COSTS AND PAST PERFORMANCE 2023

EIOPA-BoS-22/577
17 January 2023

European Insurance and Occupational Pensions Authority

CONTENTS

List of figures and boxes **3**

Executive summary **6**

Introduction **9**

Insurance Based investment Products (IBIPS) **11**

1.1. Market Coverage 11

1.2. Performance and costs 13

1.2.1. Net Returns 13

1.2.2. Costs 15

1.3. Value for money 20

1.3.1. Risk drivers 20

1.3.2. Asset allocation 23

1.4. IBIPs with sustainability features 24

1.5. Cross-border IBIPs 26

Pension Schemes and Products **30**

1.6. Personal Pension Products (PPPs) 31

1.6.1. Performance and costs 31

1.7. Institutions for occupational retirement provision (IORPs) 38

Next Steps **43**

Annex I – Methodology 44

Annex II – Statistical Annex 50

Annex III – Occupational Pensions Landscape – country analysis 58

Annex IV – Additional information on IORPs 65

IV.I. IORPs sector size (in terms of members) 65

IV.II. IORPs sector size (in terms of AuM) 66

Annex V – Definitions 67

Annex VI – List of national competent authorities 70

Annex VII – Abbreviations 71

LIST OF FIGURES AND BOXES

Figure 1 – EEA life insurance GWP (€ million), for selected lines of business, 2021 10
Figure 2 – Market coverage of the sample in scope – UL and HY products, 2021 12
Figure 3 – Market coverage of the sample in scope – PP and HY products, 2021 12
Figure 4 – Net returns for UL, PP and HY, at EEA level, 2021-2017 13
Figure 5 – Dispersion of net returns, per country, UL products, 2021 15
Figure 6 – Dispersion of net returns, per country, PP products, 2021 15
Figure 7 – Dispersion of net returns, per country, HY products, 2021 15
Figure 8 – Reduction in Yield (RIY), per product, at EEA level, 2021 16
Figure 9 – Breakdown by type of cost category, by product, at EEA, 2021 16
Figure 10 – UL weighted average costs, by Member State, 2021 16
Figure 11 – PP weighted average costs, by Member State, 2021 17
Figure 12 – HY weighted average costs, by Member State, 2021 17
Figure 13 – Dispersion of costs, UL products, by Member State, 2021 17
Figure 14 – Dispersion in costs, PP products, by Member State, 2021 18
Figure 15 – Dispersion in costs, HY products, by Member State, 2021 18
Figure 16 – Proportion of the different type of costs, by product, 2021 20
Figure 17 – Net returns (left) and costs (right) for UL products, by risk class, 2017-2021 21
Figure 18 – Net returns (left) and costs (right), for PP products, by risk class, 2017-2021 21
Figure 19 – Net returns (left) and costs (right), for HY products, by risk class, 2017-2021 21
Figure 20 – Net returns (above) and costs (below), by product and RHP, 2021 22
Figure 21 – Net returns (above) and costs (below), by product and premium frequency, 2021 22
Figure 22 – ISINs collected and method to match them with the sector and asset class 23
Figure 23 – Sector and asset class breakdown of the ISINs backing up UL and HY products, 2021 23
Figure 24 - Net performance, ESG vs non-ESG products, 2021 25
Figure 25 – Net performance, ESG vs non-ESG products, UL products, by Member State, 2021 25
Figure 26 – Net performance, ESG vs non-ESG products, HY products, by Member State, 2021 26

Figure 27 – Cross-border business, by product, 2021 27

Figure 28 – Costs as RIY at RHP, for cross-border UL and HY products, domestic vs foreign undertakings, 2021 28

Figure 29 – Costs as RIY, cross-border UL products, in-depth analysis, 2021 28

Figure 30 – Net returns, cross-border UL products, in-depth analysis, 2021 29

Figure 31 – Net returns, PPP_UL and PPP_PP, at EEA level, 2021 31

Figure 32 - Costs PPP_UL and PPP_PP, at EEA level, 2021 31

Figure 33 – Assets held by IORPs (above €40bn), top 5 countries, 2021 39

Figure 34 – Assets held by IORPs (between €5bn and €40bn), 2021 40

Figure 35 - Assets held by IORPs (below €5bn), 2021 40

Figure 36 – DC assets breakdown by asset class, by Member State, 2021 41

Figure 37 – DC assets breakdown by asset class, look-through view, by Member State, 2021 41

Figure 38 – Ratio total expenses over total assets (DC schemes), by Member State, 2021 42

Table 1 - Sample by type of product, 2021 12

Table 2 - Details sample of PPPs, 2021 31

Table 3 – Unit-linked net return by Member State, 2017-2021 50

Table 4 – Hybrid products net return, by Member State, 2017-2021 50

Table 5 – Profit-participation products net return, by Member State, 2017-2021 50

Table 6 – Unit-linked products net return, cross border basis, 2021 51

Table 7 – Hybrid products net return, cross-border basis, 2021 51

Table 8 – Unit-linked net return, by risk class, 2017-2021 51

Table 9 – Hybrid net return, by risk class, 2017-2021 51

Table 10 – Profit participation net return, by risk class, 2017-2021 51

Table 11 – Unit linked net return, by recommended holding period, 2017-2021 52

Table 12 – Hybrid net return, by recommended holding period, 2017-2021 52

Table 13 – Profit participation net return, by recommended holding period, 2017-2021 52

Table 14 – Unit-linked net return, by premium frequency, 2017-2021 52

Table 15 – Hybrid net return, by premium frequency, 2017-2021 52

Table 16 – Profit-participation net return, by premium frequency, 2017-2021 52
Table 17 – Unit-linked costs, by Member State, 2021 53
Table 18 – Hybrid costs, by Member State, 2021 53
Table 19 – Profit-participation costs, by Member State, 2021 53
Table 20 – Unit-linked costs, cross-border basis, 2021 54
Table 21 – Hybrid costs, cross-border basis, 2021 54
Table 22 – Unit-linked costs, by risk class, 2021 54
Table 23 – Hybrid costs, by risk class, 2021 54
Table 24 – Profit participation costs, by risk class, 2021 54
Table 25 – Unit-linked costs, by recommended holding period, 2021 55
Table 26 – Hybrid costs, by recommended holding period, 2021 55
Table 27 – Profit-participation costs, by recommended holding period, 2021 55
Table 28 – Unit-linked costs, by premium frequency, 2021 55
Table 29 – Hybrid costs, by premium frequency, 2021 55
Table 30 – Profit participation, by premium frequency, 2021 55
Table 31 – Unit-linked ESG products, statistics net returns, 2017-2021 55
Table 32 – Hybrid ESG products, statistics net returns, 2017-2021 56
Table 33 – Profit participation ESG products, statistics net returns, 2017-2021 56
Table 34 – Unit-linked ESG products, statistics costs, 2021 56
Table 35 – Hybrid ESG products, statistics costs, 2021 56
Table 36 – Profit-participation ESG products, statistics costs, 2021 56
Table 37 - Number of products with sustainability features by Member State (and by product type) 57

Box 1 – Main costs drivers for IBIPs 18
Box 2 – Issuer Sector NACE, name, based on Solvency II reporting 24

EXECUTIVE SUMMARY

EIOPA Costs and Past Performance Report provides an overview of the (past) performance and costs of EU retail investment products within EIOPA's remit. The coverage period goes from 2017 to year end 2021 for past performance and 2021 for costs.

Past performance has been positively influenced by the post-COVID recovery which led to markets achieving high results in 2021. Performance results have been affected by the initial market turbulence at the on-set of the COVID-19 crisis, the significant market recovery of end 2020 and early 2021 followed by the on-set of the inflationary pressures, market turbulence and more conservative growth outlooks, which emerged at the end of 2021. This is expected to continue throughout 2022. While the latter issues are only captured to a limited extent, given that up to year-end 2021 inflation did not raise significantly and the markets downturn was not significant, some considerations have been included, particularly given the outlook and expected results for 2022.

In 2021, EIOPA achieved its coverage target. The sample collected comprised of:

- More than 1000 insurance-based investment products (IBIPs), marketed by 170 undertakings, accounting for a total of € 171.6 billion Gross Written Premium (GWP), which represents around 78% of the total EEA GWP for the unit-linked and with profit participation lines of business[1];
- More than 200 personal pension products (PPPs), accounting for a total of 1.7 million contracts and for a total of € billion 36.2 GWP;
- More than 162 thousand schemes offered by more than 1400 Institutions for Occupational Retirement provision (IORPs), holding more than 2.5 trillion assets under management.

In 2021, IBIPs offered positive returns, with unit-linked (UL) products delivering an average return – based on the sample collected – of 9.4%, hybrid (HY) products an average return – based on the sample collected – of 4.0% and profit participation (PP) products – based on the sample collected – an average return of 1.3%. The different performance should be read in conjunction with the intrinsic differences of the products. The performance reported for unit-linked products is due to exceptionally high market performance. In fact, unit-linked products by exposing consumers directly to market trends are subjected to higher volatility. Meaning that, unlike profit participation and hybrid product which offer some protection to consumers, when markets underperform these products also expose consumers to significantly higher risk of losses – e.g. in 2018, as reported in the 2020 EIOPA's Cost and Past Performance Report[2], UL products reported a -7% loss, HY products a -2% loss while PP products had a positive (2.3%) return.

The net performance of IBIPs is also influenced by the risk class, recommended holding period (RHP) and, to a lesser extent, by the premium frequency. The risk class is the most significant driver for UL products' performance: higher risk classes deliver higher levels of net return in times of high market

[1] Solvency II Taxonomy
[2] Cost and past performance 2020 report | Eiopa (europa.eu)

performance, while in times of market turbulence they generally expose consumers to higher losses. The RHP weights more for PP products, with longer holding periods to drive higher net returns.

Costs have, generally, remained stable, with PP products continuing to be cheaper than UL and HY products despite a cost decrease for UL products. Despite the decrease in the reduction in yield (RIY) for UL products (-5 bps), these continue to be more expensive than PP products, whose average RIY in 2021 stood at 1.6%. Hybrid have similar levels of costs as UL products (2.3%). Ongoing costs continue being the major component driving the total RIY, but the different treatment of costs across countries hinders comparability.

While improvements have been observed, in some cases cost-structures continue to be complex and opaque, in particular for multi-option products, highlighting the need for further supervisory and regulatory interventions[3].

The appetite for sustainable products is rapidly growing as also indicated in EIOPA's 2022 Consumer Trends Report. Moreover, while the sample is still limited and conclusions should be drawn carefully, in 2021 products with sustainability features (ESG-products) appear to have performed better than products with no sustainability features. UL products defined with sustainability features, as self-reported by insurance undertakings[4], provided higher returns for investors in 2021, while being overall cheaper than products which have not been classified as having sustainability features. UL products with sustainability features delivered net returns of 11.2%, against 9.4% from their non-ESG peers. UL products with sustainability features, reported an average RIY of 2.1%, while the non-ESG peers reported 2.3%. Such outcome does not hold for HY products as HY products with sustainability features delivered net returns of 3.2%, against 4.0% from their non-ESG peers. For PP products only a negligible number of products was reported as having sustainability features. It is important to note however that the Taxonomy Regulation did not enter into force in 2021 and so the above mentioned are first tentative considerations based on undertakings' own classification.

This year's report also provides information on selected products which are sold on a cross-border basis: they seem to have, on average, higher costs, particularly for UL products, than the ones sold within the home market. The reason could be higher distribution costs linked to the need of establish distribution networks. These high-level conclusions could also be driven by the limited sample of products collected. In fact, EIOPA asked to provide information for products sold on a cross-border basis for those Member States which write 50% or more of GWP on a cross-border basis, and this only accounts for 33.1% of total GWP written on a cross-border basis.

The wide diversity of PPPs markets continues to limit comparability, however, some high-level trends can be extracted. In 2021, PPPs similar to UL IBIPs provided high net returns when compared to the previous year (15.5% vs 2.2%), whereas PPPs similar to PP products offered more stable but

[3] EIOPA published its advice to the European Commission on retail investor protection in relation to the sale of IBIPs, more specifically on how to streamline and harmonise cost disclosure requirements.

[4] Although the sustainable finance disclosure regulation (SFDR) has entered into force requiring insurance undertakings to disclose whether their products promote environmental or social characteristics and/or have a sustainable investment objective, its full implementation is still ongoing – i.e., the SFDR product-level templates for article 8 and 9 products will only enter into force in January 2023. Therefore undertaking have taken various approaches to disclose on products with sustainability features, leading to possible risks of greenwashing.

slightly lower returns (1.4% vs 1.6%). Costs decreased across the spectrum of PPPs reported in this year's sample.

Conclusions for IORPs are affected by the instability in the sample collected and continued reporting issues. As the IORPs II Directive[5] has only entered into force in January 2019, the sample of collected products is not stable; moreover, some data quality issues persist and data at member / scheme level is not available. Hence, conclusions can only be taken at institution level not reflecting the members' perspective.

[5] IORPs II Directive

INTRODUCTION

In line with Article 9[6] of EIOPA's founding Regulation[7], the Authority is required to regularly monitor and report on the development of costs and charges of retail financial services and products in Member States. This report provides an overview of the (past) performance and costs of EU retail investment products – within EIOPA's remit – for 2021. By providing a comparative overview of key indicators for costs and performance between 2017 and 2021, the report aims to spur transparency and comparability, and ultimately enhance the Capital Market Union (CMU).

The report follows an agreed methodology[8], leveraging on data available in standardised disclosures – the Key information Documents (KID) for Insurance Based Investment Products (IBIPs) – set under the requirements of the PRIIPs Regulation[9]. Given that KIDs do not provide information on past performance, EIOPA also carries out an ad-hoc data collection to gather the missing data on IBIPs, and to obtain information on PPPs, which are not subject to any harmonised European Directive.

Additionally, EIOPA reports on IORPs, particularly the ones providing Defined Contribution (DC) schemes, following the implementation of the IORPS II Directive[10]. Despite setting a centralised reporting framework, its transposition is still ongoing in many Member States; therefore, the unstable sample and some data quality issues might affect some of the conclusions, which can only be taken at institution level, not reflecting the members' perspective.

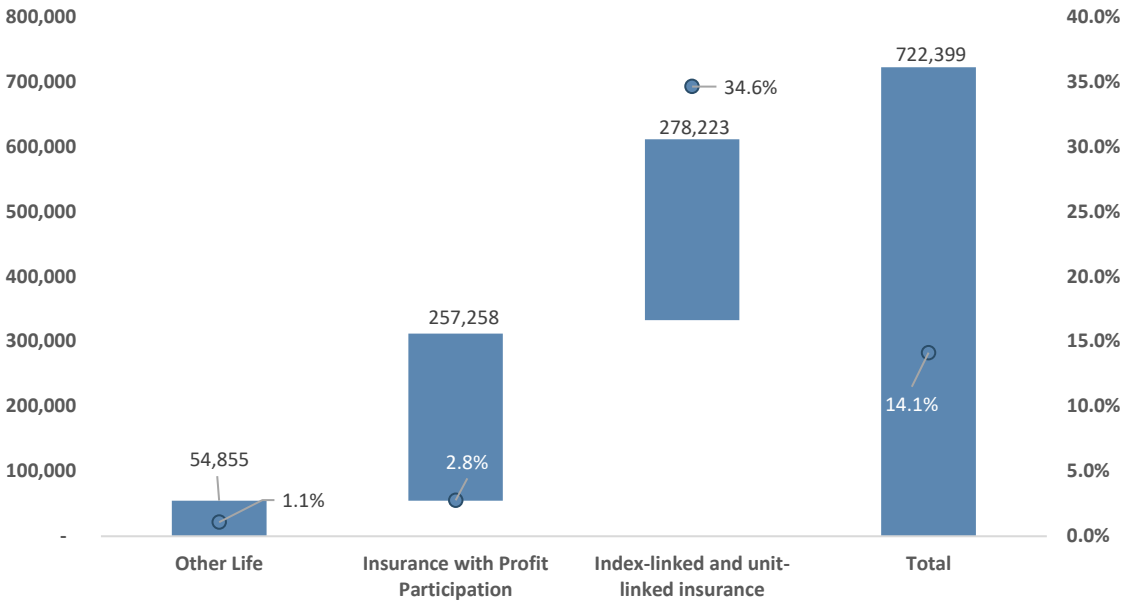
This report focuses on the key findings and events, which might impact consumers and their future net returns when investing in the products analysed. Therefore, for IBIPs, it includes some considerations on value for money issues, cross-border business, and performance of products with sustainability features. For pension products and schemes, this iteration better captures and report the heterogeneities across countries.

Market overview 2021

Life insurance GWP grew by a solid 14.1%, with UL business increasing nearly 35% in 2021 (Figure 1), continuing the shift towards UL and HY products. These patterns were also reflected in the data collection for the report with a larger sample for both UL and HY products.

[6] Article 9(1)(a), Regulation 1094/2010 establishing EIOPA
[7] Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (europa.eu)
[8] Methodology presented in Annex I
[9] PRIIPs Regulation
[10] IORPs II Directive

Figure 1 - EEA life insurance GWP (€ million), for selected lines of business, 2021[11]



Source: Solvency II Database, Annual reporting Solo, Cut-off date: 08/11/2022

During 2022, there have been so far considerable drops in the prices of stocks and bonds. As outlined in EIOPA's Financial Stability Report of June 2022[12], the rising inflation is also a source of concern. In 2021, its impact on insurance products and underlying investments was still limited and therefore the topic does not feature very prominently in this report. Given that the current report covers 2021, no conclusions are drawn yet, next year's report will include a more in-depth analysis.

[11] Stock variables based on template S.05.01, R0110, for each LoB
Flow variable (GWP growth) computed as (S.05.01.01.02 [(R0110YN - R0110YN - 1)/R0110YN - 1], taking N as 2021 and N- 1 as 2020
[12] Financial Stability Report June 2022

INSURANCE BASED INVESTMENT PRODUCTS (IBIPS)

Summary Key Findings

- In 2021 markets performed well, leading to high returns for HY and UL products.
- Despite providing, on average, higher returns, UL products are more volatile – exposing consumers to losses during market downturns – and are more expensive than products with guarantees.
- Cost levels remained stable, but cost structures continue to differ across markets.
- In general, heterogeneities persist, not only in terms of costs, but also in terms of taxonomy, product design, distribution and disclosures. This requires additional attention when comparing data across Member States.
- Transition towards a green economy continues. Demand and supply of sustainable products continue to rise.
- An analysis of products sold on a cross-border basis, despite relating to a very limited sample, shows that entry barriers may lead to costlier products.

1.1. Market Coverage

The report covers the following three IBIPs products sold to retail consumers: UL, PP and HY products. For multi-option products, it is worth highlighting that, in this report, as per methodology (Annex I.I), the notion of 'product' follows a policyholder's perspective – i.e., it looks at how products are perceived by consumers. Therefore, in the case of multi-option products, an investment option (or a combination of a limited number of investment options) plus the wrapper (i.e. the insurance package used to carry the investment options) is considered as a single product. This notion can differ from the manufacture's perception, to whom a product is seen as all the possible investment options available plus the wrapper.

Table 1 provides an overview of the sample collected in the current exercise[13], in terms of participating undertakings and Member States as well as in terms of products collected and market size covered (both in terms of contracts and GWP, at product level).

In terms of market composition of the sample, there were two key changes, reflecting IBIPs market developments:

- NL is not included in this report as the only company still commercialising IBIPs has now ceased to sell these type of products.
- NO is included for the first year in the report, following the transition period to transpose PRIIPs Delegated Regulation[14], which should be concluded by the beginning of 2023.

[13] All EEA Member States participated, with the exception of CY, DK and IS, as in previous exercise. This year NL has also not participated as IBIPs are no longer commercialised.

[14] PRIIPs Delegated Regulation

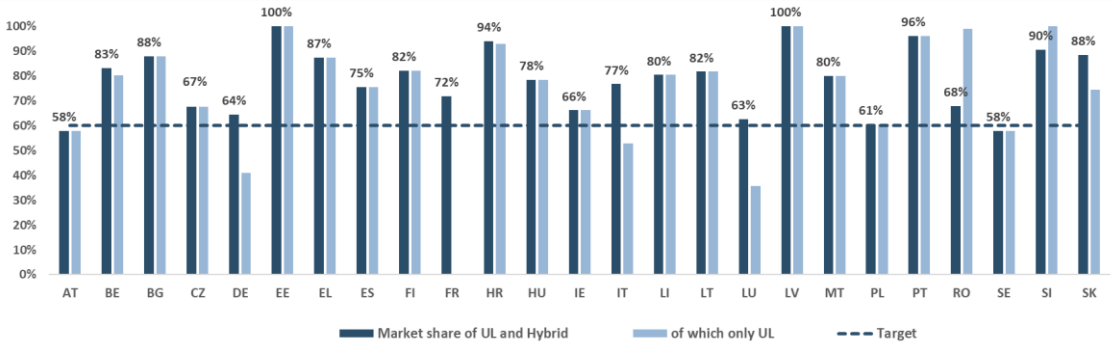
Table 1 - Sample by type of product, 2021

Summary	UL	PP	HY	Total
# Undertakings	128	69	51	170
# Countries	26	19	12	26
# Products	627	143	274	1044
Contracts (million)	4.4	0.45	6.6	11.5
GWP (€ billion)	171.6	17.5	294.4	483.35
#Products ESG features	226	18	111	355

Source: Costs and Past Performance Survey

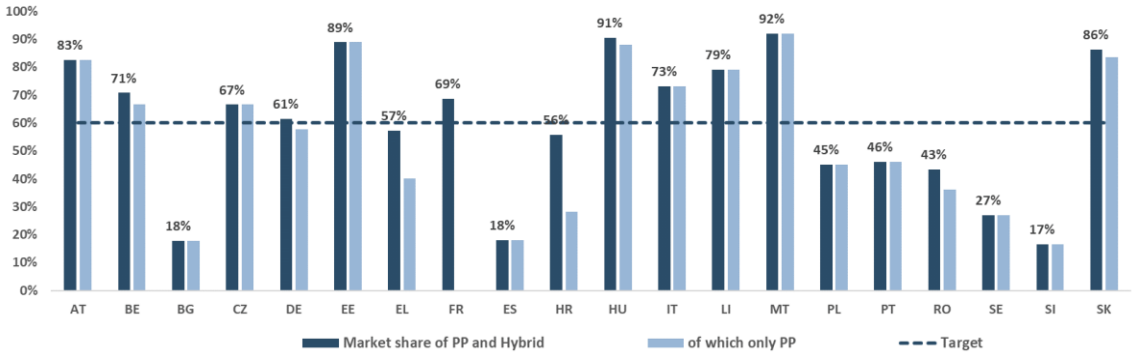
Ultimately, the data collected covers 80% of the European UL market, and 58% of the PP market (measured in terms of GWP). The targeted minimum coverage (60%) was reached at country level, despite being considerably lower for PP products, essentially due to a downward trend and, to the run-off nature of this business in a number of Member States[15]. The detailed market coverage at Member State level is shown in Figure 2 for UL, and in Figure 3 for PP.

