

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
Name of Company:	Insurance Europe	
Disclosure of comments:	EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential. <i>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.</i>	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not change the numbering in the column “question”; if you change numbering, your comments 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 question, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. <ul style="list-style-type: none"> ○ If your comment refers to multiple questions, please insert your comment at the first relevant question and mention in your comment to which other questions this also applies. ○ If your comment refers to parts of a question, please indicate this in the comment itself. 		

**Comments Template for
Discussion paper on a possible EU-single market for personal pension products**

**Deadline
16 August 2013
18:00 CET**

Please send the completed template, in Word Format, to personalpensions@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.

Question	Comment
General Comment	<p>Insurance Europe very much supports the general aim of developing complementary private retirement savings, outlined by European institutions, including the European Commission in its White Paper on pensions. Indeed, individuals in all EU Member States should have the opportunity to build supplementary entitlements through supplementary retirement savings such as third-pillar pensions.</p> <p>Insurance Europe strongly believes that all EU Member States would benefit from having multi-pillar pension systems. These have the advantage of diversifying risks since the factors that affect labour variables — and hence the PAYG first pillar — are not perfectly correlated with factors that affect financial variables, which determine the performance of the first pillar (bis), second- and third-pillar funded retirement systems. For example, funded pension schemes can mitigate the risks of a lower dependency ratio, while unfunded schemes can mitigate the risks of a low interest rate environment but no system can respond to every challenge alone.</p>

<p style="text-align: center;">Comments Template for Discussion paper on a possible EU-single market for personal pension products</p>		<p style="text-align: center;">Deadline 16 August 2013 18:00 CET</p>
	<p>In Insurance Europe’s opinion, a clear support for multi-pillar systems does however not mean that the same pension systems or products should be promoted all over the EU, as pensions have a strong national component and member states have the prerogative as regards the organisation of their pension systems, including the role of each of the three pension pillars. In particular, pension products are closely linked to national social and labour law, consumer expectations, cultural differences and the supervisory environment. Additionally, the form and structure of a pension is shaped by and dependent on tax legislation, which is a responsibility of Member States. These specific features of pensions have to be acknowledged and duly taken account of when policy recommendations are formulated in specific pension related aspects, including in the consumer protection field.</p> <p>Furthermore, a difficulty often arises in the pension area as many concepts can have different meanings across the EU. This is the case for instance for the definition of the three pillars, the differentiation between the pillars, and the definition of other retirement related terms, such as “plan”, “scheme”, “product” and “institution”. Insurance Europe therefore encourages all parties involved in the different workstreams on pensions to coordinate closely and agree on a common terminology and taxonomy.</p> <p>Insurance Europe acknowledges EIOPA’s efforts to better understand the different national pension systems and products by developing the database of Pension Plans/Products. However, Insurance Europe does not believe that this tool can be used as a starting point for policy recommendations. This is in fact recognized by EIOPA, which indicated that the Database <i>“should not be interpreted as a fully complete, “official” list of all pension plans</i></p>	

**Comments Template for
Discussion paper on a possible EU-single market for personal pension products**

**Deadline
16 August 2013
18:00 CET**

and products offered in the European Economic Area (EEA). Similarly, the definitions and classifications used have been established for the purpose of the Database and are not binding in any way. In addition, for some countries the information contained in the Database may not be entirely explicative of the national context.” Insurance Europe’s welcomes EIOPA’s recognition that the database needs to be updated and checked for completeness and consistency on a regular basis. For example, the database incorrectly indicates that there are no third pillar pension products in Sweden. Against this background, Insurance Europe strongly encourages EIOPA to deepen the mapping of the different pension provisions as a first step, before envisaging any policy recommendations on a possible EU approach in this area.

In relation to the overarching questions raised by EIOPA’s consultation, i.e. whether there is merit in taking a new action at EU level, particularly in the field of personal pensions and if yes, what form such action should take, Insurance Europe would urge EIOPA to operate in stages. The first stage should be to demonstrate the need for action in the area of personal pensions and, should such a need be made apparent, the opportunity of taking action at EU level. Such an assessment should give due consideration to the subsidiarity principle, which matters especially in the field of personal pensions. Only after this important first stage is completed should EIOPA initiate a second phase, consisting of assessing the respective merits of the different available options, such as “common rules to enable cross-border activity in the field of PPPs” or “developing a 2nd regime” for pension products.

<p align="center">Comments Template for Discussion paper on a possible EU-single market for personal pension products</p>		<p align="center">Deadline 16 August 2013 18:00 CET</p>
	<p>Against this background, in line with the above-suggested step-by-step approach, Insurance Europe is of the opinion that it is premature to discuss the respective merits of the available approaches. Moreover, it seems not appropriate to engage in a discussion on the benefits of a 2nd regime for pension products before the debate in the European expert group on European insurance contract law mandated by the European Commission is concluded. Insurance Europe participates in the expert group and does at this point not wish to anticipate or predetermine any of its results. Since EIOPA's paper is also concerned with the possible advantages of a 2nd regime - although it does not specifically focus on the area of contract law - parallel and disconnected discussions should be avoided.</p> <p>In all the questions raised by EIOPA in its consultation document, it is important to keep in mind that insurers are already subject to high levels of regulation, both in the prudential area and as regards consumer protection. In addition, many discussions are currently taking place at EU level, which may have an important impact on the markets for personal pensions within the EU. This is notably the case for the discussions on the Packaged Retail Investment Products (PRIIPs) Regulation, the Insurance Mediation Directive (IMD 2) and the Markets In Financial Instruments Directive (MIFID 2). It is fundamental, before envisaging any action at EU level in the field of personal pensions, to wait for the outcome of these discussions, including discussions on their scope, in order to avoid overlaps and possibly, contradictions between the different initiatives.</p> <p>As remarks, we wish to stress that Insurance Europe's response to EIOPA's consultation</p>	

