EIOPA-15-365

Summary of Conclusions

Joint meeting of EIOPA Board of Supervisors with the Insurance and Reinsurance Stakeholder Group and the Occupational Pensions Stakeholder Group

Date: 26 November 2014

Time: 11:00 – 18:00

Location: Hotel Intercontinental, Frankfurt am Main

Contact: simona.murariu@eiopa.europa.eu

List of participants:

IRSG: Olav Jones (Vice-Chair IRSG), Renzo Avesani, Jean Berthon, Paul Carty, Alexandru Ciuncan, Andreea Cosma, Seamus Creedon, Maria Aranzazu Del valle, Marie Dequae, Francis Frizon, Maria Heep-Altiner, Marcin Kawiński, Thomas Keller, Edgar Koning, Damien Lagaude, Baiba Miltovica, Annette Olesen, Ioannis Papanikolaou, Nino Savelli, Martin Simhandl, Mojca Strucl, Karel Van Hulle, Dieter Wemmer, Rick Watson and Małgorzata Więcko-Tułowiecka

OPSG: Benne Van Popta (Chair OPSG), Matti Leppälä (vice-Chair OPSG), Lukasz Budzynski, Charlotta Carlberg, Laure Delahousse, Alberto Floreani, Bruno Gabellieri, Ruth Goldman, Fritz Janda, Thomas Keller, Niels Kortleve, Pierpaolo Marano, Hristina Mitreva, Marianne Moscoso-Osterkorn, Ellen Nygren, Manuel Peraita, Guillaume Prache, Joachim Schwind Jan Sebo, Federica Seganti, Marius Serban, Philip Shier, Klaus Struwe, Douglas Taylor, Martine Van Peer and Petar Vlaić

Excused: Kay Blair, Yannick Bonnet, Michaela Koller, Claes Thimrén, Neil Walsh, Frank Ellenbürger and Allan Whalley

BoS: Peter Braumüller (AT), Luc Kaiser and Henk Becquaert (BE), Zuzana Silberová (CZ), Ioanna Seliniotaki (GR), Gordana Letica (HR), Koppány Nagy and József Banyar (HU), Sylvia Cronin (IE), Alberto Corinti (IT), Dina Mikelsone (LV), Alexander Imhof (LI), Claude Wirion (LU), Petra Hielkema (NL), Damian Jaworski (PL), Rodica Popescu (RO), Martin Noréus (SE), Julia Cillikova and Matus Medvek (SK)and Edward Forshaw (UK)

Commission (COM): Steve Ryan, Deputy Head of Unit Insurance and Pensions, DG Financial Stability, Financial Services and Capital Markets Union.

EIOPA: Gabriel Bernardino, (Chair), Carlos Montalvo (Executive Director), Manuela Zweimueller (Director of Regulations), Andrew Mawdsley (Head of Financial Stability and Information Unit), Andrew Candland (Head of Oversight Unit), Katja Wuertz (Head of Consumer Protection and Financial Innovation Unit), Justin Wray (Head of Policy Unit), Gabriele Arnoldi (External Relations coordinator), David Cowan (Consumer Protection coordinator), Adrian O'Brien, Konstantinos Karountzos, Cees Karregat, Petr Jakubic, Simona Murariu, Florian Ouillades, Carine Pilot-Osbourne, Katharina Strohmeier and Teresa Turner.

1. Opening remarks

Gabriel Bernardino, welcomed the second joint plenary meeting of EIOPA Stakeholder Groups (IRSG and OPSG) and the Board of Supervisors (BoS) representatives and encouraged the attendees to use the opportunity to pursue high level of interaction on the many relevant agenda topics scheduled throughout the day.

OPSG Chair and IRSG Vice-Chair also welcomed participants to a day of dialogue and cooperation among EU's key stakeholders and the insurance supervisory community.

OPSG Chair, Benne van Popta took the opportunity to announce that effective 09 March 2015, he will step down from OPSG Chair position and resign from OPSG membership.

2. Approval of the draft agenda

EIOPA Chair presented participants with the draft agenda and invited comments as to its proposed content. Participants did not raise any comments nor proposed amendments.

Conclusion:

- The agenda was approved.

