Mrs Maitread McGuinness  
European Commission  
Commissioner  
Financial services, financial stability and Capital Markets Union  
Rue de la Loi / Weizstraat 200  
1049 Brussels

5 December 2022

Dear Commissioner McGuinness,

The French and German insurers firmly support the Retail Investment Strategy’s ambition to increase the participation of citizens in capital markets to support the financing of the European economy. In this letter, we would like to bring to your attention some key figures and specificities of our respective markets, and based on these, make some suggestions for your consideration in view of the upcoming Retail Investment Strategy.

French insurers offer life insurance products to 18 million households representing approximately 36% of French household financial assets. German insurers hold 82.7 million life insurance policies. In Germany, an average of 5 million new contracts are signed each year. French and German insurers together represent almost €3.600 billion in assets. These contribute significantly to funding companies including SMEs, create demand for sovereign debt and finance the double transition towards a more sustainable and digital economy. In this context, it is also worth noting that while banks usually seek for short- to medium-term financing insurers finance and invest long-term. This way, corporates can diversify financing in terms of maturities and creditors, which is particularly important for longer term transition projects of the real economy and financing of sustainable infrastructure projects.

In the French market, 80% of life insurance products are distributed via structures that are based on the payment of commissions. In Germany about 95% of new business volume in life insurance derives from intermediaries working on a commission basis. This mutualization-based system allows for every retail investor to receive an unconditioned quality of advice, independently of the amount potentially invested. Furthermore, these distributors secure the access to advice also in rural areas and serve as the point of reference for the customers throughout the lifetime of a product. At the same time, the fee-based system plays no significant role in both markets.

The above-mentioned facts reflect the retirement provision structure, which in Germany and France relies on all three pillars, including a strong third pillar. It is to be pointed out that especially in the Netherlands and the UK, two prominent examples for countries which introduced commission bans, there is a much stronger rollout of occupational pension schemes, and hence third pillar products are not of comparable importance. Furthermore, in the Netherlands total life premium volumes have decreased drastically since 2011 (especially individual life premiums by -8.1% p.a.).

Based on these facts we are firmly convinced that a ban on commissions, if introduced in our markets, would heavily disrupt the distribution of insurance-based investment products, and consequently decrease the level of pension savings as well as the investment capacity of insurers. The aims of the Retail Investment Strategy would not only be missed but even contradicted.
Having said this, we agree that the framework can be improved, by further increasing the level of consumer protection as long as the specificities of the insurance-based investment products are recognized — as products that offer safety through risk mitigation mechanisms in their investments, cover against biometric risks, can be easily adapted to the changing life situations of the customers and enable investments in a broad range of assets, including sustainable and long-term assets.

Hence, we plead for further targeted improvements of the legal framework aimed at stronger engagement of retail investors through building trust, trust based on customers’ better understanding of the remuneration structures and confidence in the quality of products on offer.

We remain available to discuss further.

Sincerely,

France Assureurs
EU Transparency Register N.5149794935-37

Gesamverband der Deutschen Versicherungswirtschaft
EU Transparency Register N.6437280268-55