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
	<p>will not include responses to all the questions raised by EIOPA. This is due, on the one hand, to the fact that some of the topics are new and will therefore require more time before a final response can be provided; and, on the other hand, to the fact that we consider it premature to comment to some of the points before a number of overarching questions have been addressed. We wish to stress as well that all the responses provided should be read keeping in mind our general view that the case for developing an “EU market for private personal pensions” has not been made yet, and that this should be the priority of the EU institutions involved in these discussions.</p>	
Q1	<p>Do you find the list of common features of PPPs identified by EIOPA complete? Would you add any other features (e.g. periodic income)?</p> <p>While the features included in the document are generally common to PPP’s, it is important to keep in mind that there exist also many differences between the various types of PPPs. Insurance Europe therefore believes that it is essential to identify and understand all different features of the European pension systems before any policy decisions are taken.</p> <p>This being said, Insurance Europe suggests excluding from the scope of this consultation two types of products: 1st pillar Bis and individual occupational pension schemes, for the following reasons:</p> <ul style="list-style-type: none"> ■ 1st Pillar Bis schemes (funded first-pillar pensions) are directly related to national 	

**Comments Template for
Discussion paper on a possible EU-single market for personal pension products**

**Deadline
16 August 2013
18:00 CET**

security schemes on which the EU has no competence. In general, pension products which require a contribution by national law should not be addressed at the EU-level.

- With regard to individual occupational pension products, we believe that any prudential or consumer protection related issues should be included in the ongoing review of the IORP Directive. Furthermore, employer facilitated pensions should be excluded.

Insurance Europe would also like to stress that periodic income may be a characteristic of a PPP, as many PPPs do not oblige an annuity payment (eg they offer the choice between an annuity and a lump sum). Furthermore, while early withdrawal is often penalised or limited, there are PPPs where early withdrawal is possible or where accumulated capital can be taken up as a loan.

Insurance Europe would also like to refer to its submission to the DG SANCO consultation on third pillar retirement products. In its response to the consultation, Insurance Europe has suggested the following definition of third pillar pensions products:

"Third-pillar pension products are defined as any type of long-term savings products subscribed to by consumers on a private, voluntary and individual, as opposed to an occupational, basis with the primary goal of providing an income in retirement."

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
	<p>Insurance Europe has used the following argumentation to support its definition:</p> <ul style="list-style-type: none"> ■ Insurance Europe strongly suggests defining “pension products” in order to differentiate them from other savings products. Insurance Europe suggests defining a “pension product” as “a type of savings products, the primary goal of which is to provide an income in retirement”. <p>We acknowledge, however, that this is a rather general definition, which may have to be amended.</p>	
Q2	<p>Do you think that EIOPA should focus more on DC or DB PPPs? What elements should be regulated for both types of PPPs in order to create a single market for PPPs?</p> <p>Insurance Europe would like to highlight that the interpretation of DC and DB schemes differs between member states. In any case, Insurance Europe highlights that both DC and DB schemes, independent from how both types of schemes are defined precisely, are important and have different features that need different attention and treatment. However, as long as there is no evidence that there are regulatory gaps or obstacles for cross border sales of any of those schemes Insurance Europe sees no need to focus on one of those specifically.</p>	
Q3	<p>Do you think that future regulation of PPPs should also include additional prudential requirements in cases where the provider of certain PPPs is already subject to European prudential regulation?</p>	

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
	<p>The insurance market is currently regulated at EU level through a series of insurance directives. These directives have been consolidated and have been replaced by Solvency II. This sets down a comprehensive risk management framework for insurers across the EU. Therefore, according to Insurance Europe it should first be investigated if there are certain gaps which need to be addressed and possibly closed by future regulation, before requiring additional and potentially duplicative requirements.</p>	
Q4	<p>What advantages do you see in creating/improving a single market for PPPs?</p> <p>Insurance Europe believes that if there is a desire to sell or purchase pensions cross-border, this can currently be facilitated via the passporting of pensions under the Freedom of Services framework and the Freedom of Establishment for insurers.</p> <p>Additionally, Insurance Europe believes that indicating particular advantages of creating/improving a single market for PPPs is premature at this stage. As included in its general remarks, Insurance Europe believes that appropriate mapping and understanding of the different markets is crucial before analysing possible gaps, deciding whether there is a need for a single market for PPPs and finding possible advantages. Currently, a European expert group, mandated by the European Commission, is considering whether differences in insurance contract law pose obstacles to cross-border trade in insurance products and, if so, in which specific insurance areas, including certain life insurance products which could serve as private pensions, this is the case. Insurance Europe participates in the expert group</p>	

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
	and does at this point not wish to anticipate or predetermine any of its results, which will be issued in a report based on its findings.	
Q5	<p>Do you think that these definitions fully reflect the EU personal pension landscape? If the answer is negative, what changes would you suggest in the wording of the definitions? Which of the definitions is better?</p> <p>Insurance Europe prefers the OECD definition as a starting point. However, as stated in our response to Q1, Insurance Europe stresses that the scope should not cover all PPPs.</p> <p>Furthermore, Insurance Europe would like to stress that the OECD definition is not appropriate for all markets (eg the UK and the Netherlands). However, the EIOPA definition is too wide and could possibly create uncertainty with regards its scope. For example, it doesn't differentiate between voluntary or mandatory products.</p> <p>Insurance Europe would also like to reiterate that any definition of a PPP needs to clearly exclude employer facilitated pensions, such as those required under automatic enrolment in the UK, and focus solely on individual pension arrangements.</p>	
Q6	<p>In some countries when a Personal Pension contract is chosen by an employer, the pension remains under the regulatory regime for consumer financial services rather than falling wholly under the regime for workplace pensions. Do respondents believe that such pensions are personal pensions?</p>	