3. European Commission update on current work on Solvency II, IORP II, PRIIPs & IMD.

The European Commission representative, Steve Ryan, provided SG members with a brief update for each of the many workstreams EU COM is currently pursuing, as follows: .

a) **Insurance Distribution Directive (IDD) –** common position in the council and this is a positive development. The trialogues with the EU Parliament and Council will only start under the Lithuanian presidency as of January 2015. The open issues is the need for alignment with MiFID or potentially the lack of thereof. There are different views on commissions so, while COM favours MiFID alignement a decision is still to be taken on this topic.

b) **IORP Directive** – The IT Council presidency aims to reach a general approach of this file before the end of 2014. EU COM welcomes the proposed directive text after Council redrafting (reinforcing internal governance, cross border statements, PBS and transparency it brings). At current time, no delegatged acts are anticipated.

c) **Solvency II – Delegated Acts**: is expected the EU Parliament will take the 3 months allowed to analyse COM proposals.

The COM representative noted the following key priorities of the new Commission: job and markets growth; Capital Markets Union; Transatlantic Trade and Investment Partnership and the energy Union.

The European Commission representative noted that the new EU COM structure is particularly linked to these objectives. The Vice-Presidents have a mission to make sure 10 big priorities move forward.

For 2015, the following potential areas of work relevant for EIOPA may be activated:

a) **Consumer issues**: Green paper. Commissioner Hill does not want proposals focused on portability as only relevant for a small section of the population => must be relevant for the majority of EU citizens that are not very much mobile throughout their working life.

b) **Resolution of non-banking institutions**: while a timeline for EU work in insurance resolution is not yet fully developed, thsi work will be is linked to that of FSB/IAIS work on G-SIIs. At this point we do not know if any work would be done on insurance guarantees.

c) **Asset calibrations: LTIFs and infrastructure**. LTIFs have an on-going legislative debate that will be closed soon. The Solvency II Delegated Acts will need to reflect the outcome of these discussions.

4. Insurance & Occupational Pensions

Justin Wray – head of EIOPA Policy Unit presented the main activities the Policy Unit will engage in for year 2015:

a) **Insurance:** following the many deliveries of the current year, the Unit will shift focus towards

- development of 2 key Solvency processes i.e. the Risk free rate (consultation recently finished) and the Equity dampener
- finalisation of the Solvency II regulatory framework – Pillars 2 and 3
- initiate the annual reporting on application/outcome of the Long Term Guarantees package

b) **Pensions**: This work area is still at the stage of policy development compared to insurance that has now clearly entered the implementation phase.

- In the context of the IORP Directive revision, EIOPA will contribute in 2 key areas: information to members and Governance of IORPs.

- On the matter of occupational pensions Solvency EIOPA is currently consulting on Solvency issues for IORPs and further developments to the use of HBS in the context of IORPs are to be expected.

- EIOPA will also develop a stress test framework appropriate and suitable for pension funds. This framework will aim to assess the resilience and the behaviour of IORP's in adverse market developments, such as a prolonged low interest environment [or a sudden material reassessment of risk premia]. It will also incorporate stresses in longevity as one of the major risks in pension funds overall financial condition.

- Regarding Personal Pensions – EIOPA will consult on the draft technical advice the EU COM has requested, covering inter alia the issues of scope of a personal pensions EU framework, governance, information, distribution, product regulation, cross-border, quantitative aspects, 2nd regime.

c) **International relations**:

- EIOPA will continue to actively contribute to the development of an international capital standard for the insurance sector and will engage in the IAIS work on HLA for G-SIIs.

- EIOPA will continue its work on equivalence assessment, as EU COM has reached the point of laying the relevant delegated acts – including potentially at request of group supervisor

5. EIOPA strategic outlook for 2015 in the area of Consumer Protection

The presentation made by Katja Wuertz – Head of the EIOPA Cross-sectoral & Consumer Protection Unit is available on EIOPA website, under: 26 November meeting.

Taking into account the broad mandate of the Unit, the key remarks as to 2015 priorities were made as follows:

a) **Consumer Protection and Financial Innovation**: 2015 work will focus on regulatory requirements and facilitation of legal frameworks for insurance (IMD 1.5, IMD2, temporary bans, POG, KID for non-life (motor insurance)), pensions (TFPP, PBS, transferability of pension rights, communication to scheme members), consumer trends (incl. retail risk indicators, thematic reviews) and insurance guarantee schemes.

b) **Joint Committee**: proactive coordination through the JC to ensure cross-sectoral consistency and level playing field. Enhanced importance due to the ESFS review in particular in the Consumer Protection area: PRIIPs, cross-selling, digitalisation, CPD15

c) **Meetings and events:** influence on supervisory culture via trainings with an enhanced focus using state-of-the-art methodologies

6. EIOPA strategic outlook for 2015 in the area of Oversight

The presentation made by Andrew Candland – Head of the EIOPA Oversight Unit is available on EIOPA website, under: 26 November meeting.

