



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 April 2021 (Q4-2020 Solvency II Data)

Risk Dashboard

April 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

The results show that insurers' exposures to macro risks remain at high level while all other risk categories remain at medium level. The European supervisors expect an increase in credit risks over the next 12 months, reflecting concerns over corporate indebtedness. With regards to macro risk, Gross Domestic Product growth and inflation forecasts registered new upward revision.

The long-term yields have increased across currencies in the first quarter of 2021. Financial markets remain broadly stable, amid an increase in bond volatility and concern over commercial real estate investments. Solvency positions for life business showed an improvement, while non-life business

slightly deteriorated. Insurers' profitability, measured by the return on assets and the return on excess of assets over liabilities improved due to positive market performance.

Despite this improvement the insurers' profitability remained lower compared to pre-COVID levels. Insurance risks remain at medium level in spite of the deterioration of some indicators. The catastrophe loss ratio significantly increased and year-on-year premium growth for non-life continued deteriorating. On the other hand, year-on-year premium growth for life reported a slight recovery after the deterioration in the previous quarters. Market perceptions remain at medium level with an increasing trend. The insurance sector, both life and non-life, underperformed the stock market in the first quarter 2021.

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 81 insurance groups and 2463 solo insurance undertakings.

Note:

- Reference date for company data is Q4-2020 for quarterly indicators and 2019-YE for annual indicators. The cut-off date for most market indicators is beginning of April 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).