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
	No, Insurance Europe does not believe that these schemes such as the UK auto-enrolment scheme should be considered as personal pensions. Insurance Europe believes that EIOPA should solely focus on individual pensions arrangements and should exclude employer facilitated pensions from the scope of PPPs.	
Q7	<p>How could a single market be developed for PPPs unregulated at EU level (e.g. cases where the IORP Directive is voluntarily applied to PPPs)?</p> <p>Insurance Europe believes that in these cases, the aim should be to develop a regime that avoids regulatory arbitrage based on the type of provider. This would ensure that suitable levels of policyholder protection are provided.</p>	
Q8	<p>Do you think that EIOPA should consider developing a framework for transferability of accumulated capital for passported PPPs? What obstacles to transferability can you identify and how can they be overcome? Can you identify the benefits of a transferability framework in the context of PPPs?</p> <p>No, Insurance Europe believes that transferability of accumulated pension capital should not be included within the scope of this call for advice. -</p> <p>In cross-border situations, such a requirement would be unworkable given that each Member State has different, and often conflicting, legal and social requirements and</p>	

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
	<p>because actuarial and interest rate constraints are, prudentially, specific to each country. In the case of domestic transfers, this measure may have an impact on the financial stability of the institutions involved.</p> <p>Similar ideas were discussed in the context of the Portability Directive. In this initiative, transferability of occupational pension reserves was taken out of the final Council proposal following the encountered obstacles.</p>	
Q9	<p>What are the prudential obstacles for creating a cross-border market for PPPs for different types of providers (banks, insurers, UCITS)?</p> <p>As indicated in its response to question 4, Insurance Europe believes that if there is a desire to sell or purchase pensions cross-border, this can currently be facilitated via the passporting of pensions under the Freedom of Services framework and the Freedom of Establishment for insurers.</p> <p>Additionally, Insurance Europe would like to highlight that it would require more time to analyse prudential obstacles for cross border pension provision. However, Insurance Europe believes that there exists other more important factors which affect insurers' decision to offer (or not to offer) insurance policies cross border. Please refer to question 19 for a non-restrictive list of such other factors.</p>	
Q10	Do you think it is feasible to develop a cross-border framework for PPPs with	

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
	<p>guarantees (DB PPPs and DC PPPs with guarantees)?</p> <p>Please refer to question 9.</p>	
Q11	<p>Have you identified any other tax obstacles in addition to the four identified by EIOPA? Can these obstacles be eliminated in practice?</p> <p>Due to time constraint Insurance Europe could not answer to this question. However, Insurance Europe understands that direct taxation is the sole competence of member states.</p>	
Q12		
Q13		
Q14	<p>Do you consider that transferability requires harmonisation of the tax treatment of pensions across MSs? In your view, are such changes feasible?</p> <p>Please refer to question 8 and 11.</p>	
Q15	<p>What (tax) obstacles can you identify in cases where an individual who is a tax resident of state A and holds a PPP provided to state A on the basis of a cross border passport by provider with tax residence in state B, becomes a tax resident of state C?</p> <p>Please refer to question 11.</p>	

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
Q16	<p>Do you see the need of the creation of a single market for products 1st pillar Bis? What would be the benefits of creating a single market for 1st pillar Bis products? How could the challenges posed by existing social and labour law be overcome, in particular in the Member States which have no products 1st Bis?</p> <p>No, 1st pillar Bis schemes are set up and decided upon by member states. These are directly related to national security schemes on which the EU has no competence.</p>	
Q17	<p>How could a single market be developed for PPPs unregulated at EU level? Should it be based on the IORP Directive or another directive?</p> <p>Please, refer to question 7</p>	
Q18	<p>Taking into account the fact that the contributions to the 1st pillar Bis products, come from diverting part of the contributions of the traditional public 1st pillar PAYG system, would it be feasible to create a passporting regime for providers of 1st pillar Bis PPPs? In particular do you think that EIOPA should consider the possibility to create a framework for cross-border management of 1st pillar Bis schemes.</p> <p>If the answer is positive, do you think that EIOPA should consider the possibility to create a framework for cross-border management of 1st pillar Bis schemes based on the principles of UCITS Management Company passport? (Art. 16 to 21 of the</p>	

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
	<p>Directive 2009/65/EC).</p> <p>If the answer is positive, how would the UCITS Management Company passport need to be modified for 1st pillar Bis managers to take into account specificities of 1st pillar Bis?</p> <p>Please, refer to question 16</p>	
Q19	<p>Can you identify any other obstacles to passporting of PPPs? How can these obstacles be overcome?</p> <p>As with any business decision, firms look at start-up costs, the investment of developing a brand and a product for that market, the current level of insurance penetration and the likelihood of writing profitable business in that market when considering expanding into other markets. Other considerations can include but are not limited to:</p> <ul style="list-style-type: none"> ■ the ability to produce documents in many different languages; ■ knowledge of the local regulatory regime and understanding those rules and the ‘soft’ issues regarding the day to day practices of the local regulator; ■ information relating to that market including detailed actuarial data; ■ the distribution demands for that product; ■ general good provisions; ■ knowledge and understanding of the local tax regimes. 	

