| Comments Template on Consultation Paper on the creation of a standardised Pan-European Personal Pension product | | Deadline 05 October 2015 23:59 CET |
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| Name of Company: | Insurance Europe | |
| Disclosure of comments: | Please indicate if your comments should be treated as confidential: | Public |
| | Please follow the following instructions for filling in the template:<br>⇨ Do **not** change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool<br>⇨ Leave the last column empty.<br>⇨ Please fill in your comment in the relevant row. If you have no comment on a paragraph or a cell, keep the row empty.<br>⇨ Our IT tool does not allow processing of comments which do not refer to the specific numbers below.<br>**Please send the completed template, in Word Format, to CP-15-006@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.**<br><br>The numbering refers to the Consultation Paper on the creation of a standardised Pan-European Personal Pension product (see Annex 3 of consultation paper) | |
| **Reference** | **Comment** | |
| General comment | Insurance Europe recognises the importance of looking at possible ways of encouraging and supporting citizens to save for their retirement and welcomes the opportunity to comment on the design of a Pan-European Personal Pension product (PEPP).<br><br>Insurance Europe welcomes that the proposed PEPP has been clearly identified as a personal retirement savings product with an inherent long-term nature, aiming to deliver a retirement income, along with existing pillar-1 and pillar-2 provisions. Insurance Europe maintains that PEPP should be a high-quality product, providing for an appropriate level of customer protection and suggests that some insurance features (eg biometric risk coverage) should be included in PEPPs' final design.<br><br>The introduction of PEPPs might potentially increase the volume of personal pension product sold throughout Europe and impact the allocation of funds towards long-term illiquid investments. However, the insurance industry believes that such initiative faces major challenges, particularly in | |

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| | light of close links (ie subsidiarity) to areas of national competence (taxation, social and labour law structures). Furthermore, the demand for such a product is likely to depend on the maturity of the different national markets.<br><br>Insurance Europe appreciates that the proposed design allows for existing national practices to be respected (eg regarding decumulation, advice, and minimum return guarantee) and maintains that it is key for the establishment of the PEPP that the product features adapt to the national context.<br><br>In order for the PEPP to be potentially beneficial to the EU economy and the retirement prospects of consumers, European insurers strongly believe that:<br><br>▪ In the spirit of creating a Capital Markets Union, and so to generate funding for long-term investments, the PEPP would need to allow providers to generate long-term liabilities. This means that consumers should be incentivised to keep saving for a long period, ideally until retirement. Insurance Europe asserts that minimum investment periods should be included in the PEPP framework.<br>▪ PEPP providers should be subject to an appropriate prudential treatment taking into account PEPP's long-term horizon and specific features. Insurance Europe maintains that the "same risks, same rules" principle should apply to ensure a level-playing field between all providers. For PEPPs with minimum return guarantees and/or biometric risk coverage, the applicable framework should be Solvency II. However it should be ensured that insurers' ability to manage market volatility in the long-term is duly taken account of.<br>▪ The PEPP would need to come with the option for the consumer to ask for additional biometric risk coverage either during the accumulation phase or decumulation phase (taking into account national practices).<br>▪ Since pension products are generally defined by their objective to provide an income in retirement, the protection of longevity risk should be considered among the options offered to consumers, in line with national rules.<br>▪ From a consumer protection perspective, the PEPP should entail an appropriate level of security for policyholders. | |
| Question 1 | **Do stakeholders think there is a need for a stand-alone authorisation requirement or would existing Union law sufficiently cover all potential PEPP providers, including those who would issue PEPPs but who are not already authorised by another existing authorisation regime?** | |

