

Questionnaire gathering input for the EIOPA 2022 Consumer Trends Report

1. Background

EIOPA is required under its Regulation to collect, analyse and report on consumer trends¹. To date, EIOPA has produced ten Consumer Trends Reports. The term 'consumer trend' is not defined in EIOPA's Regulation. EIOPA therefore devised the following working definition:

"Evolutions in consumer behaviour in the insurance and pensions markets related to the relationship between consumers and undertakings (including intermediaries) that are significant in their impact or novelty"

The term 'trends' is understood in a broad sense: it covers, for example, evolutions in volumes of business or in the relationship between customers and undertakings/intermediaries, as well as the emergence of new products or services, or other linked financial innovations. The trend may already be consolidated for a number of years, but it may also be only emergent, with the possibility of becoming significant in the future.

The report aims to inform EIOPA in the identification, prioritisation and development of targeted policy proposals or issues requiring supervisory measures. EIOPA seeks to identify possible consumer protection issues arising from identified trends. Nevertheless, positive developments are also identified and highlighted.

For the development of Consumer Trends Report, EIOPA follows an agreed upon

¹ Article 9(1)(a) of the Regulation 1094/2010 establishing EIOPA



methodology, which includes collecting inputs from stakeholders.

2. Questions

Like in the past years, EIOPA would like to collect informal input from stakeholders to complement the other sources of information available for the Consumer Trends Report. In addition to your experience as stakeholders, it would be very useful if you could attach or provide the links to any relevant sources of information to complement your feedback. You are also encouraged to refer to specific examples they may have observed at national or European level.

The deadline to provide input is **Friday 20 May 2022**.

2.1. Top 3 risks and positive developments observed in the market

2.1.1. Top 3 Consumer Protection Issues

Kindly highlight what are the most concerning consumer protection issues. The information on product specific initiatives will be requested in section 3 of the questionnaire.

Note: The wording 'first', 'second', and 'third', is not meant to rank the top 3 issues.

Consumer Protection Issue 1

Germany: run-off of Allianz Pensionskasse

Very surprisingly in October 2020 Allianz announced that its "Pensionskasse" will go into run-off from 2022 on. It is the second biggest "Pensionskasse" in Germany with more than 838.000 future beneficiaries and more than 27.500 current beneficiaries (balance sheet: 12,8 bn Euro) in 2018. The main reason for this decision is the ongoing low interest rate phase and the problem of guarantees given. This step can only be interpreted that general change from IORPs to insurance based pension products ("direct insurances") within occupational pension schemes will even be accelerated from January 2022 on.

Consumer Protection Issue 2

Consumer Protection Issue 3



2.1.2. Top 3 Initiatives Observed

Kindly provide information about the top 3 initiatives observed. These can be initiatives put in place by pension schemes to ensure the fair treatment of consumers. Initiatives referred to in this section should be focused on specific actions taken to guarantee the fair treatment of policyholders/members/savers in general.

Note: The wording 'first', 'second', and 'third', is not meant to rank the top 3 initiatives.

Initiative 1

Germany: Riester pension product provider sentenced to „remedial action”

In April 2022 *BdV (German Association of Insured)* made a successful claim at a higher regional tribunal (second judicial instance of “Oberlandesgericht”) against a life insurer related to non-transparent cost disclosures as well in the terms and conditions as in the key information documents of a Riester pension product. The tribunal clearly decided that the life insurer has to implement “remedial action” (“Folgenbeseitigungsanspruch”) for the concerned policyholders. The life insurer has to inform the policyholders that the clauses were non-transparent and that the policyholders may take action for possible reimbursements. Additionally the life insurer has to proof if asked that it actually informed the policyholders.

Initiative 2

Initiative 3



2.2. Product related trends

You are invited to explain how the members in occupational pension schemes and demand and/or offer personal pension plans and products has increased/decreased/remained unchanged, during 2021. Please, where relevant, refer to any possible financial innovations, market developments, and/or changes in market practices, as well as any possible consumer protection issues arising from such developments.

