	Comments Template on Consultation Paper on the creation of a standardised Pan-European Personal Pension product	**Deadline** **05 October 2015** **23:59 CET**
Name of Company:	The Danish Insurance Association	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Confidential/Public
	Please follow the following instructions for filling in the template: ⇨ Do **not** change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇨ Leave the last column empty. ⇨ Please fill in your comment in the relevant row. If you have no comment on a paragraph or a cell, keep the row empty. ⇨ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. **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.** The numbering refers to the Consultation Paper on the the creation of a standardised Pan-European Personal Pension product (see Annex 3 of consultation paper)	
Reference	**Comment**	
General comment	The Danish Insurance Association (DIA) welcomes the opportunity to comment on EIOPA's Consultation Paper on the creation of a standardised Pan-European Personal Pension Product (PEPP). Initially, the DIA would like to confirm its support for the views expressed in the consultation response from Insurance Europe (IE). However, the DIA would also like to submit some further comments and views particular to the Danish market.	

	The DIA supports the objective of encouraging EU citizens to save for an adequate retirement. We believe that the outlined regulatory framework for PEPP could be a step in this direction. The large majority of the Danish work force is already saving at an adequate level. The main part of total savings is in occupational pensions (pillar II) but personal pension savings (pillar III) are also substantial. Thus, generally speaking, we have no savings deficit of any significance in Denmark. Therefore, we do not expect that a standardised pan-European product will affect neither supply or demand very much. However, we do recognise that the situation is very different in other countries across the EU. In less mature markets, a PEPP may be an important tool for stimulating pension saving. We think that the PEPP should not be constrained to pillar III alone. It should also be possible to offer PEPPs as occupational pensions. If an employer wants to provide a PEPP for his employees, there is no reason why he should not have this opportunity. Both pillars could contribute to the overall objective of encouraging savings. We thus favour a flexible framework allowing for PEPPs being offered both as personal pensions and occupational pensions. We would also like to urge EIOPA to work for a flexible regulatory framework that does not hinder product innovation. It would be very unfortunate for consumer protection, if providers were, for example, discouraged to find new ways of minimising consumers' risks because of inflexible rules. Thus, the framework must be flexible enough to allow for product innovation without jeopardising the purpose of the PEPP . Specific comment on 7. Annex 1, 7.1 Quantitative data: The DIA would like to inform EIOPA that we do not recognise the amount stated for Denmark (DK): EUR 164,108 mio. If the figure is intended to reflect the total assets in personal pensions, the amount is too high. If the figure is intended to reflect the total assets in personal pensions and occupational pensions, the amount is too low. Besides, personal pensions are not offered only by life insurance companies and pension funds. Also banks offer personal pensions. Thus it seems incorrect that no amount is mentioned in the 'CRD' column.	
Question 1	From a purely Danish perspective there is no need for a stand-alone authorisation as all potential providers are subject to Union law.	

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Question 2	We agree that a highly prescriptive 2nd regime can achieve high minimum standards for consumer protection. And we strongly support high standards to ensure adequate protection for consumers. However, a highly prescriptive regime may be a costly and inflexible way of achieving this goal. From a Danish perspective we are not convinced that a highly prescriptive 2nd regime necessarily will encourage savings nor be the most effective way of increasing savings. The DIA believes that the same objective can be reached by principle-based rules that allows for national flexibility and adaptability.	
Question 3	The DIA believes that the issue of taxation is a particular importance when considering the very real challenges to a 2nd regime. We would like to point to the more detailed information on this point in the response of the Insurance Europe to the Consultation.	
Question 4	We agree that a life cycling strategy with de risking is only required if the investment option in place does not contain a guarantee. The life cycling strategy aims at reducing the policyholder's risk as the policy holders approaches the time of retirement. If the policy holder has a product with a guarantee, the policy holder does not bear the risk himself and hensce there is no need to reduce his risk. We also agree that it could be reasonable to require that the default investment option contains a life-cycling strategy unless it is a guaranteed product. The purpose would be to protect the savings of consumers who may not be able – or willing to spend the needed amount of time – to manage the risk themselves. It is important that the regulatory framework does not limit the possible default option to either life-cycling strategy or guarantee. Both options have their relevance in fulfilling consumer needs, as different consumers have different needs and preferences. It should be left to each provider to decide which option he would offer as his default option. It is also important that the rules leave room for possible new or alternative ways of securing a certain level of pension benefits or reducing investment risk. The rules should not by definition exclude other strategies reaching these goals. In the Danish market for occupational end personal pensions, we have seen a movement in recent years from traditional with-profit products with guarantee towards market return products in which the consumer bears the investment risk. However, many providers still offer	

	traditional guaranteed products with profit-sharing, and some providers offer a 'hybrid' product consisting of a market return product with a guarantee attached. Providers of market return products without guarantee in Denmark typically offer a life-cycling strategy as the default option.	
Question 5	We do not see a need to limit the number of investment options as long as there are certain requirements to the default option, just like EIOPA proposes. Consumer protection is ensured by constraining default options, for example by requiring that the default option contains a life cycling strategy or a guarantee. However, there is no need to limit choice for more able and interested consumers.	
Question 6	See answer to Q4.	
Question 7	The DIA strongly believes that any 2nd regime for PEPPs must ensure a level playing field and the same level of consumer protection as is the case in the distribution of other retirement savings products regulated by Union law. In the case of Denmark, pension products offered by the insurance pension industry are almost exclusively regulated by Solvency 2 and therefore also by the IDD that will be coming into force soon. As EIOPA is well-aware, the IDD rules means that providers and distributors of covered products proposed to customers will have to be consistent with the demands and needs of the customer and, in the case of insurance-based investment products, also with the additional requirements in chapter 6 of the IDD. Thus we believe that similar requirement should apply to PEPPs as well. See also our response to Q9.	
Question 8	See answer to Q4.	
Question 9	The DIA believes that all PEPP providers, not just providers offering PEPPs with minimum return guarantees, should be subject to identical solvency rules. Thus, also providers of PEPPs without a guarantee should be subject to the same principle (although of course, the existence or non-existence of a guarantee would affect for example the capital required according to these rules). But in general same risk should be subject to same rules and same capital – regardless of the legal form of the provider. Otherwise regulatory arbitrage is possible and will be exploited.	