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
	<p>If there is an appetite to offer cross-border PPPs and companies take the decision to do enter into another European market, then this can be facilitated via the passporting of pensions under the Freedom of Services framework.</p>	
Q20	<p>Would passporting alone be sufficient a framework for the cross-border provision of PPPs or should EIOPA work on a 2nd regime as well? Which approach do you consider more appropriate to develop a single market in the field of PPPs?</p> <p>As indicated in its general remarks, Insurance Europe questions the timing of the call for advice. Firstly, it is crucial to have a complete overview of the European market and a good understanding of the products offered in the different markets. There is also a need to gain clarity on the existing gaps in the current environment and on the need for action at EU level. Only after these important questions are clarified should a discussion on the merits of the different approaches take place.</p> <p>This being said, currently, passporting and freedom of establishment is already possible for insurers. These are subject to strict prudential regulation, which is or will be undergoing changes following the implementation of Solvency II. If a provider wishes to provide a product cross-border than can do so under this regime.</p> <p>Additionally, Insurance Europe stresses that discussions such as those in the context of Packaged Retail Investment Products (PRIPs) Regulation, Insurance Mediation Directive</p>	

<p style="text-align: center;">Comments Template for Discussion paper on a possible EU-single market for personal pension products</p>		<p style="text-align: center;">Deadline 16 August 2013 18:00 CET</p>
	<p>(IMD 2) and Markets In Financial Instruments Directive (MIFID 2) are currently taking place at EU level, and will have an impact on the provision of individual pensions across the EU. Therefore, Insurance Europe suggests waiting for the outcome of these discussions, including discussions on their scope, in order to avoid overlaps and possible contradictions between the different initiatives.</p> <p>Moreover, with regard to the second question, the debate in the European expert group on an European insurance contract law mandated by the European Commission should be concluded first to avoid parallel and disconnected discussions.</p> <p>Finally, Insurance Europe wishes to stress as well that all the initiatives under consideration should in any event not interfere with product design. The insurance industry constantly adapts its retirement products to clients' demands and needs. Any direct or indirect product regulation could prevent innovation and flexibility. This would be to the detriment of the consumers. It would also be inconsistent with the freedom of product design established by Article 21 paragraph 1 of Directive 2009/138/EC (Solvency II).</p>	
Q21	<p>How should the 2nd regime be designed so that it becomes a standard that can compete with other PPPs and attract a critical mass of demand from providers and individuals?</p> <p>Please refer to question 20</p>	

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
	<p>Furthermore, Insurance Europe believes that . creating an additional instrument could raise legal uncertainty and a risk of diverging interpretation by courts could additionally complicate the legal situation.</p> <p>Question 21 assumes there is a need for a 2nd regime. As mentioned under Question 4, the work and discussions of the EC’s expert group on insurance contract law is not yet finalised and Insurance Europe does not wish to anticipate or pre-empt its outcome. It is therefore premature to indicate that consumers would benefit (or not) from a 2nd regime.</p>	
Q22	<p>How could the 2nd regime accommodate the tax differences among MSs? Do you see other national differences that the 2nd regime should address? If yes, how could this be done?</p> <p>Please refer to question 20</p> <p>Additionally, as indicated in response to question 11, direct taxation is a Member State competence.</p>	
Q23	<p>How would you design the main elements of the 2nd regime, in particular:</p> <ul style="list-style-type: none"> • rules applicable to providers • accumulation phase (pure DC, DC with guarantees, DB or hybrid?) • pay-out phase including benefits (e.g. should the benefits include only annuities, or also programmed withdrawals and lump sum payments?) 	

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
	<ul style="list-style-type: none"> • product design (e.g. investment rules) • protection aspects. <p>Please refer to question 20</p> <p>Additionally, Insurance Europe believes it is not feasible to design a single PPP that would appeal to all consumers given the large differences in risk preferences, the different economic circumstances of individuals, the existing national savings gaps and the steps taken to address this at a national level. Furthermore, several obstacles (eg tax treatment, social requirements) need to be addressed first before a single PPP could be developed at EU level.</p>	
Q24	<p>Should the 2nd regime comprise product rules only or product and providers rules? Should the 2nd regime prefer only certain types of risk sharing arrangements, e.g. DC? If the answer is positive, what would be the implications for the design of the 2nd regime?</p> <p>Please refer to question 20</p>	
Q25	<p>If a 2nd regime for PPPs were to include prudential rules, do you think that it is possible to define a common way to calculate technical provisions for different types of providers? Do you think the capital needed for such activities could be the same for the different type of providers?</p>	

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
	<p>Please refer to question 20</p> <p>Furthermore, Solvency II has been established for Insurance. Insurance Europe would therefore not support any additional and duplicative requirements being put in place. In this regards, it should also be noted that, in general, insurance products are already subject to high standards of consumer information and protection; the usefulness of any new initiative in this field should therefore be assessed and considered in light of the existing European and national regulatory frameworks.</p>	
Q26		
Q27	<p>In the pre-contractual phase, what ‘must’ PPP holders know about the personal pension product before purchasing it and what “should” they know? What further information should be available and easy to find?</p> <p>Please refer to question 30.</p>	
Q28		
Q29	<p>What key questions identified in the area of occupational pensions (“Will my pension be sufficient for my demands and needs? If not, how much will the shortfall be and what can I do to improve the situation?”) might be relevant for personal pensions?</p> <p>As indicated in its response to question 6, PPPs facilitated by the employer should be</p>	

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
	<p>excluded from the scope of this consultation.</p> <p>Furthermore, according to Insurance Europe, the question in parenthesis could not be answered by providing product information. The identification of the personal savings gap demands a thorough assessment of the personal situation. As EIOPA rightly pointed out in its report on “Good practices on information provision for DC schemes”, the answer to such question could be supported by personal annual benefit statements but not by pre-contractual information at the product level.</p>	
<p>Q30</p>	<p>Will a KII/KID like document be appropriate for personal pensions as has been advised by EIOPA on the review of the IORP Directive? What would be the behavioural purpose?</p> <p>Providing adequate information to consumers is an important part of improving consumers’ understanding of pension products. Providing information in a clear, relevant and timely manner allows consumers to compare the key features, including the benefits and risks, of different products, and helps them to select the right product for their needs. Given the long-term nature of many third-pillar products, it is important that consumers are provided with appropriate and relevant disclosures enabling them to make informed decisions before purchasing such products.</p> <p>For all these reasons, Insurance Europe is supportive of initiatives that help improve consumer information.</p>	

**Comments Template for
Discussion paper on a possible EU-single market for personal pension products**

**Deadline
16 August 2013
18:00 CET**

However, such disclosures will only be useful to consumers if they are appropriately tailored to the products offered and to the consumers' needs and demands in the respective national markets.

