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## MAIN FINDINGS

Financial market downturns had a substantial impact on performance across all retail investment products. While profit participation products, because of their nature avoid losses, high inflation affected real returns.

<table>
<thead>
<tr>
<th>IBIPs</th>
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| ▪ In 2022, after favourable performance over the past years, most unit-linked and hybrid products inverted the trend and delivered significantly negative net returns due to poor market performance, high volatility and rising interest rates.  
▪ Profit participation continued to deliver positive net returns in nominal terms.  
▪ High inflation in the European Economic Area (9.2%)* eroded consumer returns in real terms.  
▪ Costs remained high and stable; however, divergence and outliers are observed across products and Member States.  
▪ Consumer appetite for products with sustainable features is met by increasingly available offers. Although the sample remains small, data show that to date these are cheaper than products with no sustainability features. |

<table>
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<th>Pensions</th>
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| ▪ **Personal Pension Products (PPPs):** wide diversity amongst markets continues to limit comparability. As IBIPs, financial market turmoil and rising interest rates strongly affected the performance of PPP without guarantees which, on average, resulted in negative returns.  
▪ **Institutions for Occupational Retirement (IORPs):** gradual transition from Define Benefit (DB) to Define Contribution (DC) schemes continues. Due to this trend and the growth of IORPs in France, total DC assets in EEA grew 25% in 2022. |

* Eurostat: HICP - annual data (average rate of change - 2022)
IBIPS PERFORMANCE

ON AVERAGE, ONLY PROFIT PARTICIPATION OFFERED POSITIVE NOMINAL RETURNS. ALL IBIPS REPORTED NEGATIVE REAL RETURNS

- **Sample:** more than 1,000 IBIPs marketed by 173 undertakings and accounting for at least 60% of total GWP in the European Economic Area.

- After positive returns in 2019, 2020 and 2021, unit-linked (UL) and hybrid (HY) offered overall negative returns in 2022 (-11.5% and -4.7%, respectively)

- Given their features, profit participation (PP) products provided positive returns regardless of the macroeconomic environment.

- High inflation resulted in losses in real terms. In 2022, inflation-adjusted net returns were negative for all types of products (UL, PP and HY)

- In some Member States, the dispersion of unit-linked returns was considerably high.
**IBIPS COSTS**

**COSTS HAVE MODERATELY CHANGED OVER THE PAST YEAR**

- Pure PP products continue to be cheaper. This is usually explained by less complex structure and more traditional allocation of funds (and therefore less costly) if compared to UL and HY products.

- Entry and other ongoing costs represent the most predominant components of UL and PP costs*.

- Dispersion of costs is particularly high for UL products. For instance, UL average costs ranged from 0.8% to 4.9% depending on the country.

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* Given the complexity and limited comparability across markets, it was not possible to obtain RIY by cost components for hybrids.
**IBIPS VALUE FOR MONEY**

**VALUE FOR MONEY IS DRIVEN BY RISK CLASS AND RECOMMENDED HOLDING PERIOD, AMONGST OTHER FEATURES**

<table>
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<th>Analysis by different product features</th>
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<td>❑ <strong>Risk class</strong></td>
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<td><strong>Return:</strong> while all risk classes of UL and HY reported losses in 2022, the volume of losses varied significantly depending on the risk classification of the product.</td>
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<td><strong>Cost:</strong> costs of low-risk classes (1 and 2) did not differ significantly from higher risk classes. However, in the case of PP products, low-risk classes reported better net returns than higher risks classes (while being also cheaper)</td>
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*Image credit: Eiopa*
### IBIPS WITH SUSTAINABILITY FEATURES

**The Appetite for Investment Products with Sustainability Features Has Been Steadily Increasing**

- **Products with sustainability vs products with no sustainability features:**
  
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<thead>
<tr>
<th></th>
<th>ESG</th>
<th>Non-ESG</th>
<th>ESG</th>
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<th>ESG</th>
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<tr>
<td>UL</td>
<td>-14.1%</td>
<td>-10.6%</td>
<td>1.7%</td>
<td>1.46%</td>
<td>1.0%</td>
<td>1.57%</td>
</tr>
<tr>
<td>PP</td>
<td>2.03%</td>
<td>2.01%</td>
<td>-4.5%</td>
<td>-4.7%</td>
<td>1.97%</td>
<td>2.42%</td>
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- **Sample products with sustainable features:** 257 UL, 51 PP and 132 HY

- The number of IBIPs reporting sustainable features increased 24% from previous year.

