<table>
<tr><td colspan="2">Comments Template on
Consultation Paper on the proposal for Guidelines under the Insurance Distribution Directive on insurance-based investment products that incorporate a structure which makes it difficult for the customer to understand the risks involved</td><td>Deadline
28 April 2017
18:00 CET</td></tr>
<tr><td>Name of Company:</td><td colspan="2">Institute and Faculty of Actuaries</td></tr>
<tr><td>Disclosure of comments:</td><td>EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential.

Please indicate if your comments on this CP should be treated as confidential, by deleting the word Public in the column to the right and by inserting the word Confidential.</td><td><s>Confidential</s>/Public</td></tr>
<tr><td></td><td colspan="2">Please follow the following instructions for filling in the template:
⇨ <u>Do not change the numbering</u> in the column “reference”; if you change numbering, your comment cannot be processed by our IT tool
⇨ Leave the last column <u>empty</u>.
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The numbering of the questions refers to the Consultation Paper on the proposal for Guidelines under the Insurance Distribution Directive on insurance-based investment products that incorporate a structure which makes it difficult for the customer to understand the risks involved</td></tr>
<tr><td>Reference</td><td colspan="2">Comment</td></tr>
<tr><td>General Comments</td><td>Insurance products differ from investment products in that they aim to achieve</td><td></td></tr>
</table>

	specific outcomes for customers on defined life events, with the insurer in some cases providing a guarantee as part of the achievement of this outcome. The complexity of the product from a distribution / advice perspective should therefore be judged on the complexity of customer outcomes, rather than necessarily the underlying product mechanics / investment strategy.	
Question 1		
Question 2	*Question:* *What role do you consider that execution only sales will have in the distribution of insurancebased investment products in view of the restrictions in Article 30(3)(a) of the IDD, the fact that the provisions in Article 20(1) of the IDD still need to be satisfied regarding the specification of the customer's demands and needs, and the potentially higher risks of the product not being suitable or appropriate for the customer?* The requirement for insurers to ensure that client demands and needs are met for 'non-complex' products is likely to result in a complex 'on-boarding' process for clients and insurers, even though an advice process is not required. This could discourage execution-only sales, which some customers may well prefer.	
Question 3		
Question 4	*Question:* *Do you have any comments on Guideline 1 and its explanatory text?* *(Guideline 1: Investment exposure to the financial instruments deemed non complex under Directive 2014/65/EU)*	

	It is useful to recognise that derivatives are also used for non-speculative/ efficient portfolio management purposes; for example maintaining exposure to a defined asset benchmark whilst reducing the need for frequent rebalancing trades. This type of activity, which would ultimately serve to enhance product returns for the customer, would be discouraged under the draft guidance, which is counterproductive for product investment strategies that are otherwise ‘non-complex’.	
Question 5	*Question:* *Do you have any comments on Guideline 2 and its explanatory text? (Guideline 2: Insurance -based investments products that incorporate a structure which makes it difficult for the customer to understand the risks involved)* An exception should be made where an insurer uses accepted actuarial approaches to transfer risk from the policyholder to the company, which serves to improve policyholder outcomes by, for example, removing market volatility in the case of with-profits contracts. This practice on its own should not be a determinant of whether a product is considered complex. On a separate point, it is restrictive to require surrender charges to be fixed as a percentage of premiums paid, or potentially of the value of the policyholder unit account. This does not allow reductions over time to incentivise policyholders to continue to invest funds for longer (which could potentially achieve favourable investment outcomes).	
Question 6		
Question 7		
Question 8		

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Question 9		