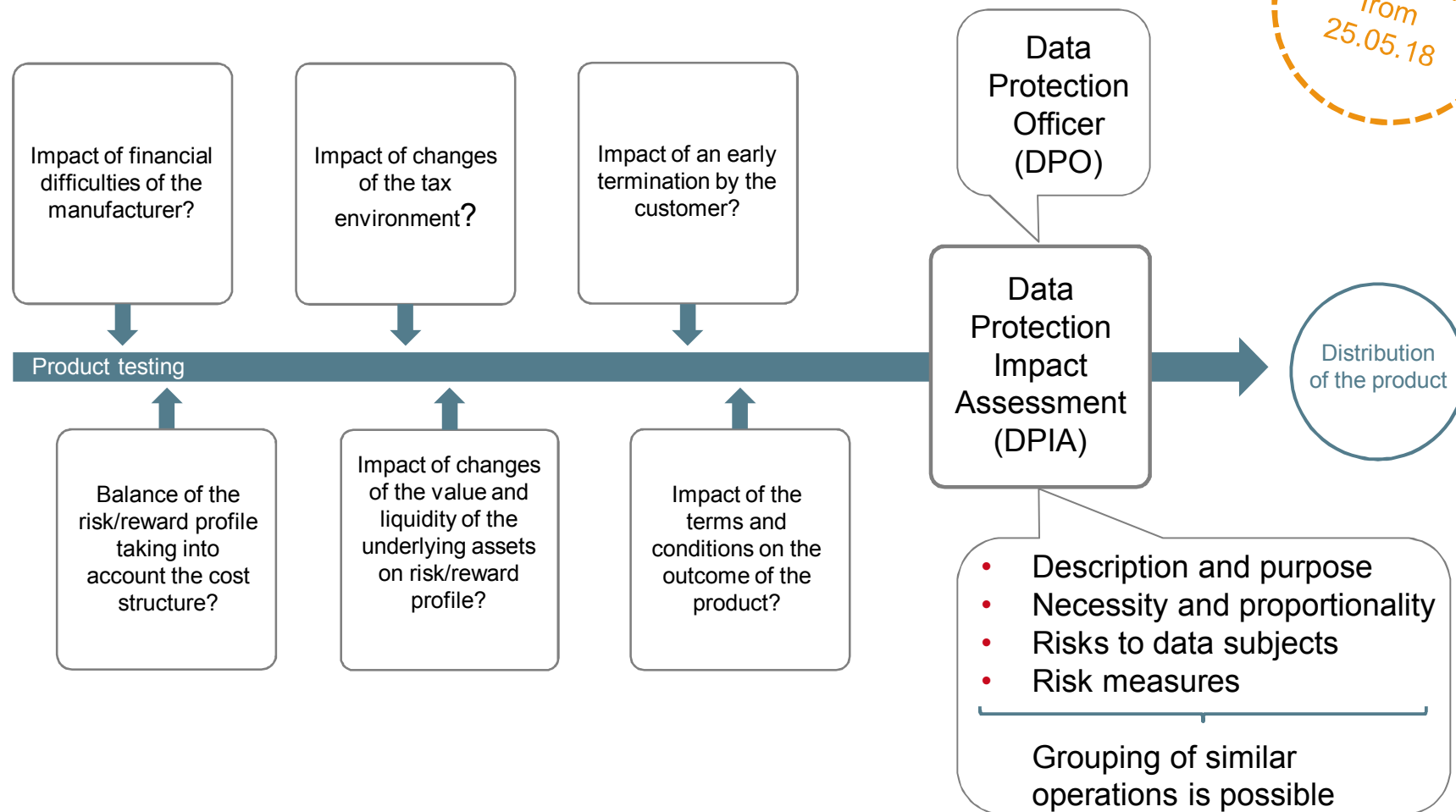
risk factor
age

risk data
portability

Will data protection impact the product development?