- 90% of the reported products with sustainability features were Article 8.

- In line with market trends, both UL and HY with sustainability features reported losses on average. Despite difference across Member States, HY and PP with sustainable features are slightly cheaper than those without sustainability features.

- **Evolution of products with suitable features’ cost:**
  
  - Unit-linked: costs remained stable (at around 2% RIY)
  - Hybrid: RIY in 2022 (1.97%) represents a decrease from previous year.
In the sample, UL products sold on cross-borders generally showed higher costs than domestic. This might be due to higher distribution costs when commercialising products abroad.

In terms of net performance, returns of cross-border products followed a similar pattern of domestic business. In some cases, cross-border products underperformed significantly domestic business.
PERSONAL PENSION PRODUCTS

PENSION MARKETS REMAIN SIGNIFICANTLY DIFFERENT, WHICH CREATES CHALLENGES TO COMPARE PRODUCTS. IN 2022, NET RETURNS OF PERSONAL PENSION PRODUCTS WERE OVERALL NEGATIVE, PARTICULARLY UNIT-LINKED

- Similar to IBIPs’ in general, net returns of PPP_UL products were negative in 2022 (-14.1%), whereas PPP_PP products reported low but still positive net return (+0.7%).
- High volatility observed on PPP_UL poses concerns on consumers/savers closer to retirement (unless sound life cycle strategies are in place)
- While costs remain stable, the decrease observed in past years is slowly receding due to higher costs of capital and increase of other costs (i.e. administrative due to inflation)
OCCUPATIONAL PENSIONS

OCCUPATIONAL SCHEMES LANDSCAPE IS HIGHLY DIVERSE. OVER THE PAST YEARS, A GRADUAL TRANSITION TOWARDS DEFINE CONTRIBUTION (DC) SCHEMES IS OBSERVED

- **IORPs**: Assets, top 6 countries, 2021-2022

- **IORPs (DC Schemes)**: Ratio total expenses over total assets, 2022

- In 2022, total IORPs’ assets decreased from €2,799 to €2,486 billion.

- Defined Contribution (DC) schemes had €527 billion in assets (+25% from 2021), although they represent 21% of total IORPs assets.

- Penetration rate of IORPs continuous to be low when compared to the country GDP. The Netherlands emerged as an outlier.

- While most Member States show expense ratio below 1%, some exceeded this value which might raise some concerns on future incomes for beneficiaries.
WAY FORWARD

WHILE EIOPA THE REPORT AND DATA HAVE NOW REACHED, AT LEAST IN THE AREA OF IBIPS SUFFICIENT MATURITY, INCREASING CONCERNS ON VALUE FOR MONEY AND SUSTAINABLE FINANCE BRING NEED FOR IMPROVEMENTS

Following the publication of the report, EIOPA will continue to work on the:

- Improvement of data collection template with increasing focus on value for money aspects, also in light of its benchmarks work
- Simplification and shortening of the Report
- Further analysis of hybrid products is required, particularly for multi-options
- Increasing collection of product with sustainable features (particularly Art. 9) and sold on a cross-border basis
- More harmonization and detailed country analysis for Personal Pensions.
- Leveraging on the growing stability of IORPs database, enhancement of the analysis of trends and fundamentals.
ANY QUESTIONS?
THANK YOU!

For more information visit:
https://www.eiopa.europa.eu