Figure 2 - Market coverage of the sample in scope – UL and HY products, 2021



Source: Solvency II Database

Figure 3 - Market coverage of the sample in scope – PP and HY products, 2021



Source: Solvency II Database

[15] BG, EL, HR, PT, RO and SI

1.2. Performance and costs[16]

The analysis of the performance and costs of IBIPs over time illustrates how significant volatility is across different periods, particularly for UL products (Figure 4). This is not the case for costs that, even if decreasing over the last years, only moderately changed over time (Figure 8).

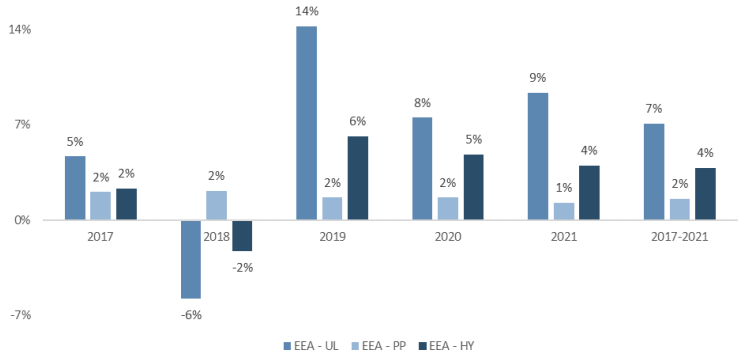
1.2.1. Net Returns

In 2021, similarly to 2019 and 2020, UL products provided high returns, mainly driven by the positive and robust financial market performance (Figure 4). By their nature, these products are more prone to shocks and market changes including economic rebounds, so when the economy is growing and investors are confident, these products perform better replicating the positive trend of financial markets to which they are linked. However, UL products also react quickly to economic downturns, as it was the case in 2018, when the underlying valuations of the UL portfolios were impacted by market corrections.

Additionally, the returns presented in this report are nominal net returns, therefore, not accounting for the impact of inflation. Given its impact in 2021 was not yet elevated, this has not been analysed; however, from a consumer perspective, it is crucial to acknowledge that rising inflation influences returns across asset classes[17] and might erode their real returns[18]. PP products reported a minor decrease in the net return (-0.4%).

HY products reported similar returns to the previous year, performing in-between UL and PP products (Figure 4). Given their hybrid nature, these products absorb the benefits and costs of both components. The net outcome ultimately depends on the weight of each of them (e.g. in cases where guarantees are low, and the product represents almost a pure UL product, it might expose the policyholder to higher levels of volatility while delivering lower returns). All the possible combinations and allocations make these products often complex to understand and assess.

Figure 4 – Net returns for UL, PP and HY, at EEA level, 2021-2017



Source: Costs and Past Performance Survey

[16] More granular figures and statistical metrics can be found in the Annex II "Statistical Annex"
[17] The sign and magnitude of the impact depends on the asset class.
[18] For more details refer to "Box 2 – Inflation expectations and the impact on returns"

Detailed net returns by Member State can be further assessed in the Statistical Annex II, Table 3, 4 and 5.

The country analysis are drawn based on the reported country of commercialisation – i.e., from the host country perspective as ultimately those are the products the consumer will be offered. Therefore, the subsequent analysis cover the complete universe of products sold in each country, and not only those offered by domestic undertakings. In cases where the cross-border business is particularly relevant, the landscape of the markets might change as it is the case for the FR UL market, which is only exhibited in the UL plots due to the products provided by foreign undertakings.

All Member States benefited from higher market performance, reporting higher returns for UL, with 13 countries exhibiting net returns above 10% in 2021, and 1 above 20%. Nevertheless, the dispersion and variability within each country is also quite high (Figure 5). For instance, in SI, the returns can vary from -20% to 30%. In AT, BE and CZ positive outliers emerge, providing returns well above the median for the relevant markets. Whereas in HR and PL, negative outliers emerge, providing returns considerably below the median of their markets (Figure 5).

For PP products, the dispersion in terms of average returns is less significant. Nonetheless, it is important to highlight the high number of cases providing negative net returns for guaranteed products (Figure 6) which is mostly due to the impact which the prolonged low interest rate environment has had on these products and also because often the guaranteed return is 0 minus costs.

For HY products, the variability of returns is also lower, when compared to UL products, but the number of outliers is remarkably higher than for UL and PP products, highlighting once again the high volatility of these products, which provide very high or very low returns (Figure 7).

Figure 5 – Dispersion of net returns[19], per country, UL products, 2021

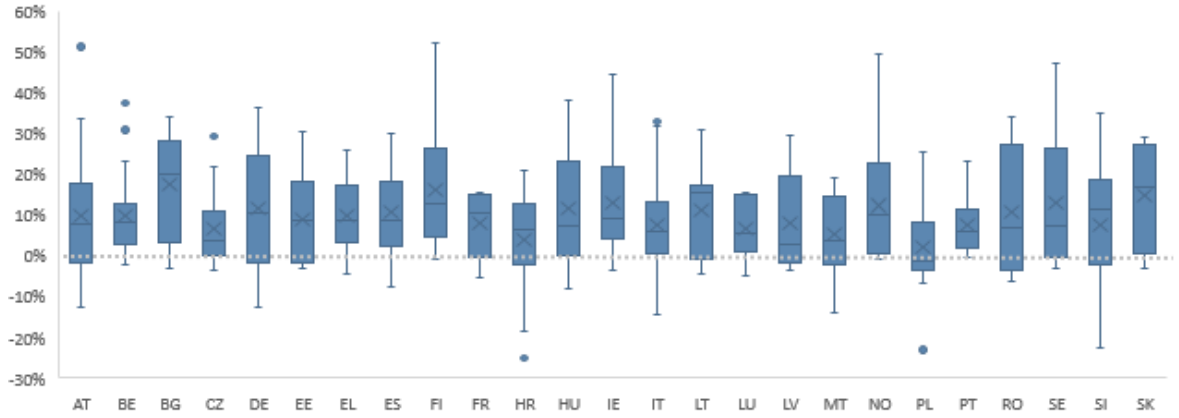


Figure 7 – Dispersion of net returns, per country, PP products, 2021

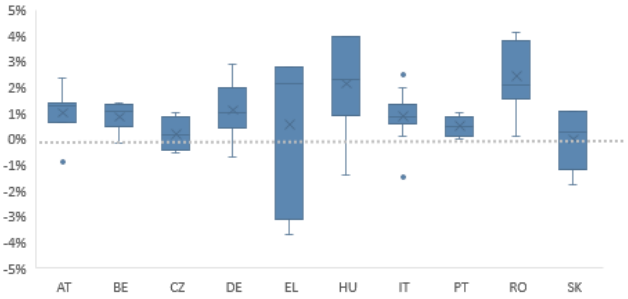
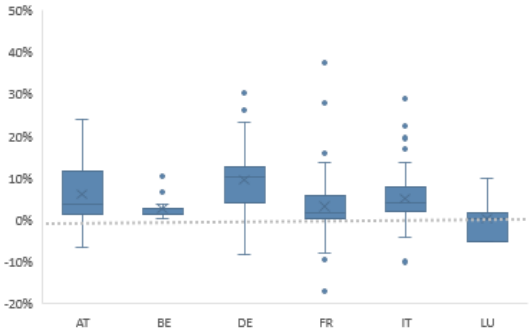


Figure 6 – Dispersion of net returns, per country, HY products, 2021



Source: Costs and Past Performance Survey

1.2.2. Costs

Pure PP products continue to be cheaper than UL and HY products, this is usually related to the more traditional (and therefore less costly) asset allocation of investments held in PP funds compared to UL and HY products. Nevertheless, UL products reported a decrease of 50 bps in the RIY at RHP in 2021 (Figure 8).

Regardless of the differences in the cost levels, both UL and PP RIY is driven by the "other ongoing costs"[20] category (Figure 9). Given the complexity[21] underneath HY products cost-structures, it is not possible to breakdown the RIY by cost category.

[19] Dispersion chart represented through a whisker plot. The box plots divide the data into sections that each contain approximately 25% of the data in that set. The median is shown by the line that divides the box into two parts. The cross represents the weighted average, and the dots represent the outliers (observations that are numerically distant from the rest of the data). The same interpretation holds for the similar visualisations.

20 "Other on-going costs" refer to all on-going costs, excluding transaction costs.

21 HY products in this work cover both multi-option hybrid where each option is sold with hybrid features and also products where UL and PP options are sold in an unbundled manner such that each policyholder customises their own allocation.

Figure 9 – Reduction in Yield (RIY), per product, at EEA level, 2021[22]

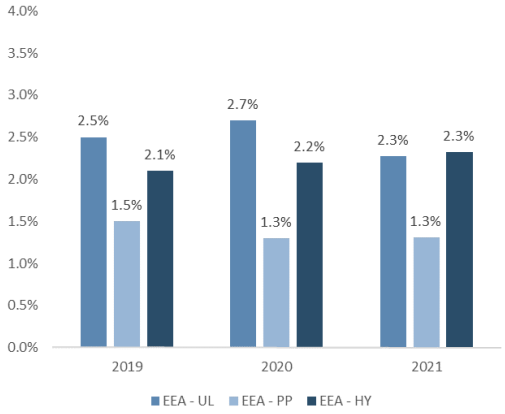
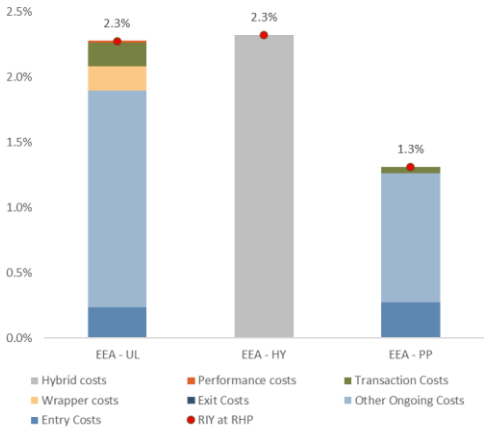


Figure 8 – Breakdown by type of cost category, by product, at EEA, 2021

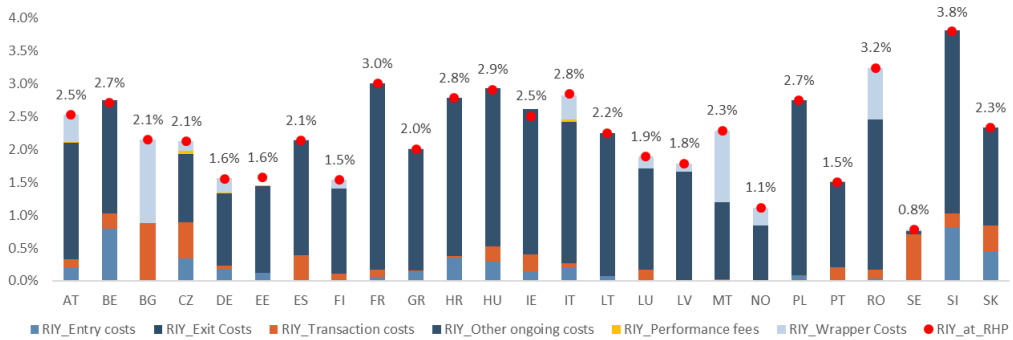


Source: Costs and Past Performance Survey

Despite the PRIIPs Regulation, differences among Member States remains large, in particular concerning multi-option products. In many cases, the PRIIPs Key Information Document (KID) discloses simply the cost range, while single option level costs are disclosed according to the UCITS Regulation, whose requirements differ from the PRIIPs Regulation. More precisely, the UCITS Regulation does not require to disclose transaction costs nor performance fees in the KID. This hinders comparability across countries.

Figure 10 shows the diversity of UL products, whose costs ranges from 0.8% to 3.8%, measured in terms of RIY. Not only the total RIY varies, but also the cost structure, signalling potential differences in the underwriting, commercialisation and distribution of products in Europe. In some jurisdictions, such as BG, MT and RO, the wrapper costs are quite material, which might raise some conduct issues as to whether costs are sufficiently and adequately disclosed for all 'product layers'.

Figure 10 – UL weighted average costs, by Member State, 2021

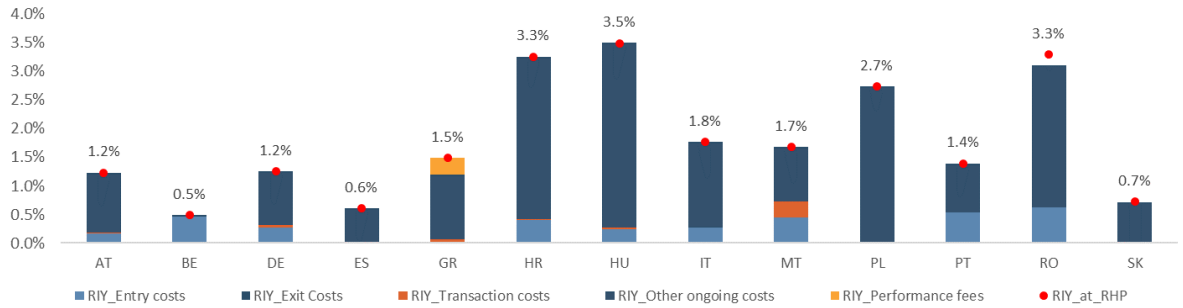


Source: Costs and Past Performance Survey

[22] The data for the RIY for previous years is based on the data collected in the previous exercises, therefore, the samples do not match 100% as undertakings report the most significant products every year, which might change on a yearly basis. Nevertheless, it is possible to compare the level of costs for the most representative products for each undertaking YoY.

Despite PP products being, in general terms, simpler than HY and UL products in terms of cost structure, the cost levels and their structure also varies across Member States (Figure 11). BE, ES and SK provide PP products below 1%, whereas in HR, HU and RO those products have a RIY above 3%.

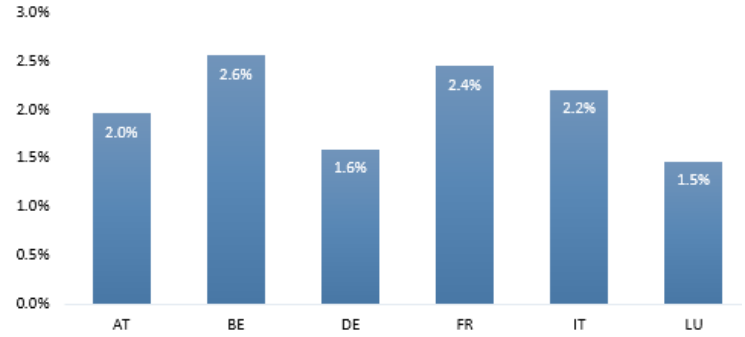
Figure 11 – PP weighted average costs, by Member State, 2021



Source: Costs and Past Performance Survey

On other hand, in spite of being more complex, HY products observe more homogeneous levels of costs across countries, aligned with the EEA average (Figure 12).

Figure 12 – HY weighted average costs, by Member State, 2021



Source: Costs and Past Performance Survey

Dispersions in terms of costs does not only relate to different markets but also to different products, with cost levels varying quite significantly, particularly for UL products (Figure 13).

Figure 13 – Dispersion of costs, UL products, by Member State, 2021

Source: Costs and Past Performance Survey

In general, products which carry guarantees – PP and HY – tend to show lower dispersions in terms of costs. The PP costs are disperse in some Member States (Figure 14) while being mostly homogenous in AT, BE, EL and IT. The markets becomes more concentrated, in terms of cost-dispersion, when it comes to HY products, even though RIYs are generally higher than PP products. However, in FR and IT, extreme outliers are observed (Figure 15).

Figure 15 – Dispersion in costs, PP products, by Member State, 2021

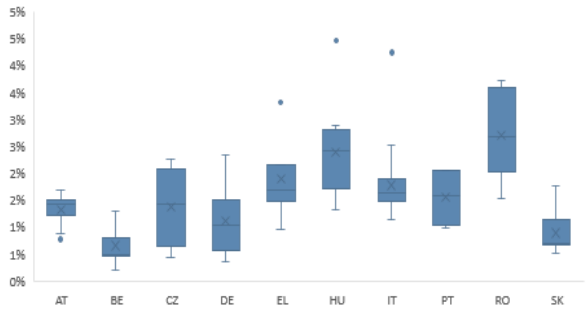
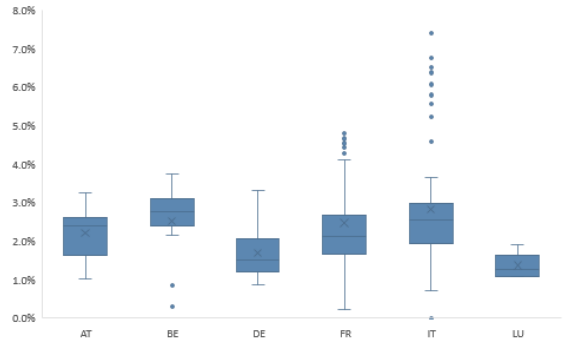


Figure 14 – Dispersion in costs, HY products, by Member State, 2021



Source: Costs and Past Performance Survey

To capture more homogenous information regarding the cost drivers, EIOPA runs an ad-hoc survey, where undertakings are requested to break-down the total costs into five categories: administrative costs, biometric costs, distribution costs, investment management costs and additional costs. To ensure a common understanding of each cost category, EIOPA also shares its definition (Box 1). The information collecting in this regards comprises 114 UL products, 67 PP products and 52 HY products.

Box 1 – Main costs drivers for IBIPs

Administrative costs: costs incurred to handle the insurance policy contract meet the contractual obligation. Some administrative costs relate directly to activity regarding a specific insurance contract (e.g. maintenance costs) such as cost of premium billing, cost of sending regular information to policyholders and cost of handling policy changes (e.g. conversions and reinstatements). Other administrative costs relate directly to insurance activity but are a result of activities that cover more than one policy such as salaries of staff responsible for policy administration.

Biometric cots: Costs related to the biometric risk cover provided by the IBIP products, computed as from PRIIPs delegated regulation (Annex VI, points 54-60)

Distribution costs: Distribution costs cover all costs arising from the undertaking's activities when marketing and selling the product, including any form of monetary and non-monetary benefits given to insurance intermediary, based upon an agreement with the intermediary, in relation to the sale of an insurance product. This includes the distribution efforts i.e. overheads to bring the product onto the market, the assessment of the demands and needs of the consumer as well as where applicable the cost of advice, and the costs relating to the sale process of the product such as the conclusion of the contract.

Investment management costs: Costs related to the investment of the contribution paid by the policyholder. These costs include expenses of record keeping of the investment portfolio, salaries of staff responsible for investments, remunerations of external advisers, expenses connected with investment trading activity (i.e. buying and selling of the portfolio securities) and in some cases also remuneration for custodial services and any eventual costs paid to third parties.

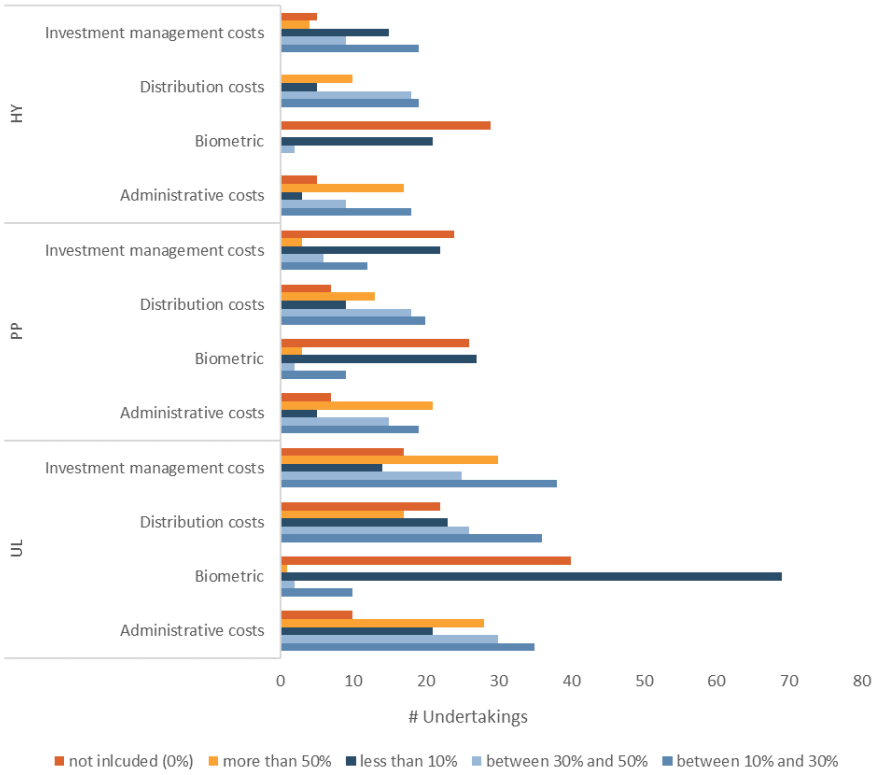
Additional costs: other costs paid by the policyholder.