The Data Protection Impact Assessment (DPIA) as a last filter¹

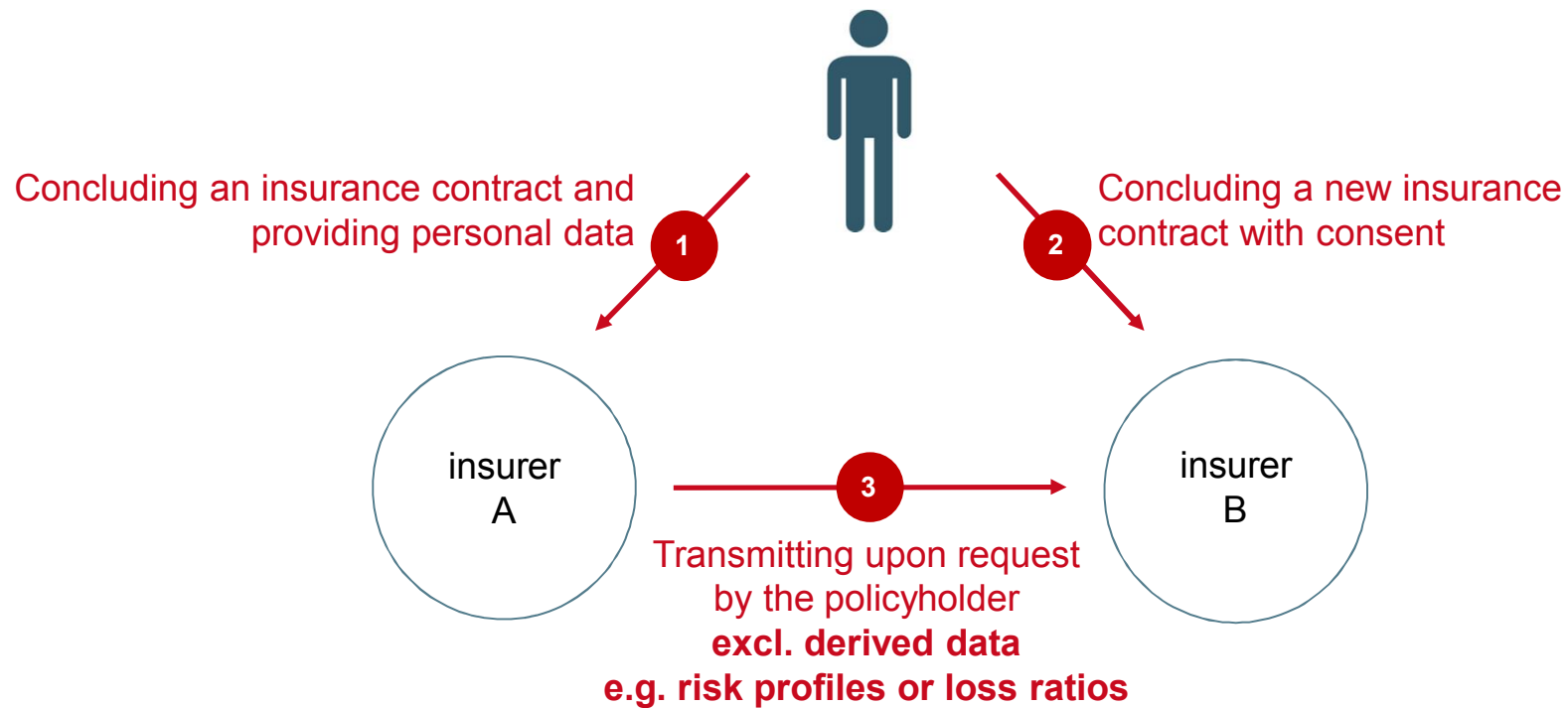
Application from 25.05.18



¹ Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation) Art 35 and Guidelines (tbc)

How will data protection improve customer mobility?

A new right of policyholders will allow the direct transmission of personal data from one data controller to another.¹



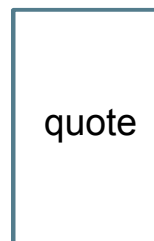
¹ Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation) Art 20 and Guidelines on the right to data portability WP 242 rev.01

Will data protection impact underwriting?

