



EIOPA-BoS-17/375  
19 December 2017

## **Q&A on the comprehension alert in the Key Information Document for Insurance-Based Investment Products**

### **Q. Which conditions should be used to determine whether a comprehension alert needs to be included in the Key Information Document (KID) for an Insurance-Based Investment Product (IBIP)?**

The notion of a “comprehension alert” is provided for in the PRIIPs KID Regulation<sup>1</sup>, and the term “insurance-based investment product” is defined in that Regulation<sup>2</sup>.

As stated in the PRIIPs KID Delegated Regulation<sup>3</sup>, a comprehension alert would need to be included in the KID where an IBIP does not meet requirements on non-complexity laid down in the IDD<sup>4</sup>. These requirements are supplemented by criteria on non-complex IBIPs in the IDD Delegated Regulation<sup>5</sup>, and further clarified by means of EIOPA’s Guidelines<sup>6</sup>.

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<sup>1</sup> Article 8(3)(b) of Regulation (EU) 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs)

<sup>2</sup> Article 4(2) of Regulation (EU) 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs)

<sup>3</sup> Article 1(2)(a) of Commission Delegated Regulation 2017/653 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

<sup>4</sup> These requirements are set out in Article 30(3)(a)(i) and (ii), IDD, and include either “(i) contracts which only provide investment exposure to the financial instruments deemed non-complex under Directive 2014/65/EU [MiFID II] and do not incorporate a structure which makes it difficult for the customer to understand the risks involved;” or “(ii) other non-complex insurance-based investments for the purpose of this paragraph”.

<sup>5</sup> Article 16 of the proposed Commission Delegated Regulation supplementing the IDD with regard to information requirements and conduct of business rules applicable to the distribution of insurance-based investment products ((C(2017) 6229 final)

<sup>6</sup> EIOPA Guidelines on insurance-based investment products that incorporate a structure which makes it difficult for the customer to understand the risks involved

Article 30(3)(a) of the IDD and Article 16 of the IDD Delegated Regulation will apply<sup>7</sup> for the purposes of determining whether to include a comprehension alert in the KID for an IBIP, from 1 January 2018, by virtue of the entry into application of the PRIIPs Regulation and the PRIIPs Delegated Regulation. This is irrespective of the entry into application foreseen in these rules and irrespective of whether or not the Member State has used the derogation under Article 30(3) of the IDD.

The comply-or-explain procedure<sup>8</sup> associated with EIOPA's Guidelines applies only to Member States which exercise the derogation in Article 30(3), IDD. However, when assessing their IBIPs against the criteria laid down in IDD to determine whether to include a comprehension alert in the KID, manufacturers of IBIPs in all Member States would be expected to take into account the provisions on complex product features set out in EIOPA's Guidelines.

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<sup>7</sup> The IDD Delegated Regulation is expected to enter into force in the coming months.

<sup>8</sup> Article 16(3) of Regulation 1094/2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority)