EIOPA REGULAR USE

EIOPA-BoS/22-404
22 July 2022

RISK DASHBOARD

July 2022[1]

Risks	Level	Trend (Past 3 months)	Outlook[2] (Next 12 months)
1. Macro risks	high	↘	↗
2. Credit risks	medium	→	↗
3. Market risks	high	↑	↗
4. Liquidity and funding risks[3]	medium	→	→
5. Profitability and solvency	medium	↗	→
6. Interlinkages and imbalances	medium	↘	→
7. Insurance (underwriting) risks	medium	→	→
8. Market perceptions	medium	↗	→
9. ESG related risks[4]	medium	→	↗
10. Digitalisation & Cyber risks[5]	high	→	↗

Note: The structural break as of Q1 2020 related to the Brexit withdrawal agreement and represented with a dashed line indicates a break in the number of undertakings of the time series and rebalance of the country weights. Additionally, adjusted time series for EU27 before Q1 2020 are also disclosed to reflect potential variations driven by the structural break in the sample.

[1] Reference date for company data is Q1-2022 for quarterly indicators and 2021-YE for annual indicators. The cut-off date for most market indicators is end of June 2022.
[2] The Outlook displayed for the next 12 months is based on the responses received from 22 national competent authorities (NCAs) and ranked accordingly to the expected change in the materiality of each risk (substantial decrease, decrease, unchanged, increase and substantial increase).
[3] From October 2021, a new ESG related risks category and an enhancement of the liquidity and funding risks category are included in the EIOPA's risk dashboard.
[4] Environmental, Social and Governance (ESG) related risks. For further details please see footnote 3.
[5] From January 2022, a new Digitalisation & Cyber risks category is included.

Key observations:

- Risk levels for the European insurance sector remain broadly constant, with an increase in market risk level.
- Macro-related risks remain a key source of concern. Forecasted GDP growth at global level further decreased until Q2 2023, while inflation forecasts for main geographical areas remain at higher level reached in the previous assessment. Central banks are adjusting their action, the global average policy rate increased and asset purchases continue amid at a slower pace and will further slowdown. 10-year swap rates increased across currencies.
- Credit risks remain relatively moderate. The CDS spreads remain at low levels for government bonds and financial secured bonds, amid further increasing for financial unsecured and non-financial corporate bonds in the second quarter of 2022. The median of below investment grade assets (with a credit quality step higher than 3) in insurers' portfolios slightly increased.
- Market risks increased compared to the previous assessment. Volatility in bond market increased and equity market remained at the same level in the second quarter of 2022. Property prices slightly further increased. The median insurers' exposure to bonds has been slightly decreasing, exposure to equity remained relatively unchanged and exposure to property slightly increased in Q1 2022.
- Profitability and solvency risks remain at medium level. The median of investment return for life undertakings decreased. Given the increasing trend of interest rates since the beginning of the year, solvency position for life undertakings raised, while solvency position for groups dropped.
- Insurance risks remain at medium level in Q1-2022. The year-on-year premium growth for non-life reported a substantial increase, while for life a slight decrease was observed.
- Market perceptions remain at medium level. Non-life insurance stocks slightly outperformed the stock market, while life stocks returns were in line. The median price-to-earnings ratio decreased. Rating of insurers haven't change.
- Climate risks remain at medium level. Insurers slightly increased the share of green bonds in their assets portfolio, while the ratio of investments into green bonds over the total green bond outstanding slightly decreased. The y-o-y growth of green bonds in insurers' portfolios has slightly increased, while the growth of green bonds outstanding has decreased.
- Digitalisation and cyber risks are at high level. The materiality of these risks for insurance as assessed by supervisors increased given the resurge of cyber security issues and concerns of a hybrid geopolitical conflict. Cyber negative sentiment indicates an increased concern in the second quarter of 2022.

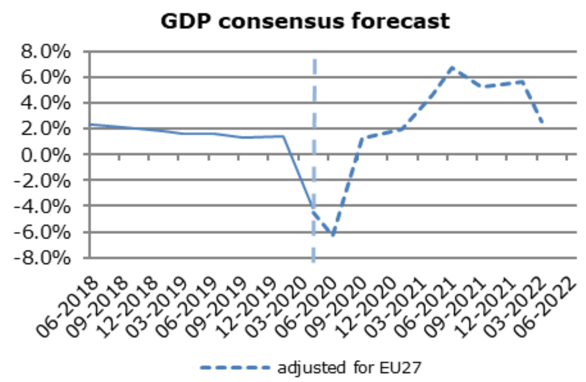
Macro risks

Level: high

Trend: decrease

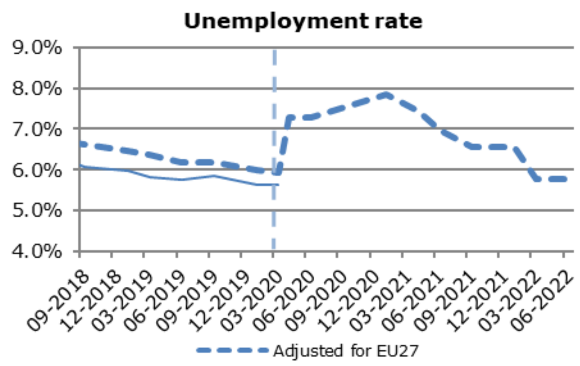
Macro-related risks remain a key source of concern. Forecasted GDP growth at global level further decreased to 1.83% until Q2 2023, and CPI inflations forecasts remained at high level for main geographical areas, with an average above 5%. Unemployment rate for the main geographical areas remained at lower level. Weighted average of 10 years swap rates increased, reaching 2.5% across main currencies. Central banks started to adjust their monetary policy: the average global policy rates have increased to 0.13% and asset purchases continue amid at a slower pace than previous quarter and will further slowdown.

Forecasted GDP growth at global level decreased to 1.83% until Q2 2023. Expectations of EU GDP growth for the forecast horizon are in line with the global average. Compared to the previous assessment, forecasts have been revised downwards.



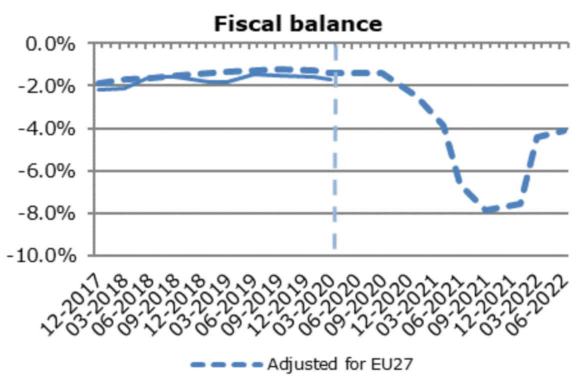
Note: Average of forecasts four quarters ahead, weighted average for Euro area, United Kingdom, Switzerland, United States, BRICS. The dashed line indicated a break after UK exit and rebalancing of the country weights.
Source: Bloomberg Finance L.P.

The latest data on unemployment rates across geographical areas hover around 5.8%.



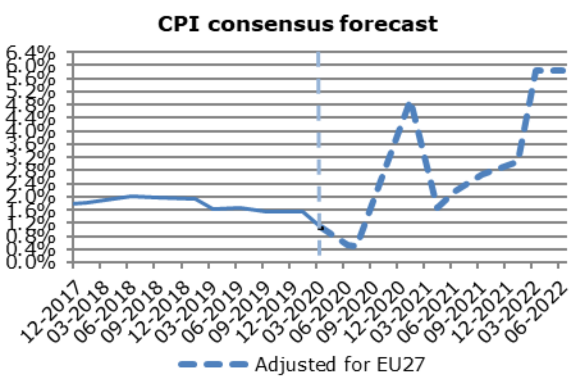
Note: Weighted average for EU, Switzerland, United States, China. The dashed line indicated a break after UK exit and rebalancing of the country weights.
Source: Refinitiv

Fiscal balances hover around -4.1% of GDP.



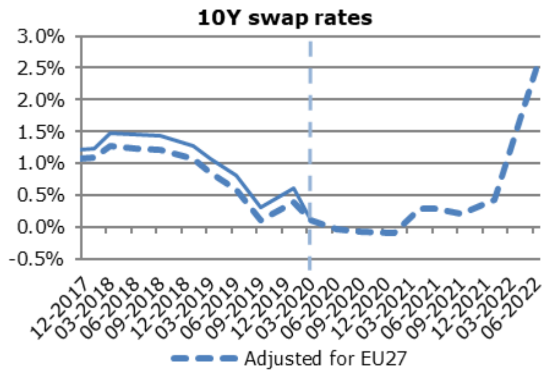
Note: Weighted average for EU, UK and United States. The dashed line indicated a break after UK exit and rebalancing of the country weights.
Source: Refinitiv

Forecasted inflation until Q2 2023 hover around the same levels as the previous assessment, particularly driven by market expectations in EU and UK.



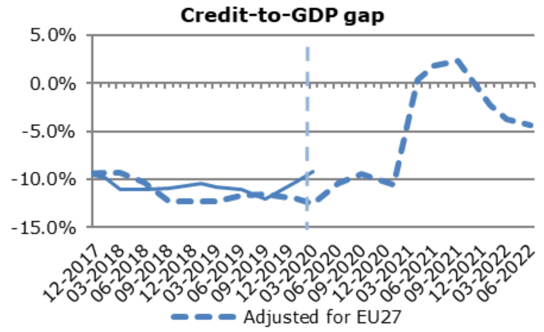
Note: Average of forecasts four quarters ahead, weighted average for Euro area, United Kingdom, Switzerland, United States, BRICS. The dashed line indicated a break after UK exit and rebalancing of the country weights.
Source: Bloomberg Finance L.P.

The indicator on the 10 years swap rates across main currency increased to 2.48% in the second quarter of 2022.