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| | Insurance Europe believes that it may not be necessary to introduce an additional authorisation process, notably for those financial institutions carrying out activities under specific EU legislation, as is the case for insurance companies under the scope of Solvency II.<br><br>However, for those institutions which do not fall under the scope of any specific EU law, Insurance Europe strongly believes that:<br>■ They should be subject to a thorough authorisation procedure, which should be fully harmonised at European level. This is essential if PEPP providers benefit from a European passport.<br>■ They should be subject to an appropriate prudential framework taking into account PEPP's long-term horizon and specific features, which should be based on the "same risks, same rules" principle.<br><br>Financial institutions which do not fall under any EU legislation are, by definition, only subject to national regulation. As a consequence, they could enjoy a more favourable prudential treatment than financial institutions falling under EU regulation (eg Solvency II). This could give rise to regulatory arbitrage between PEPP providers and potentially result in a race to the bottom, should it lead to providers establishing themselves in member states with the lowest requirements.<br><br>Insurance Europe appreciates that allowing providers not authorised under any EU financial services legislation to offer PEPPs could potentially increase the offering of PEPPs across Europe. However, these providers should be subject to an appropriate prudential framework, based on the "same risks, same rules" principle, to ensure a level-playing field between all providers. | |
| Question 2 | **Do stakeholders agree that a highly prescriptive 2nd regime will achieve the policy objectives of ensuring a high minimum standard of consumer protection and encouraging more EU citizens to save for an adequate retirement income?**<br><br>Insurance Europe recognises the importance of looking at possible ways of encouraging and supporting citizens to save for their retirement. In that sense, Insurance Europe welcomes the discussion on the introduction of PEPPs, as such an initiative, if appropriately calibrated, may increase the volume of personal pension products sold throughout Europe and so may have a positive impact on the allocation of funds towards long-term illiquid investments.<br><br>In theory, a prescriptive 2$^{nd}$ regime could lead to a high standard of consumer protection. This could ensure confidence in the product, which is important for such an initiative. In contrast, it may be | |

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| | inappropriate to define excessively prescriptive rules at EU level, given the close links to areas of national competence (ie the principle of subsidiarity) and of the different features of PPPs already being sold across Europe.<br><br>To achieve the dual policy objective of ensuring a high level of consumer protection and encouraging EU citizens to save for an adequate retirement income, the insurance industry believes the PEPP would need to adapt to some of the demands and specificities of each market. In particular, there is a need to adapt to national markets, in terms of product features (ie presence of long-term guarantees or profit-sharing mechanisms, risk coverage, pay-out options and surrender options). This could additionally make PEPPs potentially more appealing to European consumers.<br><br>Insurance Europe believes that consumer demand for the PEPP also depends on the fiscal treatment granted at national level, which remains a member state competence.<br><br>Finally, Insurance Europe would like to comment on the proposed clusters of national rules of general good. In particular, with regard to:<br>- Cluster 1 (national investment restrictions): To ensure a level playing field, consistent investment principles for PEPPs should apply across Europe (eg the Prudent Person Principle under Solvency II).<br>- Cluster 6 (National requirements with regard to decumulation practices): the PEPP should include life-long retirement income as an option consumers can choose. Therefore, the PEPP initiative should include regulation with regard to decumulation. In countries that have no legal requirements for providers to offer a life-long pay out, providers and consumers may choose other options. | |
| Question 3 | **Do stakeholders agree that EIOPA has identified the correct challenges associated with introducing a 2nd regime? If so, how might these challenges be overcome? If not, what do stakeholders believe might be other challenges associated with introduction a 2nd regime?**<br><br>Insurance Europe welcomes EIOPA's efforts to thoroughly assess the feasibility of a 2$^{nd}$ regime, notably in light of the close links to areas of national competence (ie the principle of subsidiarity) and of the different features of private pension products currently sold across Europe. Insurance Europe believes that EIOPA's analysis is, as it stands, incomplete and so would recommend further work being carried out.<br><br>Insurance Europe welcomes that EIOPA specifically addresses the risk of regulatory arbitrage among the challenges of introducing a standardised pension product, as ensuring a level playing field | |

between all types of providers is key to a functioning internal market.

This being said, a number of other challenges must be tackled.

