

EIOPA publishes second report on costs and past performance of insurance based investment products and personal pension products

- Unit-linked products can offer high returns but also pose risks for consumers during periods of poor market returns
- 2018 performance was the lowest for the last 5 years
- Costs remain high. Profit participation products continue having lower costs than unit-linked products
- Ongoing costs continue being the most prominent cost component, representing 80% of total unit-linked costs and 70% of total costs of profit participation products
- Higher risk products, have higher variability of net returns but on average they show higher net returns. Similarly average costs increase with the level of riskiness of the product.

The European Insurance and Occupational Pensions Authority (EIOPA), has today published [its second report on cost and past performance](#) of insurance-based investment products (IBIPs) and personal pension products (PPPs) in the European Union.

The report is published following a request from the European Commission to the European Supervisory Authorities to periodically report on the costs and past performance of retail investment products. This report provides an analysis of costs for 2018 and past performance for the period 2014-2018.

The study documents the impact of market volatility on returns for different product types.

A comparison with last year's analysis – where unit-linked products clearly outperformed profit participation products – shows how, given their nature, unit-linked products can offer high returns but also pose risks for consumers during periods of poor market returns.

Overall, performance in 2018 was the lowest for five years.

- Negative net returns in 2018 for unit-linked insurance products, hybrid insurance products and personal pension products similar to unit-linked insurance products has resulted in, on average, returns of 0% or close to 0% for the reporting period (2014-2018).
 - On the contrary, because of their smoothing of market shocks for consumers, while also reporting low returns for 2018, profit participation insurance products had a positive net return (2.3%) for the reporting period.
- Returns for unit-linked insurance products and personal pension products similar to unit-linked insurance products were negative across all

Member States in 2018. Profit participation insurance and personal pension products similar to profit participation show milder differences amongst Member States in terms of return trends.

- Higher risk products, measured in terms of risk-class, have higher variability of net returns but on average they show higher net returns.

The study also found that costs continue to have a significant impact on net returns, confirming a trend observed last year.

- On average, profit participation products have lower costs than unit-linked products in reduction in yield terms, accounting for 1.6% versus 2.3%
- Ongoing costs continue being the most prominent cost component, representing 80% of total unit-linked costs and 70% of total costs of profit participation products. Entry costs are higher for profit participation products. Exit-costs are minor for both types of products.
- An analysis classifying costs according to their nature/cause, for both IBIPs categories shows that administrative costs are the most prominent cost item, followed by distribution costs.

[Read the report](#)