Automated profiling will support online sales.¹



----- age
----- name
----- address



conclusion of the contract

- contract
- explicit consent

¹ Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation) Art 22 and Guidelines (tbc)

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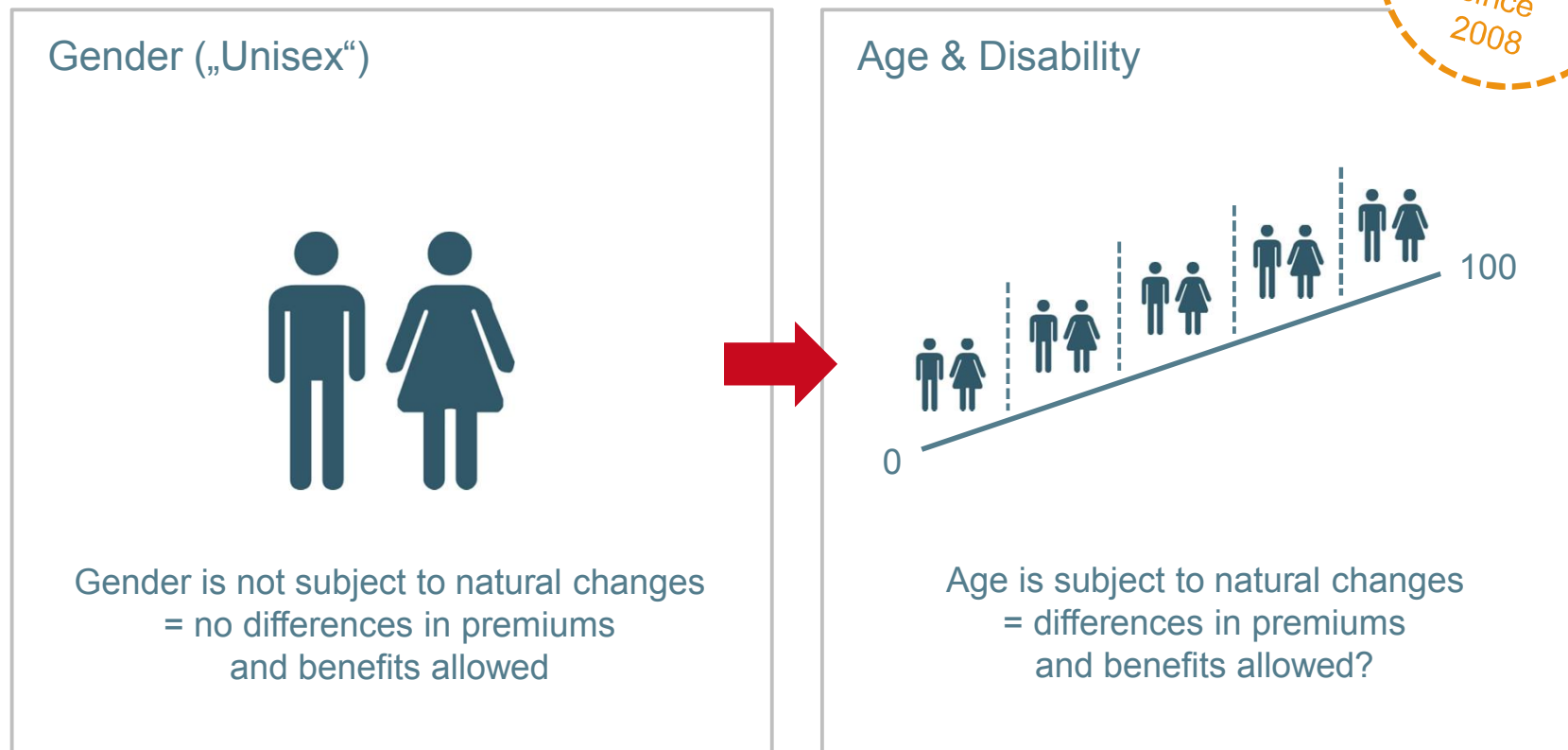
**risk factor
age**

risk data
portability

May the use of age as an actuarial factor result in differences in premiums and benefits?

