

What success factors for the EU PEPP?



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Seeking solutions to help people to save for their retirement is crucial in a context of ageing population and high budget constraints. We welcome the discussion on the PEPP, as an initiative, that may increase the sales of personal pension products (PPPs) and develop an investment culture in Europe. In the context of creating a Capital Markets Union, the PEPP should allow providers to generate long-term liabilities and thus to generate funding for long-term illiquid investments.

PEPP should be a high-quality product, providing appropriate customer protection. We thus welcome that the PEPP has been identified as a personal retirement savings product with an inherent long-term nature aiming to deliver a life-long retirement income. The PEPP initiative should thus include regulation with regard to decumulation (with a preference for annuities). Consumers should also be protected against biometric risk as such protection is a fundamental component of long-term products offered by insurers.

One of the success factors of the PEPP lies in ensuring a level playing field between providers in application of the “same risks, same rules” principle. The PEPP should enjoy an appropriate prudential treatment under the relevant framework (ie. Solvency II or a future more adequate framework) taking into account the long-term nature of the product and the ability of insurers to manage market volatility in the long run. It is crucial that the policyholder always be aware of the risks he is taking and of the level of his protection.

An appropriate fiscal treatment at national level is essential to making the PEPP initiative a real success.

Taking into account the recently published EIOPA advice on the development of an EU Single Market for PPPs, the EC has announced that it will examine whether an initiative on personal pension is necessary, and if so, which measures should be proposed by the end of 2016.

An appropriate fiscal treatment at national level is also a key point to make the PEPP initiative a real success.

In order 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 must adapt to some of the demands and specificities of each market, particularly in terms of product features (ie. presence of long-term guarantees or profit-sharing mechanisms, risk coverage, pay-out options and surrender options).

Following the publication of EIOPA final advice on PEPP, such an initiative still faces major challenges, due to the tight connections with areas of national competence (taxation, social and

labour law) and the different features of PPPs already being sold across Europe.