The cost structure changes according to the type of product (Figure 16). Given the investment nature of UL products, "investment management costs" represent for a large number of undertakings (30 out of 124) more than 50% of the total costs. This is not only one of the largest contributors for most of the undertakings reporting UL products, as it has also increased compared to last year.

"Administration costs" are a larger contributor for the three type of products as for more than half of all products, they account for more than 30% of the total cost. Nevertheless, within this category, undertakings commercialising PP products have also included costs related to profit allocation mechanism, which might explain the higher proportion of administrative costs for PP products. "Biometric costs" remain negligible, being in most cases not included (40% of the products) or less than 10% (16% of the products).

Nevertheless, it is important to highlight that despite the efforts to ensure comparability, some discrepancies might persist as these costs can be treated differently across markets. For example, there are countries in which distribution costs are embedded in management fees, and others in which they can be levied through entry or exit fees.

Figure 16 – Proportion of the different type of costs, by product, 2021



Source: Costs and Past Performance Survey

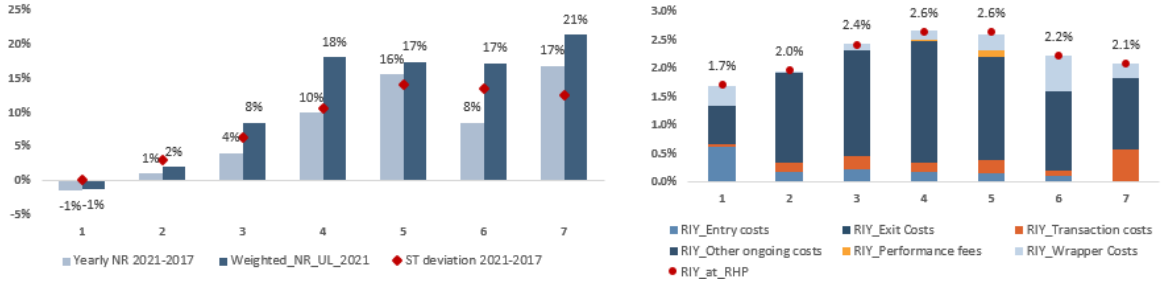
1.3. Value for money

1.3.1. Risk drivers

In terms of key drivers of value for money it is important to highlight that there is a relationship between risk and return, with riskier products being more volatile. However, costs are not stable with some riskier products – offering higher returns – at a lower cost.

- For UL products, low risk classes (1 and 2) are as expensive as high-risk classes (6 and 7), while the level of returns is significantly different (Figure 17). In 2021, the weighted RIY for risk class 1 and 2 was 1.7% and 2.0%, respectively; while the returns were -1% and 2%, respectively. At the same time, the weighted RIY for risk class 6 and 7 was 2.2% and 2.1%, respectively, whereas the net returns were 17% and 21%, respectively thanks to the high market performance. Despite the positive performance registered in 2021, higher risk classes are, nonetheless, associated to higher levels of volatility, represented by the higher standard deviation (close to 15%), for risk classes 5, 6 and 7 meaning that while high performance can be observed consumers are also more exposed to risk of losses.

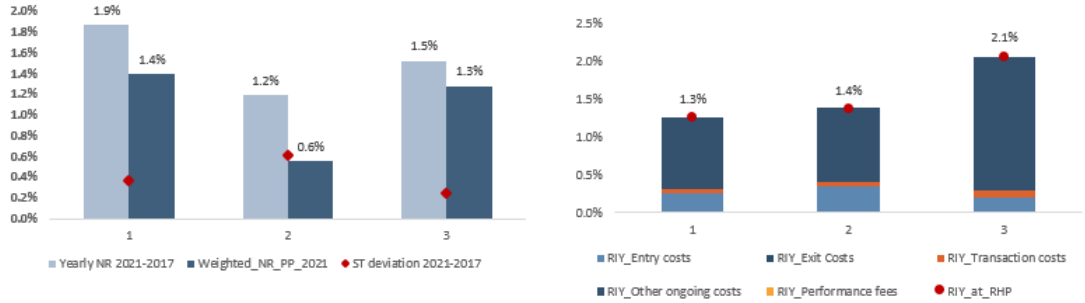
Figure 17 – Net returns (left) and costs (right) for UL products, by risk class, 2017-2021



Source: Costs and Past Performance Survey

- Contrary to UL products, Figure 18 shows that PP products with lower risk classes provide higher returns while carrying a lower RIY. In 2021, a consumer investing in a product risk class 1 would, on average, expect a return of 1.4%, at a RIY of 1.3%, whereas when investing in a product risk class 3, it would, on average, expected a return of 1.3%, at a RIY of 2.1%.

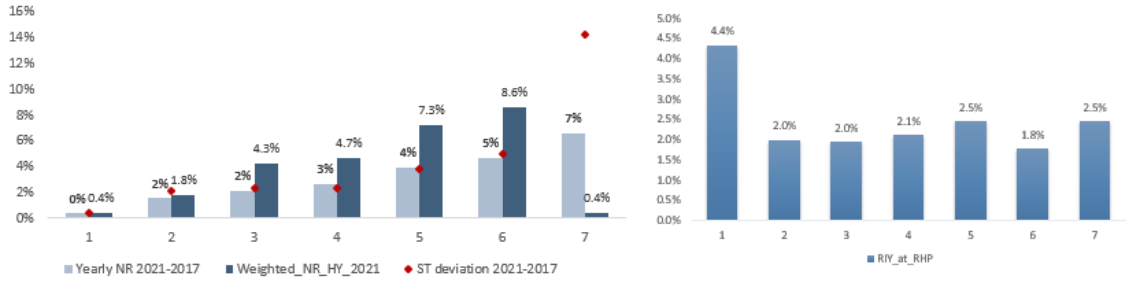
Figure 18 – Net returns (left) and costs (right), for PP products, by risk class, 2017-2021



Source: Costs and Past Performance Survey

- Figure 19 provides a similar picture for HY products. Products risk class 7 emerge as a high point of concern given the low expected return (0.4%), in 2021, while carrying a RIY of 2.5% and high levels of volatility, well above any other risk class (standard deviation above 15%). On other hand, products classified as risk class 1 provided an average return of 0.4% in 2021, while holding a RIY of 4.4%.

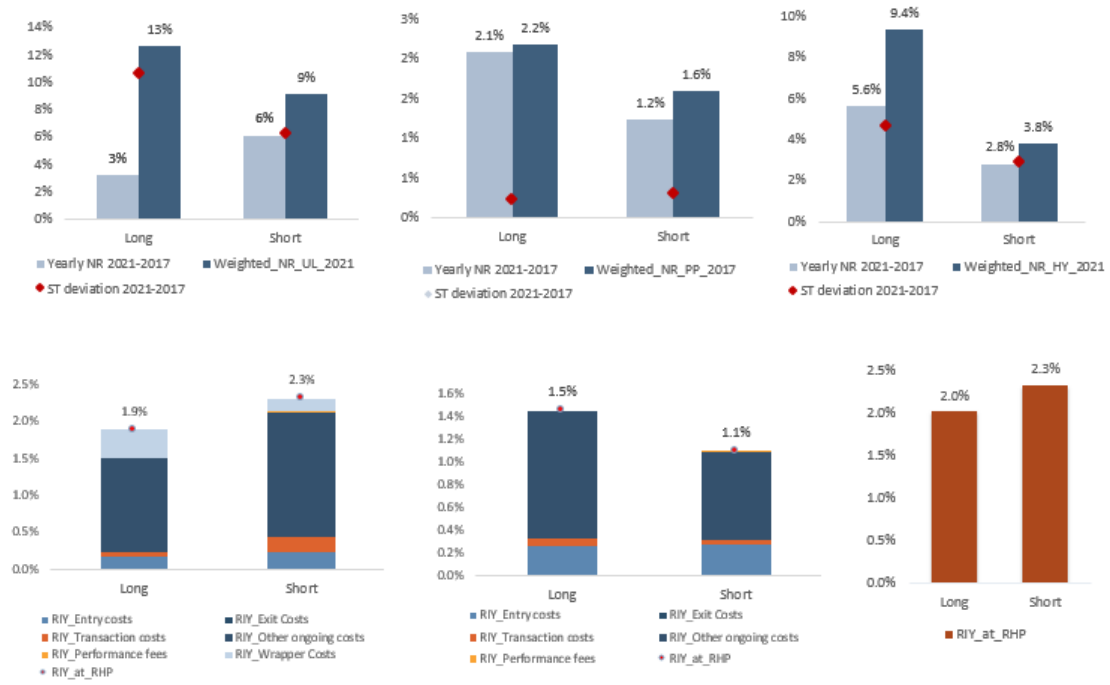
Figure 19 – Net returns (left) and costs (right), for HY products, by risk class, 2017-2021



Source: Costs and Past Performance Survey

Recommended holding periods also impact the returns and costs. Figure 20 shows that long-term products offer higher returns as volatility risks can be can smoothened over time also thanks to life-cycling investment approaches. At the same time, UL and HY long-term products were also cheaper in 2021, whereas PP long-term products tend to be more expensive, reflecting the positive slope of the term structure of interest rates.

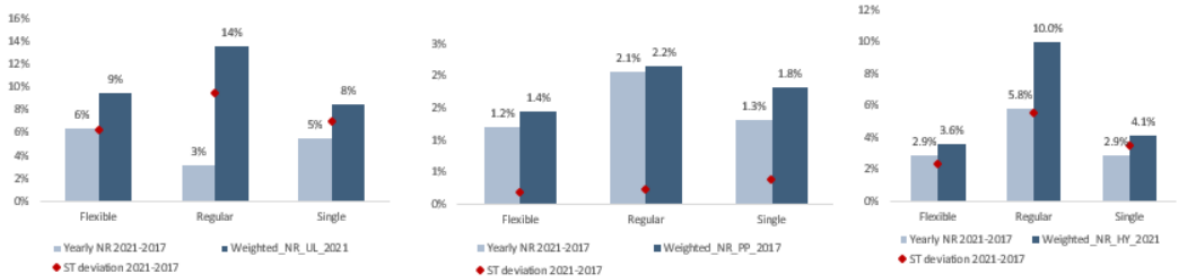
Figure 20 – Net returns (above) and costs (below), by product and RHP, 2021

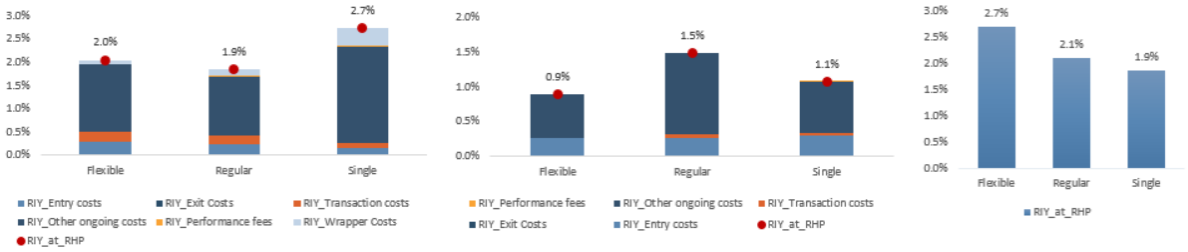


Source: Costs and Past Performance Survey

Figure 21 shows the link between costs, returns and premium frequency. For UL products, single premium products carry higher RIY (2.7%), but, on average, provide returns at the same level of flexible premium products, which are cheaper (2.0% RIY). Similar findings are observed for HY products as flexible premium products are more expensive (2.7% RIY) but offer lower returns than regular and single premium products (3.6% vs 10.0% and 4.1%, respectively).

Figure 21 – Net returns (above) and costs (below), by product and premium frequency, 2021





Source: Costs and Past Performance Survey

1.3.2. Asset allocation

The net returns and resilience to market shocks also depend on the composition of investment portfolios underlying unit-linked products.

Based on the ISIN codes provided for each underlying investment option, it was possible to map them with the data provided via the Solvency II Quantitative Reporting Templates, to better understand the type of underlying assets backing the unit-linked options. Figure 22 provides an overview of the results stemming from the mapping, and how many ISINs were able to be retrieved, and through which method.

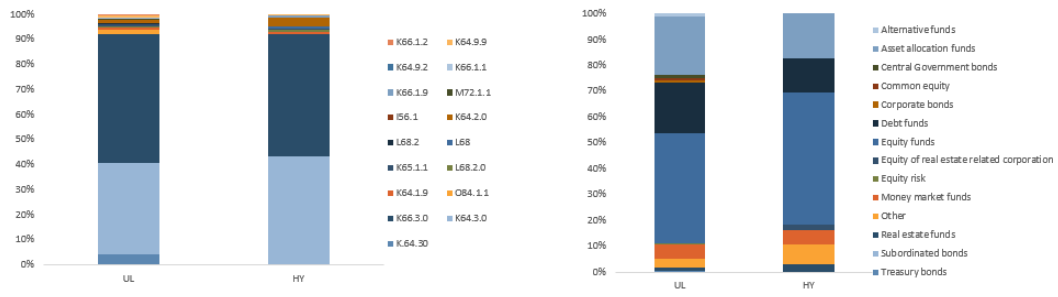
Figure 22 – ISINs collected and method to match them with the sector and asset class

# ISINs	UL	HY
Total collected	696	281
Mapped	436 (63%)	167 (59%)
- mapped through SII data in the insurer's portfolio	349	155
- mapped through SII data in other insurers' portfolio	68	6
- mapped through market data	19	6
Not mappet	260 (37%)	114 (41%)

Source: Costs and Past Performance Survey

In a second phase, it was possible to identify to which sectors and asset categories are those ISIN codes mostly associated with. The majority of the unit-linked options are backed by different type of funds, for both UL (above 85%) and HY (above 92%) products (Figure 23). In terms of assets classes, this represents mainly equity funds (43% for UL, and 51% for HY) and asset allocation funds (22% for UL, and 17% for HY).

Figure 23 – Sector and asset class breakdown of the ISINs backing up UL and HY products, 2021



Source: Costs and Past Performance Survey

Box 2 – Issuer Sector NACE name, based on Solvency II reporting

The ISIN codes reported by insurance undertaking are distributed in the following sectors:

K64.3.0 - Trusts, funds and similar financial entities

K66.3.0 - Fund management activities

O84.1.1 - General public administration activities

K64.1.9 - Other monetary intermediation

L68.2.0 - Renting and operating of own or leased real estate

K65.1.1 - Life insurance

L68 - Real estate activities

L68.2 - Renting and operating of own or leased real estate

K64.2.0 - Activities of holding companies

I56.1 - Restaurants and mobile food service activities

M72.1.1 - Research and experimental development on biotechnology

K66.1.9 - Other activities auxiliary to financial services, except insurance and pension funding

K66.1.1 - Administration of financial markets

K64.9.2 - Other credit granting

K64.9.9 - Other financial service activities, except insurance and pension funding n.e.c.

K66.1.2 - Security and commodity contracts brokerage

1.4. IBIPs with sustainability features

Following the growing appetite from investors for dedicated sustainable investment products, the supply of ESG labelled products has been increasing. Since the entry into force of the SFDR in March 2021, EU insurers are required to disclose sustainability-related information on their products under Article 8 (products with sustainability features also commonly known as "light green" products) or Article 9 (products pursuing a sustainable objective also known as "dark green" products)[23].

Although the SFDR introduced a possible definition of ESG products disclosing under Articles 8 or 9 of the SFDR, the Taxonomy is not yet into force; hence, insurance undertakings determine their categorization.

As 90% of the reported products with sustainability features are Article 8 products, the analysis below does not distinguish between Article 8 and Article 9 products.

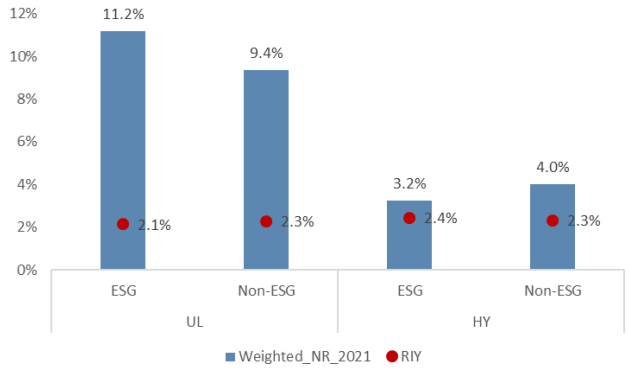
On average, UL ESG products in the sample (226) performed better than non-ESG products (11.2% weighted net return vs 9.4% weighted net return), being simultaneously slightly cheaper than its peers (2.1% RIY vs 2.3% RYI) despite some important differences at country level (see later). HY ESG report sound net returns, but lower than the non-ESG, while being slightly more expensive (Figure 24).

[23] Sustainability-related disclosures in the financial services sector

Given that only 18 products PP ESG were collected, this analysis has not delivered significant results for this business.

The differences in the product design might explain this different behaviour. UL products rely substantially on their exposure to funds, which have been experiencing lower costs according to the findings pointed by ESMA in its report on "Costs and Past Performance of EU Retail Investment Products"[24]. HY products, comprising also guarantees, might be more exposed to the trends in the bonds markets and, therefore, rather reflect the growing evidence of a green risk premium – 'greenium'[25].

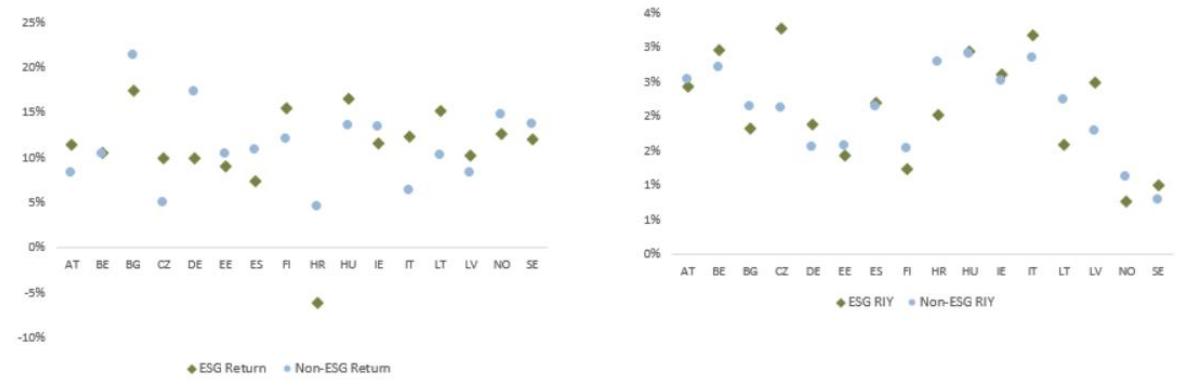
Figure 24 - Net performance, ESG vs non-ESG products, 2021



Source: Costs and Past Performance Survey

These observations are also heterogeneous across countries. UL products with sustainability features actually deliver lower returns than non-ESG UL in 9 out 17 countries[26] under analysis, while in 8 countries, UL with sustainability features are costlier than non-ESG products (Figure 25). Moreover, in 4 countries UL ESG do not only have higher cost levels, but also lower returns.

Figure 25 – Net performance, ESG vs non-ESG products, UL products, by Member State, 2021

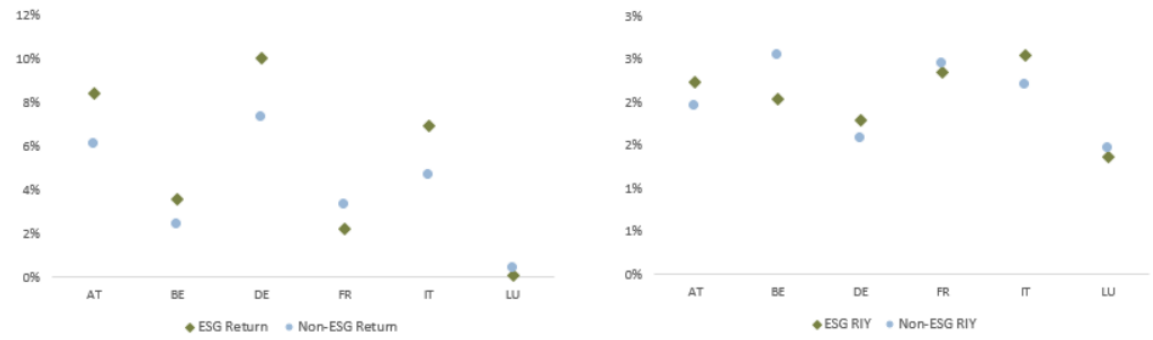


Source: Costs and Past Performance Survey

[24] Performance and Costs of EU Retail Investment Products
[25] Sustainable Debt Market Summary H1 2022
[26] Due to the small size of the sample for EL, MT, PT, RO, SI and SK, these countries were excluded from this analysis.

Figure 26 shows the outcome of the country analysis for HY products with sustainability features. In AT, DE and IT, HY products with sustainability features offer better returns, but are also more expensive. In BE, HY products with sustainability features provide higher returns, while being cheaper than non-ESG products. In FR and LU, HY products with sustainability features offer lower returns, but are also cheaper than non-ESG products.

Figure 26 – Net performance, ESG vs non-ESG products, HY products, by Member State, 2021



Source: Costs and Past Performance Survey

At this stage no further conclusions can be drawn on the scale and reasons linked to these observations, i.e., to completely understand whether consumers are willing to pay more or less for these products, where those products are more or less profitable, and why. This is due to the limited sample and the need for further analysis.