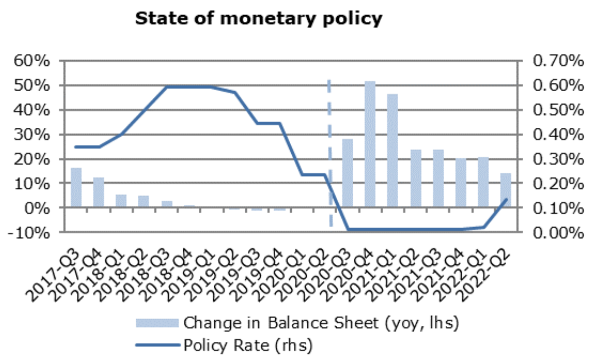
Note: Weighted average for EUR, GBP, CHF, USD. The dashed line indicates a break after UK exit and rebalancing of the country weights.
Source: Refinitiv

The credit to GDP gap across main geographical area decreased to -4.37% in Q2-2022. The credit to GDP gap in the Euro Area also decreased to similar levels.



Note: Weighted average for Euro area, United Kingdom, Switzerland, United States, China. The dashed line indicates a break after UK exit and rebalancing of the country weights.
Source: BIS

Monetary policies across all major central banks started to adjust their expansionary actions. The average policy rate increased from 0.02% to 0.13%. The balance sheets of the major central banks have been increasing at a slower pace.

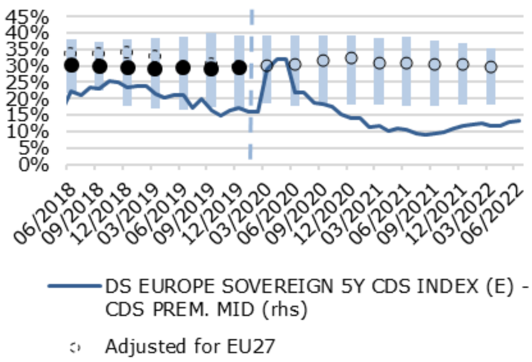


Note: Weighted average for Euro area, United Kingdom, Switzerland, United States. The dashed line indicates a break after UK exit and rebalancing of the country weights.
Source: Bloomberg Finance L.P.

## Credit risks	
	Level: medium
	Trend: constant

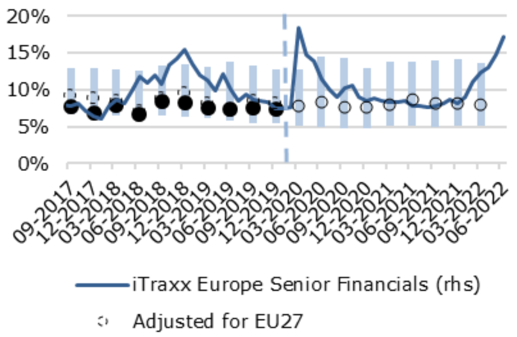
Credit risks remain at medium level. The CDS spreads remain at low levels for government bonds and financial secured bonds, amid further increasing for financial unsecured and non-financial corporate bonds in the second quarter of 2022. While insurers' relative exposure to government bonds and unsecured financial bonds remained constant or slightly decreased respectively, their exposure to secured financials and other corporate bonds slightly increased in Q1-2022. The median average credit quality of insurers' investments slightly deteriorated. The median of below investment grade assets (with a credit quality step higher than 3) in insurers' portfolios slightly increased.

In the second quarter 2022, CDS spreads for European sovereign bonds slightly increased. Insurers' exposures to this asset class remain around 30% of total assets in Q1-2022.



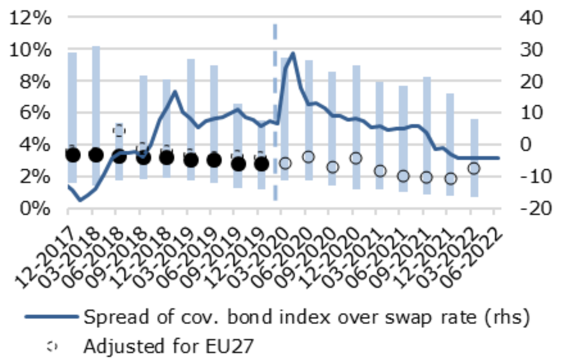
Note: Left scale shows the distribution of exposures (inter-quartile range and median), right scale the risk measure. The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: Refinitiv, QFG ($N_{2022\ Q1}$=91)

Spreads for unsecured financial bonds increased further by 30 bps, to 120bps in the second quarter of 2022. Median exposures of EU27 insurers' investments slightly decreased from 8.1% to 7.9% in Q1 2022.



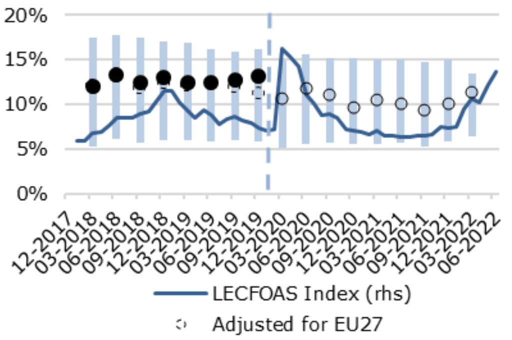
Note: Left scale shows the distribution of exposures (inter-quartile range and median), right scale the risk measure. . The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: Refinitiv, QFG ($N_{2022\ Q1}$=81)

Spreads for secured financial bonds hover around the same levels. Median exposures of EU27 increased from 1.8% to 2.5% of total assets in Q1-2022.



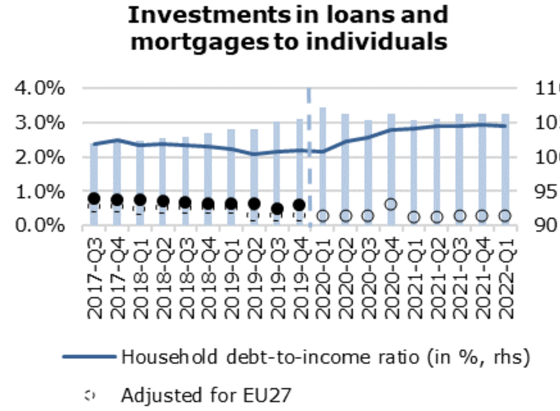
Note: Left scale shows the distribution of exposures (inter-quartile range and median), right scale the risk measure.
The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: Bloomberg Finance L.P., QFG ($N_{2022\ Q1}$=74)

Spreads for non-financial corporate bonds increased to 170bps. Median exposure to non-financial corporate bond for EU27 slightly increase to 11.3% of total assets in Q1-2022.



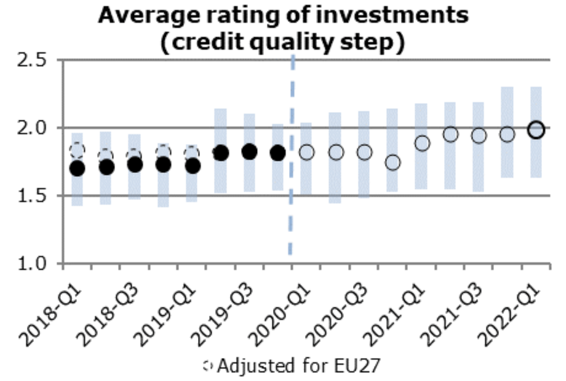
Note: Left scale shows the distribution of exposures (inter-quartile range and median), right scale the risk measure.
The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: Bloomberg Finance L.P., QFG ($N_{2022\ Q1}$=81)

The household debt-to-income ratio hovered around 104%. The median exposures to loans and mortgages remained at 0.28% of total assets for Q1-2022.



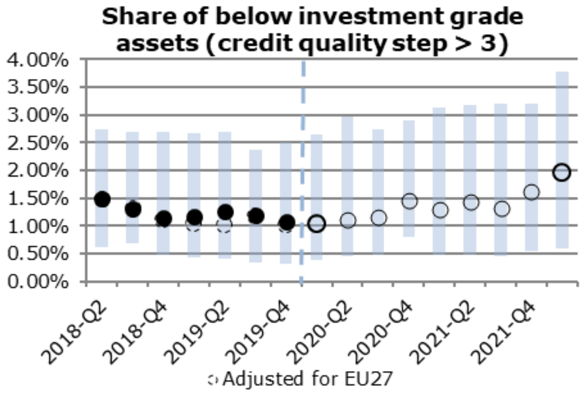
Note: Left scale shows the distribution of exposures (inter-quartile range and median), right scale the risk measure (weighted average of EA and UK).
The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions. Source: QFG ($N_{2022\ Q1}$=91), ECB

The median average credit quality step slightly increased to 1.99, corresponding to an S&P rating between AA and A.



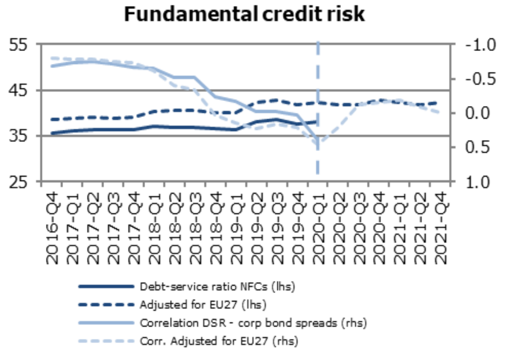
Note: Distribution of indicator (interquartile range, median).
The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: QFG ($N_{2022\ Q1}$=89)

The median of below investment grade assets (with a credit quality step higher than 3) slightly increased from 1.63% to 1.96% Q1-2022 and the range of the distribution remains quite wide.



Note: Distribution of indicator (interquartile range, median). Includes both internal and external credit ratings. Time series revised - denominator now excludes assets for which no rating shall be reported.
The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: QFG ($N_{2022\ Q1}$=91)

The correlation between the debt-service ratio of non-financial corporations and corporate bond spreads slightly decreased. The debt service ratio hovers around the same level for all the countries considered.



Note: Correlation between the debt-service ratio of non-financial corporates and the spread of non-financial corporate bonds based on a 12-quarter rolling window.
The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: BIS, Bloomberg Finance L.P.

