



Society of Actuaries in Ireland

Press Release
28th February 2018

Society of Actuaries in Ireland warns on new EU Investment Projection Rules

Potential for new information required by European regulations to be misleading

The Society of Actuaries in Ireland has today issued a warning that the new information disclosure regime for consumers under European PRIIPs (Packaged Retail Investment and Insurance Products) regulations has the potential to be misleading and urges changes when the new regime is next reviewed.

From the start of 2018, new investors in investment and insurance products receive additional information and disclosures under European PRIIPs regulations. This information is additional to that already required under Irish legislation and is set out in a prescribed format in a Key Information Document.

Whilst welcoming additional disclosure, the Society believes that the projected investment returns under the European PRIIPs regime may understate the risk attached to certain products for new investors.

A primary reason for the shortcoming of the new disclosures is that the projection of potential future investment returns is derived solely from consideration of investment returns in the previous five years. Not only is this period likely to be too short to contain a full investment cycle but it currently only references the rising markets from 2013 to 2017 for many asset classes, ignoring the fact that markets can experience periods of prolonged weakness. For this reason, the projection of what are labelled favourable, moderate and unfavourable future investment scenarios may be unduly optimistic for certain investment funds, and this may mislead consumers as to the risks they are exposed to and the investment returns they are likely to achieve.

Whilst noting that the existing disclosure requirements remain in place, and that these provide further extensive information for consumers, the Society of Actuaries in Ireland urges significant changes in the methodology for projecting future investment returns under the European PRIIPs disclosure regime when next reviewed.

Ends

Issued on behalf of the Society of Actuaries in Ireland by Setanta Communications Ltd

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Society of Actuaries in Ireland

The Society of Actuaries in Ireland is the professional body for actuaries practising in Ireland. Actuaries provide advice on and relevant solutions for financial, business and societal issues involving uncertain future events. Most of the Society's members work in the financial services industry, and members of the profession hold statutory or regulated roles relating to the financial management of pension schemes and insurance companies.

The Society seeks to make an impartial contribution to public debate on social policy and public interest matters where an actuarial perspective can add value.



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