- Firstly, the different national pension tax treatment and legislation would pose a significant challenge to the implementation of the PEPP initiative. For instance, the consultation paper does not cover the portability of PEPPs in sufficient detail to be clear about what would happen if:
    - A consumer moved from country A to country B and wished to switch providers (assuming they only operate either in country A or country B)? Would the consumer be allowed to consolidate his/her pension pot into the new PEPP offered in country B? Would that be considered as "early withdrawal" in country A and thus be subject to a tax penalty as per national legislation?
    - A consumer contributes to a PEPP in country A. His/her PEPP provider only offers the PEPP in country A, where tax relief is granted when submitting the annual tax declaration. Consumer A moves to country B but decides to keep contributing to their PEPP in country A. What happens to the tax relief if the consumer does not earn any income in country A?

- Secondly, while Insurance Europe notes that switching between PEPPs and/or PEPP providers is a key feature of EIOPA's proposal, the consultation paper does not provide sufficient detail on the following key issues:
    - Automaticity of the procedure, eg it would be essential that the new provider is not forced to comply with the contractual rules of a PEPP offered by initial providers
    - Responsibility for putting the old and new providers in contact
    - Language applicable to the procedure
    - Prevention of surrender when switching
    - Provision of tax authorities with the relevant information
    - Allocation of costs generated by switching

  Without an adequate framework, Insurance Europe believes that this switching option could have a detrimental prudential impact on the financial management of the provider's company and its management costs thus affecting its capacity to invest and resulting in higher premiums to be paid by PEPP policyholders.

Furthermore, the insurance industry believes that switching between PEPPs and national personal pension products poses a major challenge to the proposed PEPP. Indeed, national products are subject to different tax treatment (which is set nationally), social law, as well as consumer protection and prudential rules. In addition to this, other challenges also need to be considered which will be problematic with regards to switching. This includes the different currencies that are used across the EU, and emerging data protection issues. Therefore, Insurance Europe would strongly advocate to remove this option from the features of the PEPP.

- Thirdly, considering the fact that a pension product aims at providing a retirement income and that decumulation is in many markets an intrinsic aspect of pension products, Insurance Europe thus believes that the PEPP should consider aspects related to decumulation with the aim to guarantee the best outcome for the consumer. National practices and rules on decumulation protection mechanisms, such as pay out and annuities, and survivor's/death benefits should be duly considered.

- Furthermore, in member states where mandatory duty of advice applies, a "default option" approach may not be viable, as consumers will always have to make an active choice.

- Consumer demand for PEPPs will also depend on the fiscal treatment granted at national level, which remains a national competence.

- The insurance industry would like to highlight the issue of biometric risk coverage. EIOPA groups this possibility as a "flexible feature" for the PEPP. Indeed, it can be offered as an additional feature of the PEPP. However, in some markets, biometric risk coverage is mandatory for insurance products and products defined as personal pension products. Therefore, Insurance Europe suggests adding this feature among the cluster of national rules of general good in chapter 3.6.

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| | - The interaction of PEPP features and national contract law should also be clarified, eg with regard to:<br>  - Rules on the conclusion of the contract<br>  - Rules on the termination of the contract<br>  - Information requirements: The rules stipulated for the PEPP should be flexible enough to capture the national specificities of pension products. Furthermore, for insurers some information requirements are contained in the Solvency II framework. Therefore, duplication of information should be avoided<br>  - Rules on the information that insurers can request from potential policy holders or beneficiaries (in particular if biometric risk cover is provided) | |
| Question 4 | **Do stakeholders believe that an investment option containing a guarantee, e.g. a 0% minimum return guarantee, does not in addition require a life cycling strategy with de risking?**<br><br>Yes, we agree. An investment option containing a capital-backed minimum return guarantee does not require a life cycling strategy with de-risking.<br><br>Insurance Europe strongly believes that PEPP providers should be allowed to offer PEPPs with a default investment option based on either:<br>- Guarantees<br>- Long-term collective investment where premiums are paid into a life fund and where the concept of smoothing is applied<br>- Life-cycling with derisking<br>Finally, Insurance Europe suggests that for investment options containing guarantees, PEPP providers should be free to offer different kinds and levels of guarantees. | |
| Question 5 | **Do stakeholders agree to limit the number of investment options, e.g. to five?**<br><br>Insurance Europe would suggest not prescribing the limit to the actual number of investment options that a PEPP provider could offer. For instance, a provider wishing to offer a PEPP with 6 investment options should not be forced to structure two separate PEPPs. It also gives more knowledgeable consumers the opportunity to choose from more options. | |