It should also be noted that, in general, insurance products are already subject to high standards of consumer information and protection; the usefulness of any new initiative in this field should therefore be assessed and considered in light of the existing regulatory frameworks. Insurance disclosure documents already exist in many EU insurance markets. These documents reflect the characteristics of the national markets. We do not believe that an additional or even compensating "one size fits all"-KID would lead to better consumer information.

Moreover, Insurance Europe would like to stress that regulatory initiatives related to information requirements, such as the proposed Key Information Document (KID) for PRIPS, are still being developed and discussed at EU level. In addition, DG SANCO conducted recently a consultation on consumer protection for third pillar retirement products.

Insurance Europe is concerned that the present concurrent and uncoordinated EU work on PRIPs — the outcome of which is still unclear — and other initiatives (eg Solvency II) are creating a tangible risk of overload and overlap of information requirements to the detriment of consumers.

**Comments Template for
Discussion paper on a possible EU-single market for personal pension products**

**Deadline
16 August 2013
18:00 CET**

These workstreams could ultimately result in consumers receiving excessive, duplicative, unnecessary, and thus confusing information. These would defeat the objective of improving consumer information about and understanding of retirement products. Insurance Europe therefore calls on the different institutions and authorities working on pension products to strongly coordinate their activities.

In addition, given the specific characteristics of pension products, Insurance Europe believes that any additional disclosure requirements for pension products, if deemed necessary, should also focus on such specific features. The EIOPA consultation and the concurrent DG SANCO consultation both deal with disclosure requirements for individual pension products. It is, therefore, inconsistent to research how to best inform consumers about pension products at the pre-contractual stage on the one hand and, on the other, to include them in a general investment disclosure document within the PRIPs regulation. For these reasons, Insurance Europe has requested the exclusion of pension products from the PRIPs regulation because, unlike other PRIPs, the products (i) are a type of savings product which must provide an income for retirement; and (ii) offer limited or no access to these savings during the accumulation phase. Therefore, it should not be the aim of the legislative proposal to force all pension products within the untailored scope of PRIPs but rather to ensure – as indicated in the European Commission’s White Paper on Pensions – that consumer information for individual pension products is improved.

Finally Insurance Europe would like to stress that financial education has a vital role to play in ensuring that consumers are equipped with the knowledge, confidence and skills

<p style="text-align: center;">Comments Template for Discussion paper on a possible EU-single market for personal pension products</p>		<p style="text-align: center;">Deadline 16 August 2013 18:00 CET</p>
	<p>necessary to improve their understanding of financial products and make informed decisions on saving for retirement.</p> <p>In its Green Paper on Pensions, the European Commission acknowledged that as pensions have become more complex, financial education can help people to understand the information in order to make informed choices. It stresses the importance of individuals being properly equipped with economic literacy and planning skills to be able to adequately assess their need for financial and social protection; it also notes that informed decisions go hand in hand with adequate pension provision. Responsibility lies not just with consumers but with a wide range of stakeholders (EU member states, public authorities, consumer associations, academia and the private sector) to improve financial education and help address any knowledge deficits among consumers regarding financial products and services.</p> <p>Transparency efforts are likely to fail where appropriate measures on financial education and literacy are not introduced to enable consumers to understand financial information.</p>	
Q31	<p>Could a good reference for risk-reward profiles be defined for personal pensions? To what extent do you find the risk reward used in the UCITs Directive appropriate for PPPs? What other examples could be considered?</p> <p>No, Insurance Europe would like to stress that the risk reward indicator used for UCITs was defined for UCITs, not for PPPs. There are many differences between a UCITS fund and a pension. A UCITS fund is a standardised fund across the EU whereas pension</p>	

<p style="text-align: center;">Comments Template for Discussion paper on a possible EU-single market for personal pension products</p>		<p style="text-align: center;">Deadline 16 August 2013 18:00 CET</p>
	<p>products are very diverse, with EIOPA currently identifying 46 different types of pensions. Even a unit linked pension can offer consumers access to over 100 fund choices, so the proposition is very different to investing directly into a single UCITS fund.</p> <p>Many of the categories of information (in particular the risk/reward indicator, past performance and charges) required by the UCITS KIID would be extremely challenging to produce for pensions products. It would not, for example, be feasible to calculate an accurate risk and reward indicator because pension products may offer a range of investment choices to consumers, so there is no single measure of risk/reward.</p> <p>Given the major differences in these products, Insurance Europe believes that national initiatives are better suited to set down appropriate regulation for their markets.</p> <p>The UCITS-Risk-Reward-Indicator (RRI) is not appropriate for PPP, for example for third pillar pension products offering a guarantee.</p>	
Q32	<p>For PPPs, could the investment horizon (as in “data target” funds) provide a better guidance for potential members, against the risk-reward ranking that is used for UCITs?</p> <p>In general, Insurance Europe stresses that the “investment horizon” could not replace a risk-reward indicator. In case of pensions, the investment horizon of the customer depends on external conditions: The retirement age is specified within a relatively narrow time</p>	

