

06.2.1.



eiopa
EUROPEAN INSURANCE
AND OCCUPATIONAL PENSIONS AUTHORITY

EIOPA 2018 Costs and Past Performance

Key findings

EIOPA Occupational Pensions Stakeholder Group meeting
Frankfurt, 21 February 2019

- Product diversity across national markets
- Absence of common standards for performance and cost information
- No third party data providers
- Solvency II data reporting not at product level
- PRIIPs Key Information Documents (KIDs) give cost disclosures – but not past performance
- PRIIPs KID used for some personal pensions, but otherwise little standardisation

- Sample-based approach – aim for >65% market coverage
- Survey sample selected by National Competent Authorities (NCAs)
- Use KIDs and information necessary for preparing KIDs as far as possible, request similar information for personal pensions
- Supplementary questionnaire for past performance, distribution costs
- Gather information on types of product – to enable fair comparisons



eiopa
EUROPEAN INSURANCE
AND OCCUPATIONAL PENSIONS AUTHORITY

Headline results

Report:

https://eiopa.europa.eu/Publications/Reports/Costs%20and%20past%20performance_2018.pdf

Impact of costs on returns IBIPs

Weighted, Reductions in Yield

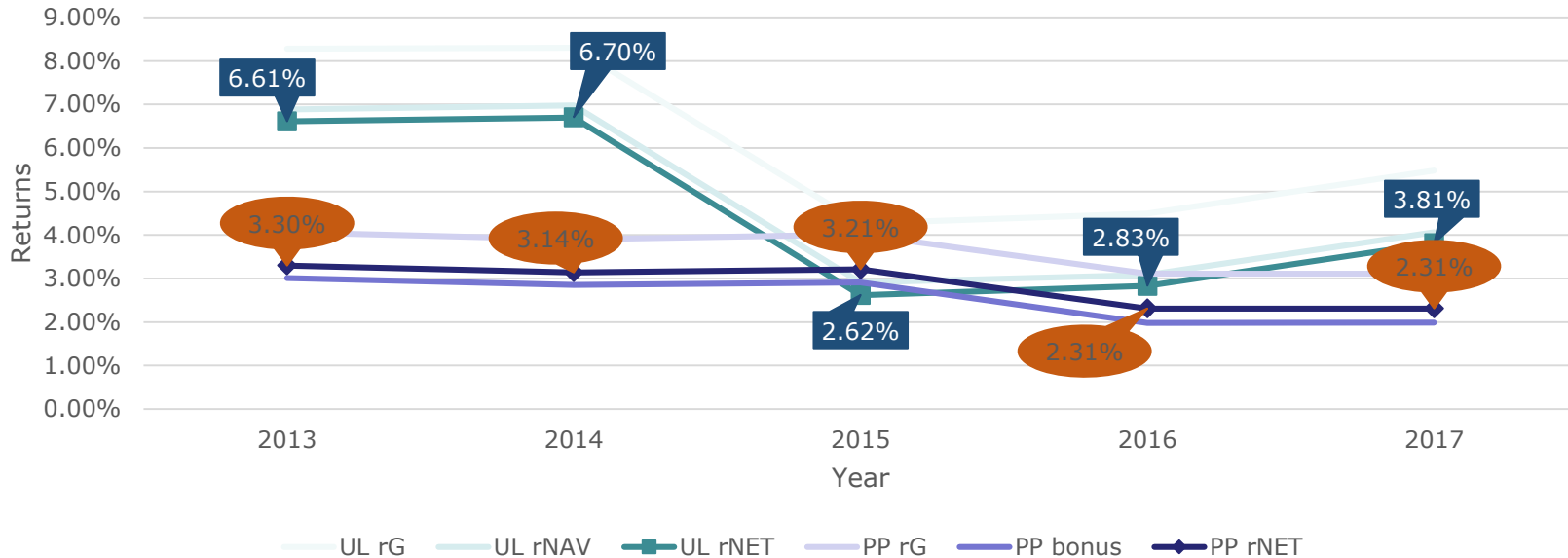


| KID Costs (broken down data differ from type of cost to type of cost) | | Unit-Linked | | | Profit Participation | | |
|--|-----------------------------|--|--------|---------|------------------------------|--------|---------|
| | | Av RHP 6.7 y (from 48 to 173 Products) | | | Av RHP 8.69 y (from 5 to 49) | | |
| | | All premium types | Single | Regular | All premium types | Single | Regular |
| Total RIY | | 2.60% | 2.58% | 2.87% | 1.24% | 1.21% | 1.78% |
| which includes: | Entry costs | 0.30% | 0.29% | 0.55% | 0.33% | 0.33% | 0.32% |
| | Exit costs | 0.25% | 0.26% | 0.05% | 0.11% | 0.15% | 0.08% |
| | Transaction costs | 0.11% | 0.12% | 0.05% | 0.14% | 0.15% | 0.08% |
| | Other on-going costs | 2.35% | 2.31% | 2.75% | 1.10% | 1.08% | 1.48% |
| | which includes: | | | | | | |
| | Administrative | 0.59% | 0.57% | 0.78% | 0.70% | 0.69% | 0.98% |
| | Biometric | 0.04% | 0.04% | 0.13% | 0.20% | 0.05% | 0.32% |
| | Distribution | 1.00% | 1.01% | 0.75% | 0.55% | 0.56% | 0.43% |
| | Asset manager | 1.06% | 1.01% | 1.75% | - | - | - |

- These are the figures for (insurance-based investment products) IBIPs, where a more extensive sample was available (21% of the market overall).
- For **personal pensions** the data was similar – though weighted heavily towards profit participation, with overall costs of 1.43%. However, only three markets are covered.

Net returns

Annual returns over time
All products - all premiums - All risk categories (EU weighted GWP)



- One-off costs reduce returns by an additional .7% on average.
- Volatility of returns increases with risk class for unit-linked products – aggregate figure are not giving the full picture.
- Actual returns of profit participation not reliable -- limited to annual bonuses above, not reflecting smoothing mechanisms fully.

- EIOPA will work further on developing its methodology and approach for future reports.
- The aim will be to increase market and product type coverage, to enable more granular data reporting and meaningful comparisons.

IBIPs

- EIOPA anticipates:
 - o to establish a common methodology for fair comparisons of the performance of profit participation products of different types across Member States;
 - o to further standardise cost definitions and their practical implementation, so there is greater consistency and availability of data; and
 - o to significantly simplify data gathering and analysis exercise.

Personal Pensions Products (PPPs)

- Work on costs and performance definitions for markets that do not use KIDs to enable better availability and comparability of data for personal pensions.