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| Question 6 | **Do stakeholders agree that the default investment option should either be based on a life cycle strategy with de risking or be assisted by a guarantee, e.g. a 0% minimum return guarantee?**<br><br>Although we acknowledge that PEPPs are intended to simplify investment decisions for consumers, we consider a voluntary product with a default investment option as unusual. This feature is more common in second pillar pensions where mandatory enrolment applies. Insurance Europe would therefore favour a more flexible product structure, which would consist of a low risk option, plus a number of alternative options.<br><br>Furthermore, Insurance Europe argues that in member states where mandatory duty of advice applies, a "default option" approach may not be viable, as consumers will always have to make an active choice.<br><br>This being said, should a default investment option be envisaged, then PEPP providers should be allowed to offer PEPPs with a default investment option based on either:<br>- Guarantees<br>- Long-term collective investment where premiums are paid into a life fund and where the concept of smoothing is applied<br>- Life-cycling with derisking<br><br>The decision about permitted default options should take into account that products with guarantees offer a higher level of protection than life-cycling strategies or balanced funds. In the latter, consumers are exposed to the risk of losing their capital and therefore having a lower retirement income than expected. Further analysis and back-testing should be carried out by EIOPA to assess life-cycling strategies, especially during the last financial crisis.<br><br>Investment options based on life-cycling can in principle offer some benefits in terms of returns. However, it should be recognised that in this case, the PEPP would be a pure individual Defined Contribution (DC) product that does not provide any real guarantee or minimum return[1]. In fact, in the absence of a guarantee, consumers might even incur losses and receive less than the paid-in capital. This risk should be made clear in the PEPP pre-contractual information.<br><br>With investment options based on long-term collective investments where premiums are paid into a life fund and where the concept of smoothing of returns is applied, the risk exposure for customers is lower than with individual life-cycling products thanks to risk pooling and the smoothing of returns and losses. Furthermore, this option could involve lower transaction costs than in a life-cycling strategy, as there is less need to rebalance individual portfolios. | |

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| | In some markets, personal pension products can take the form of minimum guaranteed annuities. Insurance Europe suggests that providers should be allowed to offer PEPPs with guaranteed minimum annuities as investment option. This option should be considered equal to investment options containing a guarantee.<br><br>[1] It should be reminded that in page 14 (Section 3.4.1) of the European Commission´s Green Paper towards adequate, sustainable and safe European pension systems it was stated that "*today, nearly 60 million Europeans are enrolled in DC schemes. Such schemes are much more prevalent today than they were a decade ago and will continue to grow in importance. […] But a key implication is that they shift the investment, inflation and longevity risks to scheme members, who are less well placed to bear these risks individually". […] Collective risk sharing through hybrid schemes, such as a DC scheme with a minimum return guarantee or a part-DB and part-DC scheme, could change the current trend to individualised DC schemes.*" | |
| Question 7 | **Do stakeholders agree that providers should have a duty of care concerning the suitability of investment options? What should be its extent? Should for example providers prevent switching to high risk investment options close to retirement?**<br><br>Insurance Europe agrees that the consumers should be provided with fair, clear and not misleading information which allow for a comparison between different products on the market. On this basis the consumer will be able to make a well-informed choice.<br><br>Abstract governance processes should not replace individual consumers' investment decisions. The PEPP is designed to reduce the need for direct investment decisions by the consumers without preventing such decisions entirely. However, if consumers have received the appropriate information and would consciously like to take risks usually corresponding to a higher reward, they should be allowed to switch to more risky options, even close to retirement. | |
| Question 8 | **Alternatively, would it be better for all investment options to contain either a life-cycling strategy with de risking or a guarantee?**<br><br>Consumers should have the opportunity to choose from different types of investment options. Therefore, it would be inappropriate for *all* investment options to contain either a life-cycling strategy or a guarantee.<br><br>As stated in its response to Question 6, Insurance Europe strongly believes that the "long-term collective investment with smoothing" option should be allowed as a PEPP default investment option, in addition to an option with guarantees and a life-cycling option. | |