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
	frame. Therefore, the investment horizon is not a useful criterion for pensions.	
Q33	<p>What information should be provided in respect of costs? Should it be consistent between ex-ante and actually levied costs? Should it include investment transactions costs? What is the best way to present this information?</p> <p>Insurance Europe believes that the cost should not be presented in an isolated way, but in connection with the benefits.</p>	
Q34		
Q35		
Q36	<p>What are the mediums through which pre-contractual information should be presented (paper, other durable medium, internet)? In which cases should the different mediums be used?</p> <p>Insurance Europe believes that requirements for format and time of delivery should take into account the variety of distribution channels, through which a consumer might wish to purchase a product. Furthermore, consumers should have access to different choices of mediums specific to the product type offered in that market.</p>	
Q37		
Q38		
Q39		

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
Q40		
Q41		
Q42		
Q43	<p>What information should be provided on switching and before termination?</p> <p>The on-going information could be used (see Q40). Normally, switching will lead to additional costs. The customer should be informed about this fact. Before termination, the customer should be informed about the current value of his/her contract, corresponding to the on-going information, but without the projections, which are no longer necessary.</p>	
Q44	<p>Should/could information cover the other pillars (i.e. overview of the first, second and third pillar pension)? Can this be achieved? If so, how?</p> <p>Insurance Europe sees merit in providing benefit statements, covering the three pillars.</p> <p>Providing high-quality information is important to ensure that future retirees make informed decisions about their retirement plans. In order to achieve this objective, the information should be provided periodically and in a consistent way so that individuals can check whether they can meet their goals. This information should be clear and complete to allow them to make these decisions with the full picture in mind. Some EU states have developed sophisticated tracking systems to inform citizens about their expected retirement income. Insurance Europe strongly believes that all Member States should be encouraged to develop such systems, which would enable individuals to have access to information on their entitlements and would help them take the right decisions about their future</p>	

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
	<p>retirement plans.</p> <p>Furthermore, enhanced transparency can also be in the interest of policy holders in the sense that any differences between providers or products would be made apparent in a clear and understandable way to the beneficiaries.</p>	
Q45	<p>What do you think of tracking services? What are good examples of tracking services?</p> <p>Insurance Europe fully supports the initiative highlighted in the Commission's White Paper to promote the development of tracking services for the first and second pillar, which would enable individuals to keep track of their entitlements. However, such an initiative should be outcome-oriented rather than prescriptive and should build on existing good practices.</p> <p>Such existing good practices can already be found in the Netherlands, Sweden and Denmark to name a few.</p>	
Q46		
Q47		
Q48		
Q49		
Q50		
Q51		
Q52		

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
Q53		
Q54	<p>Should there be additional disclosure requirements for the pay-out phase? If so, what information should be provided?</p> <p>According to Insurance Europe, rules might differ by product, which is appropriate given that the products are very different. Such difference process reinforces the difficulty in setting EU-wide disclosure requirements for very different products.</p>	
Q55		
Q56	<p>What level of protection is needed in the distribution process? What is needed in order to prevent conflicts of interest from adversely affecting the interests of PPP holders?</p> <p>Insurance Europe notes at the outset that conflicts of interest risks differ significantly between different distribution channels. The risks in the intermediated channel are very different to those in the direct selling channel, there are for example fundamental differences between agents and direct sellers on the one hand, and intermediaries providing advice based on a fair analysis basis. As conflicts of interests do thus not arise to the same extent in all distribution channels, a risk-based and proportionate approach is necessary.</p> <p>An established European framework already exists, e.g. directives on mediation of insurance products (IMD 1/2 (2002/92/EC currently under review) and also on other financial products MiFID 1/2 (Directive 2004/39/EC currently under review), on distance</p>	

<p align="center">Comments Template for Discussion paper on a possible EU-single market for personal pension products</p>		<p align="center">Deadline 16 August 2013 18:00 CET</p>
	<p>marketing of financial services (Directive 2002/65/EC) and finally on E-commerce (Directive 2000/31/EC). Those directives take into account the characteristics of the respective sales processes. A cross-sectoral approach to pension product intermediation risks leading to inconsistencies and overregulation of intermediation without increasing consumer protection. Above all, there is also a risk to make advice for consumers more expensive.</p> <p>Insurance Europe believes that conflicts of interest can be prevented by disclosing the distributor's status and his/her role towards the consumers and the insurance company. Consumers should always be informed about the distributor's specific role in the selling process. Therefore, the distributor should disclose whether he/she is acting as a broker, exclusive or multi-tied agent, or employee of an insurance undertaking to enable a consumer to understand whether the distributor is representing a consumer and providing his services independently and on the basis of fair analysis of the market, or if the distributor is acting for and on behalf of the insurance company and on the basis of an analysis of the products offered by the company (for instance, acting as an exclusive agent).</p> <p>Member states should be allowed to maintain additional rules on conflicts of interest, adjusted to their national market's specificities. Any legislation on distribution should recognise the diversity of distribution channels in the different member states. They are adapted to different consumers' cultures, needs and preferences, and reflect local traditions and social environments. Therefore distribution legislation should be flexible enough to</p>	

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
	<p>accommodate this diversity. Any EU-wide one-size-fits-all legislation will not capture the differences between distribution structures, and would have a different impact in different markets and interfere with the capacity of the markets to develop innovative and appropriate consumer-oriented solutions.</p>	
Q57	<p>Are there existing examples of EU regulation that cover this area already (for example the MiFID and IMD2 conflict of interest rules on selling practices)? What would be the reasons to deviate from the distribution rules in IMD2 or MiFID? Are there requirements elsewhere that would provide appropriate protection for PPP holders?</p> <p>As further explained in response to question 63, Insurance Europe believes that insurance undertakings and intermediaries should only be subjected to IMD 2 rules. The minimum harmonisation approach of IMD 2 would allow taking into account local divergences and consumers' needs. Moreover, Insurance Europe's responses to questions 58 – 61 reflect Insurance Europe's position on the IMD 2 proposal.</p> <p>Furthermore, Insurance Europe fears that the present concurrent and uncoordinated work streams on different initiatives (eg PRIPs, Solvency II and now personal pensions) can create a tangible risk of overlapping rules. Insurance Europe calls on the different entities working on pension products to coordinate.</p>	
Q58	How should selling practices (including advice) for PPPs be regulated?	

