

<b>Comments Template on EIOPA-CP-15-004            Consultation Paper on            the Call for Advice from the European Commission on the identification and calibration            of infrastructure investment risk categories</b>		<b>Deadline            09.August.2015            23:59 CET</b>
Company name:	Better Finance	
Disclosure of comments:	EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential.  Please indicate if your comments on this CP should be treated as confidential, by deleting the word Public in the column to the right and by inserting the word Confidential.	Public
<p>Please follow the instructions for filling in the template:</p> <ul style="list-style-type: none"> <li>⇒ <u>Do not change the numbering</u> in column "Reference".</li> <li>⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph, keep the row <u>empty</u>.</li> <li>⇒ Our IT tool does not allow processing of comments which do not refer to the specific paragraph numbers below.               <ul style="list-style-type: none"> <li>○ If your comment refers to multiple paragraphs, please insert your comment at the first relevant paragraph and mention in your comment to which other paragraphs this also applies.</li> <li>○ If your comment refers to sub-bullets/sub-paragraphs, please indicate this in the comment itself.</li> </ul> </li> </ul> <p><b>Please send the completed template to <a href="mailto:CP-15-004@eiopa.europa.eu">CP-15-004@eiopa.europa.eu</a>, in MSWord Format, (our IT tool does not allow processing of any other formats).</b></p> <p>The paragraph numbers below correspond to Consultation Paper No. EIOPA-CP-15-004.</p>		
Reference	Comment	
General comments	Better Finance, the European Federation of Investors and Financial Services Users, would like to thank EIOPA for the opportunity to make comments on this consultation. We worked together with our national member organisations, in particular with der Bund der Versicherten, which represents German insurance policy holders.	

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We fully support the general political objectives aiming at using infrastructure investments as well for enhanced economic growth throughout the EU Member States. But particular awareness is needed, if insurers shall participate in these infrastructure investments. Non-life insurers need capital in order to fulfill very different kinds of indemnity claims, and life insurers need particularly much capital in order to meet their long-term obligations related to retirement provision: "82% of European insurers' investment portfolios are used to back life insurance liabilities and the other 18% is backing non-life liabilities" (cf. Insurance Europe: European Insurance in Figures, Statistics No. 50, December 2014, p. 9). We clearly see the danger that two fundamental and necessary political objectives (infrastructure investments for economic growth / long-term capital accumulation for retirement provision) will come into conflict.

That is the reason why we fully support EIOPA's proposals on the identification and calibration of infrastructure risk categories, especially related to the scope and the qualifying criteria. If insurers shall be enabled to intensify their investments in infrastructure projects, the terms and conditions of these investments have to be fixed unambiguously and independently of other political objectives, eg. enhancing infrastructure. Future infrastructure investments especially by the life insurers must not endanger the retirement provisions of European consumers, who - when being a pensioner - depend strongly on these additional private pensions financed by their own contributions.

The debate on the appropriateness of infrastructure investments by insurers should be a public one and not only be confined to some specialists. This is all the more necessary as it has become obvious that there are divergent positions even amongst the insurers. Only recently in July 2015, the German Association of Insurers (GDV Press Release, 7 July 2015) criticized EIOPA's proposals for the equity risk calibration (between 30% and 39%; CP No. 6.3, p. 56) for being too high. Simultaneously a middle-sized insurer stated that it does not see any need for any private infrastructure investments for the state to be made cheaper (Frankfurter Allgemeine Zeitung, 14 July 2015, p. 29). Thus, related to infrastructure investments, we are concerned of a possible conflict of interest between big

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insurers on the one hand and medium-sized or smaller insurers on the other hand.

This conclusion was already confirmed by the President of the Federal Financial Supervisory Authority (BaFin), Felix Hufeld, in an interview for the German Association of Actuaries. He strongly underlined the necessity that the regulatory standards must not be "softened" related to infrastructure investments (Aktuar Aktuell, No. 29, April 2015, p. 5; cf. Speech at the BaFin annual press conference, Frankfurt/Main, 12 Mai 2015). This is the reason why we reject any position aiming at "softening" EIOPA's proposals especially for the equity risk calibration and for the stress analysis.

The lack of practical experiences and of appetite of many insurers (maybe with the exception of some global insurers) in more risky "alternative" investments is additionally proven by the statistics of the supervisory authority. In accordance with the German law ("Anlagenverordnung"), insurance undertakings can invest up to 35% of their restricted assets in investments associated with a higher level of risk. But the insurers put only 11,8% of their capital assets in these investment types (cf. BaFin Annual Report 2014, p. 178: composition of the risk asset ratio).

At Western European level, insurers have reduced their own risk equity investments from 22 % of their total portfolio to only 8% from 2001 to 2010, while "other investments" (including infrastructure) halved from 10% to 5% of total (cf. Better Finance briefing paper: "An EU Capital Market Union for growth , jobs and citizens", March 2015, p.6), and that is way before Solvency II. So, why would this behaviour change only because of the newly established infrastructure investment category?

Additionally Insurance Europe, the European insurance and reinsurance Federation, states in its new annual report: "These assets currently represent a relatively small part of insurers' investment portfolio — a report by the Organisation for Economic Co-operation and Development (OECD) estimates infrastructure investment at less than 1% of total investments" (Insurance Europe: Annual

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	Report 2014/2015, p. 7). As this is a European wide issue, any decision on the EU regulatory standards linked to infrastructure investments should take these quantitative assessments into consideration. Only an actually "prudential" regulation regime will be appropriate to reconcile the two fundamental and necessary political objectives (infrastructure investments for economic growth / long-term capital accumulation for retirement provision), which both we clearly advocate.	
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