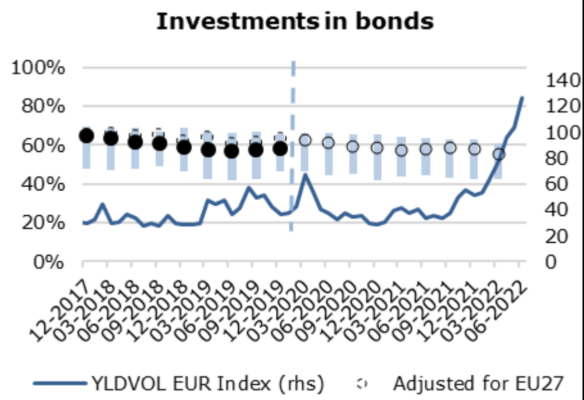
Market risks

Level: high

Trend: increase

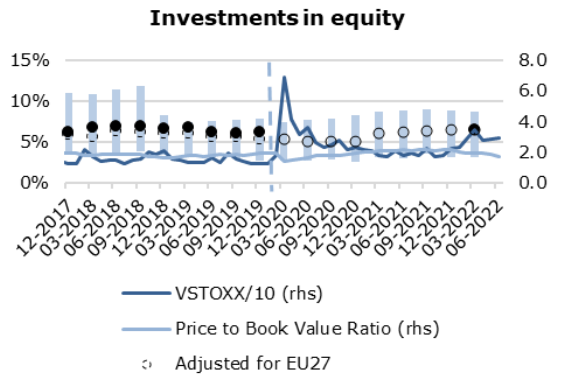
Market risks increased to high level. Volatility in bond market further increased in the second quarter of 2022 while volatility remained higher than last year average. Property prices further slightly increased. The median insurers' exposure to bonds decreased, exposure to equity remain relatively unchanged and exposure to property slightly increased in Q1 2022. Spread of investment returns over guaranteed interest rate dropped. Duration mismatch is wide, with the median standing at -7 years.

The index on the expected yield volatility for the Euro bund increased to 126bps in the second quarter 2022. Median exposures to bonds slightly decreased to 55% of total assets in Q1-2022.



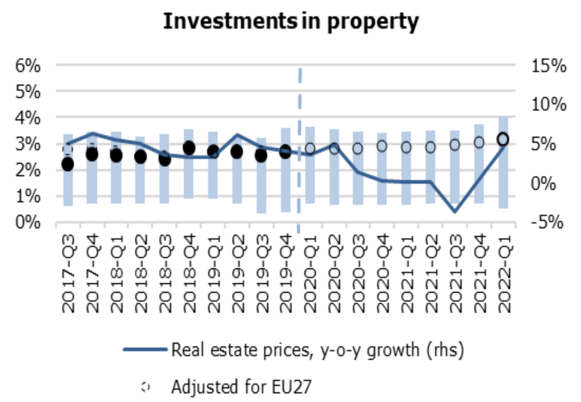
Note: Left scale shows the distribution of exposures (inter-quartile range and median), right scale the risk measure. The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: Bloomberg Finance L.P., QFG ($N_{2022\ Q1}$=91)

Volatility of equity prices hovered around the same level as in the first quarter of 2022. Median exposures to equity remained around 6% of total assets in Q1-2022.



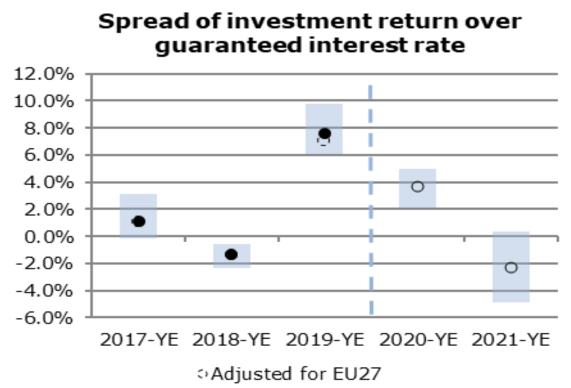
Note: Left scale shows the distribution of exposures (inter-quartile range and median), right scale the risk measure. The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: Bloomberg Finance L.P., QFG ($N_{2022\ Q1}$=91)

The indicator on the annual growth rate of property prices slightly increase to 4.6% in Q1-2022 corresponding to previous levels. The increase is driven by residential property prices. Median exposures to property remain stable at around 3% of total assets in Q1-2022.

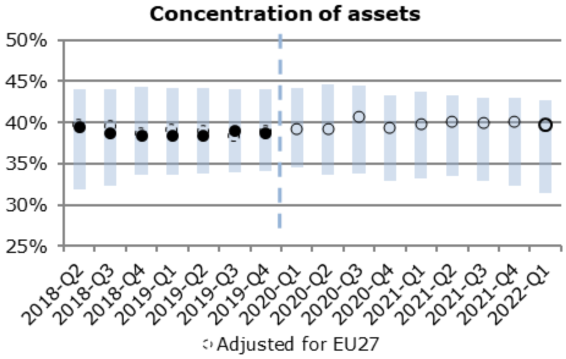
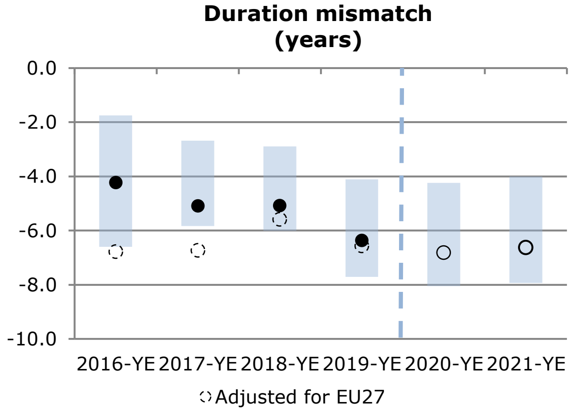


Note: Left scale shows the distribution of exposures (inter-quartile range and median), right scale the risk measure. From Q1-2019 time series revised due to changes in source data from the ECB. The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: QFG ($N_{2022\ Q1}$=91); ECB

The median spread of investment returns over guaranteed rates decreased to -2% at the end of 2021.



Note: Distribution of indicator (interquartile range, median). Figures have been updated for YE2021. Figures for 2021-YE have been revised. The numerator of the investment return ratio includes Solvency II reported unrealised gains and losses.
Source: ARS (N_{2021}=396)

The median for the indicator on the concentration of assets slightly hover around 40% in Q1-2022.  Note: Herfindal Hirshman index computed on six balance sheet asset classes (government bonds, corporate bonds, equities, properties, cash and cash equivalents and loans and mortgages). Distribution of indicator (interquartile range, median). The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions. Source: QFG ($N_{2022\ Q1}$=92)	*The distribution of the duration mismatch indicator hovered from 2020 to 2021, with the median mismatch standing at around -7 years. Duration mismatch is based on the modified duration of the fixed income assets and of the liabilities. Duration of the liabilities does not take into account optionalities such as a future profit participation.*  Note: Distribution of indicator (interquartile range, median). Source: Assets QFG ($N_{2021\ Q4}$=83); Liabilities AFG (N_{2021}=83)

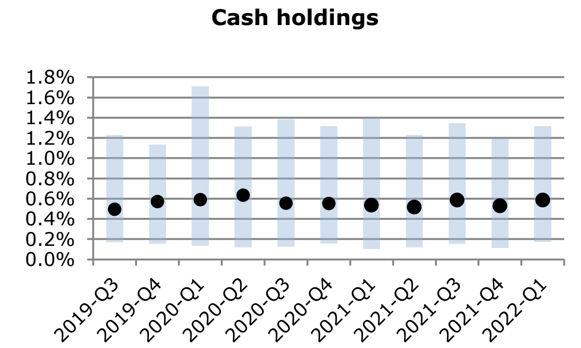
Liquidity and funding risks

Level: medium

Trend: constant

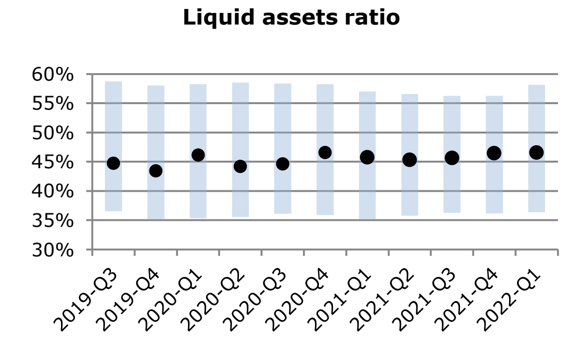
Liquidity and funding risks remain at medium level. Cash holdings were reported with a slight increase. Similarly, funding via repos raised. The sustainability of cash flow position and lapse rates reported an increase at the end of 2021. On the other hand, bond issuance dropped, while catastrophe bond issuance remains overall stable (USD 2,845 million) and with the majority of cat bonds covering US multi-risk natural catastrophe (storms and earthquakes).

The distribution of cash holdings shifted slightly upwards, with a median at 0.59% in Q1-2022 in comparison with the previous quarter.



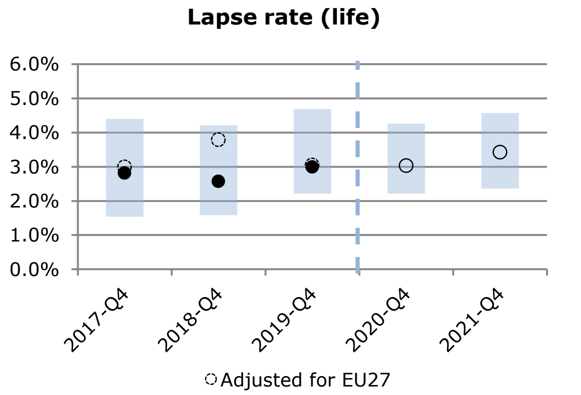
Note: Distribution of indicator (interquartile range, median).
Source: QRS ($N_{2022\ Q1}$=1,796).

The median of the liquid assets to total assets ratio remains stable at 46% in Q1-2022.



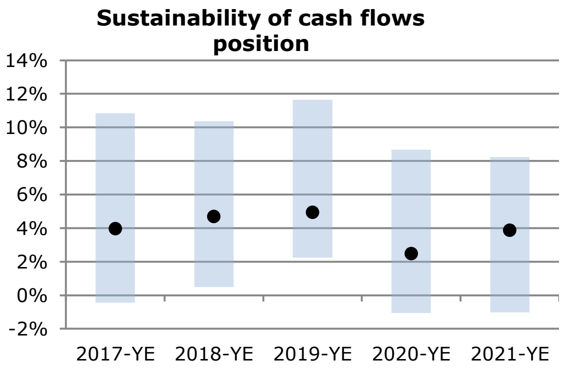
Note: Distribution of indicator (interquartile range, median).
Source: QRS ($N_{2022\ Q2}$=1,740).

