# IRSG Response to the PEPP consultation - Key messages

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# Key messages

- **The IRSG welcomes that the PEPP design allows for the recognition of existing national practices** (eg in respect to decumulation, advice and minimum return guarantee)

- **Solvency II framework should be applicable to all PEPP providers** offering products with minimum return guarantees and/or biometric risk coverage
  - Solvency II will need to be amended to better reflect insurers' ability to manage market volatility in the long-term, so that long-term products are viable

- **Minimum investment periods are fundamental to PEPP product design:**
  - Enables good returns to be generated over the long-term
  - Provides funding for long-term illiquid investments as intended by the Capital Markets Union
  - PEPP should therefore have a 10 to 12 year minimum investment period with a possibility to surrender/switch at that point or to continue with a minimum investment period of 5 to 10 years
  - Surrenders or switching at other times could be possible but the policyholder would have to take all market risk and there would likely be other charges to recover sunk costs for provider

- **The IRSG agrees that PEPPs should contain a default investment option, which should always include a risk mitigation mechanism. Providers should be free to offer risk mitigation for the default option PEPPs based on**:
  - Guarantees
  - Long-term collective investments with a smoothing of returns
  - Life cycling with de-risking

- **All PEPPs should include option for biometric risk coverage in the accumulation phase**

- **In the decumulation phase, the protection against longevity risk should be promoted**

- **Costs and charges should not be capped at European level**

# Planned next steps with OPSG

- Share IRSG response with OPSG and meet to discuss areas of agreement/disagreement
- Consider joint IRSG-OPSG key messages document to be discussed/adopted at the joint meeting on December 1st