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| | A life-cycling approach can in principle offer some benefits. However, it should be recognised that this is only an asset management strategy which does not guarantee a minimum return. Therefore, consumers should be informed that products built on this option (whether default or not) are pure individual Defined Contribution (DC) products that do not provide any real guarantee or minimum return. As a matter of fact, in the absence of a guarantee, consumers might even incur losses and eventually receive less than the paid-in capital. This risk should be clarified in the PEPP pre-contractual information.<br><br>Furthermore, an investment option containing a capital-backed minimum return guarantee does not require a life-cycling strategy with de risking. | |
| Question 9 | **Could you elaborate on whether PEPP providers, offering a PEPP with minimum return guarantees, should be subject to one identical solvency regime to back these guarantees or whether it would be sufficient that different, but equivalent, solvency rules apply?**<br><br>PEPP providers should be subject to an appropriate prudential treatment taking into account PEPP's long-term horizon and specific features. Insurance Europe maintains that the "same risks, same rules" principle should apply to ensure a level-playing field between all providers and an adequate level of consumer protection.<br><br>For PEPPs with minimum return guarantees and/or biometric risk coverage, the applicable framework should be Solvency II. However it should be ensured that insurers' ability to manage market volatility in the long-term is duly taken account of. | |
| Question 10 | **Considering the fact that the PEPP aims to maximise returns outweighing inflation, should retirement savers be allowed to buy a PEPP if the remaining duration of the product is, e.g., only 5 years?**<br><br>Insurance Europe believes that outweighing inflation cannot be the objective of the PEPP. Inflation is influenced mainly by macroeconomic conditions and monetary policy decisions at European and national levels. Therefore, PEPP providers cannot be asked to include inflation in the product design. Furthermore, there are different inflation rates across the EU, different currencies and different calculation methods, so that it is not feasible to include inflation as a benchmark in a product which intends to foster long-term savings as well as cross-border distribution.<br><br>Insurance Europe maintains that the consumers should be provided with fair, clear and not misleading information which allow for a comparison between different products on the market. On | |

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| | this basis the consumer will be able to make a well-informed choice. Consumers should therefore be able to buy a PEPP when the remaining duration of the product is eg. 5 years, with an appropriate treatment (eg investment strategy adjusted to the shorter time horizon). | |
| Question 11 | **What is stakeholders' view on the desire of PEPP holders on the one hand to have the comfort of knowing they can switch products or providers compared with the desire on the other hand to maintain the benefits of illiquid, long term investments?**<br><br>In the spirit of creating a Capital Markets Union, and so to help generate funding for long-term illiquid investments, the PEPP should allow providers to generate long-term liabilities. This means that consumers should be incentivised to save for a long period, ideally until retirement. Long-term liabilities cannot be generated if consumers are allowed to switch at any time. Moreover, such a possibility would reduce considerably consumers' investment return.<br><br>Minimum investment periods are fundamental to pension products. Indeed, the very nature of these products requires customers to save for a long time without being able to encash their pension pot before retirement. Similarly, switching between providers should only be allowed at specific points in time, ie at the end of a minimum investment period.<br><br>As a result, Insurance Europe recommends allowing PEPP providers to design the number and length of the minimum investment periods embedded in their products. This information should be included in pre-contractual and ongoing information. Consumers should also receive information on the benefits of long-term saving, which would help to increase consumer awareness of the importance of saving for their retirement.<br><br>Switching between pension products generally leads to inevitable cancellation costs due to divesting the illiquid assets which will be passed on to consumers. Thus, cancellation periods should depend on the asset strategy of the provider. Consumers can either<br>- benefit from higher returns on long-term partially liquid or illiquid assets having longer cancellation periods, after which consumers can switch free of charge or<br>- enjoy a more flexible periodic switching and transfer market value of the assets reduced by the market value adjustments that incur due to divesting the illiquid assets.<br><br>Furthermore, while Insurance Europe notes that switching between PEPPs and/or PEPP providers is a key feature of EIOPA's proposal the consultation paper does not provide sufficient detail on the following key issues:<br>- automaticity of the procedure, eg it would be essential that the new provider is not forced to | |