The distribution of lapse rates in life business shifted upwards, with a median standing at 3.4% in Q4-2021 (+0.4 p.p. compared to the previous quarter).



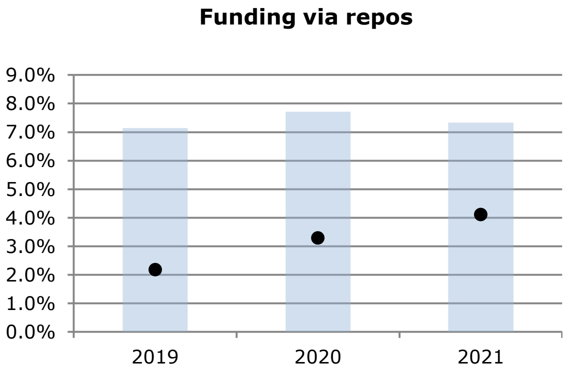
Note: Distribution of indicator (interquartile range, median).
The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: QFG ($N_{2021\ Q4}$=88)

The median of the sustainability of cash flow position increased to 3.9% in 2021 from 2.5% in 2020.



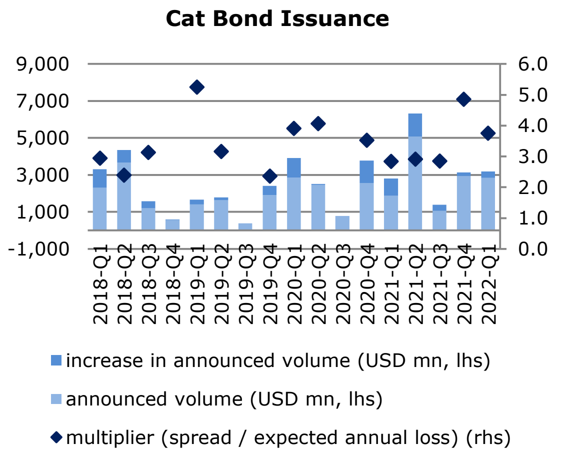
Note: Distribution of indicator (interquartile range, median).
Source: ARS (N_{2021}=2,310).

The median of the funding via repos increased to 4.1% in 2021 from 3.3% in the previous year.



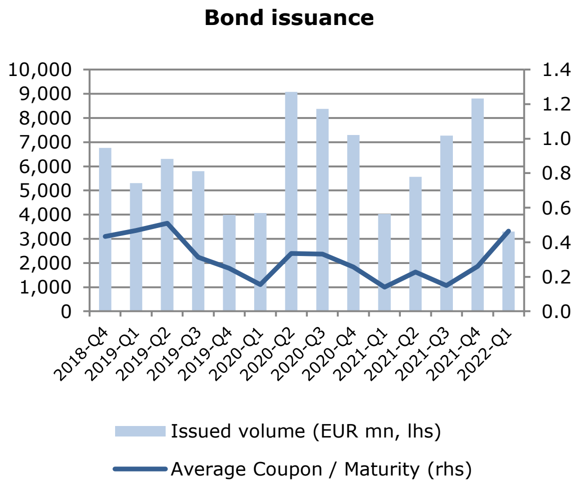
Note: Distribution of indicator (interquartile range, median). Due to data revision, the indicator has been reviewed.
Source: ARS (N_{2021}=94).

Catastrophe bond issuance remained overall stable in Q1-2022 around USD 2,845 million. Issued volumes were 12% higher than announced, with an average multiplier standing at 3.7. The majority of cat bonds issued covered US multi-risk natural catastrophe (storms and earthquakes)



Note: Volumes in USD mn, spread in per cent.
Source: http://artemis.bm

Bond issuance volumes dropped to EUR 3.3 billion for Q1-2022. The average ratio of coupons to maturity increased to 0.47 from 0.26.



Note: Volume in EUR mn
Source: Bloomberg Finance L.P.

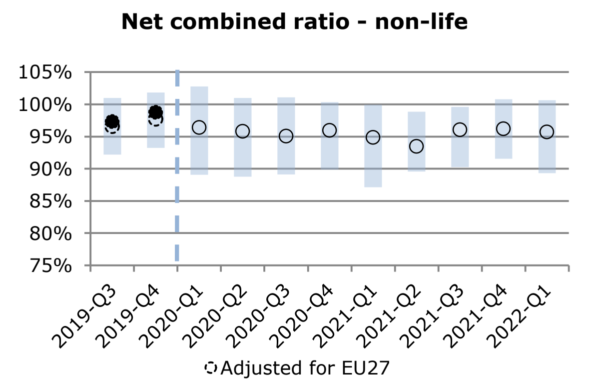
Profitability and solvency

Level: medium

Trend: increase

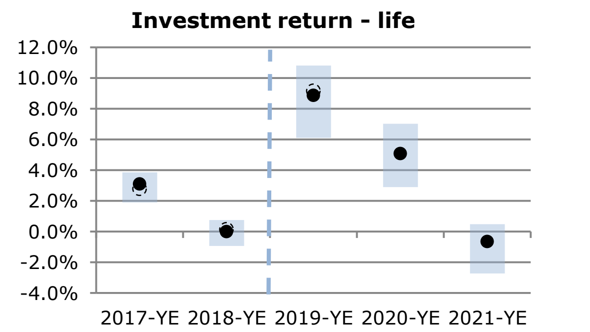
Profitability and solvency risks remain at medium level. Investment returns for life undertakings decreased. On the other hand, given the increasing trend of interest rates since the beginning of the year, solvency position for life undertakings raised. Likewise, a more moderate increase of solvency positions for non-life undertakings was observed. SCR ratio for groups dropped.

The median of the net combined ratio for non-life remains overall stable at 96% in Q1-2022.



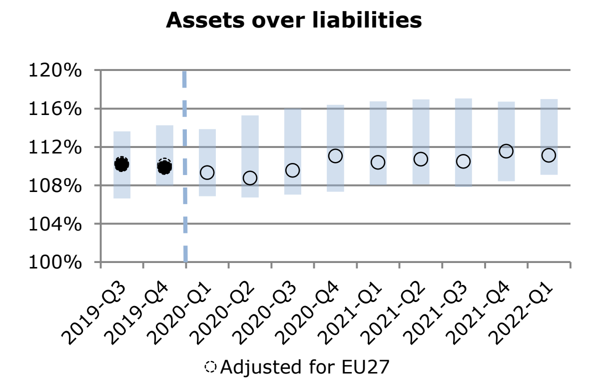
Note: Distribution of indicator (interquartile range, median). The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: QRS ($N_{2022\ Q1}$=1,364).

The distribution range of the return on investments for life solo undertakings shifted downwards, with a median of -0.6% in 2021 (-5.7 p.p. compared to the previous year).



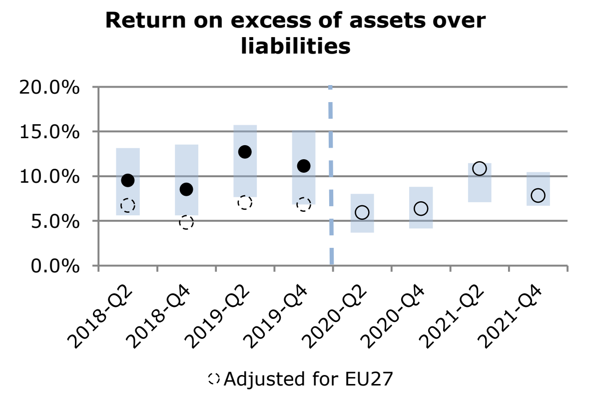
Note: Distribution of indicator (interquartile range, median). The numerator of the investment return ratio includes Solvency II reported unrealised gains and losses.
Source: ARS (N_{2021}=389).

The median of ratio of assets over liabilities shifted donwards in Q1-2022, standing at 111%. Whereas, the lower quartile increased in the same quarter.



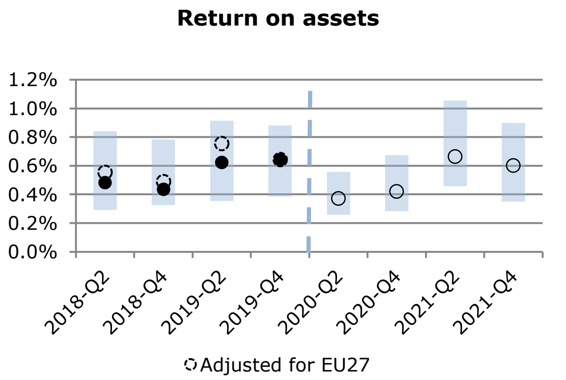
Note: Distribution of indicator (interquartile range, median). The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: QFG ($N_{2022\ Q1}$=91).

The distribution of return on excess of assets over liabilities (based on statutory accounts) shifted downwards, with a median standing at 7.8% in Q4-2021 (10.8% in Q2-2021).



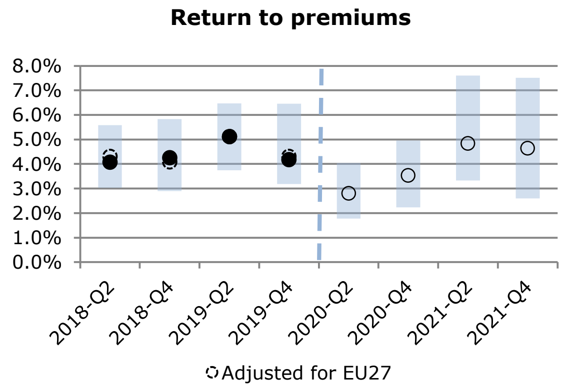
Note: Distribution of indicator (interquartile range, median). Q2 figures annualised. The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: QFG and ARG ($N_{2021\ Q4}$=87).

The distribution range of return on assets (based on statutory accounts) moved downwards, with a median standing around 0.6% in Q4-2021 (0.7% in Q2-2021).