1.5. Cross-border IBIPs

The European single market gives insurance undertakings the opportunity to sell insurance products on a cross-border basis establishing branches in different Member States as well as to sell directly insurance on a freedom to provide services basis. The cross-border business is increasingly strong in Europe – for example, the amount of unit-linked business written on a cross-border basis went from € 32.0 billion (out of € 43.9 billion[27]), in 2020 to € 39.5 billion (out of € 51.6 billion[28]), in 2021. Despite the growing cross-border activity and the improvements to collect more granular information, available data is still limited and conclusions must be cautiously drawn. In particular, this analysis sample-based and especially for cross-border business this sample is limited – i.e., it does not cover all products sold on a cross-border basis. In fact, it only collects data from a sample of undertakings writing business out of markets for which 50% of their total gross-written premium is written on a cross basis, accounting for just about over 30% of total business written on a cross-border basis.

Figure 27 provides a market overview of the sample collected for cross-border business, showing the number of products gathered. It also provides figures in terms of GWP generated in each country in order to better frame the subsequent analysis.

[27] Total cross-border business for UL, PP and Other life LoBs
[28] Total cross-border business for UL, PP and Other life LoBs

LU, IE and LI are the main markets from where products are sold on a cross-border basis, and the Baltics also keep high interconnections amongst them.

Figure 27 – Cross-border business, by product, 2021[29]

UL			PP			HY		
Home	Host Country	# products	Home	Host Country	# products	Home	Host Country	# products
LI	AT	7	LI	DE	2	LU	FR	15
IE, LI	DE	28	EE	LT	2	LU, SK	IT	9
LV	EE	8	EE	LV	3			
LU	FR	6						
IE, LI, LU, SK	IT	28						
EE, LV	LT	10						
EE	LV	4						
LI	MT	1						

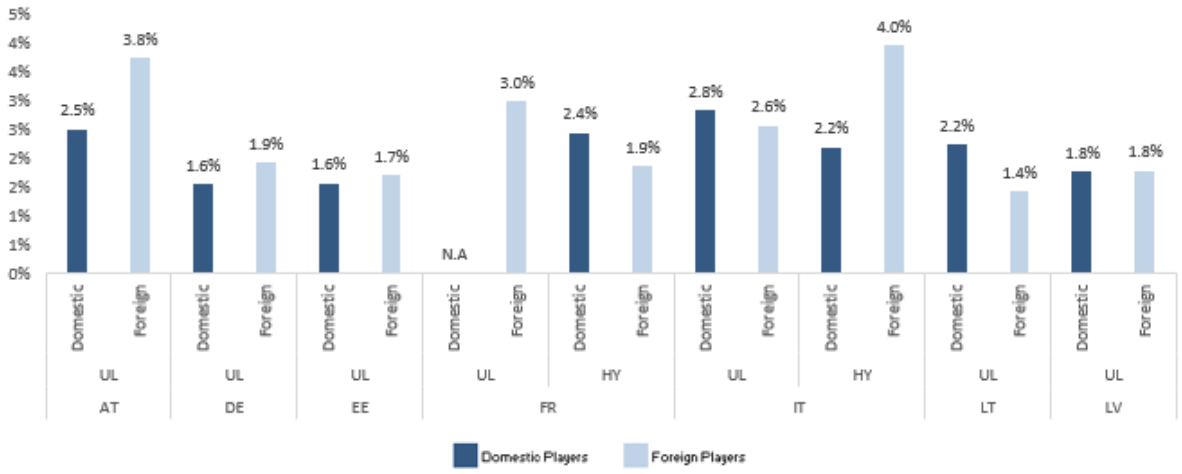
UL				PP				HY			
Home	Host Country	% GWP$_{Home}$	% GWP$_{Host}$	Home	Host Country	% GWP$_{Home}$	% GWP$_{Host}$	Home	Host Country	% GWP$_{Home}$	% GWP$_{Host}$
EE	LT	77.0%	44.7%	EE	LT	29.6%	100.0%	LU	FR	96.6%	6.8%
	LV	6.3%	14.4%		LV	48.2%	100.0%		IT	1.0%	4.9%
IE	DE	0.1%	1.4%	LI	DE	100.0%	0.6%	SK	IT	99.98%	0.02%
	IT	79.0%	37.5%								
LI	AT	2.3%	7.3%								
	DE	26.5%	10.4%								
	IT	71.1%	2.7%								
	MT	0.01%	0.30%								
LU	FR	46.0%	100.0%								
	IT	37.0%	2.5%								
LV	EE	5.2%	22.3%								
	LT	14.5%	9.6%								
SK	IT	30.6%	0.4%								

Source: Costs and Past Performance Survey

Generally, costs are higher for cross-border UL products than for domestic ones, which might be due to higher distribution costs when commercialising the same products abroad. It could also be due to the sample nature of the analysis, as larger undertakings selling from large markets may not be captured in this analysis. Costs for products sold on a cross-border basis are lower when there are stronger interconnections in place as it is the case in the Baltics (Figure 28).

[29] First table shows he distribution in terms of number of products reported. Second table shows the relevance of the cross-border business, for the home and host countries, based on the sample collected.

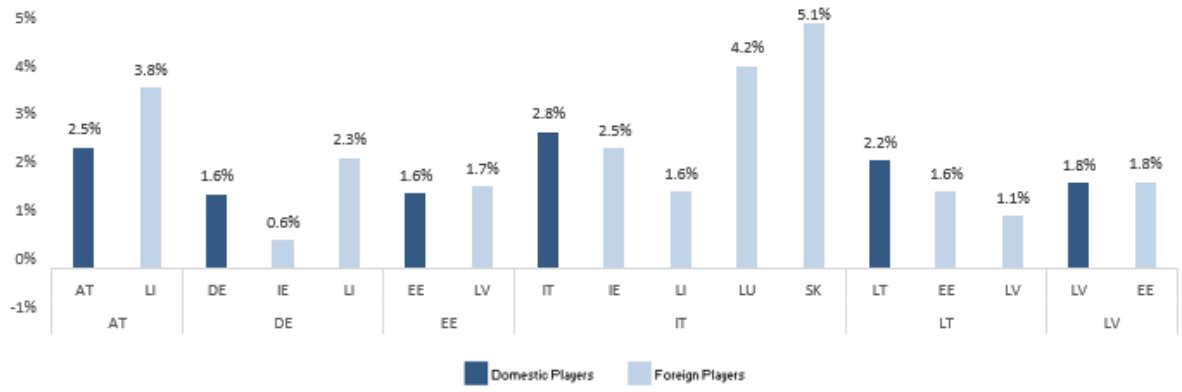
Figure 28 – Costs as RIY at RHP, for cross-border UL and HY products, domestic vs foreign undertakings, 2021



Source: Costs and Past Performance Survey

These conclusions are reinforced when looking at the dispersion of costs levels charged by breaking down the total foreign RIY by the different foreign players. The cross-border products are in some cases even cheaper than the ones offered by domestic undertakings (Figure 29). This is mainly observed for undertakings which are part of larger groups, and might also be linked to distribution networks established in foreign markets. That means, cases where undertakings have already an established network, might be able to offer cheaper products than insurers which need to incur in higher costs to distribute their products. In DE, for instance, IE undertakings are able to provide UL products with an RIY of 0.6% (100 bps lower than the domestic average), whereas LI offers products, on average, carrying a RIY of 2.3% (70 bps higher than the domestic market).

Figure 29 – Costs as RIY, cross-border UL products, in-depth analysis, 2021

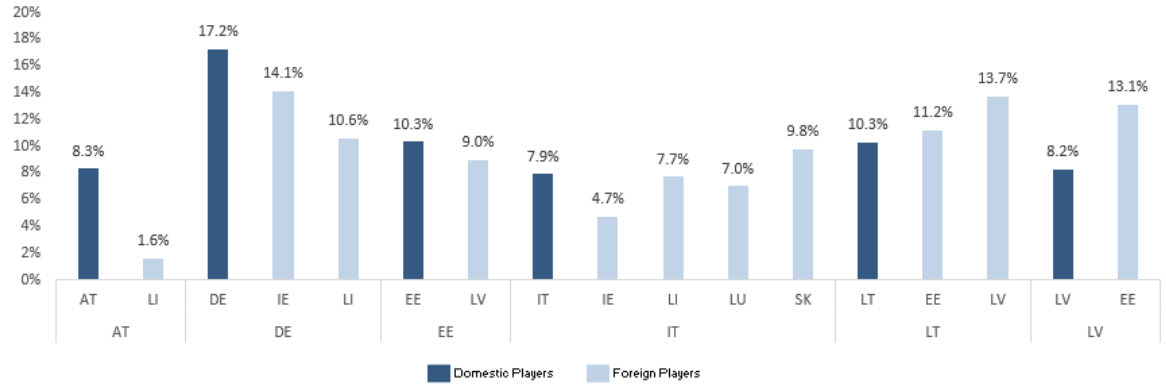


Source: Costs and Past Performance Survey

In terms of net performance, returns follow similar patterns (Figure 30). In markets, where there is more integration, the level of returns is expected to be similar or even higher, as it is the case in the Baltic countries. As a matter of fact, in these jurisdictions, products provided by foreign undertakings offer, on average, better value for money as their costs are similar to 'domestic' products or lower,

and returns are at the level of domestic ones or higher. In other markets, where there are potentially more entry costs, the cross-border products tend to perform worse as it is the case in AT, DE and IT.

Figure 30 – Net returns, cross-border UL products, in-depth analysis, 2021



Source: Costs and Past Performance Survey

Given the smaller size of the cross-border business for HY products and some data quality issues, such in-depth analysis was not included in this iteration. Nevertheless, the key statistics in terms of performance (i.e. net returns and costs) can be found in the Statistical Annex, in tables 7 and 21.

ESMA has also reported similar findings for investment funds and structured retail products[30].

[30] Performance and Costs of EU Retail Investment Products – ESMA Annual Statistical Report 2022

PENSION SCHEMES AND PRODUCTS

Summary Key Findings

- Heterogeneities persist across markets regarding the pension sector, therefore comparison continues to be a sensitive and difficult exercise. This is particularly challenging for PPPs given the absence of a European taxonomy.
- PPPs reported robust return and lower costs, being for PPP_UL returns 15.5 % and costs 1.9 %. PPP_PP paid 1.4% and the costs were 1.3%.
- Despite the lack of homogeneity, the penetration rate of IORPs is low in many Member States.
- Nevertheless, some common trends can also be observed in the area of occupational pensions, namely the shift from DB to DC schemes. This transition would place more risk on pension scheme members but it might also provide them higher returns. The pace and ultimate reach of this expansion is, however, uncertain and conditional on the national developments as well.

The aim of this section is to provide an analysis of pension schemes and products, namely i) PPPs commercialized by insurance undertakings and ii) IORPs as providers of pension schemes, which can be either Pillar II or Pillar III products.

The analysis on PPPs leverages on the *ad-hoc* data collection and limitations on comparability need to be borne in mind, due to the lack of harmonized framework on this field. In addition, the survey does not cover PPPs offered by other providers (e.g. banks and asset managers).

The analysis on IORPs, as providers of occupational pension schemes, leverages on the centralized data repository available since last year. Given the transition period to transpose the IORP II Directive, there are many countries whose samples remain unstable, requiring caution when drawing conclusions.

Given the type of data collected, the analysis on PPPs is conducted at product level, whereas for IORPs, it is only possible to provide data at IORP level. Despite not fully representing the retail perspective it aims at allowing supervisors to get a more complete picture of the market developments and how IORPs performance can also drive the retirement income expected by beneficiaries.

1.6. Personal Pension Products (PPPs)

Given the considerable heterogeneity of PPPs and in line with the agreed methodology, the product categories considered are the same as for the IBIPs – personal pension products holding similar features to unit-linked (PPP_UL) and personal pension products holding similar features to profit participation (PPP_PP). A snapshot of the key indicators of the products collected in 2021 is provided in Table 2.

Table 2 - Details sample of PPPs, 2021

Summary	PPP_UL	PPP_PP
# Undertakings	54	38
# Countries	17	11
# Products	151	62
Under PRIIPs Regulation	69	25
Contracts (million)	1.3	0.4
GWP (€ billion)	20.9	15.3

Source: Costs and Past Performance Survey

Following the movements in the insurance sector and major trends in the pension sector as further explored in the EIOPA Consumer Trends Report, PPP_UL have been growing. Nevertheless, differently from non-PPP products, PPP_PP are still in high-demand.

1.6.1. Performance and costs

Similar to the observations made in the IBIPs section, aggregate returns of personal pension products were robust in 2021, particularly PPP_UL products, whose weighted net returns reached almost 16% (Figure 31). However, volatility is also higher posing concerns on the future retirement benefits members will have.

Figure 31 – Net returns, PPP_UL and PPP_PP, at EEA level, 2021

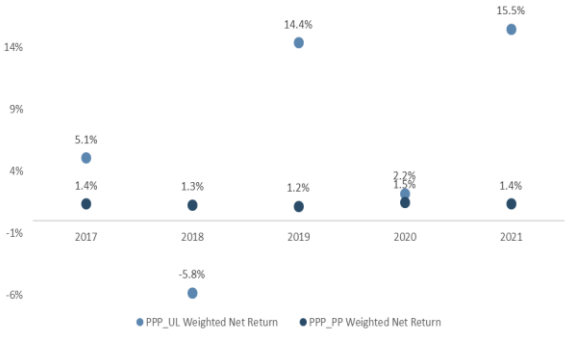
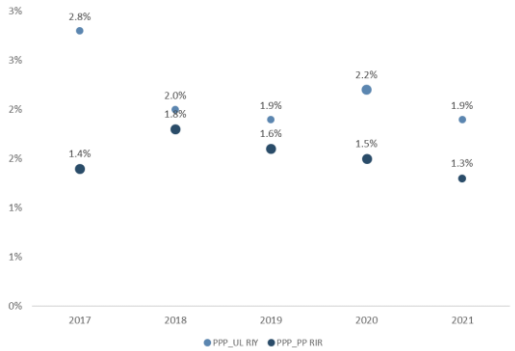


Figure 31 - Costs PPP_UL and PPP_PP, at EEA level, 2021



Source: Costs and Past Performance Survey

Similarly to previous years, the cost level[31] is higher for PPP_UL, despite both PPP_UL and PPP_PP reporting a decreasing trend. Despite the oscillations since 2017, PPP_UL are becoming cheaper, but still more expensive than the PPP_PP, which can be justified by the expected risk and returns associated to PPP_UL (Figure 32).

[31] The data for the RIY for previous years is based on the data collected in the previous exercises, therefore, the samples is not homogeneous as undertakings report the most significant products every year, which might change on a yearly basis. Nevertheless, it is possible to compare the level of costs for the most representative products for each undertaking YoY.

When looking at country level, to better capture the market specificities and the current state of play in each jurisdiction, an overview at Member State level is presented below.

These in-depth analyses are presented for the country which provided granular information regarding this domain, both in qualitative and quantitative terms. For the quantitative analyses, Member States where less than 3 products could be assessed were excluded from the analysis.

Austria

PPPs are state-sponsored retirement provisions (Prämienbegünstigte Zukunftsvorsorge), a form of pension insurance, under which, upon reaching a defined retirement age, a life-long annuity is paid out. Usually, a survivor's provision is also arranged, such that following the death of the insured person an annuity continues to be paid to the insured's widow(er). A particular feature of state-sponsored retirement provision is the existence of a capital guarantee and a state premium. The product also has preferential tax treatment, with no insurance tax, no capital yield tax and no income tax being accrued.

	PPP_UL	PPP_PP
N. of products analysed	7	6
Weighted Average Net Return 2021	7.8%	0.7%
Weighted Average Net Return 2021-2017	4.5%	0.6%
Weighted Average costs (as RIY at RHP)	2.3%	1.3%
Range of risk classes	3	1
Range of RHPs	5Y	10Y

Belgium

Under Belgian insurance law, PPPs are insurance pension savings belonging to the 3rd pension pillar. They can be concluded either as unit-linked insurance products, profit participation products or as hybrid products. With the exception of the Belgian Tax Law, there is no specific legal framework for PPPs. The legal framework is the one applicable to all life insurance (i.e. mainly the Law of 4 April 2014 on insurance and the Royal Decree on Life Insurance).

	PPP_UL	PPP_PP
N. of products analysed	4	7
Weighted Average Net Return 2021	7.8%	1.2%
Weighted Average Net Return 2021-2017	4.1%	1.2%
Weighted Average costs (as RIY at RHP)	3.0%	0.6%
Range of risk classes	3	1
Range of RHPs	5Y	10Y

Czech Republic

The Czech Republic has a voluntary funded pension system. It covers 52% of the working-age population and the assets under management represent 9% of GDP. Czech pension system has two segments (both are called 3rd pillar):

- supplementary pension insurance scheme since 1994 (from 2013 closed for entry by new participants)
    - it guarantees a non-negative return on annual basis to the participants
    - asset management fee - up to 0.8% of the average annual value of the fund
    - performance fee - up to 10% of the profit

- supplementary pension savings scheme from 2013
    - participants can contribute into one of the "participating funds", with different risk profiles and investment strategies
    - participating funds have risk category from scale 1-7
    - asset management fee - up to 0.4% of the average annual value of the fund (conservative participating funds) / up to 1% of the average annual value of the fund (other participating funds)
    - performance fee - up to 10% of (the average value of the pension unit in t – the highest annual average value of the pension unit since t0) × the average number of pension units in t (conservative participating funds) / up to 15% of (the average value of the pension unit in t – the highest annual average value of the pension unit since t0) × the average number of pension units in t (other participating funds)

Estonia

A supplementary or a voluntary pension fund is a common fund with the objective to provide unit-holders additional income during their retirement years. Voluntary pension funds are pools of assets established and managed by licensed pension fund managers. They are at large very similar to pillar II funds, but the legislation covering the product is less comprehensive, meaning that the fund managers have a greater flexibility to decide on fees, redemption policies and portfolio allocations.

The amount and frequency of contributions as well as their suspension is decided by the investor and the money can be taken out, as a whole or in part, before reaching the retirement age. In addition, pillar III accounts can be opened for a person below the age of 18, as contributions to the fund are voluntary and can be made by other people, e.g. parents or employers. Employers have no obligation to make contributions, but many opt to do so on behalf of or in addition their employees, often including it in the motivational package offered to the employees.

Additionally, employers can create a pension fund that is only for their employees, i.e. occupational retirement pension fund, but currently this is not a common market practice. Other alternatives are pension insurance with guaranteed interest rate and pension insurance with investment risk. There are currently five service providers in this segment, but the total number of customers has decreased compared to 2020.

	PPP_UL	PPP_PP
N. of products analysed	7	9
Weighted Average Net Return 2021	10.2%	0.2%
Weighted Average Net Return 2021-2017	5.3%	0.4%
Weighted Average costs (as RIY at RHP)	1.9%	1.4%
Range of risk classes	4	1-2
Range of RHPs	5Y	10Y-20Y

Germany

In addition to the IBIPs sold with the aim of providing a retirement benefit, there are also 7 additional personal pension products categories, namely Riester products following Altersvorsorgeverträge-Zertifizierungsgesetz (AltZertG). These are voluntary, individual-based and have a DB feature. They are state subsidised pension products which were introduced in Germany in 2001, are not insurance specific and fall under the Altersvorsorgeverträge-Zertifizierungsgesetz (AltZertG). These are explicitly excluded from the PRIIPS scope in Art. 2 Para 2 e) PRIIPs Regulation.

They may comprise: classic private pension schemes, bank savings plan, funds-related pension scheme; internal and external investment funds, funds savings plan, direct insurances and pension funds, 'Wohn-Riester' (home owner) – a contract of loan to buy or build privately used real estate and cooperative shares. Combinations are also possible.

The information provided below refer to the IBIPs sold with the aim of providing retirement benefit. The range of RHPs relates to the sample of products collected in this exercise (25 products). However, it might not be representative of the German market as PPP IBIPS with retirement purpose in Germany usually have a minimum RHP of 12 years (often the RHP is even 30 to 40 years).

	PPP_UL	PPP_PP
N. of products analysed	25	13
Weighted Average Net Return 2021	24.0%	1.4%
Weighted Average Net Return 2021-2017	11.2%	1.7%
Weighted Average costs (as RIY at RHP)	1.5%	1.2%
Range of risk classes	4	1-2
Range of RHPs	5Y	10Y-20Y

Hungary

Voluntary pension funds offer an institutional form for retirement support, introducing additional capital in the market that can support long term investment. Members can join the funds voluntarily on individual basis and they are the owners of the pension funds. They are supplementary pension products designed to substantially improve the amount of the state pension.

In case of PPPs which are also IBIPs, these products are life insurance products where the insurance event is the retirement of the client. Usually tax refund can be claimed, but only after the accumulation phase.

These contracts have a separate, dedicated account, where also the tax benefits are credited, and which cannot be surrendered in a flexible way. In case of early surrender the tax benefit has to be paid back entirely (Act CXVII of 1995 on Personal Income Tax).

	PPP_UL	PPP_PP
N. of products analysed	15	6
Weighted Average Net Return 2021	9.5%	1.4%
Weighted Average Net Return 2021-2017	6.3%	1.9%
Weighted Average costs (as RIY at RHP)	2.9%	2.3%
Range of risk classes	1-4	1-3
Range of RHPs	10Y-25Y	10Y-20Y

Ireland

There are two forms of personal pension contracts used to save for retirement: Personal Retirement Savings Accounts (PRSAs) and Retirement Annuity Contracts (RACs). Any individual can contribute voluntarily to a PRSA and employers who don't provide access to an occupational pension scheme must provide their employees with access to a PRSA. RACs are used mainly by the unincorporated self-employed, but also to a much lesser extent by employees in non-pensionable employment. There is a third type of retirement contract called a Personal Retirement Bond or a 'buy out bond' which is designed only to accept transfers from occupational pension schemes. Generally, all three types of personal pension contract allow individuals to take a tax-free lump sum at retirement and use the remaining funds to buy an annuity and/or invest in, and drawdown from, an Approved Retirement Fund.