	Developments in demand / offer / financial innovations / market environment / market practices/ consumer protection
Occupational pension schemes overall	<p>Germany:</p> <p>Following to BaFin’s latest Annual Report 2021 (published in May 2022) in Germany by 31 December 2021 there were 132 “Pensionskassen” (four with no business activity at all) and 35 “Pensionsfonds”. The total GWP of “Pensionskassen” decreased from 6,9 bn Euro (in 2020) to 6,6 bn Euro (in 2021) and the total GWP of Pensionsfonds decreased from 7,4 bn Euro (in 2020) to 5,6 bn Euro (in 2021). The net return of assets of “Pensionskassen” increased slightly from 3,4% (in 2020) to 3,6% (in 2021).</p> <p>As in the year before 40 “Pensionskassen” were under “intertified supervision” by the NCA at the end of 2021. By the end of December 2021 there were three “Pensionskassen”, which were not able to fulfil the solvency capital requirements.</p> <p>Based on an obligatory forecast for the four next years made by “Pensionskassen”, nevertheless the NCA clearly states that their ongoing return of assets will decrease more quickly than the average interest rate being used for the long-term calculation of the capital reserves. In consequence “Pensionskassen” will have to ask either their sponsors or their shareholders for more support in order to build up additional capital reserves.</p>

Occupational pension schemes (Defined Benefits)	<p>Germany:</p> <p>With regard to “Pensionsfonds” the new Annual Report of BaFin on 2021 states that there is a slight increase of current and future beneficiaries (from 1.185m in 2020 to 1.233m in 2021). Out of these total figures there are about 840.000 future beneficiaries, and out of these future beneficiaries only about 106.000 are part of a DB scheme (having increased by about 10% in one year).</p>
Occupational pension schemes (Defined Contributions)	<p>Germany:</p> <p>The so-called „Pure DC“ (“<i>Reine Beitragszusage</i>”) was established by the legislator from 2018 on. But up to now no single project was actually implemented. One of the reasons for this failure may be the obligation that a “pure DC pension scheme” can only be realized by collective agreements between employers and trade unions. Single employers not belonging to any industry or service business association are not included.</p> <p>That is why the coalition treaty of the so-called “traffic light” coalition in Berlin since November 2021 included a possible reform of this law by allowing exceptions from this general rule, but until now no draft legislative act has been presented by the new Federal Government.</p>
PPP overall	<p>Germany:</p> <p>Following to the figures of <i>GDV</i> in 2020 there was an overall slight decrease of new business of pension contracts (about 2,1 million contracts representing minus 3,7% compared to 2019), with only unit-linked products increasing, but representing a market share of just 6,8%. Nevertheless the proportion of pension products in the entire life insurance markets continue to grow slowly but constantly (in 2020: 55,7%; in 2010: 38,9%).</p> <p>The new business of Riester-Pensions (mainly for employees) decreased by 5,5%, but the one of Rürup-Pensions (mainly for self-employed workers) slightly increased by 1,7%, both in 2020.</p> <p>Quite obviously there is a strong need for fundamental reform of the Riester-Pension scheme,</p>



	<p>as the total number of concluded contracts stagnates at a bit more than 10 million insurance contracts since 2010. The total number of Rürup-pension contracts increased constantly from 1,2 million contracts in 2010 up to nearly 2,4 million contracts in 2020.</p> <p><i>Source: GDV - Deutsche Lebensversicherung in Zahlen 2021, S. 10-18.</i></p>
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2.3. Focus topics

In addition, you are invited to provide input on the following focus topics:

2.3.1. PensionTech: digitalisation in the pension sector

New technologies can improve retirement outcomes for pension fund members. Low pension coverage and insufficient pension savings, especially in voluntary private pension systems, are among key concerns in many jurisdictions. Considering that emerging FinTech applications attract in particular the attention of younger generations (millennials) and other digital natives, the use of new technologies may contribute to greater adoption of digital solutions to plan and manage financial resources.

Q1: In your market(s) have you observed evidence of PensionTech? If so, please indicate below which advantages (e.g. ease of communication between scheme and members) or disadvantages (e.g. data privacy concerns) PensionTech is bringing.

Germany:

The Leipzig based initiative NEW PLAYERS NETWORK (in cooperation with University of Leipzig) publishes an annual report on insurtechs in Germany. In its latest report, published in May 2021, there were included more than 180 insurtechs (from offering only technical support to actual brokers):

Website: <https://newplayersnetwork.jetzt/insurtech-ubersicht/>

It is quite obvious that life insurances and pension products still only have a minor importance in the range of products being offered. But this does not imply that big



insurance companies try to offer even pension products only by using online distribution channels in order to get in touch with that part of the possible customers who are highly biased towards digital media. *Allianz* with its pension product *Allvest* is an exemplary case for this business model:

Website: <https://www.allvest.de/de/av/home>

This is all the more contradictory to the generalized attitude of the insurance industry at least in Germany *not* to offer PEPP as a new possibly standardized and digitalized pension product.