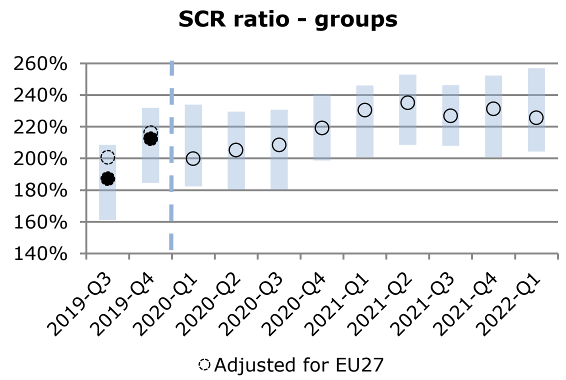
Note: Distribution of indicator (interquartile range, median). Q2 figures annualized. The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: QFG and ARG ($N_{2021\ Q4}$=87).

The median return to premiums slightly decreased to 4.6% in Q4-2021 from 4.8% in Q2-2021. Similarly, the lower tail of the distribution moved in the same direction.



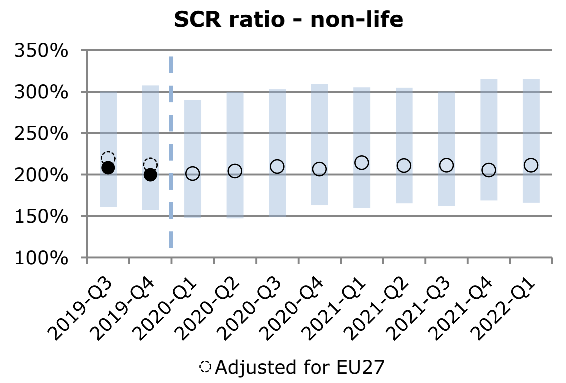
Note: Distribution of indicator (interquartile range, median). The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: "Total" QFG ($N_{2021\ Q4}$=93).

The median SCR ratio for groups dropped to 226% in Q1-2022 (231% in Q4-2021), while the lower tail of the distribution increased, showing an enhancement of SCR ratios for the insurance groups with low SCR ratios.



Note: Distribution of indicator (interquartile range, median). The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: "Total" QFG ($N_{2022\ Q1}$=91).

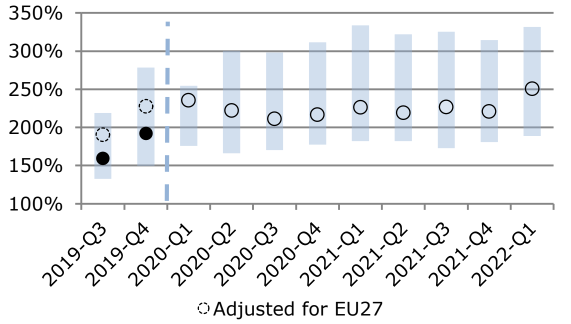
The median SCR ratio for non-life solo undertakings slightly shifted upwards to 211% (205% in Q4-2021).



Note: Distribution of indicator (interquartile range, median). The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: QRS ($N_{2022\ Q1}$=1,082).

The median SCR ratio for life solo undertakings raised to 250% in Q1-2022 (220% in Q4-2021), showing the highest SCR ratio for life undertakings since 2016. The increase of interest rates since the beginning of 2022 might be the main driver behind the increase.

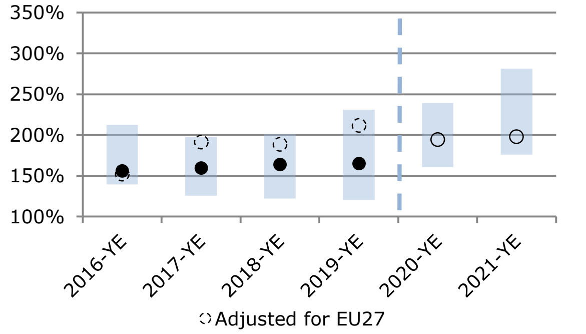
SCR ratio - life



Note: Distribution of indicator (interquartile range, median). The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: QRS ($N_{2022\ Q1}$=381).

The median SCR ratio of life solo companies excluding the impact of transitional measures remains unchanged, around 197%, while the lower tail increased. The latter indicates an improvement for the life undertakings with lowest SCR ratios (without transitionals).

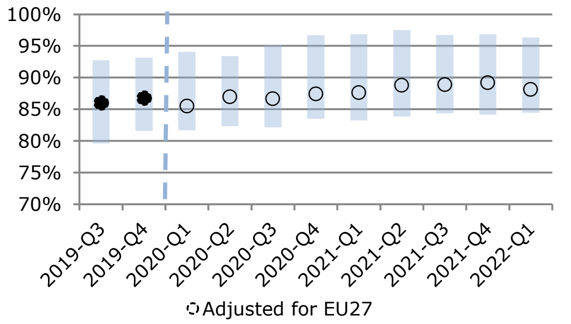
Solvency ratio - life (without transitionals)



Note: Distribution of indicator (interquartile range, median).
Source: ARS (N_{2021}=237).

The median of tier 1 capital in total own funds slightly decreased to 88% in Q1-2022 (89% in Q4-2021).

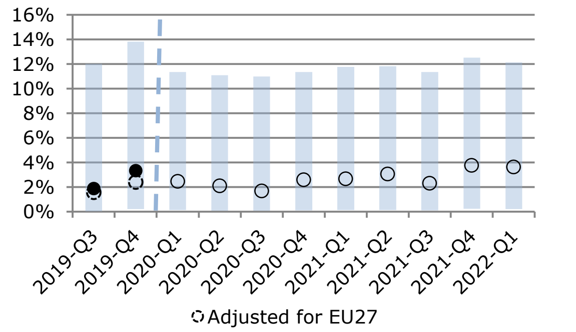
Tier 1 own funds to total own funds



Note: Distribution of indicator (interquartile range, median). The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: QFG ($N_{2022\ Q1}$=92).

The median share of expected profit in future premiums as a percentage of total eligible own funds remained stable at 3.6% in Q1-2022, while the upper tail of the distribution decreased to 12% in the same quarter.

Expected Profit in Future Premiums



Note: Distribution of indicator (interquartile range, median). The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: QRS ($N_{2022\ Q1}$=1,868).

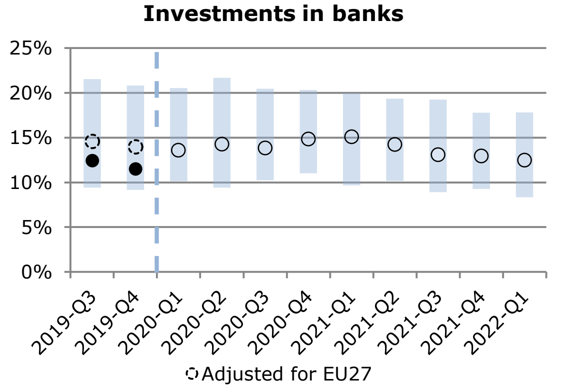
Interlinkages & imbalances

Level: medium

Trend: decrease

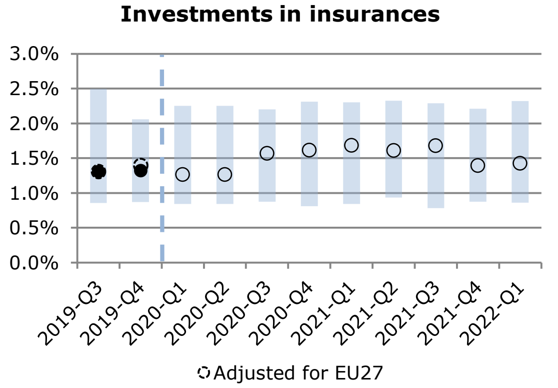
Interlinkages and imbalances risks remain at medium level in Q1-2022. Insurance groups' exposure to banks, other financial institutions and domestic sovereign debt slightly dropped. The median of premiums ceded to reinsurers slightly shifted upwards. The median of "non-insurance" liabilities of insurers slightly decreased since the last assessment.

The median of investment in banks as a share of total assets slightly decreased to 12.5% in Q1-2022 compared to the previous quarter.



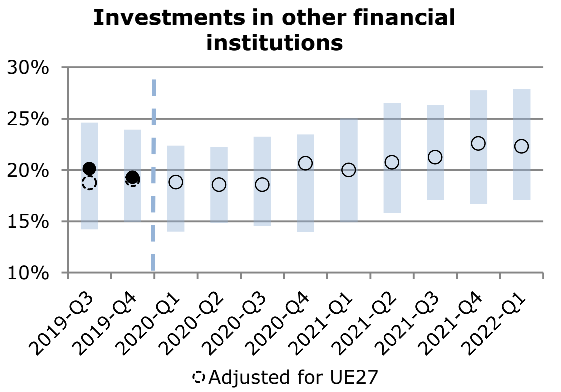
Note: Distribution of indicator (interquartile range, median). Banks comprise all activities identified with NACE code K.64.1.9. The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: QFG ($N_{2022\ Q1}$=89).

The median of investment exposures to insurers remains stable at around 1.4% of total assets in Q1-2022 in comparison with the previous quarter.



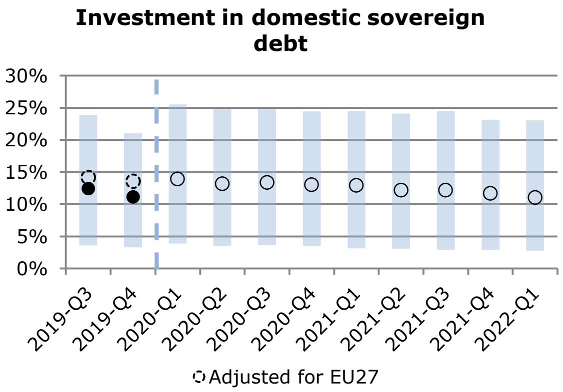
Note: Distribution of indicator (interquartile range, median). Insurances comprise all activities identified with NACE code K65, excluding K65.3. The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: QFG ($N_{2022\ Q1}$=88).

The distribution range of other financial institutions remains overall stable, with a median around 22% in Q1-2022 in comparison with the previous quarter.