The following **2015 Key Oversight priorities** were noted:

- Ensure that decisions taken by NSAs and colleges are consistent and of high quality.

- Ensure that NSAs and colleges are ready to assume their new SII responsibilities from 1/1/2016 (e.g. ladder of intervention, assessing the information received and SRP).

For delivering on the above commitments, EIOPA will anticipate developments, provide relevant tools, participate and assess, then give feedback. The following actions are to be pursued throughout 2015:

a) **Colleges**

- Active membership of colleges. Promote risk analysis and information exchange for risk assessment.

- Participate in G-SII Crisis Management Groups.

- Oversee the implementation of the Guidelines on subgroup supervision and ORSA in groups to promote consistent and efficient implementation.

b) **NSA's**

- Visit 10 NSAs and give feedback on SII preparedness and supervisory practices (risk assessment framework).
- Balance Sheet review of Romanian insurance sector in cooperation with Romanian FSA and EU Commission

c) **Internal Models**

- Participate in joint on-site examinations of internal models.
- Provide support to NSAs and colleges as models move from pre-application to application and decision.

7. EIOPA strategic outlook for 2015 in the area of Financial Stability

Andrew Mawdsley's presentation on EIOPA Financial Stability and Information Unit strategic outlook for 2015 is available on IRSG website, under: 26 November meeting.

The following **2015 Key Financial Stability priorities** were noted:

a) Risk, vulnerability and resilience assessment

- increased focus on action
  - ✓ Turning Financial Stability and Colleges team findings into action
  - ✓ GSII Forum coordination
  - ✓ Input to debate on macroprudential instruments
- Development of recovery and resolution policy
  - ✓ Input to COM
  - ✓ Development of failure database
  - ✓ Promoting consistency in through GSII work
- Readiness testing – "walk through" exercises

b) Stress Testing

- Insurance – Top down exercise post 2014 test
- Insurance – Preparation for 2016 test
- Pensions – First stress test exercise

c) **Preparation for SII Implementation** (new data)

- Calibration of existing metrics, tools etc.
- Development of new tools
- **Developing new tools -** Early warning system

8. Q&A session with EIOPA HoU's on Strategic Outlook presentations

The SG members welcomed the strategic outlooks provided by the EIOPA HoU's and noted that the work-load ahead of EIOPA is continuously increasing even and that finalisation of the Solvency II framework is rapidly replaced by numerous other deliverables.

9. Break-out sessions:

Members of the BoS, the IRSG and the OPSG were allocated to the different discussion Groups.

Group 1: Personal Pensions / Moderator: Guillaume Prache

EIOPA received in July 2014 a Call for Advice from COM on the development of an EU single market for Personal Pension products (PPP), consulting on a broad number of issues including horizontal topics, regulation aimed at PPP providers and conduct related matters (disclosure/distribution). In this respect, EIOPA would like to seek views on standardisation of products and the merits of a potential 2nd regime.

The two key questions asked were:

Question 1*: Most PPP providers offer PPPs on a defined contribution basis that no longer offer set benefits (a defined benefit product). Many PPPs have an investment element with the attendant uncertain outcome. With regard to the latter – What do you believe is the pivotal interest of the PPP holder/consumer:*

- *That the product generates adequate return?*
- *Low costs and charges?*
- *Other?*

Question 2: *Pension products carry a variety of risks for the PPP holder which should be disclosed in a meaningful way. In the European Commission Call for Advice to EIOPA the following three risks are specifically singled out:*

a) Investment risk

b) Longevity risk

c) Annuitisation risk

How do you believe each of these risk types might be disclosed so as to provide meaningful information to the PPP holder for decision-making purposes.

Group 2: Information to pension scheme members / Moderator: Doug Taylor

The IORP II Directive published by COM last March included a proposal of providing simple and clear information on pension entitlements to the circa 75 million European citizens-members of occupational pension schemes through a Pension Benefit Statement (PBS) standardised at EU level. Participants will be invited to share their views and prioritise key elements of the PBS proposal. Their feedback will contribute to the development of EIOPA's work stream on pension information to scheme members.

