Working Party on Insurance and Pensions (WPIP) | Meetings 8-11 September 2025

Item 13. Update of the OECD Recommendation on Core Principles of Private Pension Regulation: Revision of the introductions and implementing guidelines of the Core Principles (DAF/CMF/IP/WD(2025)3)

GDV Comments:

The OECD's Recommendations on Core Principles of Private Pension Regulation do not contain a meaningful definition of the terms *"pension operator"* and *"pension entity".* In particular, the scope of this terms remains unclear. Do these terms refer only to providers of original pension products?

Thus, we suggest to add a definition of both terms to **Core Principle 1**. The focus here should be on insurance pension products. The main reason for this is that insurance pension products provide lifelong pension payments. This prevents the risk of poverty in old age and ensures sustainable source of income for customers in retirement.

According to **Core Principle 6** (page 39 and table on page 43, principle 6) '*Pension supervisory authorities should be granted the powers and tools necessary in order to intervene to improve market structures – such as through efficiency tests – if they determine that the overall efficiency of the pension market or individual schemes do not serve the best interests of the pension fund members.*'

The supervisory powers referred to here should not allow direct intervention in investment decisions, as discussed in connection with the current targeted pensions consultation. We oppose such an expansion. Investment returns can never be guaranteed and are subject to market fluctuations. Furthermore, such intervention would raise serious concerns about corporate governance, undermine the accountability and responsibility of those entrusted with managing investments, and potentially create risks. Under the prudent person principle, national competition authorities already have sufficient discretion to take regulatory action based on the investment principles of safety, quality, liquidity, and profitability. For this reason, supervision should continue to focus on regulatory standards and solvency, rather than on assessing or controlling specific levels of returns.

With regard to **Core Principle 8**, we are also concerned that rules such as procurement and tender mechanisms will add to the administrative burden and may make offering occupational pension arrangements unattractive for employers. Equally, the introduction of additional fiduciary duties could increase liability risks for employers and, therefore, act as disincentive.

With regard to Core Principle 9, we agree that the benefits and risks of guarantees should be assessed and clearly communicated to plan members and beneficiaries. However,

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guarantees do not in themselves generate costs; rather, they alter the portfolio's risk-return profile, typically reducing upside potential in exchange for lower downside risk.

We reject the notion of pricing regulation which is proposed as an amendment to **Core Principles 8 and 10**. The very limited uptake of the PEPP in the EU has shown that regulation of the pricing of products leads to detrimental results for consumers and providers alike. As in the case of the PEPP, there is a significant risk that regulators may feel impelled to limit costs and charges for the presumed benefit of consumers to such an extent that providers will not be able to offer their products. In this respect, the proposal conflicts with the amendments proposed for Core Principle 1, which underline that pension systems should operate free from improper political influence.
While promoting competition and enabling online comparison of pension products is an attractive idea in principle, in practice it is far from straightforward. Pension products differ significantly across jurisdictions in terms of legal frameworks, tax treatment, and regulatory constraints, which makes true cross-market comparability difficult. Even within a single country, products offer a mix of quantitative and qualitative features that are not easily reduced to a few comparable metrics. As a result, digital tools risk oversimplifying important differences or overwhelming individuals with excessive technical detail.

Allocating individuals to providers with the "highest net risk-adjusted returns" is flawed. Not only it focusses only on one feature being performance, not taking into account qualitative features of a product. Furthermore, past performance is no guarantee of future results, and a single risk-adjusted figure cannot reflect diverse risk tolerances or goals. Such a rule risks mis-matched products, market concentration, and distorted incentives.

According to **Core Principle 10** (page 62 and table on page 64 Point 10.4) *´Pension funds and pension entities should also be responsible and accountable for the actions of their external service providers and intermediaries. ´*
We strongly reject this idea, because pension funds and pension entities are limited in wield influence on externals. This is true in the cooperation with independent insurance intermediaries such as insurance brokers. Even in cooperation with tied-agents the counterparty is commonly a self-employed entrepreneur, which limits the powers to direct.

Item 15. Financial advice for retirement (DAF/CMF/IP/WD(2025)4)

GDV Comments:

Delegates are invited to:
1. Verify the accuracy of the information included in this report
2. Provide additional relevant examples
3. Provide inputs to the policy discussion

General preliminary remark:

The report contains some unsubstantiated assumptions. In some cases, conclusions are drawn or at least implied without establishing causal links.
Point 72 makes this clear:

'Nevertheless, restrictions on remuneration have not always led to improved advice.

The quality enhancement test under MiFID II has not always led to a lower bias to advise in-house products.

What this shows is the causal link between advisory quality and the recommendation of in-house products. In fact, there is no evidence that good or poor advice or the recommendation of in-house or third-party products is related to one another. In practice, high quality advice means recommending a suitable product that meets the customer's demands and needs. This recommendation may be an in-house product or one from an external product manufacturer.