An exception to the rule for insurance could experience the same treatment by the European Court of Justice as gender

EU Directive blocked since 2008



¹ Directive 2004/113/EC implementing the principle of equal treatment between men and women in the access to and supply of goods and services, Art 5

² Proposal for a Directive on implementing the principle of equal treatment between persons irrespective of religion or belief, disability, age or sexual orientation, COM(2008) 426 final, Art 2

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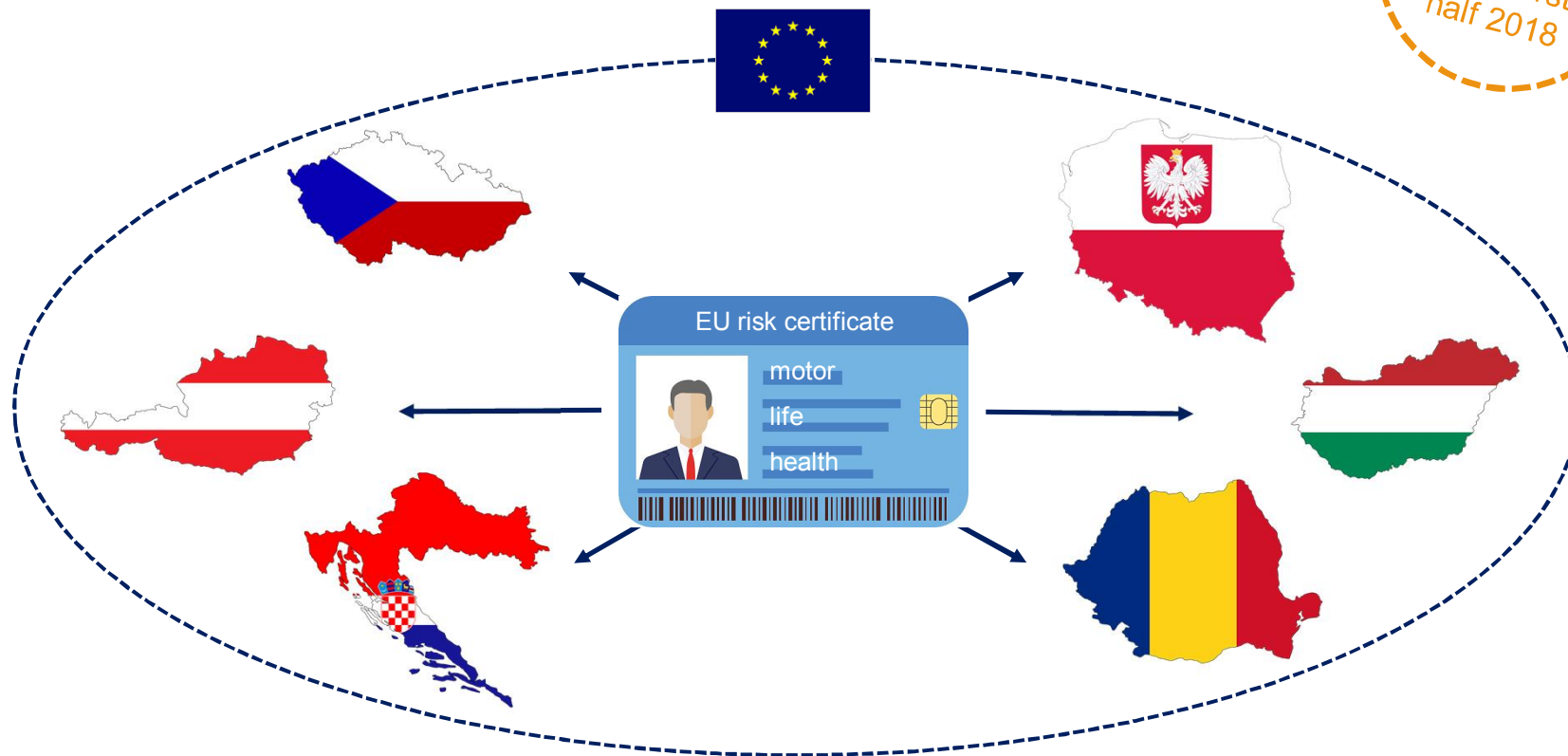
risk factor
age

risk data
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Single market – same risk?¹

Risk data portability across the EU would require standardisation – this could trigger a harmonisation of calculation of discounts²

EU proposal in the first half 2018



¹ Green Paper on retail financial services - Better products, more choice, and greater opportunities for consumers and businesses, Brussels, 10.12.2015, COM(2015) 630 final, p. 24

² Directive 2009/103/EC relating to insurance against civil liability in respect of the use of motor vehicles, and the enforcement of the obligation to insure against such liability, Art 16

Q & A

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