Three key questions were asked:

Question 1*: …What constitutes key/"must know" information for the PBS? Please rank by order of priority each element on the PBS proposal and explain why*

Question 2*…Is there any missing information not currently featuring in the PBS proposal that is "a must know" information (e.g. pre-retirement phase)? If so, please explain why and indicate its rank within the previous priority list?*

Question 3*…Are there other considerations, examples, good practices (e.g. format, content, channel, language, frequency highlighted in articles which would help improve Max's experience and comprehension upon receipt of his PBS?*

Group 3: Risk outlook / Moderator: Rick Watson

Participants will be invited to share their views as to main risks that the financial services' market is currently facing. EIOPA undertakes multiple initiatives to gage the risk outlook for insurance and pensions sector and would welcome input of SG members on this topic.

Three key questions were asked:

Question 1*: Can insurers and pension funds substitute for banks and should they do so?*

Question 2*: Is the dramatic influx of capital into the reinsurance market here to stay or will it flee after an adverse catastrophe year?*

Question 3: *Pension funds appear to have been exploring the diversification of their portfolios in search of returns. Is this a sustainable approach in the medium term?*

Group 4: Product oversight and governance (POG) / Moderator: Małgorzata Więcko-Tułowiecka

POG refers to internal processes, functions and strategies aimed at designing products to the market, monitoring and reviewing them over their life circle. EIOPA is launching a public consultation in the autumn of draft guidelines on POG and would like to seek views on its envisaged approach.

Three key questions were asked:

***Question 1**: POG as a means to enhance consumer protection: EIOPA POG guidelines are drafted to enhance consumer protection; the focus of current guidelines is on activities of insurance undertakings. Are POG Guidelines specific enough for insurance undertakings? What aspects can be added to these guidelines in order to achieve this aim in a better way?*

***Question 2**: Principle of proportionality in current Guidelines: "POG arrangements need to be proportionate to the level of complexity of the products as well as the nature, scale and complexity of the relevant business of the manufacturer". How do you think the principle should be applied in practice specifically for small insurance manufacturers without harming the protection of their current policy holders or future consumers?*

***Question 3**: POG for distributors of insurance products: IMD2 may hold a specific legal basis to develop guidelines on POG covering both manufactures and intermediaries. If doing so, what specific (new) aspects for distributors can enhance consumers' protection?*

10. Debriefing Break-out Sessions

Under the moderation of Carlos Montalvo, EIOPA Executive Director, the rapporteurs of the four groups reported on the main conclusions after the group discussions as follows:

1. <u>Group 1: Personal Pensions / Rapporteur: Guillaume Prache</u>

With regard to **question 1,** the discussion among panel members showed that DC PPPs are truly complex from a PPP holder/consumer perspective. Although many panel members acknowledged the fact that, in the end, having generated adequate return (net of fees) at the age of retirement is in the best interest of PPP holders/consumers, they rightly identified many other elements that need to be also taken into account in order to create trustworthy PPPs that encourage PPP holders/consumers to save/invest for their retirement.

The elements mentioned were:

- Prospective PPP holders/consumers should explicitly be made aware of the fact that a DC PPP brings along (investment) risks;
- Many panel members preferred a more holistic approach - indicating that, besides generating adequate returns, costs and charges, adjusting investment risks to the needs of the PPP holder/consumer and taxation are all elements that need to be taken into account. With regard to costs and charges a minority of panel members indicated that these must be low, others were concerned that PPP holders/consumers might focus too much on low costs and charges when choosing a PPP and that the focus in this regard should be placed on transparency. Low costs and charges, in their view, are no guarantee for generating adequate returns.
- Information with regard to relevant aspects of DC PPPs is often not provided, or not provided at relevant moments, which is undesirable.
- Information on returns, net of charges, is not provided in most MSs.
- During the panel discussion some panellists identified the discrepancy between the core characteristics of a DC PPP (uncertain outcome) and the PPP holders'/consumers' need for security with regard to the retirement income ('the income replacement ratio') their PPP will generate. Due to the character of DC PPPs, the two are difficult to reconcile. Therefore, additional efforts should be made in order to create DC PPPs that focus more on target incomes, to enable the PPP holder/consumer to better understand the risks that are inherent to DC PPPs, whilst at the same time providing him/her with the best possible projections of the future retirement income at the right moment in time.
- One panel member referred to the element of risk sharing between PPP holder/consumer and PPP providers, stating that neither the PPP holder/consumer, nor the PPP provider should bear all of the risks associated with DC PPPs. Good risk sharing is necessary.
- Better financial education is needed.