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
	<p>Insurance Europe has previously proposed the following six high level principles on selling practices for insurance providers:</p> <ul style="list-style-type: none"> ■ Selling practices must be focused on the fair treatment of the customer. ■ A distributor has to offer advice on request or on own initiative when the circumstances indicate there is a need, as a result of the information provided by the customer. ■ A customer should always be informed about the type of the service provided (non-advised sale, advice, fair analysis). ■ Where advice is given, it should be based on an analysis of the customer's needs, on the basis of information provided by the customer. ■ Any distributor providing information or advice on a product must understand and be able to explain the key features of the product. ■ Before a contract is concluded, the customer should be given the information about the product, which allows the customer to make an informed decision. 	
Q59	<p>Is the concept of MiFIDs 'suitability'¹ also fit for personal pensions? If not, how can it be made fit for personal pensions?</p> <p>As further explained in response to question 63 below, Insurance Europe believes that</p>	

¹ Assessing suitability means investment firms must obtain the necessary information - information on objectives, financial situation and knowledge and experience - in order to assess the suitability of any investment for that client.

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
	<p>insurance undertakings and intermediaries should only be subjected to the sales rules in IMD 2 which, where appropriate, set out advice requirements.</p>	
<p>Q60</p>	<p>What conflict of interest rules should apply (e.g. organisational/administrative requirements, together with disclosure and remuneration requirements)?</p> <p>Insurance Europe is in favour of transparency for consumers to aid in their comparisons between products. However, as referred to in the response to question 56, we believe that rules on conflicts of interest should be tailored to and balanced between the distribution channels concerned, proportionate to the level of complexity of the products being sold, and adapted to consumer needs. Conflict of interest rules should benefit consumers and not close down or restrict access to products.</p> <p>As mentioned in response to question 56, Insurance Europe believes that conflicts of interest can be prevented by disclosing the distributor's status and his/her role towards the consumers and the insurance company. Disclosure of remuneration is however not the most appropriate way of managing conflicts of interest. The recent study carried out for the EC by PriceWaterhouseCoopers on the IMD review found that excessively detailed disclosures would be confusing and misleading for consumers. Insurance Europe therefore proposes to:</p> <ul style="list-style-type: none"> ■ Address conflicts of interest through the mandatory disclosure by distributors of their status and role vis-à-vis the consumer and the insurance company. Consumers 	

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
	<p>should always be informed about the distributor's specific role in the selling process.</p> <ul style="list-style-type: none"> ■ For intermediaries the form (ie fee or commission) and the source of their remuneration (insurance undertaking, customer or other intermediary) should be disclosed. This has the advantage of ensuring that the consumer is informed and aware at the pre-contractual stage of the particular form in which an intermediary is remunerated and by whom he/she is remunerated. It is self-evident that an employee of an insurance undertaking is remunerated by the insurance undertaking. ■ Member states should be allowed to maintain or adopt additional rules on conflicts of interest and remuneration adjusted to their national market's specificities. 	
Q61	<p>What information requirements should apply with respect to the service rendered by distributors? What information needs to be given to the PPP holders in case of advice (e.g. firm status disclosure, assessment of demands and needs of the PPP holder)?</p> <p>As mentioned in response to question 58, the following information requirements regarding advice should be respected:</p> <ul style="list-style-type: none"> ■ A customer should always be informed about the type of the service provided (non-advised sale, advice, fair analysis). ■ Where advice is given, it should be based on an analysis of the customer's needs, on the basis of information provided by the customer. 	

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
	In addition, any distributor providing information or advice on a product must understand and be able to explain the key features of the product.	
Q62	<p>Are, and if yes, what requirements are needed with regard to complaints handling?</p> <p>There is no need to develop further rules for complaints handling.</p>	
Q63	<p>Are there existing examples of EU regulation that cover this area already? Would IMD1 – as well as the upcoming IMD2 – provide a good source of possible inspiration for distribution rules for personal pensions? What about MiFID I and II?</p> <p>Insurance Europe refers to its response to question 57 in relation to the IMD sales rules.</p> <p>In relation to MiFID, Insurance Europe would like to point out that any requirements for personal pension products should acknowledge their specific nature. Insurance Europe would also like to stress the importance of respecting diversity of national markets and their respective differences in approach.</p>	
Q64	<p>What professional requirements would be appropriate? Is there a need for high level principles or more detailed regulation?</p> <p>Insurance Europe believes that it is important to have appropriate requirements on knowledge and ability in place. However, we would like to point out that such</p>	

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
	<p>requirements are already met by insurance undertakings and their employees in a variety of different ways, such as under Solvency II. The Solvency II Directive already implies requirements of good repute, knowledge and ability for insurance companies' direct sales forces. It introduces new governance rules requiring insurance undertakings to adopt a good governance policy and to introduce internal control systems to ensure that their employees meet high standards on good repute, knowledge and ability. Article 41 requires insurance undertakings to establish an effective system of governance which provides for sound and prudent management of the business. According to Article 42 all persons who effectively run the undertaking or have other key functions should possess adequate and sufficient professional qualifications, knowledge and experience, and be of good repute and integrity. Therefore, additional provisions on this matter for direct sales executed by insurance undertakings would mean an unnecessary duplication and complication of requirements, and lead to an increased administrative burden.</p> <p>Furthermore, the IMD 2 recast also includes rules on professional requirements applying to both insurance undertakings and intermediaries.</p>	
Q65	<p>What should be the scope of these requirements? Should they apply on a continuous basis with a requirement of updating?</p> <p>As explained in response to question 64, Insurance Europe does not believe there is a need for further detailed rules on professional requirements.</p>	