	PPP_UL
N. of products analysed	18
Weighted Average Net Return 2021	14.2%
Weighted Average Net Return 2021-2017	5.7%
Weighted Average costs (as RIY at RHP)	2.2%
Range of risk classes	1-3
Range of RHPs	5Y-20Y

Italy

Pillar III products include "PIPs" (Piani individuali pensionistici di tipo assicurativo) and open pension plans (so called "fondi pensione aperti") with individual adhesion. PIPs are individual pension plans

implemented through life insurance contracts offered by insurance companies; they can be either in the form of with-profit (traditional policies) or unit-linked policies and they only support personal plans.

Open pension funds are promoted by banks, insurance companies, asset management companies. They support both occupational plans (collective adhesion) and personal plans (individual adhesion).

In both PIPs and open pension funds the assets of the products are required to be segregated by those of the provider and they do not have legal personality.

In Italy, individual pension products have a specific legal regime and have the same fiscal treatment of occupational pension funds which is more favourable compared to other financial and insurance products. They have the same rules for adhesions, disclosure and benefits payment of occupational pension funds. Italian individual pension products are not considered IBIPs and are not subject to the PRIIPs regulation.

	PPP_UL	PPP_PP
N. of products analysed	20	13
Weighted Average Net Return 2021	12.0%	0.7%
Weighted Average Net Return 2021-2017	4.0%	0.8%
Weighted Average Costs (as RIY at RHP)	2.4%	1.7%
Range of risk classes	N.A No KID available as PPPs in IT are subject to specific national provisions	N.A No KID available as PPPs in IT are subject to specific national provisions
Range of RHPs	5Y-15Y	5Y-10Y

Malta

The Retirement Pensions Act, 2011, defines a Personal Retirement Scheme as a Retirement Scheme which is not an occupational scheme and to which contributions are made for the benefit of an individual. The MFSA is also currently working on a proposal which will regulate local Maltese insurance undertakings which are distributing insurance products which have a pension element.

Some of these insurance products are structured similar to IBIPs, however they do not fall under the definition of IDD since they are approved by the Commissioner of Inland Revenue as pension products, under Maltese national law and have some specific features such as annual withdrawals which render them pension products.

The aim of this new regime is to clarify the prudential requirements, and most importantly the conduct of business requirements which such undertakings are required to comply with.

Norway

Individuelle pensjonsavtater (IPA), or individual pension schemes fall in the scope of Pillar III products, all of them proving tax benefits and attractive return rates.

	PPP_UL
N. of products analysed	5
Weighted Average Net Return 2021	18.9%
Weighted Average Net Return 2021-2017	10.7%
Weighted Average Costs (as RIY at RHP)	0.3%
Range of risk classes	4-5
Range of RHPs	5Y-10Y

Poland

IKZE (Individual retirement savings account) and IKE (Individual retirement account) are personal saving accounts that facilitate saving for the future retirement need.

	PPP_UL
N. of products analysed	8
Weighted Average Net Return 2021	-3.8%
Weighted Average Net Return 2021-2017	1.8%
Weighted Average costs (as RIY at RHP)	2.2%
Range of risk classes	2-4
Range of RHPs	5Y-20Y

Portugal

Pillar III products include individual membership of open pension funds and retirement saving schemes (Plano Poupança Reforma – "PPR"), the latter which can be financed by life insurance contracts, pension funds or investment funds. The reimbursement of the accumulated amount from PPR is possible at any time, but a tax penalty applies. Withdrawals from PPRs are not subject to penalties in the following cases: (i) at retirement age, (ii) permanent disability of the participant or any member of his household, (iii) at the age of 60, (iv) severe illness of the participant or any member of their household, (v) from payment of instalments of credit guaranteed by mortgage on the participant's own residence, and (vi) long-term unemployment of the participant or any member of his household.

	PPP_UL
N. of products analysed	15
Weighted Average Net Return 2021	8.6%
Weighted Average Net Return 2021-2017	2.6%
Weighted Average costs (as RIY at RHP)	1.9%
Range of risk classes	2-3

Range of RHPs	3Y-8Y

Slovenia

Pension products with tax incentives are defined in the Pension and Disability Act and product can be designed in two ways: (i) product with the capital guarantee in the accumulation period or (ii) life cycle product where the last fund aiming for the oldest age group must bear the capital guarantee.

All individual pension plans registered at tax authority are life cycle products that are performed through 3 funds with different investment policy because they are prepared for different age groups.

	PPP_UL
N. of products analysed	14
Weighted Average Net Return 2021	14.7%
Weighted Average Net Return 2021-2017	9.9%
Weighted Average costs (as RIY at RHP)	3.8%
Range of risk classes	4-6
Range of RHPs	20Y

Spain

Pension schemes whose sponsor or sponsors undertakings are a financial institution and the members are natural persons. PPPs may only be DC in nature and compile a number of key distinctive features: (i) voluntary principles (not compulsory), (ii) complementary to public pensions, (iii) no discrimination, (iv) capitalization, (vi) irrevocability of contribution, (vii) recognition of existing rights, (viii) compulsory integration of the pension scheme in a pension fund.

1.7. Institutions for occupational retirement provision (IORPs)

IORPs are one of the vehicles contributing to the multi-pillar pensions system in Europe. Despite the introduction of common standards to ensure the soundness of occupational pensions, their set-up and relevance remains quite diverse across Member States. The approach of each country to the establishment of pension schemes and development of each Pillar varies quite substantially and those differences must be recognised when looking at the data.

In order to acknowledge the discrepancies and provide a more accurate picture of the relevance of IORPs for each country, Annex III provides a look-through assessment covering key features such as type of providers, affiliation, contributions and taxation. Additionally, Annexes IV estimate the importance to IORPs as suppliers of pension products, in particularly occupational schemes, by assessing the reported number of members (Annex IV.I) and AuM (Annex IV.II) under IORPs, and then comparing it with the other applicable EU Laws.

Based on that, it is possible to understand that the European landscape is highly diverse when it comes to occupational schemes – in some countries, such as FI, the most important pensions scheme is Pillar I mandatory and statutory pension scheme, through which employers and employees contribute to private pension insurance companies; whereas in some others, such as BE, insurance undertakings are responsible for the largest part of the occupational pension schemes. In some countries, such as AT, membership is completely voluntary; whereas in some others, there are auto-enrolment policies in place, as it is the case in the NL and in FR for some sectors.

The type of tax incentives can also vary significantly due to the different regimes taxing contributions, returns on investment and pension income.

Irrespectively of those differences, IORPs providing DC schemes can expose members and beneficiaries as they bear the investment risk. Hybrid schemes, where the employer often defines a DC pension plan as a plan under which the employer pays fixed contributions and has no obligation to pay further contributions, provide an element of guarantee, which can attenuate the risks borne by members and beneficiaries.

The total assets of IORPs increased to € 2,771.0 billion in 2021, from € 2,551.1 billion, in 2020 (Figures 33, 34 and 35). Defined contribution pension schemes totalled € 403.4 billion, from € 336.9 billion, in 2021, reflecting a continuous gradual transition towards DC schemes (+19.7%). Although DC AuM represent only around 13% of total IORPs assets, there is an increasing focus on DC pensions.

Figure 32 – Assets held by IORPs (above €40bn), top 5 countries, 2021

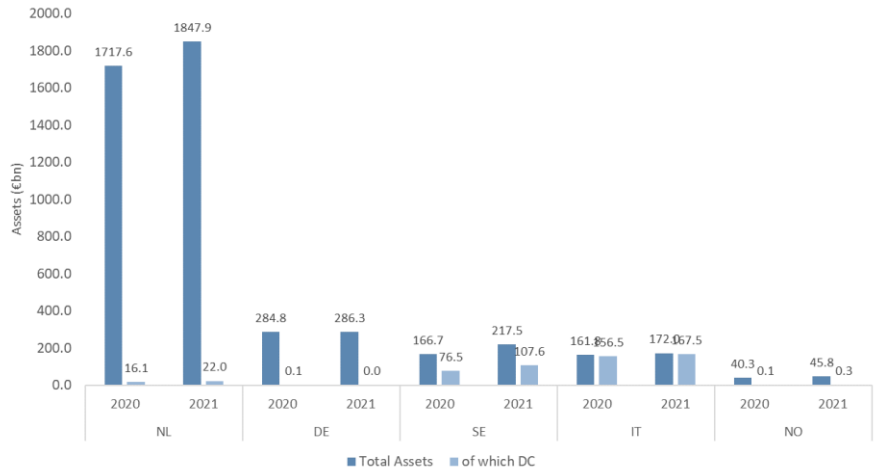
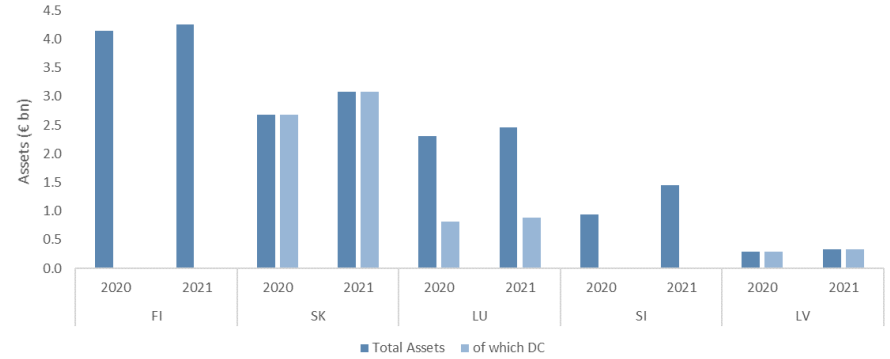


Figure 33 – Assets held by IORPs (between €5bn and €40bn), 2021

Figure 34 - Assets held by IORPs (below €5bn), 2021



Source: IORPs database

Despite the increase recorded in the total amount of assets, the estimated penetration rate of IORPs continuous to be low, meaning that these holdings are low when compared to the country GDP.

The NL, whose holdings represent more than 200% of the country's GDP, emerge as an outlier as a result of a strong dependence on IORPs as vehicle for occupational pensions. The vast majority of those employed in the NL participate in an occupational pension scheme via schemes provided by IORPs, and this form of savings is also attractive for as it is tax favoured, similarly to what happen in other countries. For other countries, nevertheless, the occupational pension system can rely on other providers, such as insurance companies, banks and/or asset managers. In spite of being essentially reliant on DB schemes, the Future of Pensions Act[32], which is due to come into force on July 1 2023, could lead the country to become the largest DC market in Europe, intensifying the relevance of DC schemes in Europe.

Given that in pure DC schemes, members bear the investment risk related to the capitalisation of the contributions paid, in many cases, without any guarantees associated to the contributions and/or

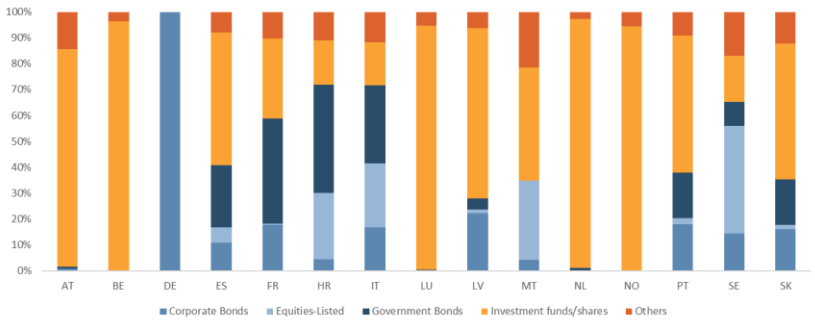
[32] The new pension system, De Nederlandsche Bank

guaranteed replacement ratios[33], it is relevant to understand how these types of schemes invest their holdings (Figure 36), and structure their income and expenses.

The type of assets backing pension funds can also become very material. For instance, in a case where there is an over-exposure to government bonds, which tend to constitute the larger portion of many pension funds, if a sell-off in the bond market is experienced, liquidity risks might materialise. Therefore, it is also important to understand how IORPs holdings are invested and how those risks are mitigated as, ultimately, they are also born by the members. Nevertheless, any IORP is exposed to those risks, and if not properly mitigated, they can undermine the outcomes obtained by beneficiaries.

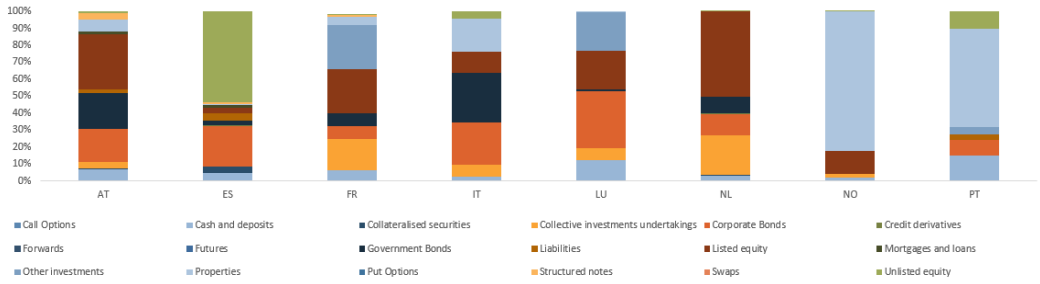
IORPs in 6 out of 16 member states hold more than 50% in investment funds/shares, 3 out of 16 hold more between 30% and 40% in government bonds and DE fully channels their assets to corporate bonds (Figure 36). This might flag some lack of diversity in the asset allocation, which might pose future issues in case one of distress of one of those markets. A more granular analysis on the type of investments made via CIUs and its breakdown by asset category (Figure 37) shows a more balanced structure in some cases, whereas in some others reflects higher concentration towards specific sectors. That is the case for PT towards real estate; AT and NL towards listed equities, and ES towards unlisted equities. Depending on the sector, this reliance on equity investments might become concerning. But no further data is available to draw more robust conclusions.

Figure 35 – DC assets breakdown by asset class, by Member State, 2021[34]



Source: IORPs database

Figure 36 – DC assets breakdown by asset class, look-through view, by Member State, 2021[35]



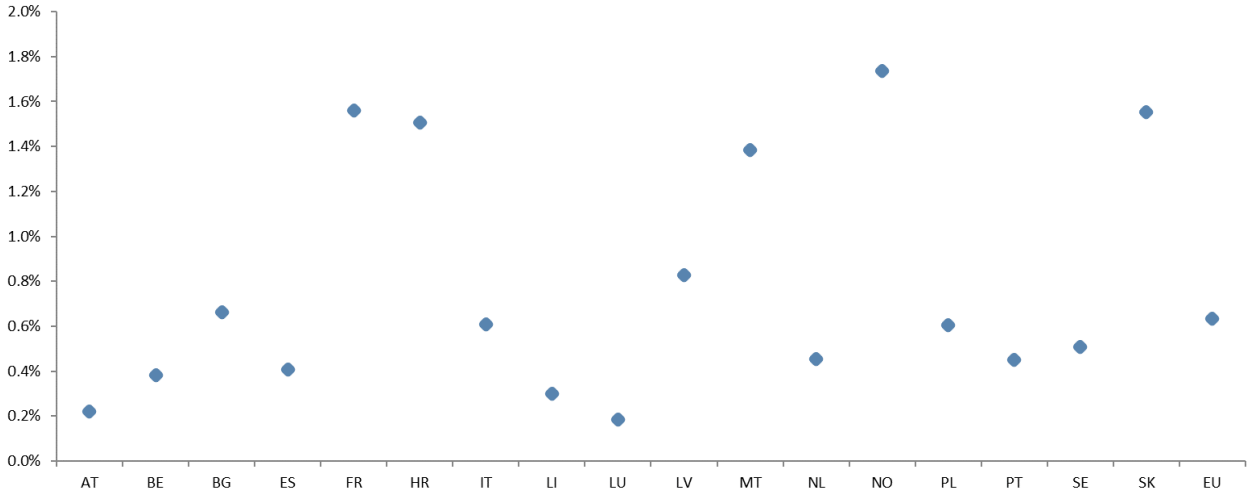
Source: IORPs database

[33] In some countries (e.g. BE), some guarantees to DC Pension Schemes are being provided.
[34] Data related to BE refers almost exclusively to IORPs that manage DC schemes of other countries, in the context of the cross-border activity
[35] Data exracted from template PF.06.03 "Collective investment undertakings - look-through approach", C0030, "Pension fund provides DC schemes only".

After looking at the asset-breakdown, it is important to also assess the efficiency and profitability. This can be done by computing the expense ratio, i.e. the ratio between expenses and total assets. The expense ratio provides an indication on the performance of these providers, measuring how much of the assets are used for administrative, investment and operating expenses. This reduces the fund's assets, thereby reducing the return to beneficiaries.

5 out of 17 Members exhibit an expense ratio above 1%[36] (Figure 38), which is usually the benchmark used for similar products managed by investment and mutual funds, offering long-term investment options. This might raise some concerns in terms of sustainability and future income benefits to be distributed to beneficiaries, particularly considering the growing demographic and labour problems.

Figure 37 – Ratio total expenses over total assets (DC schemes), by Member State, 2021[37]



Source: IORPs database

[36] Zhang, Andrew (Jianzhong), Mutual Fund Expense Ratios in Market Equilibrium (July 20, 2007, Pension Charges Survey 2020, Department for Work and Pensions (DWP) (January 2021)

[37] Data exracted from template PF.05.03 "Expenses", for the expenses related items (R0010, R0020, R0040; C0020); and from template PF. 02.01, from the total amount of assets. Tax expenses were not included as taxes are not costs and do not reflect the efficiency of the IORP cost structure. In addition, including tax expenses in the calculation would distort the comparison between IORPs due to the different taxation systems in place (e.g impact from an ETT regime vs an EET regime). Taxes are also not included in the calculation of costs for PPPs (as they are indeed not costs), therefore, the same approach has been used for the calculation of IORPs costs.

NEXT STEPS

Since the first exercise in 2019, the granularity and the market coverage of EIOPA's Costs and Past Performance report have gradually increased, both in terms of number of products and information available. The bilateral engagements and discussions with different stakeholders have also been contributing to more robust results. Nevertheless, the assessment of the performance and cost of IBIPs is still sample based, and the sample coverage is estimated based on Solvency II data. Coupled with the heterogeneities in market structures and business models, this challenges the completeness of the results and requires further work to comprehensively address such shortcomings.

IBIPs

Differences persist in the definition of many features, namely costs and ESG labelling related. In the coming year, EIOPA expects to work on improving the data collection and analysis of products with sustainability features.

To improve its analysis of products sold on a cross-border basis, EIOPA will also be working in further refining its approach towards collecting information on products sold on a cross-border basis.

Pension Products

Similarly to IBIPS, further alignment in terms of taxonomy of these products is needed in order to allow for higher comparability, for a better understanding from individuals and enhanced monitoring from supervisors. EIOPA will work on further refining the methodology.

ANNEXES

Annex I – Methodology

I.I. IBIPs

The methodology describes how to compute costs and past performance from a representative sample of products sold by insurance manufacturer, focusing on the most sold products per undertakings and their risk class.

These samples are not randomised. The aim is to reflect the asset allocations of policyholders in practice, while also addressing some of the main different types of product on the markets. The size of GWPs has been used for the purpose of weighting product figures.

While relying on information provided in KID, or required for the production of the KID, since past net returns cannot be derived solely from the KID information, supplemental data was requested. EIOPA:

- Collected product data from a sample of firms and products selected by the NCA for each Member State, according to common principles;
- Analysed aggregated and averaged the data (weighted by 2021 GWP).

To ensure consistency across Member States and market representativeness, the sample was targeted to the largest insurance undertakings covering 60% of the market in terms of GWP. To measure GWP the data from the Quantitative Reporting Template (QRT) S.05 is used[38]. The target market coverage of the sample is set at 60% of the EEA market in term of GwP for unit-linked and profit participation products.

The sample for the 2023 report, as for the previous iteration, mainly focused on products that are sold in the domestic market by domestic market participants[39] taking-up business in the home country. Cross-border activity[40] is limited to those markets where domestic business represents less than 50% of the total GWP volume.

EIOPA collected the data with questionnaires circulated to selected insurance undertakings by NCAs and past performance over a period of 5 years is sought. For the current iteration of the report the timeframe was 2017-2021.

Disability and occupational disability products, immediate annuities, certain endowments, and funeral products were all excluded.

[38] The Solvency II cell notation is: S.05.01.01 R1410 C0220, S.05.01.01 R1410 C0230

[39] In the case of insurance undertakings, domestic market participants are defined as insurance undertakings with primary corporate headquarters located in that Member State, subsidiaries of EU/EEA and non-EU/EEA country insurance undertakings and branches from insurance undertakings of non-EU/EEA countries.

[40] Cross-border business is composed of domestic insurance undertakings taking-up business in another Member State under the freedom of establishment or the freedom to provide services.

In some markets the products on offer are new every year. In these cases older product generations that are representative could be used for previous years.

The data was broken down where product features are significantly different – splits created 'clusters' of products, classified according to:

- Premium frequency: regular, singular or flexible premiums
- Recommended holding periods: Long (>=15Y) or Short (<15Y)
- Risk categories: from 1 to 7 (for unit-linked and hybrids) and from 1 to 3 for the profit participation products.

In this way, costs and returns are distinguished where they materially vary depending on product features, to ensure adequate comparisons.

The selection was addressed to those products that were commercialised at least until 31st December 2021 to exclude products in run-off.