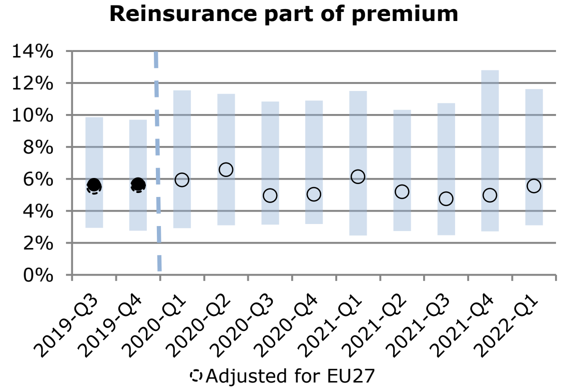
Note: Distribution of indicator (interquartile range, median). Other financial institutions comprise all activities identified with NACE codes K66, K65.3 and K64 excluding K64.1.9. The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions. The distribution of Q1-2020 has been revised.
Source: QFG ($N_{2022\ Q1}$=90).

The median share of investments in domestic sovereign debt slightly dropped to 11% since the last assessment.



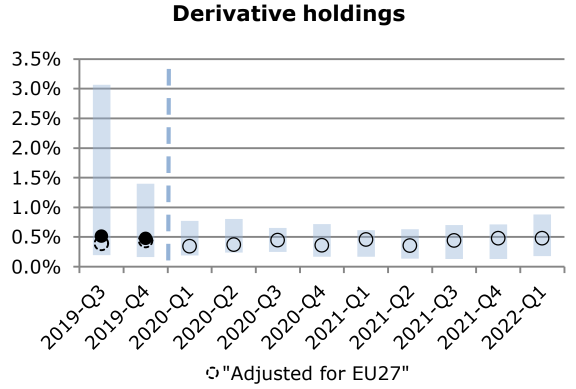
Note: Distribution of indicator (interquartile range, median). The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: QRS ($N_{2022\ Q1}$=1,165).

The median of premiums ceded to reinsurers slightly shifted upwards to 5.6% in Q1-2022 compared to the previous quarter.



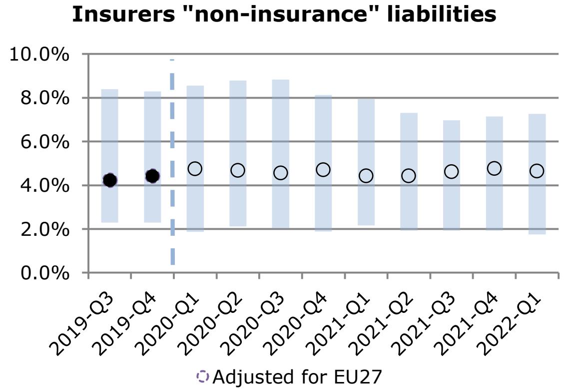
Note: Distribution of indicator (interquartile range, median). The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: QFG ($N_{2022\ Q1}$=85).

The median exposure to derivatives of total assets remains stable at 0.48%, while the upper tail of the distribution increased to 0.88% in Q1-2022.



Note: Distribution of indicator (interquartile range, median). The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: QFG ($N_{2022\ Q1}$=91).

The median of "non-insurance" liabilities of insurers slightly decreased to 4.6% in Q1-2022 in comparison with the previous quarter.



Note: Distribution of indicator (interquartile range, median). The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: QFG ($N_{2022\ Q1}$=91).

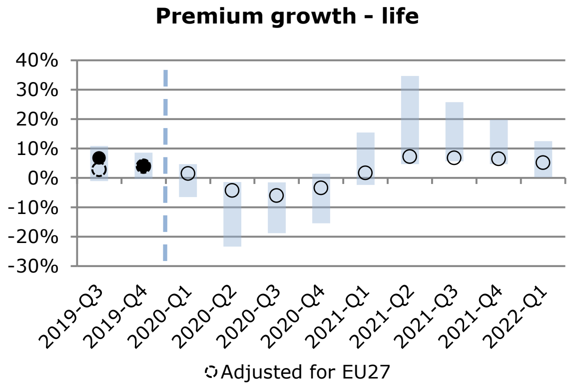
Insurance (underwriting) risks

Level: medium

Trend: constant

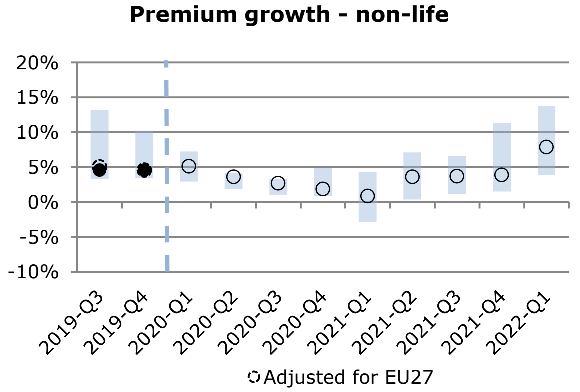
Insurance risks remain at medium level in Q1-2022. The year-on-year premium growth for non-life reported a substantial increase, while for life a slight decrease was observed. The median exposure of the loss ratio remains stable after the increasing trend observed during the last year.

The median of the life premium growth slightly moved downwards, standing at 5% in Q1-2022 from 6.4% in Q4-2021. The upper tail continued shrinking to 12.5% (19.7% in Q4-2021).



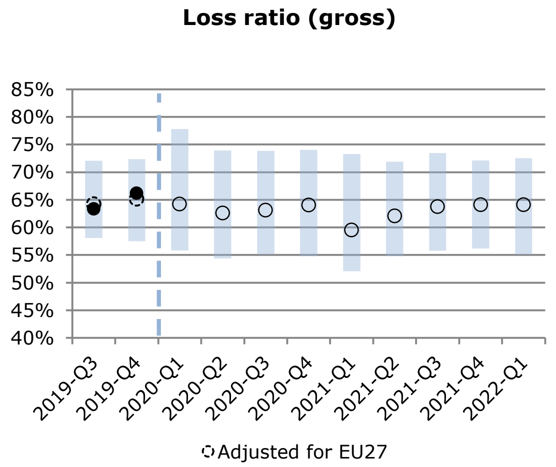
Note: Year-on-year change in gross written premiums. Distribution of indicator (interquartile range, median). The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: QFG ($N_{2022\ Q1}$=88).

The distribution of non-life premium growth shifted upwards, with a median standing at 7.9% in Q1-2022 (3.9% in the previous quarter).



Note: Year-on-year change in gross written premiums. Distribution of indicator (interquartile range, median). The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: QFG ($N_{2022\ Q1}$=85).

The median exposure of the loss ratio remains around the same level at 64% in Q1-2022.



Note: Distribution of indicator (interquartile range, median). The dashed line indicates a break after UK exit and exclusion of UK undertakings from the distributions.
Source: QRS ($N_{2022\ Q1}$=1,3655).

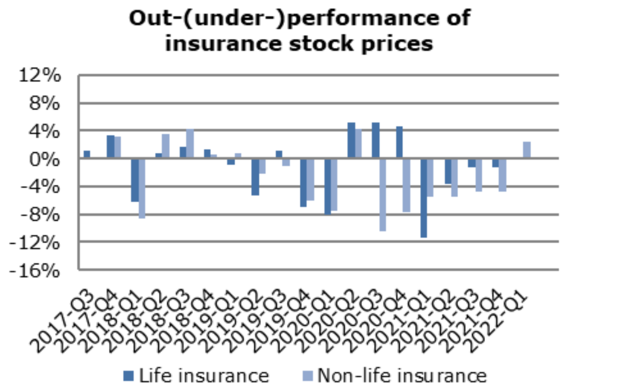
Market perceptions

Level: medium

Trend: increase

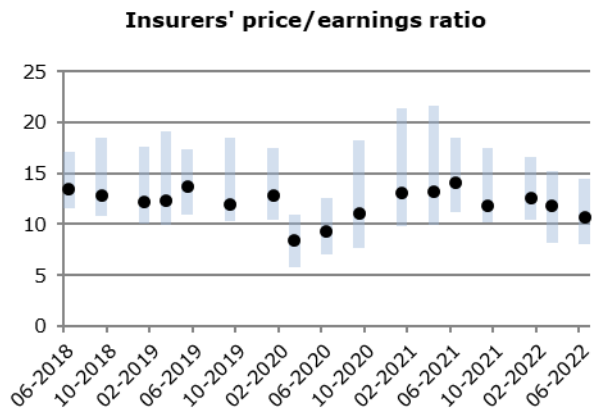
Market perceptions remain at medium level. Insurance non-life stocks slightly outperformed the market while life stocks performance was in line with the market. The median price-to-earnings ratio of insurance groups in the sample decreased. The median of CDS spreads of insurers increased. Insurers’ external ratings remained broadly stable since the last assessment.

Non-life stocks slightly outperformed the market while the life-sector was in line with market performance.



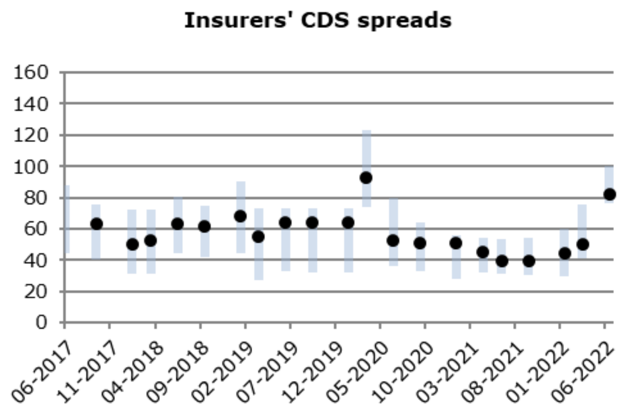
Note: Out-(under-)performance over 3-month periods vs Stoxx 600.Source: Refinitiv

The median price-to-earnings (P/E) ratio of insurance groups in the sample slightly decreased to 10.7%.



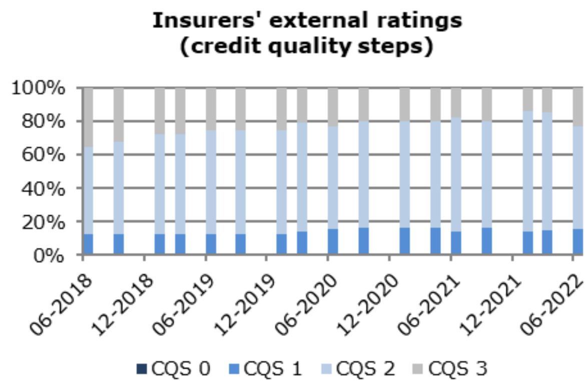
Note: Distribution of indicator (interquartile range, median). Source: Refinitiv

The distribution of insurers’ CDS spreads increased with the median level reaching for the insurers in the sample around 80bps.



