

11 December 2017



Preparing for PRIIPS

Packaged Retail and Insurance-based Investment
Products Regulation

Effective: 1st January 2018



PRIIPS

Background

On 1 January 2018 new EU legislation - *Packaged Retail and Insurance-based Investment Products Regulation (PRIIPs)* - will be applicable in the Irish market, governing the pre-sales process for savings and investment products.

The main purpose of this legislation is to provide enhanced protection for and information to the retail investor and to facilitate a comparison across savings and investment products.

As a result, there are a number of requirements and obligations that apply to product manufacturers and Financial Brokers/Advisors from 1 January 2018. Zurich has produced this document to give you an overview of the key requirements and obligations arising from the regulation.

If you have any queries, please do not hesitate to contact your Zurich Broker Consultant.

What products are in scope?

The legislation will apply to all savings and investment products. Pension products are not affected. The Zurich savings and investment products that are in scope include:

- LifeSave Investment Bond (including the Easy Access Bond)
- LifeSave Savings Plus
- Child Savings Plus

What are the requirements?

The product manufacturer (Zurich) has responsibility for the production of a product specific **Key Information Document (KID)**, see below for more information. The distributor (Financial Broker/Advisor) selling the product is charged with providing the retail investor (the Customer) with the relevant KID.

A Financial Broker/Advisor must provide the KID to a customer 'in good time before they are bound by contract'. **The provision of the KID to the customer is a pre-sales requirement.**

A KID must be provided for sales of new policies from 1 January 2018. A KID does not need to be given for fund switches or top ups that occur on a policy after a customer enters into the contract with Zurich. Customers will be advised of the availability of the product KIDs in marketing materials.

The product manufacturer must also produce a **Specific Information Document (SID)** for each of its investment and savings funds, and access to these documents must be made available for Customers and Financial Brokers/Advisors. Customers will be advised of the availability of the fund SIDs in the product KID.

What is a KID and what is a fund SID?

Zurich is required to produce a product KID for each of its savings and investment products listed above. The KID is not marketing material. Each KID includes:

- The product description
- The recommended holding period
- The Summary Risk Indicator
- The Summary Cost Indicator and a breakdown of costs
- Details on how to obtain further information or how to complain

The fund SID includes similar information as it applies to the fund, as well as prescribed performance scenarios (Stress, Unfavourable, Moderate and Favourable Scenarios). The content and layout of both documents are prescribed by legislation.

Making life easier for Advisors

From 1 January 2018 all Zurich savings and investment products and funds **open to new business** will be PRIIPs compliant. All KIDs and fund SIDs will be **available online** at: www.zurichlife.ie/broker-centre/key-info-docs

In addition, we have also enhanced the **Pre-sales Report** to automatically include the relevant product KID and to give you the option to include the relevant fund SIDs, making it easier for you to comply with the regulation. To generate a pre-sales report simply go to the Broker Centre. For more information, please talk to your Zurich Broker Consultant

Are there different versions of the KIDs and fund SIDs?

There is one KID per product. In terms of the funds, each product has its own specific suite of fund SIDs. For example, there is an fund SID for the Balanced Fund under the LifeSave Investment Bond, and there is a separate fund SID for the Balanced Fund under the Child Savings Plus plan. It is important to be aware that these are stand-alone documents and are not interchangeable.

Does PRIIPs impact other documentation?

Yes, the relevant Application Forms and Customer Guides will be amended to reflect the requirements of the legislation and those of the Central Bank of Ireland. Zurich will shortly issue a communication advising of these changes and timelines.

How often are KIDS and fund SIDs updated?

These documents will be updated at least once a year, or more often if there is a material change. A monitoring process has been put in place to ensure that documentation is updated if a material change happens. Our website links and the Pre-sales Report will always include the most up-to-date KIDs and fund SIDs.

Specific Points to Note

Risk Scales

The PRIIPs documentation uses a system that measures risk on a 1-7 scale. Similar to the European Securities and Markets Authority scale (ESMA) it uses backward looking volatility data over five years. However, the methodology is different and includes a credit risk measure. This means that funds may have a rating under the ESMA scale that differs to that on the PRIIPs scale. It is worth noting that the methodology for calculating the PRIIPs rating is prescribed by legislation and, therefore, uniform across the industry.

Performance Scenarios

The fund SIDs specify a recommended holding period. For the Zurich savings and investment funds this is seven years. The fund SIDs also include performance scenarios which show the potential level of performance values after one, four, and seven years (recommended holding period) for the funds.

There are four different performance scenarios:

1. Stress Scenario
2. Unfavourable Scenario
3. Moderate Scenario
4. Favourable Scenario

These projections are calculated net of the full costs of the product including surrender penalties where applicable. The Government insurance levy is included as an entry cost, however exit tax is excluded from the projections. The methodology is prescribed by legislation and uses performance data from the last five years to arrive at the figures. It is worth noting, that if there has been five years of very good performance the figures looking forward are likely to show more positive expected returns than if there had been five years of poor performance preceding the date of calculation. These performance scenarios are most suited to acting as a comparative tool between funds, rather than for forecasting purposes.

Summary Cost Indicators

There are a number of costs disclosed in the KID and fund SIDs in both Reduction in Yield and monetary terms. It is important to note that the charges are not new or increasing, but are simply being disclosed in a different way than they have been previously. The full list of charges and their meanings are included in the documents. The charging structures that are used are generic, and may not be applicable to the individual policy being taken out. Therefore, the charges and exit costs documented may be larger than those which are applicable to most customers.

Further Information

If you have any queries, please do not hesitate to contact your Zurich Broker Consultant.



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