Risk dashboard

The risk dashboard presents EIOPA's quarterly risk assessment of the European Union insurance industry

With the implementation of the Solvency II regime in January 2016 substantial improvements as regards the risks' quantification and the reporting standards were introduced. The enhanced data of all (re)insurance undertakings subject to the Solvency II regime is the basis of the newly developed and improved analytical risk dashboard.

Risk Dashboard January 2021 (Q3-2021 Solvency II Data)

Risk Dashboard

January 2021

Risks	Level	Trend (past 3 months)	Outlook (next 12 months)
Macro risks	High	→	→
Credit risks	Medium	→	↗
Market risks	Medium	↘	↗
Liquidity and funding risks	Medium	→	→
Profitability and solvency	Medium	→	→
Interlinkages and imbalances	Medium	→	→
Insurance (underwriting) risks	Medium	→	↗
Market perceptions	Medium	↗	→

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.

Key observations

Macro risks decreased from very high level to high level given the recovery observed in some countries after the first impact of the COVID-19 outbreak as well as positive expectations related to the vaccine. GDP growth forecast and credit-to-GDP gap rebounded in December. Market risks remain at medium level with a decreasing trend. Financial markets positively reacted to the COVID-19 vaccine news in the second half of 2020. Volatility continues decreasing in December, being close to pre-Covid-19 levels.

Going forward, an increasing trend for market risks is expected over the next 12 months due to the high uncertainty surrounding and the concerns related to decoupling between financial market performance and economic outlook. Liquidity and funding risks remain at medium level, amid decrease in cash

holding. Profitability and solvency risks remain constant at medium level.

Solvency Capital Requirements (SCR) ratio for insurance groups undertakings slightly improved from the second quarter to the third quarter of 2020 amid remaining at lower levels than in the last quarter of 2019.

Insurance risks remain at medium level, amid decrease in premium growth. More specifically, year-on-year premium growth for both life and non-life reported a slight deterioration for the third consecutive quarter.

Market perceptions slightly deteriorated from September to the end of 2020 amid remaining at medium level. The median price-to-earnings ratio of insurance groups in the sample increased.

This Risk Dashboard based on Solvency II data summarises the main risks and vulnerabilities in the European Union insurance sector through a set of risk indicators of the third quarter of 2020 complemented with market data and other available information. Solvency II data is based on financial stability and prudential reporting collected from 90 insurance groups and 2269 solo insurance undertakings.

Note:

- Reference date for company data is Q3-2020 for quarterly indicators and 2019-YE for annual indicators. The cut-off date for most market indicators is beggining of January 2021.
- Risk Levels are based on a 4-level scale from Low (green) to Very high (red). Risk trend reports the quarter on quarter variation of the risk based on a 5-level scale from Substantial Decrease to Large Increase.

The Outlook displayed for the next 12 months is based on the responses received from the 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).