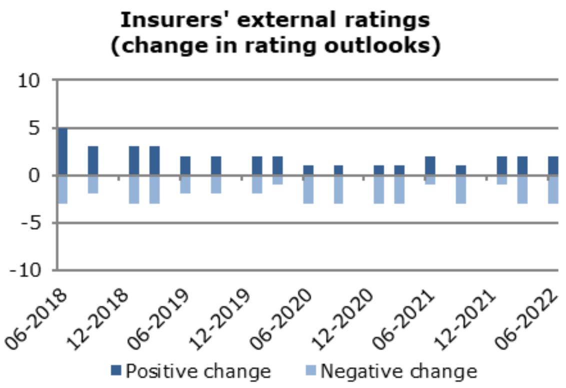
Note: Distribution of indicator (interquartile range, median). Source: Refinitiv

Insurers’ external ratings remained overall stable since the previous risk assessment.



Source: Standard & Poor’s via Refinitiv

Rating outlooks for insurers in the sample have remained stable (no negative or positive changes were reported).

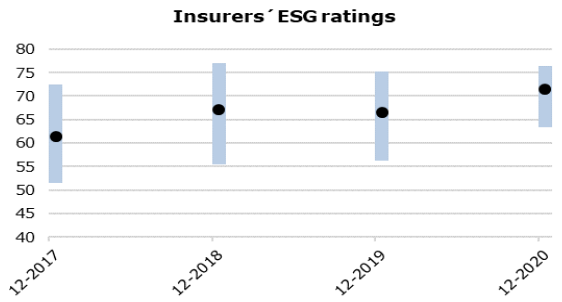


Source: Standard & Poor's via Refinitiv

Environmental, Social and Governance (ESG) related risks	Level: medium Trend: constant

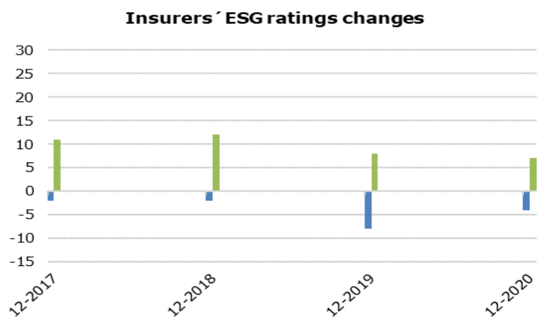
ESG related risks remain at medium level. Insurers slightly increased their relative exposure into green bonds, while the ratio of investments into green bonds over the total green bond outstanding slightly decreased. The y-o-y growth of green bonds in insurers portfolios has slightly increased, while the growth of green bonds outstanding has decreased. The median exposure to climate relevant assets remained around the same levels. Exposure at flood and windstorm risk has been slightly decreasing in the high end of the distribution from 2019 to 2020. The cumulative catastrophe loss ratio substantially decreased reaching one of the lowest levels in the last years.

The median ESG ratings of the insurers in the sample corresponds to around B+ and it has been improving in the last years.



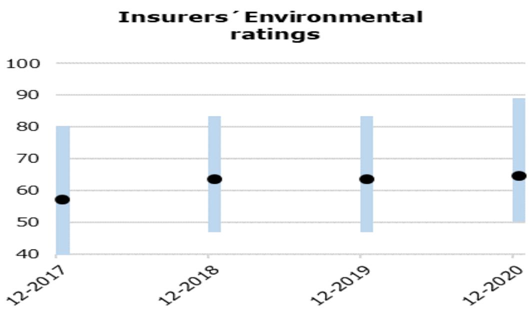
Note: Distribution of indicator (interquartile range, median). Higher rating scores corresponde to better ratings.
Source: Refinitiv

The numbers of improvements in ESG ratings for the insurers in the sample have been higher than the negative changes.



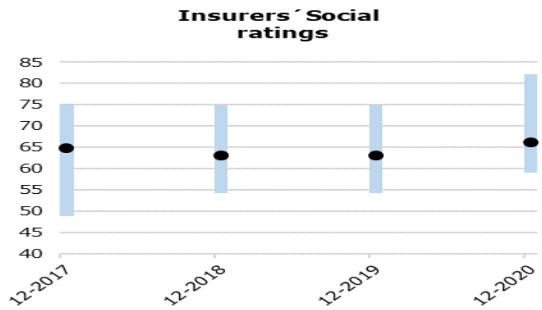
Note:Numbers of positive (green bar) and negative (blue bar) changes.
Source: Refinitiv

The median environmental ratings of the insurers in the sample corresponds to around B and it has been improving in the last years.



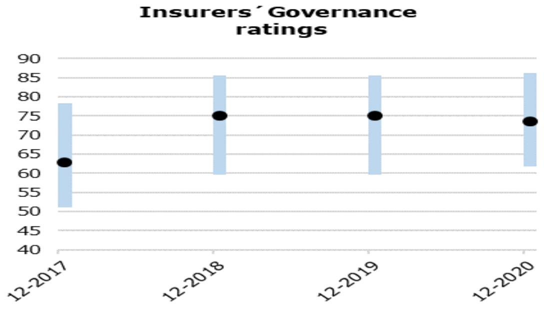
Note: Distribution of indicator (interquartile range, median). Higher rating scores corresponde to better ratings.
Source: Refinitiv

The median social ratings of the insurers in the sample correspond to around B+ and it improved in the last year.



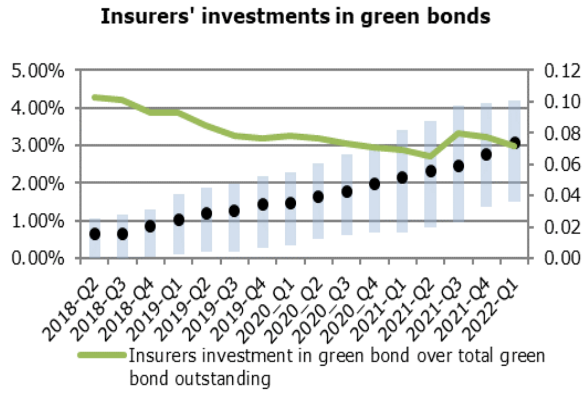
Note: Distribution of indicator (interquartile range, median). Higher rating scores corresponde to better ratings.
Source: Refinitiv

The median governance ratings of the insurers in the sample correspond to around B+ and it has been improving until 2019 and slightly deteriorated in 2020.



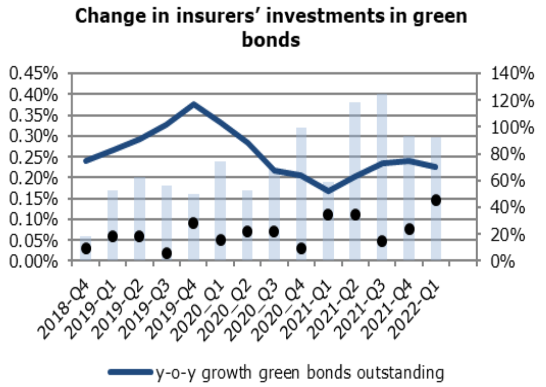
Note: Distribution of indicator (interquartile range, median). Higher rating scores corresponde to better ratings.
Source: Refinitiv

The median investments in green bonds over corporate bonds have been slightly increasing to 3.08%. In Q1 2022, the share of insurers' investment in green bond over total green bonds outstanding slightly decreased compared to the previous quarter.



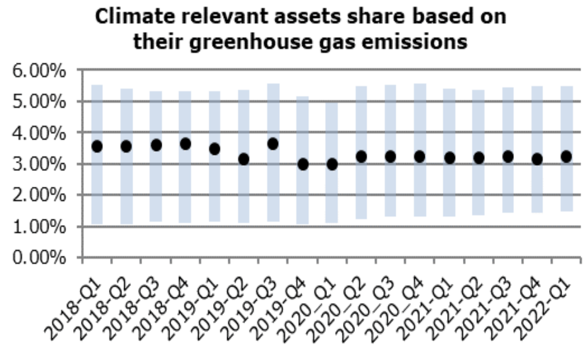
Note: Distribution of indicator (interquartile range, median).
Source: Refinitiv, QRS ($N_{2022\ Q1}$=1,365).

The median growth of insurers' investment in green bonds has increased. The share of insurers' investment in green bond is increasing, but slower than the growth of green bond outstanding. Nevertheless, this difference tends to decrease.

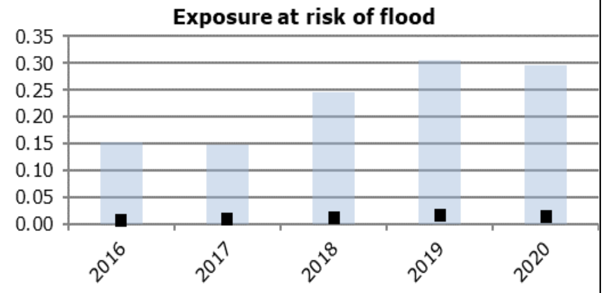
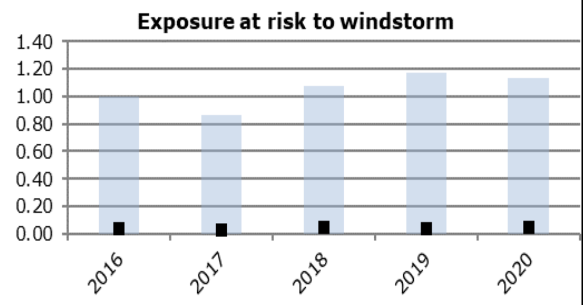
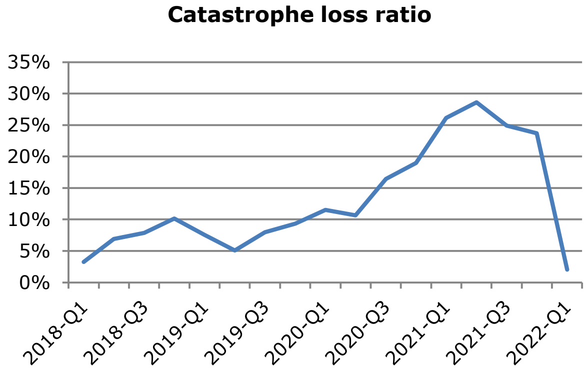


Note: Distribution of indicator (interquartile range, median).
Source: Refinitiv, QRS ($N_{2022\ Q1}$=1,351).

