

**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**

**Deadline
28 April 2017
18:00 CET**

Name of Company:	Investment and Life Assurance Group (ILAG)	
Disclosure of comments:	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.	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ <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>. ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. <p>Please send the completed template, in Word Format, to CP-17-001@eiopa.europa.eu.</p> <p>Our IT tool does not allow processing of any other formats.</p> <p>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</p>		
Reference	Comment	
General Comments	The Investment & Life Assurance Group (ILAG) is a representative body, with members	

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from across the UK Life Assurance and Wealth Management Industries.

ILAG members openly share and develop their practical experiences and expertise, applying this practitioner knowledge to the development of their businesses, both individually and collectively, for the benefit of members and their customers.

ILAG is run by practitioners for practitioners, whether by engagement with industry associated bodies or through active consultation.

We have considered the content of the Consultation and are broadly supportive of the proposals. Our Members' comments are detailed below.

Question 1

Whilst we note the rationale for your proposals, as UK users of the market option 1.2, not issuing guidelines for other non-complex products, is more suitable for UK firms. This option provides more flexibility at national level, whereas option 1.1 would be more attractive for a member state where the market is still developing, and consumers might need extra protection.

For Policy Options 2.1, 2.2 and 2.3, we understand option 2.2, using the MiFID Guidelines, is preferred, as it achieves consistency between the two Directives. However, option 2.3, allowing very general criteria regarding products is the most attractive for the UK market, as it allows considerable discretion to national Governments.

Complexity, in isolation, is not detrimental to consumers, the danger is that consumers do not understand the risks they are exposed to and can't afford to take. Ensuring consumers understand the risks associated with the product they are buying is essential, but providing information on every detail of the product is not likely to produce

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	understanding.	
Question 2	<p>Execution only sales can and should be permitted, but should not be allowed if the provider can make material variations to the contract. Variations of this nature would include not permitting surrender, only allowing surrender on disadvantageous terms, using complex mechanisms to determine policy value or operating a complex charging structure.</p> <p>It is important to note that customers purchasing on an execution only basis, will have already decided what they want to do and are, therefore, not open to alternative options.</p> <p>Execution only consumers want their provider to affect their wishes having already decided what their demands and needs are. We do not see the benefit of completing Demands and Needs statements in these circumstances. Given the restrictions on which products can be sold on an execution only basis, we do not believe this action would increase the risk for this cohort of consumers.</p> <p>A consequence of these provisions is that distributing products on an execution-only basis will be more expensive. These costs are likely to be passed on to end customer or incurred by providers. Firms may be less likely to distribute some products by this means, which will reduce overall choice.</p>	
Question 3		
Question 4		
Question 5	Both the guideline and the explanatory text could be clearer in relation to guarantees. If the guarantee is subject to complicated rules determining the conditions of its application, this could be difficult for a consumer to understand. Consideration of the assessment of product complexity should be a priority. However, it would be helpful to have wording to	

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	<p>the effect that a guarantee isn't automatic criteria for complexity.</p> <p>We reiterate that what is important is that the consumer understands the risks they are exposed to, in terms of potential financial loss, and early access to their money. Understanding how the product is constructed to mitigate those risks is secondary</p>	
Question 6		
Question 7		
Question 8	<p>The decision trees illustrate that the process for making an execution only sale appears more complex than that for advised sales with a suitability assessment or non-advised sales with an appropriateness assessment.</p> <p>A consequence of this is that more sales could be processed on the basis of 'non-advised', which is a concern. Customers will not then provide or be asked to provide sufficient information to determine appropriateness.</p>	
Question 9		