- DC PPPs require 'duration' and protection against short term fluctuation.

Regarding **question 2,** several contributors believe that it is important as a starting point to make consumers aware in general terms that there are risks associated with investing in pensions products.

a) Investment Risk:

The moderator mentioned the requirement under UCITS IV to provide a numeric risk indicator on a scale of 1-7, which has the advantage of simplicity, together with a narrative explaining the scale and the rating. Views were divided among the breakout group on numeric indicators. General consensus, however, was for a simple measure bearing in mind the overriding need for greater participation by consumers in pension provision.

Some contributors suggested that risk could be expressed as a range rather than a single value with perhaps maximum and minimum investment return values over a long period, e.g. 10 years.

There was some support for a risk indicator based on expected return and expected volatility. Another view was to express the risk in the form of expected return at retirement with some measure of volatility expressed as well.

Others argued for an indicator based on variance from a benchmark figure.

Another view was to express the risk through presenting scenarios such as the effect of 1.5% v 2% returns applying.

b) Longevity Risk:

There was general agreement that the main risk was of understatement due to ever increasing lifespans. Some argued that this could be expressed using mortality tables while others pointed out that consumers would not understand them.

Presenting average lifespans could be a good starting point although it is important to choose the type of average carefully as 50% of people would under-provide if they followed a simple average figure.

A more general message to the effect that people may need to work longer than anticipated could also be part of the overall message.

c) Annuitisation Risk:

Some brief points were made noting that essentially this risk is mainly about the discount rate applied at the conversion from capital sum to annuity. Moderator also mentioned the risk that the fund itself would not be revalued to adjust for inflation.

2. Group 2: Information to pension scheme members / Rapporteur: Doug Taylor

Starting on a blank sheet of paper, participants took a member's perspective to identify and prioritise "Must know" information to include in the PBS. Within the remaining short time, the group was also asked to comment on other aspects of the Commission's proposal (e.g. format). The feedback outlined below will inform EIOPA's new joint work stream on pension information to members and beneficiaries

Overall, there was a general agreement that the PBS must:

- include both employer and employee contributions (annual and cumulative) for all schemes;
- provide a benefit calculation for both current and target retirement date;
- explicitly state the timeliness of the benefit i.e. time-limited vs. lifetime;
- account for varying information depending on the scheme type (e.g. DB, DC);
- present net return for DC schemes (as opposed to total management costs);
- consider varying the PBS information with age / at key life stages - a special PBS could be sent when members reach a new decade (e.g. 30, 40);
- make every effort to present the PBS in a simple and comprehensible manner and optimise the chances of members reading their statement. Participants acknowledged the PBS was no

silver bullet (due to expected low readership levels - circa 25%), but information disclosure to members is nevertheless important;

- carefully balance the use of assumptions which should focus on providing some context and minimising the risk of information overload;

- design the PBS content with two questions in mind: "Should I do something?"; "What should I do?" Prompts to 2nd layer information should hence be considered;

- account for available public information and education role on 1st pillar pension as part of improving comprehension/pension understanding, although participants made it clear that state pension accruals/forecasts fall outside the PBS remit.

- In contrast, there was no consensus over the format (e.g. paper, online). There was no agreement on whether the PBS should be standardised EU-wide or left to national authorities to decide on the most suitable format/presentation of information.

<u>Group 3: Risk outlook / Rapporteur: Rick Watson</u>

With regard to **question 1**, panel members noted that total assets available for long-term investments from pension funds, insurers and asset managers are substantially lower in Europe (c. 13-14 trillion euro) compared to the US (c. 23 trillion euro) with US asset managers investing a larger share in equity (53%) than European asset managers (37%). Equity investment among pension funds in the US was also higher than in Europe.