The median exposure toward climate relevant assets hovers around 3.24% of total assets.



Note: The six climate-relevant sectors (agriculture, fossil fuel, utilities, energy-intensive, transport and housing) based on their greenhouse gas emissions and mapped at NACE Rev2 4-digit level. Source: QRS ($N_{2022\ Q1}$=1746).

The exposure to flood risk remains the same.  Source: EIOPA Pilot dashboard on insurance protection gap for natural catastrophes, Eurostat Refinitiv, ARG ($N_{2021\ Q2}$=109).	*The exposure to flood risk remains the same.*  Source: EIOPA Pilot dashboard on insurance protection gap for natural catastrophes, Eurostat Refinitiv, ARG ($N_{2021\ Q2}$=109).
The cumulative catastrophe loss ratio substantially decreased in the first quarter-2022, reaching one of the lowest levels in the last years.  Note: Cumulative year-to-date loss ratio calculated based on Munich Re, Hannover Re and Everest Re. Source: Bloomberg Finance L.P.	

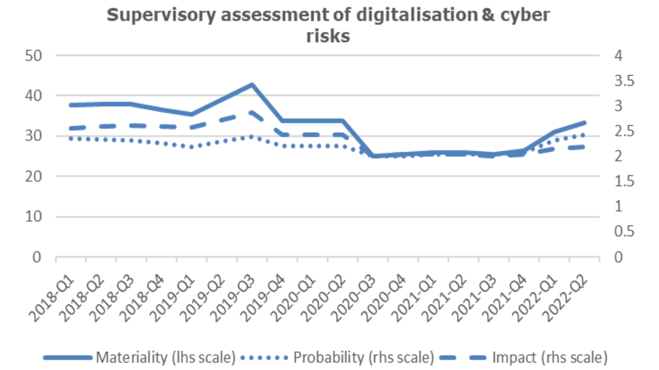
Digitalisation & Cyber risks

Level: high

Trend: constant

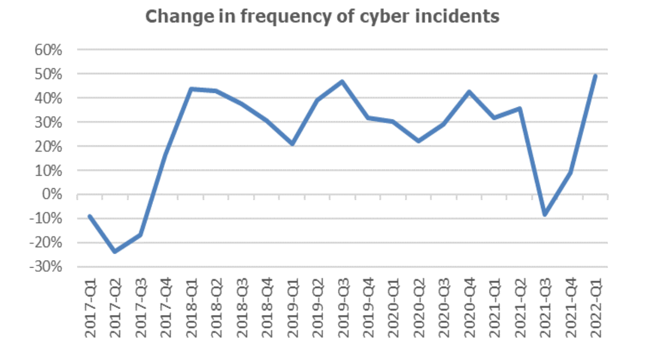
Digitalisation and cyber risks are at high level. The materiality of these risks for insurance as assessed by supervisors increased given the resurge of cyber security issues and concerns of a hybrid geopolitical conflict. The frequency of cyber incidents impacting all sectors of activity, as measured by publically available data, increased significantly since the same quarter of last year. Cyber negative sentiment indicates an increased concern in the second quarter of 2022.

The supervisory assessment of digitalisation and cyber risks continued increasing in Q1-2022. The cyber security issues and concerns of a hybrid geopolitical conflict remains a concern for insurers.



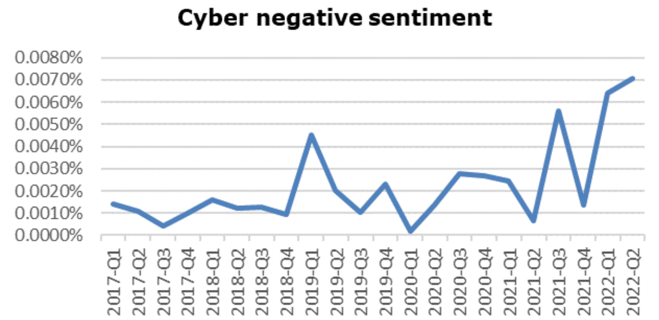
Note: Scores compiled based on the assessment of probability and impact (rhs: scale from 1 to 4) of digitalisation & cyber risks from National Competent Authorities. The country averages for each answer is then normalised (lhs: scale 0-100)
Source: EIOPA's Insurance Bottom-up Survey

The y-o-y change in frequency of cyber incidents has increased significantly in the first quarter 2022, with the number of cyber incidents higher compared to the long term average.



Note: Year-on-year change in frenquency of cyber incidents. Previous quarter data have been revised.
Source: HACKMAGEDDON website

The cyber negative sentiment indicator, by counting the number of negative-sentiment and cyber-related terms related to cyber risk in the earning calls transcripts of major insurance groups, indicates a slight further increase concern in the second quarter 2022.



Note: Text analysis based indicator, calculated from earning calls transcripts ($N_{2022\ Q1}$=32). Source: Refinitiv, EIOPA calculations.

APPENDIX

Level of risk		Very high
		High
		Medium
		Low

Trend	⇧	Large increase
	⬀	Increase
	⇨	Constant
	⬂	Decrease
	⇩	Large decrease

Arrows show changes when compared to the previous quarter.

Description of risk categories

Macro risks

Macro risk is an overarching category affecting the whole economy. EIOPA's contribution focuses on factors such as economic growth, state of the monetary policies, consumer price indices and fiscal balances which directly impact the insurance industry. The indicators are developed encompassing information on the main jurisdictions where European insurers are exposed to both in terms of investments and product portfolios.

Credit risks

The category measures the vulnerability of the European insurance industry to credit risk. To achieve this aim, credit-relevant asset class exposures of the (re)insurers are combined with the relevant risk metrics applicable to these asset classes. For instance, the holdings of government securities are combined with the credit spreads on European sovereigns.

Market risks

Market risk is, for most asset classes, assessed by analysing both the investment exposure of the insurance sector and an underlying risk metric. The exposures give a picture of the vulnerability of the sector to adverse developments; the risk metric, usually the volatility of the yields of the associated indices, gives a picture of the current level of riskiness. The risk category is complemented by an indicator which captures the difference between guaranteed interest rates and investment returns.

Liquidity and funding risks

This category aims at assessing the vulnerability of the European insurance industry to liquidity shocks. The set of indicators encompasses the lapse rate of the life insurance sector with high lapse rate signalling a potential risk, holdings of cash & cash equivalents as a measure of the liquidity buffer available, and the issuance of catastrophe bonds, where a very low volume of issuance and/or high spreads signals a reduction in demand which could form a risk.

Profitability and solvency

The category scrutinises the level of solvency and profitability of the European insurance industry. Both dimensions are analysed for the overall industry (using group data) and include a breakdown for the life and non-life companies (using solo data). In detail, the solvency level is measured via solvency ratios and quality of own funds. Standard profitability measures for the whole industry are complemented by indicators such as the combined ratio and the return on investments specifically applied to the non-life and life industry respectively.

Interlinkages and imbalances

Under this section various kinds of interlinkages are assessed, both within the insurance sector, namely between primary insurers and reinsurers, between the insurance sector and the banking sector, as well as interlinkages created via derivative holdings. Exposure towards domestic sovereign debt is included as well.

Insurance (underwriting) risks

As indicators for insurance risks gross written premiums of both life and non-life business are an important input. Both significant expansion and contraction are taken as indicators of risks in the sector; the former due to concerns over sustainability and the latter as an indicator of widespread contraction of insurance markets.

Market perception

This category encompasses the financial markets' perception of the healthiness and profitability of the European insurance sector. For this purpose, relative stock market performances of European insurance indices against the total market are assessed, as well as fundamental valuations of insurance stocks (price/earnings ratio), CDS spreads and external ratings/rating outlooks.

Environmental, Social and Governance (ESG) related risks

This risk category aims at assessing the vulnerability of the European insurance industry to Environmental, Social and Governance (ESG) risks but also to capture these kind of risks that may emerge and rise in the near future. The set of indicators encompasses ESG ratings of listed insurers signalling low insurers' attention to ESG factors and hence could increase their reputational and operational risk, the share of green bonds in insurers' portfolios and share of climate relevant assets based on their greenhouse gas emissions as a measure of exposure towards transition risk, exposure at risk of NatCat events, economic damage caused by weather and climate-related extreme events and catastrophe loss ratio as a flag for potential physical risk. Information on claims and insurance losses due to natural catastrophes also contribute to this risk category.

Digitalisation & Cyber risks

This risk category aims to capture potential financial stability risks related to an increased digitalisation, which exposes the insurance sector to risks both from an operational resilience perspective (as insurers themselves can be targets of cyber-attacks) and from an underwriting perspective (related to the provision of cyber insurance products). The set of indicators encompasses the supervisors' assessment of digitalisation & cyber risks considering different aspects such as cyber security risks, cyber underwriting risks and Insurtech competition, the year-on–year change in the frequency of cyber incidents as reported in the Hackmageddon.com database and, finally, the negative sentiment of European insurers against cyber risk. This section will be further developed as new data becomes available.

Abbreviations

AFG	Annual Financial Stability Reporting for Groups
ARS	Annual Prudential Reporting for Solo Entities
QFG	Quarterly Financial Stability Reporting for Groups
QRS	Quarterly Prudential Reporting for Solo Entities
QFT	Quarterly Fast Track Reporting (pre-Solvency II, for around 32 large insurance groups on a best effort basis)

Notes

- Sample size for the different indicators may vary according to availability and consistency of the reported information.
- Vertical dashed lines where displayed in the graphs that signal the structural change in the series driven by the transition from Solvency I to Solvency II reporting.

EIOPA Risk Dashboard July 2022

This report provides an interim risk-update, updating previous Risk Dashboards. Legal basis of this report is 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), and in particular Article 32 (Assessment of market developments) thereof.