While for costs information publicly available input from the PRIIPs KID is used, additional data have been requested on past performance and on costs not reflected in that performance to allow computing a past performance net of all costs. The methodology to calculate the performance of the products is specific to the type of product: unit-linked, profit participation and hybrids.

This report focuses on net performance in nominal terms, i.e. gross of inflation and tax effect. Some consideration on inflation are also provided together with the actual rate of inflation measured in the years of analysis. On the other hand, for the analysis on costs, the Reduction in Yield (RIY) figures as reported in the KID are used without the need to collect other ad-hoc input.

Unit-linked products

For the iteration of the 2023 report, as for previous ones, a unique template for both 10.a and 10.b unit-linked products[41] was used. In case of single option products the collection is straightforward. In case of multi-option products the data collection is based on the largest underlying options (in terms of GWP 2021) and the insurance wrapper. A product is therefore considered as one option plus its wrapper, following a consumer perspective. This may differ from the manufacturer's perspective where a product can be defined as all the available underlying options plus the insurance wrapper.

[41] 10.a and 10.b unit-linked product refers to Article 10 PRIIPs-RTS / delegated regulation

The net return computations is based on the NaV YoY% change as unit value, to prevent possible fluctuation due to submission/redemption or dividends, adjusted for all the costs not included in the NaV in order to be able to compute a net return.

Calculations – Unit Linked Product

R(j): observable annual return of the unit of the fund in year j, i.e. **R(j) =** $\frac{\mathbf{NaVj}}{\mathbf{NaVj-1}} - \mathbf{1}$

RIY(j): Reduction in Yield of all the costs components not included in R(j)

R(j)_n: net return for the year j, i.e. **R(j)_n = R(j)-RIY(j)**

R_av_n: average net return of the fund in the sample period (n=5), i.e.:

R_av_n = ((1+R(1)_n)•….• (1+R(n)))^(1/n)-1

Profit participation products

To measure the past performance of profit participation products EIOPA has used data on the evolution of the Total Credit Rate (inclusive of technical interest rate, profit participation rate, allocated declared terminal bonus) or profit sharing rate. These are broadly understood as a reasonable proxy for overall performance trends.

Undertakings were required to provide the past annual profit participation rates for the last 5 years. All the costs items not already accounted in the provided profit rate were to be shown in terms of RIY on separate basis in order to compute the net return.

Calculations – Profit Participation Product

R(j) : observable annual return of the unit of the fund in year j, i.e. **R(j) = Total Credit Rate (inclusive of technical interest rate, profit participation rate, allocated declared terminal bonus) or Profit sharing rate**

RIY(j): Reduction in Yield of all the costs components not accounted in R(j)

R(j)_n: net return of the product for the year j, i.e **R(j)_n = R(j)-RIY(j)**

R_av_n: average net return of the product in the sample period (n=5), i.e.:

R_av_n = ((1+R(1)_n) •….• (1+R(n)))^(1/n)-1

Hybrid products

Hybrid products are a mix of unit-linked and products with profit participation. For these products, the net return was computed with two alternative approaches, depending on how the products were sold, i.e.:

- as combination already set by the manufacturer
- a variety of options were the allocation between the two components (the unit-linked and the profit participation one) is customised by the policyholder.

In the former case, the net return for hybrid products is simply the aggregate net return of the combination offered were the most relevant one in terms of GWP per risk class is considered.

In the second case, the net return of the hybrid product is a weighted average of the most popular unit-linked and profit participation components. The allocation between the two options is provided by the product manufacturers as representative of the average allocation for policyholders. This, while being often an approximation as the allocation changes consumer by consumer, aims at providing an aggregate meaningful pictures. For example manufacturer can use assets under management or GWP allocation to compute the average allocation per option.

Respondents had the possibility to choose the approach most adequate to represent the feature of their product, hence either to provide two underlying options with their relative allocation, either to provide the information on the hybrid product as aggregate.

Calculations – Hybrid Product

1st approach

R(j)_HY : observable annual return of the product during year j, i.e. **R(j)_ HY= Total return computed by the undertaking on an aggregate basis**

RIY(j)_HY: Reduction in Yield of all the costs components not accounted in R(j)

R(j)_n_HY: net return of the profit sharing component of the product for the year j, i.e **R(j)_n_HY = R(j)_HY - RIY(j)_HY**

R_av_n_HY: average net return of the product in the sample period (n=5), i.e.

R_av_n_HY = ((1+R(1)_n) •….• (1+R(n)))^(1/n)-1

2nd approach

As unit-linked and profit participation options are unbundled, at first the net return has to be computed for each option individually. Secondly the hybrid net return is obtained weighting the two components.

UL net return Calculation

R(j)_UL : observable annual return of the unit of the fund in year j, i.e. **R(j) =** $\frac{\mathbf{NaVj}}{\mathbf{NaVj-1}} - \mathbf{1}$

RIY(j)_UL: Reduction in Yield of all the costs components not included in R(j)

R(j)_n_UL: net return for the year j, i.e **R(j)_n_UL = R(j)_UL - RIY(j)_UL**

PP net return

R(j)_PP : observable annual return of the product during year j, i.e. **R(j)_PP = Total Credit Rate (inclusive of technical interest rate, profit participation rate, allocated declared terminal bonus) or Profit sharing rate**

RIY(j)_PP: Reduction in Yield of all the costs components not accounted in R(j)_PP

R(j)_n_PP: net return of the profit sharing component of the product for the year j, i.e **R(j)_n_PP = R(j)_PP - RIY(j)_PP**

Hybrid net return

K: relative weight of the UL components with respect to the PP component

1-K: relative weight of the PP components with respect to the UL component

R(j)_n_HY: net return of the Hybrid product, weighted average of the UL and PP net return for the year j, i.e. **R(j)_n_HY= R(j)_n_UL*K + R(j)_n_PP * (1-k)**

R_av_n_HY: average net return of the fund in the sample period (n=5), i.e.

R_av_n_HY = ((1+R(1)_n) •….• (1+R(n)))^(1/n)-1

I.II. Pension Products

Given the lack of harmonisation at the European level of what is commonly defined as personal pension product (PPP), the categorization is based on national legislation. Therefore, under PPPs category there is a diversity of products. PPPs could be IBIPs with KID and non IBIPs products. Given the diverse framework, EIOPA requested to report data for only the 3 most relevant Personal Pension Product in 2021 GWP terms.

However, EIOPA applied the same IBIPs template to collect the data, bearing in mind that the absence of a harmonised framework as PRIIPs implies a lower data granularity and availability.

The calculation followed to compute the net return of personal pension product are those shown above for the unit-linked, profit participation and hybrid products.

In addition, the survey on IBIPs ask direct information on whether the IBIPs product represented is also sold with the aim to provide a pension benefit during the retirement age. The report also shows the costs and the performance of this subset of products.

I.III. Refinements

Leveraging on the lessons learnt from previous editions, some refinements to the methodology of the 2023 report were made with respect to the previous years' edition. This paragraph aims at giving transparent evidence of such methodological improvements.

In particular:

- Similarly to last year, in order to compute weighted return and weighted costs figures it was finally possible to use the GWP corresponding to the product rather than the one corresponding to the undertaking per line of business. This was ultimately possible as the quality of the input collected corresponding to the field GWP 2021 was adequate.

- The return and costs by markets reflect the country of commercialization of the product taking into consideration product written on a cross border basis. The surveys shared this year included a field to report the 'country of commercialisation', which allows for capturing a more precise picture on the cross border business and provide some additional considerations on these matters.

- The 2023 report expanded the analyses on ESG related topics, by gathering information on the ESG classification of the products, underlying funds (in the case of UL products) and SFDR disclosures. The additional data provide more input to assess the market developments on this field, the impact on costs and returns, and the potential risks to consumers. Going forward, the fully implementation of European directives on this regards will be of further interest and importance.

- Further analysis on the underlying assets and investments backing UL products were included, leveraging on the ISIN code provided in the surveys. This aims to gather more input and insights on the type of exposure of UL products and how it can impact the consumer.

- The current year report also improved the pension sections, providing a more concrete context to the relevance of IORPs for each member state, and by targeting more concrete analysis based on the central repository. Given the different significance in terms of providers and products, this year's report aims to provide a more granular picture of the pension's landscape across countries, putting in the context the subsequent analysis.

Annex II – Statistical Annex

Table 3 – Unit-linked net return by Member State, 2017-2021

Country	N.of products	ST deviation 2021-2017	Yearly NR 2021-2017	Weighted_NR_ UL_2017	Weighted_NR_ UL_2018	Weighted_NR_ UL_2019	Weighted_NR_ UL_2020	Weighted_NR_ UL_2021
AT	41	6.2%	4.4%	6.0%	-5.4%	12.7%	1.2%	8.3%
BE	28	6.4%	3.2%	2.4%	-6.6%	10.3%	0.6%	10.4%
BG	8	11.6%	13.0%	21.4%	-8.0%	22.4%	10.9%	21.3%
CZ	14	4.2%	2.4%	2.6%	-4.8%	7.9%	1.7%	5.0%
DE	67	11.1%	4.3%	-3.2%	-10.5%	17.6%	3.2%	17.2%
EE	18	6.6%	5.1%	4.4%	-5.3%	13.8%	3.1%	10.3%
EL	17	13.3%	6.0%	11.9%	-13.6%	26.2%	-0.6%	10.1%
ES	31	6.4%	6.0%	5.4%	-5.1%	13.7%	6.0%	10.8%
FI	22	7.8%	6.6%	5.2%	-4.8%	18.0%	3.8%	12.1%
FR	6	8.6%	1.1%	0.0%	-11.2%	13.9%	-2.6%	7.2%
HR	22	4.6%	2.0%	1.8%	-3.6%	9.5%	-1.6%	4.5%
HU	36	7.7%	7.9%	6.0%	-5.4%	16.7%	10.0%	13.5%
IE	25	7.1%	7.8%	5.0%	-3.9%	16.3%	9.3%	13.4%
IT	76	7.7%	6.3%	4.2%	-6.3%	15.6%	13.2%	7.9%
LT	21	6.7%	4.8%	4.4%	-6.7%	12.9%	4.2%	10.3%
LU	8	6.2%	1.4%	0.0%	-5.2%	11.5%	-3.6%	5.4%
LV	20	5.8%	4.2%	4.0%	-5.6%	11.6%	3.3%	8.2%
MT	13	4.4%	0.8%	1.8%	-5.4%	7.4%	-2.1%	3.0%
NO	24	6.9%	7.0%	10.1%	-3.9%	12.5%	2.5%	14.8%
PL	28	4.5%	3.9%	8.0%	-4.7%	6.8%	6.0%	3.9%
PT	25	5.4%	3.1%	3.6%	-6.9%	9.0%	4.5%	6.2%
RO	15	9.4%	6.3%	5.1%	-7.0%	17.4%	1.0%	16.7%
SE	29	6.5%	10.0%	8.7%	-1.9%	16.0%	14.6%	13.6%
SI	25	7.7%	4.5%	1.3%	-6.4%	14.8%	2.3%	12.0%
SK	8	10.4%	7.3%	6.4%	-9.8%	19.2%	6.0%	17.6%
EEA	627	9.7%	7.1%	4.7%	-5.8%	14.2%	7.5%	9.4%

Table 4 – Hybrid products net return, by Member State, 2017-2021

Country	N.of products	ST deviation 2021-2017	Yearly NR 2021-2017	Weighted_NR_ HY_2017	Weighted_NR_ HY_2018	Weighted_NR_ HY_2019	Weighted_NR_ HY_2020	Weighted_NR_ HY_2021
AT	24	4.2%	4.3%	3.2%	-3.3%	8.6%	7.3%	6.1%
BE	14	1.1%	1.6%	2.5%	0.6%	2.5%	0.0%	2.4%
DE	45	3.4%	4.1%	3.7%	-0.5%	8.4%	1.6%	7.4%
FR	88	3.0%	2.9%	2.2%	-2.4%	5.8%	5.8%	3.3%
IT	85	3.3%	2.5%	1.8%	-3.3%	6.5%	3.0%	4.7%
LU	7	5.3%	1.9%	3.4%	-6.9%	9.0%	4.5%	0.4%
EEA	270	5.7%	3.8%	2.3%	-2.3%	6.2%	4.8%	4.0%

EL, HR, HU, SI and SK have reported one product, therefore, they have been excluded from the country level analysis

Table 5 – Profit-participation products net return, by Member State, 2017-2021

Country	N.of products	St deviation 2021-2017	Yearly NR 2021-2017	Weighted_N R_PP_2017	Weighted_NR _PP_2018	Weighted_N R_PP_2019	Weighted_N R_PP_2020	Weighted_N R_PP_2021
AT	11	0.1%	0.9%	1.0%	0.9%	0.9%	0.9%	0.9%
BE	13	0.2%	1.4%	1.6%	1.6%	1.4%	1.1%	1.3%
DE	22	0.3%	2.0%	2.2%	2.4%	1.8%	1.9%	1.4%
EL	7	0.3%	2.4%	2.9%	2.3%	2.3%	2.3%	2.3%
ES	3	0.1%	0.1%	0.0%	0.0%	0.2%	0.2%	0.3%
HR	3	1.2%	0.9%	-1.2%	2.3%	1.5%	1.1%	0.8%
HU	12	0.3%	0.7%	1.1%	0.9%	0.8%	0.6%	0.1%
IT	25	0.1%	1.0%	0.8%	1.1%	1.2%	1.1%	0.9%
MT	3	0.6%	2.4%	3.1%	2.4%	2.9%	1.5%	2.0%
PL	3	0.6%	1.4%	1.5%	1.8%	2.1%	1.4%	0.4%
PT	4	0.7%	0.6%	0.0%	0.0%	1.8%	0.8%	0.7%
RO	16	0.2%	2.6%	2.3%	2.9%	2.8%	2.7%	2.4%
SK	6	0.1%	1.2%	1.0%	1.3%	1.3%	1.2%	1.0%
EEA	128	1.5%	1.6%	2.1%	2.2%	1.6%	1.6%	1.3%

CZ, SE and SI were not included as less than 3 products were reported
EE, LT and LV only commercialise cross-border business (also less than 3 products), therefore, also excluded

Table 6 – Unit-linked products net return, cross border basis, 2021

Host Country	Home Country	Weighted _NR_UL_2017	Weighted _NR_UL_2018	Weighted _NR_UL_2019	Weighted _NR_UL_2020	Weighted _NR_UL_2021	Yearly NR 2021-2017	ST deviation 2021-2017	N.of product analysed
AT	LI			11.9%	4.7%	1.6%	6.0%	4.3%	7
DE	IE, LI	10.7%	-5.5%	16.8%	16.2%	11.2%	9.6%	8.1%	28
EE	LV	4.7%	-5.3%	13.3%	2.2%	9.0%	4.6%	6.3%	8
FR	LU		-11.2%	13.9%	-2.6%	7.2%	1.4%	9.5%	6
IT	IE, LI, LU, SK	9.3%	-4.5%	14.8%	18.3%	4.8%	8.2%	8.0%	28
LT	EE, LV	4.5%	-5.4%	12.1%	5.1%	12.1%	5.5%	6.4%	10
LV	EE	1.7%	-3.8%	17.2%	6.3%	13.1%	6.6%	7.6%	4
MT	LI	-2.3%	-5.4%	1.2%	-0.3%	-2.1%	-1.8%	2.2%	1

Table 7 – Hybrid products net return, cross-border basis, 2021

Host Country	Home country	Weighted _NR_HY_ 2021	Yearly NR 2021-2017	N.of product analysed
FR	LU	2.4%	5.9%	15
IT	LU, SK	3.6%	2.8%	9

Table 8 – Unit-linked net return, by risk class, 2017-2021

KID Risk Class	N.of products	ST deviation 2021-2017	Yearly NR 2021-2017	Weighted_NR_UL_2017	Weighted_NR_UL_2018	Weighted_NR_UL_2019	Weighted_NR_UL_2020	Weighted_NR_UL_2021
1	51	0%	-1%	-2%	-2%	-1%	-1%	-1%
2	118	3%	1%	1%	-4%	6%	1%	2%
3	171	6%	4%	5%	-7%	12%	3%	8%
4	131	11%	10%	11%	-8%	23%	8%	18%
5	67	14%	16%	9%	-6%	28%	34%	17%
6	64	13%	8%	2%	-12%	27%	12%	17%
7	19	13%	17%	21%	-6%	22%	31%	21%

Table 9 – Hybrid net return, by risk class, 2017-2021

KID Risk Class	N.of products	ST deviation 2021-2017	Yearly NR 2021-2017	Weighted_NR_HY_2017	Weighted_NR_HY_2018	Weighted_NR_HY_2019	Weighted_NR_HY_2020	Weighted_NR_HY_2021
1	25	0%	0%	1%	0%	1%	0%	0%
2	59	2%	2%	2%	-2%	4%	2%	2%
3	61	2%	2%	2%	-2%	5%	2%	4%
4	61	2%	3%	2%	-1%	5%	3%	5%
5	28	4%	4%	4%	-2%	8%	3%	7%
6	26	5%	5%	4%	-3%	11%	3%	9%
7	14	14%	7%	-1%	-7%	10%	34%	0%

Table 10 – Profit participation net return, by risk class, 2017-2021

KID Risk Class	N.of products	St deviation 2021-2017	Yearly NR 2021-2017	Weighted_NR_PP_2017	Weighted_NR_PP_2018	Weighted_NR_PP_2019	Weighted_NR_PP_2020	Weighted_NR_PP_2021
1	64	0.4%	1.9%	2.3%	2.3%	1.7%	1.6%	1.4%
2	53	0.6%	1.2%	0.9%	1.5%	0.8%	2.2%	0.6%
3	18	0.3%	1.5%	1.8%	1.6%	1.7%	1.2%	1.3%

Table 11 – Unit linked net return, by recommended holding period, 2017-2021

RHP	N.of products	ST deviation 2021-2017	Yearly NR 2021-2017	Weighted_NR_UL_2017	Weighted_NR_UL_2018	Weighted_NR_UL_2019	Weighted_NR_UL_2020	Weighted_NR_UL_2021
Long	175	11%	3%	-5%	-11%	18%	5%	13%
Short	446	6%	6%	6%	-5%	14%	8%	9%

Table 12 – Hybrid net return, by recommended holding period, 2017-2021

RHP	N.of products	ST deviation 2021-2017	Yearly NR 2021-2017	Weighted_NR_HY_2017	Weighted_NR_HY_2018	Weighted_NR_HY_2019	Weighted_NR_HY_2020	Weighted_NR_HY_2021
Long	**72**	5%	6%	4%	-1%	13%	4%	9%
Short	**202**	3%	3%	2%	-2%	6%	5%	4%

Table 13 – Profit participation net return, by recommended holding period, 2017-2021

RHP	N.of products	ST deviation 2021-2017	Yearly NR 2021-2017	Weighted_NR_PP_2017	Weighted_NR_PP_2018	Weighted_NR_PP_2019	Weighted_NR_PP_2020	Weighted_NR_PP_2021
Long	72	0.2%	2.1%	2.2%	2.3%	2.0%	2.2%	1.7%
Short	70	0.3%	1.2%	1.6%	1.6%	1.1%	1.0%	0.9%

Table 14 – Unit-linked net return, by premium frequency, 2017-2021

Premium frequency	N.of products	ST deviation 2021-2017	Yearly NR 2021-2017	Weighted_NR_UL_2017	Weighted_NR_UL_2018	Weighted_NR_UL_2019	Weighted_NR_UL_2020	Weighted_NR_UL_2021
Flexible	226	6%	6%	7%	-5%	13%	8%	9%
Regular	162	9%	3%	-3%	-10%	15%	2%	14%
Single	234	7%	5%	2%	-6%	15%	8%	8%

Table 15 – Hybrid net return, by premium frequency, 2017-2021

Premium frequency	N.of products	ST deviation 2021-2017	Yearly NR 2021-2017	Weighted_NR_HY_2017	Weighted_NR_HY_2018	Weighted_NR_HY_2019	Weighted_NR_HY_2020	Weighted_NR_HY_2021
Flexible	100	2%	3%	2%	-1%	5%	5%	4%
Regular	52	6%	6%	3%	-1%	14%	4%	10%
Single	122	3%	3%	3%	-4%	6%	5%	4%

Table 16 – Profit-participation net return, by premium frequency, 2017-2021

Premium frequency	N.of products	ST deviation 2021-2017	Yearly NR 2021-2017	Weighted_NR_PP_2017	Weighted_NR_PP_2018	Weighted_NR_PP_2019	Weighted_NR_PP_2020	Weighted_NR_PP_2021
Flexible	13	0.2%	1.2%	1.4%	1.4%	1.1%	1.0%	1.0%
Regular	83	0.2%	2.1%	2.2%	2.3%	2.0%	2.2%	1.7%
Single	47	0.4%	1.3%	1.8%	1.8%	1.2%	1.0%	0.8%

