Press Release

Contact: Jerneja Orthmayr
Phone: +49(0)69951119350
press@eiopa.europa.eu

EIOPA IDENTIFIES A SEARCH-FOR-YIELD TREND IN THE INVESTMENT BEHAVIOUR OF INSURERS

- *EIOPA conducted a survey to identify changes and trends in the investment behaviour of insurers during the past 5 years characterised by a persisting low yield environment*
- *Increased exposures towards lower credit rating quality fixed income securities*
- *More illiquid investments such as non-listed equities and gradual increase in exposure to non-traditional asset classes such as infrastructure, mortgages, loans and real estate*
- *Increase of the average maturity of the bond portfolios*
- *Exposure to equities remained largely unchanged*
- *These trends may impact the risk profile of undertakings and the sector as a whole and therefore require close monitoring by the supervisory community*

Frankfurt, 16 November 2017 – Today, as part of its supervisory response to the ongoing low yield environment, the European Insurance and Occupational Pensions Authority (EIOPA) published survey results analysing trends in the investment behaviour of European insurers over the past 5 years.

The survey revealed trends that could be associated with a search-for-yield behaviour in the insurance industry such as increased exposures towards lower credit rating quality fixed income securities and more illiquid investments such as non-listed equities and loans. Additionally, the average maturity of the bond portfolios increased while equity allocation remained largely unchanged. Large insurance groups appear to invest more into non-traditional asset classes such as infrastructure, mortgages, loans and real estate.

The survey was conducted during the first quarter of 2017, and is focused on the asset side of the balance sheet of large insurance groups. The results are based on submissions from 87 large insurance groups and 4 solo undertakings across 16 European Union Member States.

Gabriel Bernardino, Chairman of EIOPA, said: *"The survey points to a search-for-yield investment behaviour of insurers which is a natural reaction to the low interest rate environment. The increased exposure to more illiquid investments and to non-traditional asset classes, such as infrastructure, improves asset diversification but also demands new risk management capabilities from insurers and closer supervisory attention. At the same time, in line with our expectations, the first observations from the impact of Solvency II point to an increase in long-term investment and a stable allocation to equity. EIOPA will continue to closely monitor the investment behaviour of insurers to ensure that it continues to remain in line with their risk bearing capacity."*

The Investment Behaviour Report is available via EIOPA's Website.

Notes for Editors:

The **European Insurance and Occupational Pensions Authority (EIOPA)** was established on 1 January 2011 as a result of the reforms to the structure of supervision of the financial sector in the European Union. EIOPA is part of the European System of Financial Supervision consisting of three European Supervisory Authorities, the National Supervisory Authorities and the European Systemic Risk Board. It is an independent advisory body to the European Commission, the European Parliament and the Council of the European Union. EIOPA's core responsibilities are to support the stability of the financial system, transparency of markets and financial products as well as the protection of insurance policyholders, pension scheme members and beneficiaries.

The **survey** included both a **quantitative and qualitative part** focusing on the asset side of the balance sheet. The quantitative part focused of the key investment categories of insurance groups under the Solvency I (SI) regime for the years 2011, 2013 and 2015. This dataset was subsequently complemented with Solvency II (SII) data for the year 2016 for the same investment categories. The qualitative part included a number of questions regarding portfolio trends, investment allocation decisions and questions regarding the asset management of insurers for the same period. Additionally, a set of questions was included focusing on investment and strategy decisions of the groups for the next three years.

73% of the participants of the survey are composite insurers, 24% are life insurers, 2% are purely non-life and 1% is the reinsurance business.