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| | comply with the contractual rules of a PEPP offered by initial providers<br>- responsibility for putting the old and new providers in contact<br>- language applicable to the procedure<br>- prevention of surrender when switching<br>- provision of tax authorities with the relevant information<br>- allocation of costs generated by switching<br><br>Without an adequate framework, Insurance Europe believes that this switching possibility could have a detrimental prudential impact on the financial management of the provider's company and its management costs thus affecting its capacity to invest and resulting in higher premiums to be paid by PEPP holders.<br><br>Finally, switching between PEPPs and national PPPs means switching between potentially different prudential frameworks, consumer protection rules, conduct of business rules, and tax incentives. In our opinion, these are significant barriers to switching. Consequently, Insurance Europe recommends not including this provision as a key feature of PEPPs. | |
| Question 12 | **Under what conditions do stakeholders think that the concepts of periodically switching providers and illiquid, long term investment are reconcilable?**<br><br>Long-term investment and switching are compatible so long as this is allowed at a specific and agreed point in time. However, this flexibility would be reflected in the returns.<br><br>Moreover, Insurance Europe strongly recommends that, when allowed, the modality of such transfers must be strictly framed in order to prevent detrimental prudential impact: assets must be valued at their market price and the new provider must have the freedom to substitute features of PEPP offered by the initial provider with its own ones.<br><br>Overall, switching as an easily available option raises the issue of an excessively short-term approach by policyholders, which would not be in their interest with a pensions product (which is inherently long term), and crucially, this is not addressed in the consultation paper. We would recommend that EIOPA further investigate how this could be compatible with national regulation or practices and produce the relevant assessment. | |
| Question 13 | **What do stakeholders believe is an appropriate interval for switching without incurring additional charges?** | |

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| | PEPP providers should be allowed to design PEPPs with different number and length of minimum investment periods.<br><br>If minimum investment periods are regulated (eg number or length), the first period should be sufficiently long, ie 10 years.<br><br>A long duration enables the smooth amortisation of distribution and advice costs, subject to duration of the product, as well as switching costs. Additionally, in case of a life-cycling investment option, this would ensure that consumers keep saving when their portfolio is subject to eg short-term volatility.<br><br>This would also prevent divestment from pension pots at the wrong moment.<br><br>Information on the number and length of a particular PEPP's minimum investment periods should be included in pre-contractual and on-going information. | |
| Question 14 | **What do stakeholders think of the proposition that the starting point for disclosure during the pre-contractual phase should be the PRIIPs disclosure elements? Please explain any aspects of these which you believe would be specifically unsuitable for PEPPs?**<br><br>While Insurance Europe supports the overall objective of the PRIIPs Regulation, particularly with the need for greater transparency, we would not support this being applied to pensions on a pan-EU scale. It should be highlighted that the regulatory technical standards (RTS) related to the presentation and content of the PRIIPs Key Information Document (KID) are still currently being developed by the European Supervisory Authorities (ESAs). These RTS will only be submitted to the Commission in March 2016.<br><br>The insurance industry acknowledges EIOPA is not willing to "copy and paste" the PRIIPs KID to PEPPs and wishes to build on some of its disclosure elements that might be suitable for pension products. However, Insurance Europe has strong concerns about using a document that is still in the process of being developed as a starting point for the PEPPs pre-contractual disclosures. It is premature, at this stage, to seek to analyse whether any aspects of the PRIIPs KID is unsuitable for PEPPs considering that not only the format of the document but also the approaches and methods of calculation of the main KID indicators (ie. risk indicator, performance scenarios and cost indicator) are still in the process of being discussed.<br><br>Insurance Europe also wishes to highlight the fact that pension products are outside the scope of the PRIIPs Regulation (Article 2(2) of Regulation (EU) No 1286/2014) notably because it was acknowledged by policymakers during the PRIIPs Regulation legislative process that the KID may not | |

be fitting for pension products. The insurance sector considers that it is indeed arguable whether the PRIIPs KID – which has been designed for investment products – is a good basis to design PEPP's pre-contractual information.