Table 17 – Unit-linked costs, by Member State, 2021

Country	Weighted_RIY_ Entry_Cost_UL	Weighted_RIY_ Exit_Cost_UL	Weighted_RIY_ Trans_Cost_UL	Weighted_RIY_ Other_Ongoing _Cost_UL	Weighted_RIY_ Perf_Fees_UL	Weighted_RIY_ Wrapper_Costs _UL	Weighted_RIY_ RHP_UL
AT	0.2%	0.0%	0.1%	1.8%	0.0%	0.4%	2.5%
BE	0.8%	0.0%	0.2%	1.7%	0.0%	0.0%	2.7%
BG	0.0%	0.0%	0.9%	0.0%	0.0%	1.3%	2.1%
CZ	0.3%	0.0%	0.5%	1.0%	0.1%	0.1%	2.1%
DE	0.2%	0.0%	0.1%	1.1%	0.0%	0.2%	1.6%
EE	0.1%	0.0%	0.0%	1.3%	0.0%	0.0%	1.6%
EL	0.3%	0.0%	0.1%	1.2%	0.0%	0.0%	1.7%
ES	0.0%	0.0%	0.4%	1.8%	0.0%	0.0%	2.1%
FI	0.0%	0.0%	0.1%	1.3%	0.0%	0.1%	1.5%
FR	0.1%	0.0%	0.1%	2.8%	0.0%	0.0%	3.0%
HR	0.4%	0.0%	0.0%	2.4%	0.0%	0.0%	2.8%
HU	0.3%	0.0%	0.2%	2.4%	0.0%	0.0%	2.9%
IE	0.2%	0.0%	0.2%	2.2%	0.0%	0.0%	2.5%
IT	0.2%	0.0%	0.1%	2.1%	0.0%	0.4%	2.8%
LT	0.1%	0.0%	0.0%	2.2%	0.0%	0.0%	2.2%
LU	0.0%	0.0%	0.2%	1.5%	0.0%	0.2%	1.9%
LV	0.0%	0.0%	0.0%	1.7%	0.0%	0.1%	1.8%
MT	0.0%	0.0%	0.0%	1.2%	0.0%	1.1%	2.3%
NO	0.0%	0.0%	0.0%	0.8%	0.0%	0.3%	1.1%
PL	0.1%	0.0%	0.0%	2.7%	0.0%	0.0%	2.7%
PT	0.0%	0.0%	0.2%	1.3%	0.0%	0.0%	1.5%
RO	0.0%	0.0%	0.1%	2.3%	0.0%	0.8%	3.2%
SE	0.0%	0.0%	0.7%	0.0%	0.0%	0.0%	0.8%
SI	0.8%	0.0%	0.2%	2.8%	0.0%	0.0%	3.8%
SK	0.5%	0.0%	0.4%	1.5%	0.0%	0.0%	2.3%
EEA	0.2%	0.0%	0.2%	1.6%	0.0%	0.2%	2.2%

Table 18 – Hybrid costs, by Member State, 2021

Country	Weighted_HY_RIY _RHP
AT	2.0%
BE	2.6%
DE	1.6%
FR	2.4%
IT	2.2%
LU	1.5%
EEA	2.3%

Table 19 – Profit-participation costs, by Member State, 2021

Country	Weighted_RIY_ Entry_Cost_PP	Weighted_RIY_ Exit_Cost_PP	Weighted_RIY_ Trans_Cost_PP	Weighted_RIY_ Other_Ongoing _Cost_PP	Weighted_RIY_ Performance_F ees_PP	Weighted_RIY_ RHP_PP
AT	0.2%	0.0%	0.0%	1.0%	0.0%	1.2%
BE	0.5%	0.0%	0.0%	0.0%	0.0%	0.5%
DE	0.3%	0.0%	0.1%	0.9%	0.0%	1.2%
EL	1.1%	0.0%	0.0%	0.5%	0.0%	2.2%
ES	0.0%	0.0%	0.0%	0.6%	0.0%	0.6%
HR	0.4%	0.0%	0.0%	2.8%	0.0%	3.3%
HU	0.2%	0.0%	0.0%	3.2%	0.0%	3.5%
IT	0.3%	0.0%	0.0%	1.5%	0.0%	1.8%
MT	0.4%	0.0%	0.3%	1.0%	0.0%	1.7%
PL	0.0%	0.0%	0.0%	2.7%	0.0%	2.7%
PT	0.5%	0.0%	0.0%	0.9%	0.0%	1.4%
RO	0.6%	0.0%	0.2%	2.5%	0.0%	3.3%
SK	0.0%	0.0%	0.0%	0.7%	0.0%	0.7%
EEA	0.3%	0.0%	0.1%	1.4%	0.0%	1.9%

Table 20 – Unit-linked costs, cross-border basis, 2021

Host_Country	Country	Weighted _RIY_RHP _UL
AT	LI	3.8%
DE	IE	0.6%
	LI	2.2%
EE	LV	1.7%
FR	LU	3.0%
IT	IE	2.5%
	LI	1.6%
	LU	4.2%
	SK	5.1%
LT	EE	1.6%
	LV	1.1%
LV	EE	1.8%
MT	LI	3.2%

Table 21 – Hybrid costs, cross-border basis, 2021

Host Country	Home country	Weighted _HY_RIY_ RHP	N.of product analysed
FR	LU	1.9%	15
IT	LU, SK	4.0%	9

Table 22 – Unit-linked costs, by risk class, 2021

Risk Class	Weighted_RIY_Entry_Cost_UL	Weighted _RIY_Exit _Cost_UL	Weighted _RIY_Trans_Cost_ UL	Weighted _RIY_Other_Ongoing_Cost_ UL	Weighted _RIY_Perf _Fees_UL	Weighted _RIY_Wrapper_Costs_UL	Weighted _RIY_RHP _UL
1	0.6%	0.0%	0.0%	0.7%	0.0%	0.4%	1.7%
2	0.2%	0.0%	0.1%	1.6%	0.0%	0.0%	2.0%
3	0.2%	0.0%	0.2%	1.9%	0.0%	0.1%	2.4%
4	0.2%	0.0%	0.2%	2.1%	0.0%	0.2%	2.6%
5	0.2%	0.0%	0.2%	1.8%	0.1%	0.3%	2.6%
6	0.1%	0.0%	0.1%	1.4%	0.0%	0.6%	2.2%
7	0.0%	0.0%	0.6%	1.3%	0.0%	0.2%	2.1%

Table 23 – Hybrid costs, by risk class, 2021

Risk Class	Weighted_HY_ RIY_RHP
1	4.4%
2	2.0%
3	2.0%
4	2.1%
5	2.5%
6	1.8%
7	2.5%

Table 24 – Profit participation costs, by risk class, 2021

Risk Class	Weighted_RIY _Entry_Cost_P P	Weighted_RIY _Exit_Cost_PP	Weighted_RIY _Trans_Cost_ PP	Weighted_RIY _Other_Ongoi ng_Cost_PP	Weighted_RIY _Performance _Fees_PP	Weighted_RIY _RHP_PP
1	0.3%	0.0%	0.0%	0.9%	0.0%	1.3%
2	0.3%	0.0%	0.1%	1.0%	0.0%	1.4%
3	0.2%	0.0%	0.1%	1.8%	0.0%	2.1%

Table 25 – Unit-linked costs, by recommended holding period, 2021

Recommended holding period	Weighted_RIY_Entry_Cost_UL	Weighted_RIY_Exit_Cost_UL	Weighted_RIY_Trans_Cost_UL	Weighted_RIY_Other_Ongoing_Cost_UL	Weighted_RIY_Perf_Fees_UL	Weighted_RIY_Wrapper_Costs_UL	Weighted_RIY_RHP_UL
Long	0.2%	0.0%	0.0%	1.3%	0.0%	0.4%	1.9%
Short	0.2%	0.0%	0.2%	1.7%	0.0%	0.2%	2.3%

Table 26 – Hybrid costs, by recommended holding period, 2021

Recommended holding period	Weighted_HY_RIY_RHP
Long	2.0%
Short	2.3%

Table 27 – Profit-participation costs, by recommended holding period, 2021

Recommended holding period	Weighted_RIY_Entry_Cost_PP	Weighted_RIY_Exit_Cost_PP	Weighted_RIY_Trans_Cost_PP	Weighted_RIY_Other_Ongoing_Cost_PP	Weighted_RIY_Performance_Fees_PP	Weighted_RIY_RHP_PP
Long	0.3%	0.0%	0.1%	1.1%	0.0%	1.5%
Short	0.3%	0.0%	0.0%	0.8%	0.0%	1.1%

Table 28 – Unit-linked costs, by premium frequency, 2021

Premium Frequency	Weighted_RIY_Entry_Cost_UL	Weighted_RIY_Exit_Cost_UL	Weighted_RIY_Trans_Cost_UL	Weighted_RIY_Other_Ongoing_Cost_UL	Weighted_RIY_Perf_Fees_UL	Weighted_RIY_Wrapper_Costs_UL	Weighted_RIY_RHP_UL
Flexible	0.3%	0.0%	0.2%	1.5%	0.0%	0.1%	2.0%
Regular	0.2%	0.0%	0.2%	1.3%	0.0%	0.1%	1.9%
Single	0.1%	0.0%	0.1%	2.1%	0.0%	0.4%	2.7%

Table 29 – Hybrid costs, by premium frequency, 2021

Premium Frequency	Weighted_HY_RIY_RHP
Flexible	2.7%
Regular	2.1%
Single	1.9%

Table 30 – Profit participation, by premium frequency, 2021

Premium Frequency	Weighted_RIY_Entry_Cost_PP	Weighted_RIY_Exit_Cost_PP	Weighted_RIY_Trans_Cost_PP	Weighted_RIY_Other_Ongoing_Cost_PP	Weighted_RIY_Performance_Fees_PP	Weighted_RIY_RHP_PP
Flexible	0.3%	0.0%	0.0%	0.6%	0.0%	0.9%
Regular	0.3%	0.0%	0.1%	1.2%	0.0%	1.5%
Single	0.3%	0.0%	0.0%	0.7%	0.0%	1.1%

Table 31 – Unit-linked ESG products, statistics net returns, 2017-2021

	Net return 2021	Net return 2020	Net return 2019	Net return 2018	Net return 2017	Net return compounded 2021-2017
N. of poducts	226	194	172	141	124	226
Median Net Return	10.8%	2.9%	13.8%	-5.1%	5.0%	5.7%
Simple Average Net R	11.8%	7.5%	15.4%	-5.2%	6.6%	8.0%
Weighetd Average Ne	11.2%	7.8%	16.0%	-5.1%	7.5%	8.6%
St dev	12.2%	17.5%	12.9%	5.9%	9.0%	9.1%
25% percentile	1.1%	0.0%	4.7%	-8.8%	1.1%	1.5%
75% percentile	20.0%	7.7%	26.4%	-1.5%	9.6%	12.5%
Skewness	0.31	4.09	0.34	0.42	1.50	0.75
Kurtosis	(0.33)	20.17	(0.43)	3.31	4.22	0.53
Min	-25.1%	-16.1%	-19.3%	-26.1%	-19.9%	-18.5%
Max	49.3%	115.1%	56.5%	21.2%	42.7%	34.3%

Table 32 – Hybrid ESG products, statistics net returns, 2017-2021

	Net return 2021	Net return 2020	Net return 2019	Net return 2018	Net return 2017	Net return compounded 2021-2017
N. of poducts	111	84	62	50	43	111
Median Net Return	3.0%	1.8%	5.9%	-1.9%	2.4%	2.6%
Average Net Return	4.4%	5.8%	7.1%	-3.8%	2.5%	3.9%
Weighted Average Net return	3.2%	5.3%	6.8%	-3.4%	2.4%	3.4%
St dev	6.7%	18.1%	6.5%	6.9%	4.2%	4.6%
25% percentile	0.3%	0.0%	2.1%	-4.5%	0.6%	0.6%
75% percentile	7.6%	5.5%	11.0%	-0.4%	4.0%	5.8%
Skewness	0.87	5.30	1.22	(3.63)	(0.13)	1.29
Kurtosis	3.05	32.29	2.12	17.67	4.16	1.76
Min	-17.0%	-11.8%	-1.9%	-41.2%	-11.9%	-5.6%
Max	30.3%	132.5%	31.6%	2.5%	15.5%	18.6%

Table 33 – Profit participation ESG products, statistics net returns, 2017-2021

	Net return 2021	Net return 2020	Net return 2019	Net return 2018	Net return 2017	Net return compounded 2021-2017
N. of poducts	18	18	18	14	13	18
Median Net Return	1.2%	1.3%	1.4%	1.3%	1.3%	1.3%
Average Net Return	1.3%	1.3%	1.5%	1.6%	1.6%	1.4%
Weighted Average Net return	1.8%	2.0%	2.3%	2.3%	2.3%	2.1%
St dev	0.5%	0.5%	0.6%	0.6%	0.6%	0.6%
25% percentile	1.0%	0.9%	1.0%	1.1%	1.2%	1.1%
75% percentile	1.5%	1.8%	2.2%	2.3%	2.1%	2.1%
Skewness	(0.61)	0.24	0.29	0.57	0.85	(0.03)
Kurtosis	1.94	(0.81)	(0.76)	(1.20)	(0.39)	(0.17)
Min	-0.1%	0.3%	0.3%	0.9%	0.9%	0.2%
Max	2.0%	2.2%	2.5%	2.5%	2.8%	2.3%

Table 34 – Unit-linked ESG products, statistics costs, 2021

	RHP	RIY at RHP	Entry Costs	Exit Costs	Transaction Costs	Other Ongoing Costs	Performance Fees	Additonal Wrapper costs
N. of poducts	226	226	192	173	205	211	152	147
Median	5	2.0%	0.0%	0.0%	0.0%	1.5%	0.0%	0.0%
Average	10	2.1%	0.3%	0.0%	0.2%	1.6%	0.0%	0.3%
Weighetd Average	10	2.1%	0.2%	0.0%	0.2%	1.5%	0.0%	0.1%
St dev	9	1.2%	0.6%	0.0%	0.4%	1.0%	0.1%	0.6%
25% percentile	4	1.3%	0.0%	0.0%	0.0%	0.8%	0.0%	0.0%
75% percentile	10	2.9%	0.4%	0.0%	0.2%	2.1%	0.0%	0.4%
Min	1	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Max	40	7.5%	4.9%	0.0%	2.1%	6.2%	0.9%	2.5%

Table 35 – Hybrid ESG products, statistics costs, 2021

	RIY at RHP
N. of poducts	111
Median	2.1%
Simple Average	2.3%
Weighted Average	2.4%
St dev	2.4%
25% percentile	1.5%
75% percentile	2.6%
Min	0.0%
Max	24.9%

Table 36 – Profit-participation ESG products, statistics costs, 2021

	RIY at RHP	Entry Costs	Exit Costs	Transaction Costs	Other Ongoing Costs	Performance Fees
N. of poducts	18	18	15	15	16	10
Median	1.4%	0.4%	0.0%	0.0%	0.9%	0.0%
Average	1.2%	0.4%	0.0%	0.1%	0.8%	0.0%
Weighted Average	1.4%	0.3%	0.0%	0.1%	1.1%	0.0%
St dev	0.6%	0.3%	0.0%	0.4%	0.6%	0.0%
25% percentile	0.7%	0.2%	0.0%	0.0%	0.2%	0.0%
75% percentile	1.7%	0.5%	0.0%	0.1%	1.4%	0.0%
Skewness	0.23	2.31		3.70	0.08	
Kurtosis	(1.23)	7.66		13.97	(1.51)	
Min	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Max	2.3%	1.5%	0.0%	1.6%	1.8%	0.0%

Table 37 - Number of products with sustainability features by Member State (and by product type)

Country	N.of product analysed UL	N.of product analysed PP	N.of product analysed HY
AT	17	0	7
BE	20	6	8
BG	7	0	0
CZ	5	2	0
DE	14	6	6
EE	6	0	0
EL	0	0	1
ES	1	0	0
FI	8	0	0
FR	12	0	44
HR	4	0	0
HU	7	0	0
IE	24	0	0
IT	17	3	28
LI	9	0	0
LT	3	0	0
LU	0	0	16
LV	16	0	0
MT	2	0	0
NO	19	0	0
PL	0	0	0
PT	2	0	0
RO	1	0	0
SE	24	1	0
SI	3	0	0
SK	5	0	1

Annex III – Occupational Pensions Landscape – country analysis

Country	Type of providers and plans[42]	Membership and Freedom of choice on the pension product/plan provider	Taxation
AT	▪ Pensionskassen ▪ Direct commitments (Direktzusagen) ▪ Direct insurance (Direktversicherung) ▪ - Support funds (Unterstutzungskasse)	▪ Voluntary. ▪ Before a pension fund contract can be signed, the employer and the employees have to decide via „Betriebsvereinbarung“ (a contract signed by the representatives of the employees of a certain firm and the firm) or via model contract on the specific contributions and the fulfilment of obligations. ▪ Employers with more than 1000 employees in their firm can establish their own pension fund.	▪ EET treatment[43] - principle is just realised for the employers` contributions to the pension funds, not for the contributions of the employees. ▪ Income Tax Act states a premium for contributions paid to a pension fund, an additional pension insurance, and voluntary higher payments to the public pension insurance or a pension investment fund made by an employee of up to EUR 1.000.
BE	▪ Instellingen voor bedrijfspensioenvoorziening, or institutions de retraite professionnelle, or institutions for occupational retirement ▪ Group life insurance schemes ▪ Individual pension savings account	▪ Voluntary ▪ There is no obligation for employers to set up supplementary schemes for employees. ▪ If there is a plan in place, employees immediately become members of the plan upon entry into service.	▪ Employer contributions might be tax-deductible under certain circumstances. ▪ Benefits are taxed as incomes, but retirees do receive tax credits. ▪ Favourable tax treatment of lump sums payments.
BG	▪ Voluntary pension funds under occupational schemes (VPFOS)	▪ Automatic enrolment, if the occupational scheme is established by a collective bargaining agreement, it applies automatically to all members of the trade unions, and all employees who are not members of the trade union can join; if the occupational scheme is	▪ EEE treatment[44] in which contributions[45], investment income and benefits are exempt from taxes.

[42] Providers and schemes design for occupational pension plans.
[43] EET system: A form of taxation of pension plans, whereby contributions are exempt, investment income and capital gains of the pension fund are also exempt and benefits are taxed from personal income taxation.
[44] EEE system: “Exempt-Exempt-Exempt” regime, where contributions, returns on investment and pension income are all tax-exempt
[45] The contributions are not taxable up to a certain amount.

		established by a collective agreement, its coverage depends on that agreement and could be automatic enrolment and/or voluntary joining the scheme by submitting the application by the respective employee.	
CY	▪ Occupational Pension Funds ▪ Provident Funds ▪ Class VII group pension schemes	▪ Mandatory or voluntary ▪ Participation is often based on collective or individual agreements with the employers. ▪ If the employer has a plan in place, the employee becomes a member a few months after employment.	▪ Tax exemption on the amount of contributions made by the employer and employee. ▪ Tax deductions on investments, upon to a certain amount.
CZ	▪ Personal Pension Plan	▪ Voluntary	▪ Tax incentives are available
DE	▪ Direktzusage ▪ Unterstützungskasse ▪ Direktversicherung ▪ Pensionskassen ▪ Pensionsfonds	▪ Voluntary system. However, employees have a right to deferred compensation. Additionally, there are collective agreements in some areas providing for obligatory occupational retirement provision or financial incentives for employees for deferred compensation	▪ EET treatment[46]
DK	▪ Company pension funds ▪ Public sector pension funds ▪ General pension funds ▪ Specialised life insurance companies ▪ Pension funds held in life insurance companies ▪ Supplementary earnings-related pension Scheme (ATP) ▪ Special pension savings scheme (SP) ▪ Public-sector employee capital pension fund (LD Pensions)	▪ Occupational Mandatory Pensions (ATP) – participation in ATP is mandatory for all employees over age 16. Self-employed can optionally participate in the ATP-pension scheme. ▪ Occupational Quasi-Mandatory Pensions – despite there is no statutory requirement for additional occupational pension provision, plans that that have been introduced by collective agreement by	▪ ETT treatment[47]

[46] The Occupational Pensions Strengthening Act (*Betriebsrentenstärkungsgesetz*), which came into effect on 1 January 2018, is expected to further encourage employers to pay occupational pension contributions.
[47] ETT taxation – contributions are tax exempt (Deductible), while investment return and pension benefits are taxed.

		the employer associations and union are compulsory for all companies covered by the agreement with only limited opt-out options.	
EE	▪ There are no occupational pension schemes in Estonia.		
EL	▪ Occupational insurance funds ▪ Occupational pension plans	▪ Voluntary ▪ Mandatory (only to occupational insurance funds) ▪ Currently not widespread in Greece.	▪ ETT treatment ▪ Returns on investment are taxed. ▪ The tax treatment of pension benefits varies. For example, regarding occupational insurance funds, annuity benefit is taxed but the lump-sum benefit is not included in taxable income.
ES	▪ Pension funds: occupational plans (Fondos de pensiones: planes de empleo) ▪ Mutual pension provident entities (entidades de prevision social or mutualidades de prevision social) ▪ Collective pension insurance plan (seguro colectivo) ▪ Non-autonomous funds (fondos de pensiones internos)	▪ Voluntary	▪ Tax incentives available, with some ceilings and caps in place.
FI	▪ The earnings-related statutory pension provisions for private sector workers, farmers and self-employed persons ▪ The earnings-related statutory pension provision for public sector workers ▪ Company pension funds and industry-wide pension funds ▪ Group pension insurance contracts in life insurance companies ▪ Book reserve pension plans	▪ Compulsory occupational pension scheme (TyEL), established through collective bargaining. ▪ Voluntary – In addition to the TyEL plan, some employers offer additional pension schemes, which usually supplement TyEL.	▪ Tax benefits available, with some ceiling on age and base income.
FR	3 types of PER (plan d'épargne retraite) : ▪ The « plan d'épargne retraite individuel (PERI) » (independent worker) ▪ The « plan d'épargne retraite d'entreprise collectif (PERE collectif) ▪ The « plan d'épargne retraite d'entreprise obligatoire (PERE obligatoire)	▪ The « plan d'épargne retraite d'entreprise obligatoire (PERE obligatoire) » => is mandatory ▪ PERI (independent worker) and PERE (collectif) => is voluntary	▪ Mandatory: ETT treatment ▪ Voluntary schemes: it depends on the earnings at the payout phase..
HR	▪ Occupational pension funds (closed ended voluntary pension funds)	▪ Voluntary: there is no obligation for employers to set up supplementary schemes for employees, nor obligation for employees to participate.	▪ Contributions paid by the employer to voluntary pension funds up to a limit of HRK 6,000 per year per person are exempt from income tax.