	Consumers have the same protection needs, regardless of type of provider, and therefore consumers should enjoy the same level of protection. This calls for identifical rules regardless of provider. The identical rules could be Solvency II or similar rules. In Denmark, the majority of the occupational and personal pension providers are subject to Solvency II rules, that is the life insurance companies and industry-wide pension funds. Personal pensions are also provided by banks. Occupational pensions are also provided by IORPs but these only make up a very insignificant part of the market in Denmark.	
Question 10	We see no need to cut off consumers' access to buy a PEPP when they are close to retirement. Firstly, regulation should be limited to requiring the product to fit the needs of the consumer. Secondly, if the product includes a pay-out phase the remaining duration may be a lot longer.	
Question 11	We recognise that, from a theoretical perspective, it may be difficult to reconcile the benefits of long-term investments with unrestricted acces to switching pension provider or product. However, we do not see it as a major problem in actual practice, at least not in Denmark. In Denmark, for personal pensions, there are no restrictions on policy holders switching pension provider. In general, this applies also to occupational pension *if* the relationship of employment, in which the occupational pension policy was established, has come to an end. However, in Denmark, the policy holder is normally charged a relatively minor fee in order to cover administration costs of switching. Besides, some providers of guaranteed life insurance products with profit-sharing may, temporarily, introduce a charge on switching. That will typically be in the aftermath of a large downturn in the financial markets when the value of the assets may drop below the value of life insurance provisions because provisions depend on the guarantee. In this case, policy holders may want to switch to a product with no guarantee in expectance of a coming upturn in the financial markets. Thus, the provider may introduce a temporary charge on switching in order to protect the collective reserves of the profit-sharing product which belongs to the remaining policy holders. Nevertheless, this 'temporary' charge is not the usual situation. Since there are no restrictions on switching on personal pension products in Denmark (and usually only minor costs for the policy holder who wants to switch), introducing a minimum	

	investment period (locking period) in the PEPP would, all other things being equal, make the PEPP less attractive to consumers compared to other products in the Danish market.	
Question 12		
Question 13		
Question 14	As the details of PRIIPs disclosure requirements are not yet known as the level 2 is still on-going we find it premature to conclude on the question if they will be a good starting point for PEPPs disclosure. Also the fact that pensions are not in the scope of the PRIIP makes it a less obvious starting point.	
Question 15	The DIA thinks that the regulatory framework should offer the opportunity for the provider to facilitate sale of PEPPs via the internet. However, we also think that it should be possible for the provider to refrain from internet sales. Any rules on PEPP must be neutral in regards to the medium used for information. Consumers should be able to make an informed choice whether they acquire the PEPP via the internet or via other channels. In view of the increasing digitalization the rules must be future-proof. In regards to the level of consumer protection, including in the event of internet sale, please see our response to Q7.	
Question 16	In Denmark, pension products provided by the insurance industry will be subject to the general rules and thus the demands and needs requirement in the IDD due to the fact that the rules in chapter 6 for insurance-based investment products do not apply to pensions. Thus we believe that also in this case a level playing field must be ensured.	
Question 17		
Question 18	The DIA believes that all providers of PEPPs should be subject to identical solvency requirements. This should apply also to providers offering a PEPP with biometric risk cover. If a biometric risk cover is included in the PEPP it affects the risk in the product leading to a different capital requirement for that product compared to a similar PEPP without biometric risk cover. However it must be the risk that defines the capital requirement and not the legal form of the provider. Please see answer to Q9.	

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Question 19	The DIA is of the opinion that there should be no cap on the level of costs and charges. It should be left to market competition to constrain costs and charges. However, effective market competition requires that all costs and charges are fully transparent to consumers. Therefore, it must be required of PEPP providers to disclose all costs and charges. A cap on costs and charges risks limiting the choice of consumers. We think that providers should be able to supply a high-cost product with for instance access to more options or more advice if consumers ask for it. In Denmark, every policy holder in a life insurance company or a mutual pension fund has access to total comprehensive information on costs paid on his policy during the last year. All life insurance companies and mutual pension funds also disclose information on the total costs that a 'typical new customer' will experience within the first year as customer in the company/fund. This information is disclosed on the website of the company and on a web page provided by the DIA. In Denmark, cost disclosure is not required by law; it is however recommended by the Danish Insurance Association's Cost Recommendation which life insurance companies and pension funds in Denmark comply with.	
Question 20	It is extremely important to ensure that the regulatory framework for PEPPs does not hinder product innovation. The regulatory framework must be flexible enough to allow PEPP providers to offer – and to develop new – flexible elements. Consumers should be able to benefit from product innovation. Otherwise PEPPs risk becoming outdated quite soon as a result of market development. Options for decumulation is one element that should be left to the provider to decide as national tax rules vary much, creating very different incentives. For example, in Denmark there is a tax deductible on contributions if you have a life annuity or a phased withdrawal pension (regular pension payments made for a fixed period of time, e.g. 10 years) but there is no tax deductible if you have a lump sum pension contract. Thus, it should be possible for the provider to design the PEPP so that advantage is taken of national tax incentives for the benefit of the policy holder.	
Question 21		