Specificities of pension products, particularly compared with investment products, should be taken into account appropriately:

- in their purpose (they are purchased specifically to secure an income in retirement or a cover against longevity risk)
- in their duration (pension products have very long terms)
- in their design (pension products offer limited or no access to the savings during the accumulation phase)
- in their context (pensions are inextricably linked to member states' social policy)
- in their risk/reward profile (they are usually less risky)

They therefore require specific and different information than those included in the PRIIPs KID.

The PEPP KID should be designed to incentivise consumers to keep saving in the long-term, in line with the objective of the PEPP. It should therefore include information about:

- the pay-out phase, in particular about different possibilities for consumers
- coverage against biometric risk such as protection of surviving dependents in case of death and protection in case of work incapacity
- the possible maximum loss of invested capital, e.g. whether the consumer can lose all invested capital
- general information about the tax treatment of the product (eg tax incentives granted at national level; possible penalties applied in case of early withdrawal etc.)
- minimum investment periods

Notwithstanding the above, there is a 4-year review clause in Article 33 of the PRIIPs Regulation, which establishes that, by 31 December 2018, the EC should assess whether pension products should be brought within the scope of the PRIIPs Regulation. In this context, it is therefore inappropriate to pre-empt this future review by already seeking to apply PRIIPs to PEPPs.

Insurance Europe strongly believes that a thorough consultation with stakeholders is also necessary for ongoing information and information in pre-retirement stage. The starting point for developing on-going information should be to increase pension awareness and help the individual to assess whether the contributions paid in the PEPP meet their retirement needs. A prospective view should be

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| | envisaged instead of a retrospective view on the product since inception. This is more appropriate for products with a very long-term perspective. | |
| Question 15 | **What do stakeholders think of facilitating sales of PEPPs via the internet? What should be the consumer protection requirements for internet sales?**<br><br>Insurance Europe supports the possibility of selling PEPPs via the Internet. Distribution channels of insurance products vary across countries and have an impact on consumer-insurer interactions. It has to be taken into account that distribution of voluntary pension products often requires raising people's awareness of their need to save for retirement, for instance due to changes in the public pension system. In this regard, good and attentive advice fulfils a necessary societal function. Therefore, restricting distribution to the Internet would risk limiting PEPP's market in the short or medium term. The insurance industry believes that all distribution channels and modes should be and remain possible for consumer convenience and freedom of choice. However, legislation should not hinder or incentivise one channel or mode over another.<br><br>Any consumer protection requirements for Internet sales should respect the option for consumers to be able to purchase any insurance product without advice. In any event, even where the sales are carried out without advice, all relevant information will still need to be provided to consumers in a clear and easily accessible manner.<br><br>Nonetheless Insurance Europe believes that Internet sales should be performed under the same transparency requirements than other "traditional" distribution channels in line with national practices in order not to distort competition. Specific protection requirements should be established to deal with cross-border Internet sales (eg accuracy of translation, possible tax consequences, language for claims, applicable insolvency guarantee scheme,).<br><br>Insurance Europe believes that consumers should be aware of the risks they bear, and have the possibility, if they should so choose, to access some form of advice.<br><br>It has to be ensured that advice or sale can be offered through a single communication channel throughout the sales process.<br><br>In addition, given distant marketing of PEPP via the Internet, the long-term financial stability and soundness of providers and consumers' protection are indispensable. | |
| Question 16 | **Where advice is not given what are stakeholders views on requiring the distributor to apply an appropriateness test to the sale of a PEPP?** | |

