STATEMENT OF ALLIANZ ON THE PEPP IN THE HEARING OF THE EUROPEAN PARLIAMENT'S ECON COMMITTEE

Allianz generally supports the notion of a true Pan-European Pension Product (PEPP) under a well designed second regime to further develop the Capital Markets Union. We believe that this could help to close the pension gap in Europe and promote growth by fostering long-term real economy investments in Europe. As such, Allianz has been working constructively with relevant stakeholders and already developed potential product specifications considering both life insurance and asset management components.

Notwithstanding the above, Allianz considers the PEPP design currently discussed as flawed as the proposal does neither establish a “Pan-European” product nor does it deliver a “Pension Product”. More specifically,

- The proposal does not define a pension product as the decumulation/pension phase remains largely uncovered in the current proposal and left to member states’ discretion
- The proposal is not “Pan-European” as the proposed “compartments” will effectively result in a combination of (existing) national products with unclear clear value add for the customer. In this context it is noteworthy that already under existing regulation pension products can be offered cross-border which has not been done so far for various reasons (different customer expectations, tax regimes, etc.)

In order to provide value and transparency for customers while enabling healthy competition between providers across sectors, we believe that a future PEPP regulation needs to define minimum standards for a Pan-European product specification as part of a second regime:

- Guarantees: A guarantee in terms of the contributions paid until the beginning of the retirement phase together with a clear definition of the date on which the guarantee applies need to be regulated at EU level. In order to enable the aspired long term asset allocation, the application date should be set at the beginning of the retirement phase only (i. e. not when moving between providers or products before retirement).
- Prudential regulation: Guarantees should meet the requirements of Solvency II (or equivalent rules) and be applicable for PEPPs across providers and sectors to ensure the same safety level and unambiguous information for all customers (PEPP as quality label).
- Decumulation phase: At the beginning of retirement, at least 50% of the accumulated savings should be invested in an annuity product that provides a guaranteed life-long non-decreasing income stream and hence safety for retirees against the background of constantly increasing life-expectancy in Europe. In addition, minimum and maximum ages for retirement under PEPP should be defined.
- Legal base: The originally applicable contract law should remain in place when moving between member states to allow for cost efficient PEPP contract management.
- Switching: Uniform rules for switching between providers or products need to be laid down whereby the transfer of savings is limited to current market value in order to avoid adverse incentive effects and to allow for long-term investments.
- Costs and charges: If there are requirements for cost allocation, these must be uniform.
- Additional covers for misfortunes of life: Additional disability insurance and further biometrical riders should be able to be offered to the client to provide peace of mind for the misfortunes of life. Examples are a death benefit or a waiver of premiums for occupational disability.