Q2: If there are pension tracking systems or pension dashboards (see definition below) available in your market(s), what are the benefits that you have observed for consumers?

Germany:

For a general evaluation of second and third pillars of retirement provision in Germany the most comprehensive documents are the special reports published by the Federal Ministry of Labour and Social Affairs ("*Alterssicherungsbericht*", latest published in November 2020) every four years:

<https://www.bmas.de/DE/Service/Presse/Pressemitteilungen/2020/alterssicherungsbericht-rentenbericht-2020.html>

In fact these special reports can already be considered as a kind of *Pension Dashboard* which shall be established by every EU member state (cf. EIOPA Advice on Pensions Dashboard of 01 December 2021). Up to now the benefits of these reports are mainly for researchers and less for consumers. There should be published shortened versions in order to be read by a wider public.

Q3: If there are no pension tracking systems or pension dashboards (see definition below) available in your market(s), are you aware of any plans to implement such initiatives in the future? Can you please briefly describe such plans?

Germany:

In February 2021 the national law of pension tracking system ("*Gesetz Digitale Rentenübersicht*") was published in the Federal Official Journal (*Bundesgesetzblatt*, Teil I, Nr. 6 vom 17. Februar 2021). The regulation of the composition of the



“Steering Committee” (“*Steuerungsgremium*”) was published in June 2021 (including representatives of the State Pension Administration, of insurers, of IORPs and of consumers). Only after a period of testing of at least two years the pension tracking system will be implemented definitely. In its comments on the draft legislative act BdV criticized the strong focus on pensions excluding non-insurance related vehicles of private retirement provision.

BdV-comments of 14 August 2020:

<https://www.bunderversicherten.de/presse-und-oeffentlichkeitsarbeit/pressemitteilungen/falsches-signal-digitale-rentenuebersicht-privilegiert-lebensversicherung>

Q4: In relation to PensionTech innovations, which is the role of supervisor in your view? Which actions/tools should be undertaken/implemented to promote the use of technological innovation in pension?

Germany:

Especially with regard to mandatory pre-contractual information duties following to IORPs II directive, the PRIIPs KID regulation and to the IDD directive (past performances, performance scenarios, cost disclosures etc.) there is a strong need for alignment between occupational and private pensions for reasons of understandability and comparability by customers which supervisory authorities on EU and national level should urge (cf. *EIOPA Report on the application of the Insurance Distribution Directive*, published on 06 January 2022, Chapter 2.4: Overlapping Information Requirements in EU Legislation, p. 43/44).

Cf. our article of July 2021 on “*Connecting EU regulations for transparent IORPs cost disclosures*” (BdV-Blog):

<https://www.bdv-blog.de/bdv-in-europa/connecting-eu-regulations-for-transparent-iorps-cost-disclosures.html>



DEFINITIONS:

- **Pension Tracking Systems** are on-line tools that provide citizens with an overview of their future retirement income, based on their entitlements from all pension sources to which they contribute.
- **A pension dashboard** constitutes a “macro” tool to enhance the monitoring of adequacy and sustainability of pension systems.

2.3.2. Conflicts of interests

Conflicts of interests when IORP delegates administration or investments to an external entity

When the administration of the IORP or the investment management are outsourced to an external entity, be it a managing company that runs the IORP, or when the investment activities are outsourced to investment advisor or external asset manager, conflicts of interest might occur. How is the due diligence “check” when selecting an internal provider carried out by the IORP? Which internal monitoring processes are in place to address the potential conflict of interests?

Q1: In your market(s), have you observed evidence of conflicts of interests due to IORPs outsourcing activities (e.g. outsourcing of key IORP functions to the sponsor)? How frequent are these? Please explain below what kind of conflicts of interests you have observed.

Q2: In your experience what are the most effective mitigating actions to manage conflict of interests? Which internal monitoring processes are in place to address the potential conflict of interests? Can you provide some examples observed in your market(s)?



Q3: Please provide below your view with regard to conflict of interests in your market(s). What are the main risks for members that you see? In your view, which actions/tools should be undertaken/implemented to mitigate such risks?