











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 July 2020 (Q1-2020 Solvency II Data)

Risks	Level	Trend
1. Macro risks	Very high	
2. Credit risks	High	
3. Market risks	High	
4. Liquidity and funding risks	Medium	
5. Profitability and solvency	High	
6. Interlinkages and imbalances	Medium	
7. Insurance (underwriting) risks	Medium	
8. Market perceptions	Medium	

Note: Despite the fact that some indicators used in this Risk Dashboard do not still completely capture the latest development in the context of Covid-19 outbreak, the expected deterioration of the relevant indicators reflecting all available information in a forward looking perspective has been considered in the assigned risk levels where possible, and incorporated in the text. Expert judgment is applied in credit and profitability and solvency risks categories. The other risk categories levels reflect our quantitative methodology and the arrows show changes compared to the last assessment. 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 are also disclosed to reflect potential variations driven by the structural break in the sample.

Key observations:

Macro risk remain at very high level given the global impact of the outbreak of COVID on economic activities. The stabilization of financial markets and their rebound of financial markets after March 2020 raise the question whether the performance has decoupled from underlying macro-economic fundamentals, as GDP growth and inflation forecasts have been revised significantly downwards. Moreover, the indicator on the 10 year swap rates decreased reaching new lows,

while unemployment rate increased. Credit risk remains at high level, as the risk of credit events remain elevated going forward. Profitability and solvency risks remain at high level. The expected deterioration, subsequent to the Covid-19 impact, is already reflected in some indicators. Asset over liabilities and SCR ratios for groups and non-life solo registered a weakening. A further deterioration for next quarter is still foreseen for SCR ratios, both life and non-life mainly driven by the low yield environment and the possible depreciation of assets in the context of Covid-19. The net combined ratio reported an improvement. Insurance risks decreased to medium level. Year-on-year premium growth for life reported a significant deterioration indicating already a negative impact from the Covid-19 outbreak. On the other hand, year-on-year premium growth for non-life and loss ratio registered a slight improvement. Catastrophe loss ratio continue increasing following the significant events occurred during 2019 and 2020- Australian bushfire season. Market perceptions remained stable at medium level. Stocks of life and non-life insurance continued to underperform relative to the market, which in contrast experienced an unexpected increase. Insurers' CDS spreads returned to lower level. Insurers' external outlooks show a net increase in negative revision as of June 2020.

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 first 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 2488 solo insurance undertakings.

Note:

- Reference date for company data is Q1-2020 for quarterly indicators and 2019-YE for annual indicators. The cut-off date for most market indicators is end of June 2020.
- 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.