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| | Insurance Europe does not believe that there should be a requirement to apply an appropriateness test in the case of non-advised sales. Considering that the PEPP would be a relatively standardised product, such a requirement appears unnecessary.<br><br>It is important to ensure that the sale of all insurance products remains possible without advice, according to national rules. In any event, even where sales are carried out without advice, all relevant information will still be provided to consumers in a clear and easily accessible manner. | |
| Question 17 | **What are stakeholders' views on the level of standardisation of the PEPP proposed in section 4.1 and 4.2 of this paper? Is the level of standardisation sufficient bearing in mind the objective to achieve critical mass, cost effectiveness and the delivery of value for money?**<br><br>Insurance Europe welcomes that the PEPP design allows maintaining national practices, by respecting national rules of general good (chapter 3.6 of the Consultation Paper). Nevertheless, the insurance industry would urge EIOPA to further investigate this aspect of the PEPP framework, as the current list of national rules of general good is not exhaustive, as stated by EIOPA at paragraph 3.6.7 of the Consultation Paper.<br><br>With regard to PEPP's conduct of business requirements included in chapter 4.2.9 of the Consultation Paper, Insurance Europe agrees that a consumer-centric focus should be maintained throughout the duration of the PEPP. Product oversight and governance (POG) can be a useful tool to ensure that the interests of consumers are appropriately respected. Insurance Europe shares EIOPA's belief that these processes should as far as possible remain under the control of the provider, who is in the best position to assess which concrete actions are useful and adequate.<br><br>However, it should be pointed out that binding rules on POG and conflict of interests exist already or – in the case of the IDD – are in the final stages of adoption by the European legislator. These rules will apply also with regard to the manufacture and sale of PEPP. Requiring a different system of product governance for the PEPP would be complex and costly and could therefore deter potential providers from entering this market. | |
| Question 18 | **With regard to offering biometric risk covers should providers offering a PEPP with biometric risk cover be subject to identical or equivalent solvency requirements? Please motivate your answer.** | |

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| | As a general remark, Insurance Europe would like to emphasise that insurers are major providers of coverage against biometric risks, either as product features or to other providers offering long-term savings products.<br><br>In Insurance Europe’s view, consumers should be allowed to ask for additional biometric risk coverage, which is a common practice in a number of markets for individual pensions. It should be highlighted that these requirements can be mandatory by law in some markets and are often fundamental components of long-term products offered by insurers.<br><br>Since pension products are generally defined by their objective (ie to provide an income in retirement), national rules often require that protection against longevity risk is made available to consumers. Consequently, the protection against longevity risk should be considered as a main option for the PEPP as well, in line with existing national legislation.<br><br>Additionally, reference is also made to question 9 regarding solvency requirements. PEPP providers should be subject to an appropriate prudential treatment taking into account PEPP’s long-term horizon and specific features. Insurance Europe maintains that the “same risks, same rules” principle should apply to ensure a level-playing field between all providers.<br><br>For biometric risk coverage, the applicable framework should be Solvency II. However it should be ensured that insurers’ ability to manage market volatility in the long-term is duly taken account of. | |
| Question 19 | **What do stakeholders think of requiring a cap on the level of costs and charges of PEPPs, or a cap on individual components of costs and charges?**<br><br>The insurance industry is of the view that costs and charges should not be capped at European level. PEPP providers should be free to compete in this area. Consumers have to be provided with clear and concise information as to the costs and charges of their PEPPs. | |
| Question 20 | **Do stakeholders believe that other flexible elements could be offered by PEPP providers?**<br><br>In principle, Insurance Europe believes that PEPP providers should be allowed to design their PEPPs by embedding other flexible elements, in line with their national practice/demand. | |
| Question 21 | **Do stakeholders agree with the concept of a "product passport" comprising notification/registration of PEPPs? If not what alternative would they suggest?**<br><br>The proposed concept of "product passport” comprising notification and registration of PEPPs is a | |

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| | positive step towards a Single Market for personal pension products.<br><br>However, the "product passport" concept cannot be fully assessed, given that EIOPA does not address the following key issues:<br>■ Information to notify the host member state authority<br>■ Authorisation procedure, either based on the notification or on a subsequent authorisation from the host member state authority<br>■ Language applicable to the procedure<br><br>Furthermore, the product passport is relevant if there is a level play field between all (types of) PEPP providers. | |