There was a very lively discussion on insurers' potential for involvement in banking activities. The prevailing view was that for several reasons the insurance industry needs to be ready to take a more active role in purchasing and/or originating assets in certain asset classes, such as those with long term maturities as infrastructure finance. First, insurers hold long-term liabilities; therefore they are in better position to provide long-term funding compared to banks where some duration transformation is perceived as happening to a larger extent than with insurers, due to the Solvency II maturity matching requirements. Second, investment by insurers and pension funds into sovereign and local government bonds was perceived by some participants as a poor risk management practice due to the low yields received, and the limited diversification benefit. However, some participants noted that there are some local regulatory limitations especially due to national legislation. It was noted that banks also benefit from ECB liquidity, whereas insurers and pension funds do not. This creates distortion in the market and might pose risk for the whole economy and might be hard for insurers to compete. Furthermore, although some non-traditional investments such as project finance are suitable for big insurance groups and funds with sufficient staff and analytical capacity and expertise, it might not be feasible for smaller insurers and pension funds.

It was further heavily stressed that pension fund managers are required to invest in the best interest of their shareholders and beneficiaries, and not for any other reason. Hence, the full substitution of insurers and pension funds for the roles of banks might not be possible. At the same time, many insurers want to originate long term assets such as mortgages which would provide higher return given limited risks and help them with balance sheet mismatch. Standardization can also help insurers to step in. It is extremely important that investors understand the various risks they are exposed to and do appropriate due diligence prior to investment. One participant noted that some insurers are buying banks in order to have access to a local branch asset origination network, so they can better control credit quality and processing. Moreover, banks' branch networks can be used to distribute insurance products and to improve economies of scale. In case of pension funds, the objective is to comply with their specific investment mandate and criteria, these are different principles compared to insurers.

When discussing **question 2,** participants of the session agreed that at the moment the reinsurance sector operates in a favourable environment since we have not faced any major European catastrophes over the last 100 years. This environment might provide a false sense of security and imply underinsurance. Due to the nature of the underlining risks, it is quite difficult to model catastrophic events to set up correct pricing for catastrophe bonds. The prevailing view was that availability of capital for the reinsurance sector is not a problem as there are enough investors in catastrophe bonds willing step in to provide sufficient capital as well as a range of reinsurance companies. It was also noted that by its nature reinsurance goes through the boom and bust cycle and increased pricing will attract new entrants during times of rising premiums. It was also noted that capacity is limited by risk concentration limits of reinsurers, which serves as a brake on excessively rapid growth.

***Regarding* question 3**, some participants noted that liquidity for some pension funds is as important as diversification. Pension fund trustees must review the performance in respective asset classes compared to their investment criteria, as well as the absolute levels of returns/performance.

There was agreement that diversification for the sake of diversification was not necessarily a benefit, particularly for smaller funds with limited staffing and product sector expertise. For larger pension funds with staff expertise across various asset classes, there is no concern about building up excessive diversification. For some, the investment strategy was not necessarily a search for yield, but rather a search for low volatility.

<u>Group 4: Product oversight and governance (POG)/Rapporteur:</u> <u>Małgorzata Więcko-Tułowiecka</u>

The POG panelists expressed their support for EIOPA's Guidelines on Product Oversight & Governance arrangements for insurance undertakings, in particular, the focus on Board responsibility in Guideline 2, although concerns were raised over:

- The exclusion of distributors from the scope of the Guidelines in terms of ensuring a level playing field;
- The timeliness of the Guidelines given the impending conclusion of the IMD2 negotiations;
- The application of the Guidelines to cross-border business and whether POG principles could form an obstacle to freedom to provide services;
- The need to link POG to the selling of insurance products to avoid compliance becoming a bureaucratic internal governance exercise for the insurer;
- The need for a clearer differentiation between products & categories of products, in particular in the context of proportionality;
- The application of the "target market" definition ("group of consumers") in the case of a group insurance contract, where the policyholder might not be a consumer e.g. the policyholder is the employer and the insurers are the employees; and
- The potential for overlap between manufacturer and distributor obligations and overlap with existing point of sale requirements e.g. suitability/demands & needs test – the message was clear, however, that point of sale requirements had not prevented miss-selling scandals, hence the need for POG requirements.

