

















Risk dashboards - Previous publications

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

Risk Dashboard October 2020 (Q2-2020 Solvency II Data)

Risks	Level	Trend	Outlook ¹
		(Past 3 months)	(Next 12 months)
1. Macro risks	Very high		
2. Credit risks	Medium		
3. Market risks	Medium		
4. Liquidity and funding risks	Medium		
5. Profitability and solvency	Medium		
6. Interlinkages and imbalances	Medium		
7. Insurance (underwriting) risks	Medium		
8. 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. No expert judgement has been applied in any risk category. Credit and profitability and solvency risks show a large decrease trend due to the application of expert judgement in the July 2020 Risk Dashboard.

Key observations:

Macro risks remain at very high level given the persistent global impact of the outbreak of COVID-19 on economic activities, intensified by the second wave

already initiated in several EU countries. Economic outlooks at the end of September, show the strongest expected decline in the last quarter of 2020 and first recovery in the second quarter 2021. The effects of the new wave of the pandemic might skew further downward GDP growth.

Moreover, the indicator on the 10 year swap rates decreased reaching new lows. Credit risks decreased to medium level. The CDS spreads continue decreasing across all market segments in September, remaining above the levels before COVID-19 crisis. Market risks decreased to medium level. Financial markets have stabilized in the first half of 2020, while remaining concerns related to decoupling between financial market performance and economic outlook that could lead to potential market correction remain. The volatility in the equity and bond markets continue decreasing, reaching lower levels than before COVID-19 crisis for the bond markets. Profitability and solvency risks decreased to medium level. SCR ratio for groups slightly improved from the last quarter amid remaining at lower levels than the last quarter of 2019.

All half-year profitability indicators, which now include the first month of the COVID-19 crisis and their impact on financial returns, show the expected signs of deteriorations. Insurance risks remain at medium level, driven by general concerns over decrease in premium growth, and in some jurisdictions over reserve adequacy. More specifically, year-on-year premium growth for life reported a significant deterioration for the second consecutive quarter, indicating already a negative impact from the COVID-19 outbreak. While market perceptions exhibit a decreasing trend, they are still at medium level. The median price-to-earnings ratio of insurance groups in the sample slightly increased dispersing from the low levels reached in the first half of 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 second quarter of 2020 complemented with market data and other available information. Solvency II data is based on financial stability and prudential reporting collected from 98 insurance groups and 2507 solo insurance undertakings.

Note:

- Reference date for company data is Q2-2020 for quarterly indicators and 2019-YE for annual indicators. The cut-off date for most market indicators is end of September 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.

Risk Dashboard July 2020 (Q1-2020 Solvency II Data)

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.

Risk Dashboard - April 2020

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

Note: Despite the fact that some indicators used in this Risk Dashboard do not

capture the latest market 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. This addresses the current situation of high uncertainty in the insurance market.

Key observations:

- Risk exposures for the European insurance sector increased as the outbreak of Covid-19 strongly affected the lives of all European citizens with disruptions in all financial sectors and economic activities. Market developments point to a “double-hit” scenario negatively affecting insurers on both asset and liability side as tested in previous stress test exercises.
- Macro and market risks indicators deteriorated in March 2020, moving from high to very high level. Overall, GDP forecasts have been revised significantly downwards across countries for 2020. For the first quarter of 2020, EU estimates point to the sharpest decrease of GDP and employment in the last two decades. Inflation forecasts are pointing to downward revisions for the next four quarters. Monetary policy support has been activated by all major central banks. Financial markets have been characterized by sell-off across asset classes, increased volatilities for bond and equity markets, increasing risk premia and flight to quality investment behavior.
- Credit risk has increased across all asset classes, in particular CDS of government bonds, financial and non-financial corporate bonds have increased sharply.
- Liquidity and funding risks raised to high level, as some indicators are expected to worsen via the latest market developments and the strong hit on economic activities, which is reducing incomes and could result in decreasing premiums and lowering new business. Moreover, the potential increase in claims and illiquid level of certain assets could put additional strains on the disposable liquidity of insurers in the medium to long-term horizon.
- Profitability and solvency risks increased to high level. A deterioration of indicators is estimated as a consequence of the recent negative market developments in the context of Covid-19 outbreak. Furthermore, a decrease in excess of assets over liabilities is expected, driven by drops in asset values and increase in liabilities. On the other hand, an improvement of the SCR ratios for groups and life undertakings across the whole distribution was observed in Q4-2019.
- Interlinkages and imbalances risks remain stable with an observed fall in the upper quartile of the derivative holdings distribution, potentially due to a market value reduction.
- Insurance risks raised to high level. The negative market developments may have negative effects via income reduction (due to the impact of drop in economic activity on new as well as existing business) and potential increase in claims for specific business lines.
- Market perceptions of the insurance sector has deteriorated as well. The EU insurance sector underperformed the market, both life and non-life businesses lines, and the median price-to-earnings ratio of insurance groups in the sample decreased since the last assessment. Insurers’ CDS spreads increased, while insurers’ external ratings and rating outlooks do not show sign of deterioration as of end March 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 fourth quarter of 2019 complemented with market data and other available information. Solvency II data is based on financial stability and prudential reporting collected from 96 insurance groups and 2837 solo insurance undertakings.