- **Verify the accuracy of the information included in this report**
- Where only reference is made to MiFID, it should be checked whether the IDD provides similar rules, as this is often the case (and vice versa). It's striking that some references to applicable law just refer to MiFID, without mentioning IDD obligations. Pensions often involve insurance solutions, so the IDD legal framework should receive greater attention.
- Point 59*: "Germany introduced a cap on commissions for life insurance and other long-term policies of 2.5% of the total premium following observations of advice to replace existing policies that was not in the benefit of consumers. The commission can, however, be increased to 4% if certain criteria are met such as low surrender levels and demonstrating the suitability of advice*"

  ->**This concept was drafted legislation from the Federal Ministry of Finance but has never been implemented by law for life-insurance and other long-term insurances**. Germany only introduced a commission cap on substitutive health insurance and payment protection insurance (see §§ 50,50a VAG)

- Point 64: The Study mentioned (Sebastian, Noth and Grafe, 2023) has been discussed highly controversial. The quality of the work has been heavily criticised by various parties.(see chapter 3.4 ifa institute, 2023_Commission_Ban_and_Retail_Investment_Strategy.pdf ; "Schwerwiegende methodische Probleme": Verbände kritisieren Studie zum Provisionsverbot | Cash.) Furthermore, this statement contains a conceptual error. Just because distribution costs are no longer included in the price of the product, making the product cheaper, this does not mean that it is cheaper overall for the consumer. The advisory fees, which are then negotiated directly between the intermediary and the customer, are added to the net product price. This is often overlooked, but in total it can make it more expensive for consumers.

- Point 60.*: "Independent financial advisers are commonly banned from receiving commission payments to ensure their independence, even if commissions are allowed for tied advisers. This is the case under MIFID II in Europe, but also explicitly in Germany and Ireland"*
- This statement is wrong or at least misleading for IDD as independent insurance advisors, such as insurance brokers, are allowed to receive commissions under IDD in Germany.
- Point 70. *"In France it is linked to product suitability, in Germany to an independently*

assessed 'net promoter score' measuring consumer loyalty and willingness to recommend the adviser, and in Spain to the quality of service based on internal indicators."

- According to GDV experience, in Germany the Net Promoter score is not the prevailing indicator for the payment of inducements.
- Point 72 "*Similarly, the IDD has not consistently resulted in an improvement in the quality of advice"*
- This statement is too one-sided. EIOPA clearly stated in its 2023 application report that the introduction of the IDD had positive effects. (see page 19; Annual report 2021 - EIOPA)

- We are missing a reference to the assessment of demands and needs required under Article 20 IDD (but not under MiFID). Demands and needs are only mentioned once in connection with the PEPP. However, this is a key provision in the distribution of insurance solutions, as the demands and needs must always be determined, regardless of whether the distribution involves advice or not.
- The provisions listed in points 132 and 133 do not really fit under the heading '***Country-specific measures relating to financial advice'***. There are much better examples for the German market in this regard. Such as:
- §§ 6, and 61 VVG (Insurance Contract Act) which makes advice mandatory if the difficulty in assessing the insurance being offered or the policyholder himself and his situation gives occasion thereto.

- **Provide additional relevant examples**

  Point 60.: We would like to point out that fee-based remuneration models are often presented as being less susceptible to conflicts of interest than other models in political discussions. This is not the case, as potential conflicts of interest can arise in all remuneration models. For instance, an investigation by Germany's Federal Financial Supervisory Authority (BaFin) (see: BaFin - Aktuelle Themen - Besser Netto statt Brutto?) demonstrated that conflicts of interest can arise in the distribution of commission-free tariffs, e.g. through the payment of kickbacks. Furthermore, consumer protection regulations in Germany are stricter for commission-based sales than for fee-based sales models in the event of early cancellations (within the first five years), due to legal requirements regarding clawback mechanisms.

  Headline 2.1 ***Licensing and qualification requirements*** Point 16: In some jurisdictions, voluntary industry initiatives go beyond the minimum qualifications and educational requirements. For instance, the voluntary initiative 'gut beraten' in Germany requires 30 hours of training per year instead of the 15 hours required by law.

- **Provide inputs to the policy discussion**

  The distinction between sales with and without advice is becoming increasingly blurred. From a regulatory perspective, a distinction is typically drawn between sales with and without advice; this applies to both IDD and MiFID II. In sales involving advice (with suitability assessment), a personalised recommendation is made after various information's have been requested from the consumer. However, consumers may find it difficult to distinguish between advised sales (with suitability assessment) and sales without advice (with an appropriateness assessment), since information on knowledge and experience in the investment area is obtained in both assessments. In sales with an appropriateness assessment, however, no personalised recommendation is made, so no advice is provided formally.

This ambiguity is exacerbated by the fact that forms of advice which fall between these categories /with or without advice) are currently being discussed. For example, the UK's Financial Conduct Authority (FCA) is currently consulting on concepts such as 'simplified advice' or 'targeted support' (see the FCA's Advice Guidance Boundary Review). This creates a more multifaceted picture containing full financial advice (one-off or ongoing), simplified advice, targeted support, and guidance.

In addition, as part of the current political trilogue on the retail strategy, discussions were held on simplifying the customer-journey, including the idea of a 'fast-track' advice. The working group should keep a close eye on further developments in this area.

Item 22.d. Project proposals

Approaches to assessing protection gaps in natural hazard insurance (DAF/CMF/IP/WD(2025)12)

GDV Comments:
The association will support these efforts constructively and critically, for example by providing interview partners.

Parametric insurance: opportunities and risks DAF/CMF/IP/WD(2025)13

GDV Comments:
We take a reserved approach to this project and can accompany it with a critical perspective.

Role of insurance in the climate transition (underwriting side) (DAF/CMF/IP/WD(2025)15)

GDV Comments:

Germany is significantly ahead of the global average when it comes to expanding renewable energies. Insurers in Germany have many years of experience in insuring solar, wind, hydrogen, hydroelectric, biomass, and geothermal projects throughout their entire lifecycle and have developed insurance solutions that help reduce risk and ensure stability, thereby promoting investment. They are involved at an early stage in risk assessment, project planning, and the development of new technologies.

The association can therefore provide constructive and critical support for this work, including by providing publications (e.g., Renewable energies – Overall survey of Engineering Insurers within the German Insurance Association on the level of technological development and the technical hazard potential, 9th edition, 2017) and interview partners.