POG panelists also have put forward a few drafting comments for enhancing the quality of the Guidelines:

- Include a general proportionality principle in the actual Guidelines rather than just in the Introduction and make a clearer distinction between products & categories of products;
- Include a "large risks" exemption as currently envisaged in the Council's IDD text as consumers were unlikely to be concerned by the insuring of satellites, ships and aircraft (this would naturally depend on whether a consumer included SMEs or not);
- Include something about a normal level of charges/fair pricing – if limited to fair value, it is possible; but difficult to do if linked to pricing as EIOPA cannot regulate prices;
- If there are no specific provisions in the Guidelines relating to insurance-based investment products, then include them under the general "Products" definition;
- Guideline 1 – should not be about "minimising potential consumer detriment", but "avoiding" potential consumer detriment. Guideline 9 - Make a link between remedial action under the Guidelines and legal redress e.g. compensation for consumers.

11. IRSG and OPSG outlook for work in 2015

Olav Jones and Benne van Popta presented their views on the upcoming IRSG 2015 work outlook, based on the already approved work programme s for the two stakeholder groups. The slides are available on the OPSG and IRSG website pages. Future joint work of the SG's will also be considered to be of high priority and should topics allow it (such as in the case of EMIR work), a joint opinions will continue to be issued.

Benne van Popta noted that on 13 January the OPSG will provide its input to the EIOPA consultation and subsequent work on stress testing and QIS for pensions. Furthermore, OPSG will provide in 2015 its input to COM on review of the IORP Directive with main areas of agreement and potential variety of views as to COM proposal.

The departing OPSG Chair also took the opportunity to underline that although the upcoming actions are already set in the OPSG workplan considerations also need to be given as to status of current state of affairs regarding EU initiatives in the area of pensions as follows:

- The world of pensions is changing and we should give further consideration to the idea that we have already arrived at that time and place where we will only have 1st pillar and a capital based type of retirement income.

- Pensions from 3 sources should provide for a good retirement. However, the EU governments may not always have resources needed, social partners are not always relevant throughout all Member States and in some cases private arrangements are barely available. The EU regulators and stakeholders should rethink retirement. The 65 of today is the 55 of yesterday and as such solutions should be made available in the labour market for the age group of 75 to 65. Increasing longevity of EU citizens requires regulators to rethink and redesign he concept of retirement everyone to benefit from a reasonable pension for the future.

EIOPA Chairperson welcomed these reflections and noted that two further key issues should also be considered together with the OSPG Chair proposals: a) Increased digitalisation of current environment and b) ensuring availability of adequate and sufficient investment instruments for pension funds to use noting the upcoming Capital Markets Union proposals.

Looking forward to 2015 but also to the longer term, EIOPA Chair noted that the Authority cooperation and engagement with its stakeholders is a key element of its policymaking work. As such the Authority will also seek to engage the SG's in EIOPA's post-implementation evaluation work, especially on the insurance side regarding the application of the Solvency II framework.

The EIOPA Chair also underlined EIOPA desire to involve SGs to the best possible and is willing to learn from own experience or from other ESAs experience in order to continue to best engage its two stakeholder groups.

Conclusions:

- EIOPA will continue and as appropriate further develop its cooperation with the two stakeholder groups for both policy development but also on the key issue of policy implementation and practical implementation.

- Enhanced cooperation of the two Stakeholder Groups, including by way of joint outputs o topics that are relevant for both insurance and occupational pensions sector.

12. Joint wrap-up of the meeting by the OPSG Chair and IRSG Vice-Chair

The OPSG Chair and the IRSG Vice-Chair thanked EIOPA and the SG members for their participation in the meeting and the contributions made. The break-out sessions were most welcomed as a highly efficient tool for cooperation and exchange of ideas among stakeholders and EIOPA but also among members of the two stakeholder groups themselves. EIOPA was encouraged to take forward this practice and to potentially enhance use/number of these highly productive sessions.

13. Closing remarks

Manuela Zweimueller took the opportunity to thank the OPSG and IRSG members for their outstanding engagement in the day's discussions and noted that flow of ideas among stakeholders and the Authority has indeed peaked during the day's breakout sessions.

As a member of EIOPA Senior Management, the Head of EIOPA Regulations Directorate echoed the Chairs commitment to further enhance the Authority engagement with its Stakeholder Groups in the upcoming year(s) and restated EIOPA aim to further develop its engagement with the Stakeholder.

On a final note, the Head of EIOPA Regulations Directorate thanked the departing OPSG Chair for his strong steer of the OPSG and for ensuring that EIOPA consultations in the area of pensions benefit from the OPSG opinions.