

Ms. Mairead McGuinness
Commissioner for Financial Services, Financial Stability and Capital Markets Union
European Commission
Rue de la Loi / Wetstraat 200,
1049 Brussels

Munich, 8 December 2022

Dear Commissioner McGuinness,

I am writing to you in my capacity as Chairman of the Pan-European Insurance Forum (PEIF) with reference to the Commission's final work on the Retail Investment Strategy (RIS), prior to the publication of the legislative package amending the Insurance Distribution Directive (IDD), applicable to the insurance sector, reflecting its particular role in the EU retail investments market, Markets in Financial Instruments Directive (MiFID II) and Packaged Retail and Insurance-based Investment Products Regulation (PRIIPs) planned for the first half of 2023.

There is a growing interest in applying broader and all-encompassing policy approaches to conduct of business regulation across financial services. This trend has the merit of promoting comparability and hence competition across a wider scope of products. It also has the benefit of ascertaining a common high standard of quality, hence promoting the trust in the relevant market participants. PEIF broadly welcomes these intentions and the RIS for its potential to improve consumer participation in capital markets while at the same time enhancing pension adequacy in the EU. In particular, PEIF supports the RIS potential to drive necessary improvements to existing regulation with reference to moving to digital-by-default in insurance distribution to take advantage of innovation while leaving no one behind, reflecting the need for personal advice and reducing the information overload on consumers triggered by disclosure obligations.

Based on our experience, the success of those policies is determined by the ability to strike an adequate balance between a standardized approach, indispensable to comparability, and the diversity of the products in scope, key to understanding their features and intrinsic value.

Insurance plays a distinct role in the EU retail investment market compared to pure asset management providers. In particular insurance-based investment products (IBIPs) generally combine investment with a unique element of protection, which often includes risk mitigation for capital market risks, ascertaining a life-long reliable income and coverage of biometric risks (e.g. death or disability). Risk bearing by insurers is an essential element of IBIPs.

The structure of IBIPs is perceived by policymakers to be more complex than other retail investments, e.g. UCITS and most ETFs. However, it is exactly those life insurance features that provide peace of mind to consumers by protecting them and their families from financial distress in unforeseen and difficult situations of life (e.g. death or disability of breadwinner, disability of policyholder) as well as to plan for the long-term (e.g. retirement). Features in life insurance products like risk mitigation are

essential for many consumers thereby adding value while creating peace of mind; comparisons with plain investment products cannot disregard the benefit of these features.

The quality of distribution advice of IBIPs is enhanced by the suitability and appropriateness regimes introduced by the IDD. The framework focuses on insurance specific information in the distribution as well as the advisory process and has been designed to serve retail clients with different needs and approaches to investing.

In contrast, the “one size fits all” approach implied in the all-encompassing solution considered by the EU Commission for a personalised asset allocation strategy fails to acknowledge the different needs and types of retail investors, including aforementioned peace of mind. From the consumer perspective, the products serve different needs, i.e. short-term vs. long-term, protection against income loss and old-age provision vs. pure investment, etc. Furthermore, IBIP’s product features call for different indicators than exchange traded products and those which are tradeable daily. Therefore, we would like to question the implied interchangeability of IBIPs with any other financial instruments, since it ignores the value of IBIP’s unique features (e.g. insurance risk transfer) to the customer. We therefore call for safeguarding the distinct regulatory frameworks, i.e. IDD and MiFID II under which insurers and asset managers operate. The consumer protection rationale underpinning the distribution and advisory process of the current regulatory framework is still valid and should therefore prevail in future reviews.

Finally, the existing inducements regime should be preserved, and the option of a total or partial ban discarded to avoid its negative impact on retail participation in capital markets. A commission ban would shift the provision of advice towards a fee-based remuneration model, and as a consequence effectively deprive customers with lower to medium savings, i.e. consumers that would benefit the most from relevant advice¹. As a result, large numbers of retail investors could be driven towards inadequate products (e.g. high-risk/-volatility, crypto assets) by influencers or other unregulated advisors, that may not optimally fit their needs, or could be discouraged from investing in capital markets at all.

The insurance industry strives to provide customers with value in their long-term investment needs and relies on high quality advice to achieve that goal. Therefore, we would like to ask you to duly consider relevant aspects as outlined above when finalizing the RIS proposal as this is of key importance for retail investors, the insurance industry as well as European capital markets.

Yours sincerely,



Joachim Wenning
Chair of the Pan-European Insurance Forum