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
<p>Q66</p>	<p>Are there existing examples of EU regulation that cover this area already? For example the existing knowledge and ability requirements in Article 4, IMD1 and in the IMD2 proposal, defined as a result-oriented obligation where that knowledge and ability must be appropriate “to complete their tasks and perform their duties adequately, demonstrating appropriate professional experience relevant to the complexity of the products they are mediating”. Would this be a good source of inspiration for personal pensions? What about MiFID I and II?</p> <p>Insurance Europe agrees that professional requirements should be outcome-oriented as in IMD This approach guarantees a certain level of professionalism and, at the same time, ensures flexibility.</p> <p>We would also like to highlight the fact that insurance undertakings are responsible for training their employees and they design their own training programmes. These programmes are tailored to the products an insurance company offers and should not be standardised. This is consistent with EIOPA’s advice to the EC recommending that it should be the responsibility of the insurance undertaking to check the qualification of its employees (for example Recommendation 11, page 42)</p> <p>Insurance Europe refers to its response to question 63 explaining that insurance undertakings and intermediaries should only be subjected to IMD 2 rules, not MiFID rules.</p>	
<p>Q67</p>	<p>What would be the reasons to deviate from the level envisaged in IMD2? Should</p>	

**Comments Template for
Discussion paper on a possible EU-single market for personal pension products**

**Deadline
16 August 2013
18:00 CET**

factors such as taxation of pension' products play a role in determining the level of knowledge required?

Insurance Europe does not see a reason to develop any detailed professional requirements for the sale of pension products.

Firstly, for insurance undertakings provisions in addition to Solvency II and IMD 2 would mean an unnecessary duplication and complication of requirements, and lead to an increased administrative burden.

Secondly, for insurance intermediaries any new additional obligations may have a negative impact on the development of their business, and may lead to structural changes at the expense of price competition (eg, market concentration) and job reduction. The insurance sector plays a key role in generating jobs in Europe. Not only do independent insurance intermediaries work within insurance distribution, but also employees of small insurance agencies, bigger broker companies and employees of insurance undertakings.

Finally, any new regulation should not interfere with national training programmes for at least two reasons. Firstly, detailed professional requirements as well as specific training and education programmes already exist at national level, and it would be difficult to harmonise them without interfering with the national qualification systems and national trade law regulation access to professions. Further detailed requirements could result in burdensome requirements and costs, without bringing added-value. Secondly, a number of

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
	member states have started to introduce complex competence-based testing systems in the early 90's, and no revision should result in lowering of professional standards in these countries.	
Q68	<p>What could be the role of product regulation in the context of PPPs?</p> <p>Insurance Europe opposes any product regulation. The insurance industry constantly adapts its retirement products to clients' demands and needs. Any direct or indirect product regulation could prevent innovation and flexibility. This would be to the detriment of the consumers. It would also be inconsistent with the freedom of product design established by Article 21 paragraph 1 of Directive 2009/138/EC (Solvency II).</p> <p>Pension systems differ considerably between countries, and therefore, uniform product regulation would not be possible for all existing products.</p>	
Q69	<p>Would you consider it useful if principles are established for the steps and considerations the industry should take into account before launching a new product or modifying existing products? If so, what would, in your view, be the main considerations that should be taken into account? Could these initiatives help develop “critical mass” and economies of scale, and/or the development of auto-enrolment mechanisms?</p> <p>No, Insurance Europe does not see a need to set down principles for the considerations the</p>	

Comments Template for Discussion paper on a possible EU-single market for personal pension products		Deadline 16 August 2013 18:00 CET
	<p>industry should take into account before launching a new product. Good management of risks associated with the launch of new products, operations and services is an important area of provider responsibilities, but EU wide initiatives on this bring risk of ignoring national pension specificities and all national consumer preferences.</p> <p>Additionally, Insurance Europe believes that any initiatives should not interfere with product design. The insurance industry constantly adapts its retirement products to clients' demands and needs. Any direct or indirect product regulation could prevent innovation and flexibility. This would be to the detriment of the insurers' clients. It would also be inconsistent with the freedom of product design established by Article 21 paragraph 1 of Directive 2009/138/EC (Solvency II).</p>	
Q70	<p>Would you consider it useful if certified products are introduced in the context of personal pensions? Should they be introduced at a European or a national level? What initiatives at European level would you consider to be useful?</p> <p>Insurance Europe opposes EU wide certifications. Please refer to question 68.</p>	
Q71	<p>What role could be played by product authorization and or product banning, in order to protect holders against certain PPPs that are more likely to lead to poor pension outcomes?</p> <p>Insurance Europe would like to stress that the insurance industry constantly adapts its</p>	

<p style="text-align: center;">Comments Template for Discussion paper on a possible EU-single market for personal pension products</p>		<p style="text-align: center;">Deadline 16 August 2013 18:00 CET</p>
	<p>retirement products to clients' demands and needs. Products that might meet the demands and needs of some consumers - based on their preferences and personal situation - might not meet the demands and needs of others. It is therefore important to ensure appropriate disclosures and conduct of business rules to enable consumers to take informed decisions. Insurance Europe therefore strongly opposes any initiatives at an EU level that could reduce product development and stifle innovation such as product authorisation or product banning.</p> <p>Please also refer to question 68.</p>	