			▪ Pension payments made from closed-ended pension funds are not taxed.
HU	▪ Occupational pension plan	▪ Voluntary	▪ EEE treatment
IE	▪ Occupational pension plans ▪ Retirement annuity contracts	▪ Voluntary	▪ Tax relief on contributions. ▪ No tax on gains and investment income. ▪ Benefits are taxed.
IS	▪ Occupational pensions funds	▪ Mandatory	▪ Employee contributions up to 4% are tax-deductible, while there is no tax deduction ceiling on public-sector employer contributions. ▪ Pension investment income is not taxed, while pension payments are.
IT	▪ Contractual pension funds (fondi pensione negoziali) ▪ Open pension funds (fondi pensione aperti) ▪ Pre-existing autonomous pension funds (fondi pensione preesistenti autonomi) ▪ Pre-existing non-autonomous pension funds (fondi pensione preesistenti non autonomi)	▪ Voluntary - due to the reliance on the public pension scheme, occupational pension schemes are essentially voluntary.	▪ Contributions are tax-deductible up to certain levels. ▪ The taxation of the net investment income of the plan varies depending on the asset allocation. ▪ More favorable conditions on the pension benefits.
LI	▪ Occupational pension provisioning is based on funded schemes. As a rule, major companies have in-house pension schemes that manage the occupational pensions of their employees, and may also do this for other companies. Smaller companies tend to join a collective foundation. In these, each member employer represents an independent pension scheme. Different pension plans tend to exist in a collective foundation.	▪ Mandatory – employers are obliged to conclude an agreement with a pension institution domiciled in Liechtenstein.	▪ ETT treatment, but lump sum payments are taxed at a preferential rate.
LT	▪ Since July 2006, it is possible to set up occupational pension funds, but until last year no entities offer this type of product.	▪ Voluntary	▪ ETT treatment
LU	▪ Association d'Épargne-Pension (ASSEP) and Société d'Épargne-Pension à Capital Variable (SEPCAV) ▪ Pension funds ▪ Group insurance contracts (traditional and unit-linked)	▪ Voluntary ▪ The minimum age for admission is usually 25.	▪ Tax benefits under certain circumstances. ▪ Investment income is tax-exempt.
LV	▪ Occupational pension scheme ▪ Personal pension scheme	▪ Voluntary participation – employees, with participation being	▪ Tax benefits under certain circumstances.

		based on collective agreements	
MT	▪ Retirement scheme or a long-term contract of insurance that fulfils the requirements of these rules and which is approved by the Commissioner)	▪ Voluntary	▪ Corporate tax incentives available to employers in the form of declaration for tax purposes of up to 3,000 Euros per employee per annum, plus a further tax credit of up to 750 Euros per employee per annum. ▪ A personal tax credit for employees of up to 750 Euros per annum on personal contributions.
NL	▪ Sector- or industry-wide pension plans ▪ Company pension funds ▪ Pension funds for professions ▪ Other pension funds ▪ Pension funds not under supervision ▪ Insured occupational plans	▪ Mandatory ▪ Employers may opt out of a sectoral plan if they offer a provision that promises equal or better benefits.	▪ Employer contributions are tax-deductible and employee contributions are not considered taxable income. ▪ Taxations levels depend on benefit levels.
NO	▪ Bank ▪ Life insurance company ▪ Pension fund ▪ Defined contribution pension enterprises ▪ Management companies for securities funds	▪ Mandatory	▪ Favourable tax relief on the contributions. ▪ The entire amount of a pension is taxed as income when paid out.
PL	▪ Employee pension plans (PPE)	▪ Voluntary	▪ TEE treatment
PT	▪ Fundos de Pensões Fechados (closed pension funds) ▪ Fundos de Pensões Abertos (open pension funds) ▪ Pension insurance contract: collective insurance	▪ Voluntary – the occupational pension market is negligible	▪ Tax benefits available under certain circumstances
RO	▪ Fund manager companies, authorized by the State.	▪ The employer decides whether or not to propose to the employee an occupational pension scheme. ▪ The occupational pension is absolutely optional for the employees.	▪ Employees' contributions will be tax-deductible and investment income tax-exempt. ▪ Pension benefits will be subject to ordinary taxation.
SE	▪ Pension foundations (pensionsstiftelser) ▪ Occupational pension undertakings ▪ Life insurance companies ▪ Occupational pension plans: book reserves	▪ Mandatory - in case the employer has a collective agreement. Automatic enrolment in those cases. ▪ Voluntary – in cases where there is no collective agreement, the	▪ ETT treatment: contributions are tax exempt (Deductible), while investment return is taxed (on a flat-fee basis) and

		employer can take out another solution.	pension benefits are taxed.
SI	▪ Pension companies ▪ Insurance companies ▪ Banks	▪ Mandatory for two groups: workers in arduous and hazardous occupations, and civil servants. ▪ For all other workers in Slovenia, occupational retirement savings schemes are voluntary. If a company has a representative trade union, that trade union decides on whether a pension plan would be included in employees' contracts.	▪ Supplementary pensions in payment are subject to taxation, but not to social contributions.
SK	▪ Supplementary pension management companies defined as the pension companies within an occupational pension system, as well as a personal pension system (voluntary participation, voluntary employer contributions).	▪ Voluntary	▪ tTE treatment. Within the 3rd pillar (occupational pension scheme under IORP II) the tax regime could be defined as "TTE" or "tTE". There are contributions paid by employers and contributions paid by employees or individuals. Employer´s contributions are treated as employee's income and therefore they are taxed at the employee's marginal rate (the income tax represents 19%). Employer´s contributions to supplementary pension plans are also subject to health insurance contributions (but not to social insurance contributions). Individual contributions are paid from net, after-tax income. So, there is a taxation and also health insurance and social insurance contributions (including pillar 2 mandatory contributions) are levied on these contributions.

			Returns on investment within supplementary pension system are taxed upon withdrawal (taxed is a yield gained during the accumulation phase as well as the pay-out phase). A flat tax rate of 19% applies. Regarding the supplementary pension benefits the part of the assets originated from contributions is tax-free (as it was mentioned only the part originated from returns on investment is taxed at 19%). In supplementary pension system are also applied financial incentives for supplementary saving. Therefore, it is not capital "T" for taxation of contributions in all cases. ▪ The "EEE" tax regime is applied for our 2nd pillar which could be described as quasi-mandatory pension system (1bis pillar system).

Annex IV – Additional information on IORPs

IV.I. IORPs sector size (in terms of members)[48]

Country (figures in millions)	IORP II	IORP art.4	SII	CRD	UCITS	No EU Law applicable
AT	0.89	-	N.A.	-	-	N.A.
BE	2.26	-	2.79	-	-	N.A.
BG	0.01	-	-	-	-	0.64
CY	0.1	0.0006	-	-	-	-
CZ	-	-	-	-	-	4.40
DE	9.55	-	N.A.	N.A.	N.A.	N.A.
DK	0.002	-	N.A.	-	-	3.28
EE	-	-	N.A.	-	-	0.08
EL	0.03	-	N.A.	-	-	0.09
ES	2.16	-	9.74	-	-	7.81
FI	0.01	-	-	-	-	-
FR	1.36	N.A	N.A.	N.A.	N.A.	N.A.
HR	0.044	-	0.001	-	-	2.46
HU	0.26	-	-	-	-	1.16
IE	0.52	-	0.31	-	-	-
IS	-	-	-	-	-	0.34
IT	5.85	-	-	-	-	0.4
LI	0.003	N.A	-	-	-	-
LT	-	-	N.A.	-	-	N.A.
LU	0.03	-	N.A.	-	-	-
LV	0.05	-	N.A.	-	-	N.A.
MT	0.001	-	-	-	-	N.A.
NL	16.66	-	N.A.	-	-	N.A.
NO	0.46	-	2.10	N.A.	0.78	N.A.
PL	0.03	-	0.09	N.A.	0.52	N.A.
PT	0.19	-	1.73	-	-	0.68
RO	-	-	-	-	-	8.36
SE	8.38	-	N.A.	N.A.	N.A.	-
SI	0.24	0.68	0.68	0.05	-	-
SK	0.89	-	-	-	-	1.63

[48] Data source: Database of pension plans and products in the EEA and IORPs Repository, for the latest data submitted Number of Members by each type of occupational pensions providers, based on the applicable EU regulation

IV.II. IORPs sector size (in terms of AuM)[49]

Country (figures in EUR bn)	IORP II	IORP art.4	SII	CRD	UCITS	No EU Law applicable
AT	28.4	-	N.A.	-	-	N.A.
BE	43.1	-	69.6	-	-	N.A.
BG	0.0	-	-	-	-	0.7
CY	2.7	0.111	-	-	-	-
CZ	-	-	-	-	-	20.7
DE	286.3	-	N.A.	N.A.	N.A.	N.A.
DK	8.8	-	195.8	-	-	118.7
EE	-	-	N.A.	-	-	0.2
EL	0.16	-	N.A.	-	-	1.5
ES	36.8	-	37.6	-	-	84.4
FI	4.3	-	-	-	-	-
FR	47.8	N.A.	N.A.	N.A.	N.A.	N.A.
HU	0.001	-	-	-	-	5.4
HR	0.2	-	3.20	-	-	18.8
IE	124.4	-	8.0	-	-	-
IS	-	-	-	-	-	38.1
IT	172.0	-	-	-	-	1.4
LI	0.8	N.A.	-	-	-	-
LT	-	-	N.A.	-	-	6.1
LU	2.5	-	N.A.	-	-	-
LV	0.19	-	N.A.	-	-	5.1
MT	0.1	-	-	-	-	6.6
NL	1847.9	-	N.A.	-	-	N.A.
NO	45.8	-	171.2	34.1	4.0	N.A.
PL	0.5	-	0.7	N.A.	12.9	N.A.
PT	21.5	-	16.2	-	-	6.9
RO	-	-	-	-	-	18.7
SE	217.5	-	N.A.	N.A.	N.A.	-
SI	1.4	3.8	3.8	1.1	-	-
SK	2.7	-	-	-	-	10.3

[49] Data source: Database of pension plans and products in the EEA and IORPs Repository, based on the latest data submitted AuM by each type of occupational pensions providers, based on the applicable EU regulation

Annex V – Definitions

One-Off costs - PRIIPs regulation Annex VI points: 47-49	A one-off cost is an entry and exit cost which includes initial charges, commissions or any other amount paid directly by the retail investor or deducted from the first payment or from a limited number of payments due to the retail investor or from a payment upon redemption or termination of the product. One-off costs are borne by an insurance-based investment product, whether they represent expenses necessarily incurred in its operation, or the remuneration of any party connected with it or providing services to it. One-off costs include, but are not limited to, the following types of entry costs and charges that shall be taken into account in the amount to be disclosed for insurance-based investment products: (a) structuring or marketing costs; (b) acquisition, distribution, sales costs; (c) processing/operating costs (including costs for the management of the insurance cover); (d) cost part of biometric risk premiums ; (e) costs of holding required capital (up front part to be disclosed insofar as they are charged).
Ongoing Costs - PRIIPs regulation Annex VI points: 50-53	Recurring costs are payments regularly deducted from all payments from the retail investor or from the amount invested or amounts that are not allocated to the retail investor according to a profit sharing mechanism. The recurring costs include all types of costs borne by an insurance-based investment product whether they represent expenses necessarily incurred in its operation, or the remuneration of any party connected with it or providing services to it. The following list is indicative but not exhaustive of the types of recurring charge that shall be taken into account in the amount of the 'Other ongoing costs' in table 2 of Annex VII: (a) structuring or marketing costs; (b) acquisition, distribution, sales costs; (c) processing/operating costs (including costs for the management of insurance cover); (d) cost part of biometric risk premiums referred to in point 59 of this Annex; (e) other administrative costs; (f) costs of holding capital (recurring part to be disclosed insofar as they are charged); (g) any amount implicitly charged on the amount invested such as the costs incurred for the management of the investments of the insurance company (deposit fees, costs for new investments, etc.); (h) payments to third parties to meet costs necessarily incurred in connection with the acquisition or disposal of any asset owned by the insurance-based investment product (including transaction costs as referred to in points 7 to 23 of this Annex). Where an insurance-based investment product invests a part of its assets in UCITS or AIFs, in a PRIIP other than UCITS or AIFs or in an investment product other than a PRIIP, points 5(l), 5(m) and 5(n) of this Annex shall be applied respectively.
Carried Interest - PRIIP Regulation - Annex VI, point: 25 - 26	To calculate carried interests, the following steps shall be taken: (a) compute the fees on the basis of historical data covering the last 5 years. The average annual carried interests shall be computed in percentage terms; (b) where a full carried interests history is unavailable because the fund/share class is new or the fund's terms have changed due to the introduction of carried interests or the change of one of its parameters, the abovementioned method shall be adjusted according to the following steps:

	(i) take the relevant available history of the carried interests of the fund/share class; — for any years for which data is not available, estimate the return of the fund/share class, — for new funds, their return shall be estimated using the return of a comparable fund or of a peer group. The estimated return shall be gross of all the costs charged to the new fund. Therefore peer group's returns need to be adjusted by adding the average relevant costs charged according to the rules of the new fund. For instance, in case of a new class with a different fee structure, the returns of this new class shall be adjusted taking into account the costs of the existing class. (ii) compute the carried interests from the beginning of the sample period, as required in point (a), until the date of availability of the actual carried interests data of the fund, applying the relevant algorithm to the abovementioned historical series; (iii) concatenate both carried interests series to one series over the full sample period as required in point (a); (iv) compute the carried interests using the methodology referred to in point (a) (average of annual carried interests). If no carried interests are taken throughout the investment, a warning needs to accompany the indication of zero carried interests in the composition of costs table in order to clarify that a payment of x % of the final return shall take place subsequently to the exit of the investment.
Costs part of biometric risk premiums - PRIIPs regulation Annex VI points: 54-60	Biometric risk premiums are those premiums paid directly by the retail investor or deducted from the amounts credited to the mathematical provision or from the participation bonus of the insurance policy, that are intended to cover the statistical risk of benefit payments from insurance coverage. The fair value of biometric risk premiums is the expected present value, of the future benefit payments from insurance coverage taking into account the following: (a) best estimate assumptions on these benefit payments derived from the individual risk profile of the portfolio of the individual manufacturer; (b) other payoffs related to insurance cover (rebates on biometric risk premiums paid back to the retail investors, increase of benefit payments, reduction of future premiums, etc.) resulting from profit sharing mechanisms (legal and/or contractual). Best estimate assumptions on future benefit payments from insurance coverage shall be set in a realistic way. The estimated future benefit payments shall not include prudency margins or costs for the management of the insurance cover. For manufacturers within the scope of Directive 2009/138/EC these best estimate assumptions shall be consistent with the respective assumptions used for the calculation of the technical provisions in the Solvency II balance sheet. The cost part of biometric risk premiums is the difference between biometric risk premiums charged to the retail investor referred to in point 54 of this Annex and the fair value of the biometric risk premiums referred to in point 55 of this Annex. A PRIIP manufacturer may include the full biometric risk premiums in the calculation of one-off costs or recurring costs in the place of the cost part of those premiums.
Incidental Costs – Performance fees - PRIIP Regulation-Annex VI, point: 24	To calculate performance related fees, the following steps shall be taken: (a) compute the fees on the basis of historical data covering the last 5 years. The average annual performance fees shall be computed in percentage terms, (b) where a full performance fees history is not available because the fund/share class is new or the fund's terms have changed due to the introduction of the performance fee or the change of one of its parameters, the abovementioned method shall be adjusted according to the following steps: (i) take the relevant available history of the performance fees of the fund/share class;

	(ii) for any years for which data is not available, estimate the return of the fund/share class and, in case of a relative performance fee model, take into account the historical series of the benchmark/hurdle rate; for new funds, their return shall be estimated using the return of a comparable fund or of a peer group. The estimated return shall be gross of all the costs charged to the new fund. Therefore peer groups' returns need to be adjusted by adding the average relevant costs charged according to the rules of the new fund. For instance, in case of a new class with a different fee structure, the returns of this new class shall be adjusted taking into account the costs of the existing class; (iii) compute the fees from the beginning of the sample period, as required in point (a), until the date of availability of the actual performance fee data of the fund, applying the relevant algorithm to the abovementioned historical series; (iv) concatenate both performance fee series to one series over the full sample period as required in point (a); (v) compute the performance fees using the methodology referred to in point (a)(average of annual performance fees).
Unit-linked - working definition	It is a category of life insurance contract where the benefits are wholly or partly determined by reference to the value of a fund or index. There is a segregation between the assets of the undertaking and those connected to the insurance policy. These products generally offer a biometric risk cover (e.g. death, life, disability...), the treatment and feature of such cover do not affect their definition.
Profit participation – Working definition	It is an insurance contract which provides insurance benefits through eligibility to participate materially in periodic discretionary distributions based on profits arising from the insurance undertaking's business. These products usually have a minimum guarantee return or capital protection. These products generally offer a biometric risk cover (e.g death, life, disability...), the treatment and feature of such cover do not affect their definition.
Hybrid product – working definition	It is a category of life insurance contract with feature of both unit-linked and profit participation. Usually it represents a product whose benefits are linked to the value of a fund or index (unit-linked component of the hybrid product) and at the same time offers the distribution of a minimum guaranteed profit (profit participation component of the hybrid product). The features and treatment of the biometric cover do not affect the definition of such products.
Product (MOP) – Working definition	A Multi Options Product (MOP) in the context of this work is simplified to an investment option plus its wrapper. This is meant to be closer to the perspective of the policyholder who buys an option (or a limited combination of them) plus its wrapper. This definition is therefore different form the insurance manufacturer perspective where a product can be considered as a wrapper plus all the investment options offered.
Defined Benefit schemes (DB)	Retirement benefit plans under which amounts to be paid as retirement benefits are determined by reference to a formula usually based on employees' earnings and/or years of service.
Defined Contributions schemes (DC)	A pension plan where the only obligation of the plan sponsor is to pay a specified contribution (normally expressed as a percentage of the employee's salary) to the plan on the employee behalf. There are no further promises or 'guarantees' made by the sponsor.
Hybrid schemes (HY)	A plan which has two separate DB and DC components but which are treated as part of the same scheme. (definition based on "Survey on fully funded, technical provisions and security mechanisms in the European occupational pension sector" (Report of the Solvency Sub%Committee), CEIOPS%OPSSC%01/08 Rev 4, 14 March 2008)

Annex VI – List of national competent authorities

Austria	AT	Financial Markets Authority (FMA)
Belgium	BE	Financial Services and Markets Authority (FSMA)
Bulgaria	BG	Financial Supervision Commission
Croatia	HR	Croatian Financial Services Supervisory Authority (HANFA)
Cyprus	CY	Ministry of Finance Insurance Companies Control Service (ICCS) Ministry of Labour, Welfare and Social Insurance; Registrar of Occupational Retirement Benefit Funds
Czechia	CZ	Czech National Bank
Denmark	DK	Financial Supervisory Authority (Danish FSA)
Estonia	EE	Estonian Financial Supervision Authority
Finland	FI	Finnish Financial Supervisory Authority (FIN-FSA)
France	FR	Autorité de Contrôle Prudentiel et Resolution (ACPR)
Germany	DE	Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)
Greece	EL	Bank of Greece Hellenic Ministry of Labour, Social Security and Social Solidarity
Hungary	HU	Central Bank of Hungary
Iceland	IS	Financial Supervisory Authority (FME)
Ireland	IE	Central Bank of Ireland Pensions Authority
Italy	IT	Instituto per la Vigilanza sulle Assicurazioni (IVASS) Commissione di Vigilanza sui Fondi Pensione (COVIP)
Latvia	LV	Financial Capital Market Commission
Liechtenstein	LI	Financial Market Authority (FMA)
Lithuania	LT	Bank of Lithuania
Luxembourg	LU	Commissariat aux Assurances
Malta	MT	Malta Financial Services Authority
Netherlands	NL	Financial Supervisory Authority (AFM)
Norway	NO	Financial Supervisory Authority of Norway
Poland	PL	Financial Supervision Authority (KNF)
Portugal	PT	PT Insurance and Pension Funds Supervisory Authority (ASF)
Romania	RO	Financial Supervisory Authority (ASF)
Slovakia	SK	National Bank of Slovakia
Slovenia	SI	Insurance Supervision Agency
Spain	ES	Ministry of Economy — DirectorateGeneral of Insurance and Pension Funds
Sweden	SE	Finansinspektionen (FI)

Annex VII – Abbreviations

DB	Defined benefit
DC	Defined contribution
EBA	European Banking Authority
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
ESA	European Supervisory Authority
ESMA	European Securities and Markets Authority
ESG	Environmental, social and governance
FoE	Freedom of establishment
FoS	Freedom to provide services
HY	Hybrid product
IBIPs	Insurance-based investment products
IDD	Insurance Distribution Directive
IRSG	Insurance and Reinsurance Stakeholder Group
IORPs	Institution for Occupational Retirement Provisions
GWP	Gross written premium
KID	Key information document
KIID	Key investor information document
ITS	Implementing Technical Standard
ISIN	International Securities Identification Number
MOP	Multi Option Products
NAV	Net Asset Value
NCA	National competent authority
OPSG	Occupational Pensions Stakeholder Group
POG	Product oversight and governance
PP	Profit participation product
PPP	Personal pension product
PRIIPS	Packaged retail and insurance-based investment products
QRT	Quantitative reporting template
RHP	Recommended holding period
RIY	Reduction in yield
SRI	Summary risk indicator
UCITS	Undertakings Collective Investment in Transferable Securities
UL	Unit linked product

EIOPA

Westhafen Tower, Westhafenplatz 1
60327 Frankfurt – Germany
Tel. + 49 69-951119-20
info@eiopa.europa.eu
https://www.eiopa.europa.eu