Note:

- Reference date for company data is Q4-2019 for quarterly indicators and 2018-YE for annual indicators. The cut-off date for most market indicators is end of March 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.

Risk dashboard – January 2020

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

Key observations

- Risk exposures for the European insurance sector are overall stable.
- Macro risks continue at a high level. Despite the recent easing of monetary policy by major central banks, the macroeconomic environment remains subdued and the prolonged low interest rates challenge the insurance sector.
- Market risks are also at a high level but show a decreasing trend due to lower expected bond market volatility since October. CDS spreads declined slightly across most bond segments, except sovereign bonds, with credit risks remaining at medium level.
- Solvency ratios for groups and life undertakings declined across the whole distribution in Q3-2019, but profitability and solvency risks continue at medium level.
- Interlinkages and imbalances show an increasing trend due to higher Solvency II values reported mainly for the largest derivative exposure – interest rate swaps. This could possibly be related to ALM strategies in response to low interest rates.
- Market perceptions remain at medium level, with life insurance stock prices outperforming the

overall market and non-life stocks underperforming.

Risk dashboard – April 2019

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

Key observations

The results of the April 2019 Risk Dashboard show that the risk exposure of the European Union insurance sector remains overall stable.

Macro risks continue at medium level. Low swap rates and recent downward revisions to Gross Domestic Product (GDP) growth and inflation forecasts remain a concern going forward. Credit and market risks remain at medium level amid slightly decreased bond spreads, stable portfolio exposures and broadly unchanged bond volatility. Profitability and solvency risks are stable, with overall unchanged profitability indicators compared to the second half of 2018 and end-2017. Median Solvency Capital Requirement (SCR) ratios are well above 100% for groups, life and non-life solo undertakings. Insurance risks increased to medium level due to a further increase in the catastrophe loss ratio. Market perceptions remain stable at medium level with insurance stocks slightly outperforming the overall market, a reduction in insurance groups' Credit Default Swap (CDS) spreads and unchanged external ratings.

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 fourth quarter of 2018. This data is based on financial stability and prudential reporting collected from 96 insurance groups and 2,873 solo insurance undertakings.

Note

- Reference date for company data is Q4-2018 for quarterly indicators and 2017-YE for annual indicators. The cut-off date for most market indicators is mid-March 2019.
- 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.

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Risk dashboard - April 2019	Background note

Risk dashboard – January 2019

Risks	Level	Trend
1. Macro risks	Medium	→ constant
2. Credit risks	Medium	→ constant
3. Market risks	Medium	→ constant
4. Liquidity and funding risks	Medium	→ increase
5. Profitability and solvency	Medium	→ constant
6. Interlinkages and imbalances	Medium	↗ increase
7. Insurance (underwriting) risks	Low	↗ increase
Market perceptions	Level	Trend
8. Market perceptions	Medium	→ constant

Key observations

The results of the third quarter 2018 show that the risk exposure of the European

Union insurance sector remains broadly stable. Given the ongoing reduction in the accommodative stance of monetary policy, macro risks stand at medium level. However, further downward revisions of economic growth forecasts remain a concern going forward. Credit and market risks continue at medium level, with Credit Default Swaps (CDS) spreads for corporate bonds as well as equity market volatility increasing since September. Interlinkages and imbalances risks increased due to an increase in intrasectoral exposures, that can be explained by corporate actions and Mergers and Acquisitions (M&A) activities by some insurance groups. Insurance risks also increased following the impact on (re)insurers loss ratios of the natural catastrophes observed in 2018Q3, but remain at low level. Underpricing and underreserving driven by competition could be a concern for some lines of business. Market perceptions are stable at medium level, with insurance stocks outperforming the market in spite of a general deterioration in equity market performance. Insurers' price-to-earnings ratios went slightly down, while CDS spreads slightly 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 2018. This data is based on financial stability and prudential reporting collected from 96 insurance groups and 2,906 solo insurance undertakings.

Note

- Reference date for company data is Q3-2018 for quarterly indicators and 2017-YE for annual indicators. The cut-off date for most market indicators is beginning of January 2019.
- 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.

Resources

[Risk dashboard - January 2019](#)

[Background note](#)

Risk dashboard – October 2018

Risks	Level	Trend
1. Macro risks	Medium	→ constant
2. Credit risks	Medium	→ constant
3. Market risks	Medium	→ constant
4. Liquidity and funding risks	Medium	↗ increase
5. Profitability and solvency	Medium	→ constant
6. Interlinkages and imbalances	Medium	→ constant
7. Insurance (underwriting) risks	Low	→ constant
Market perceptions	Level	Trend
8. Market perceptions	Medium	→ constant

Key observations

The results of the second quarter 2018 show that the risk exposure of the European Union insurance sector remains stable overall. Macro risks continue at medium level amid continued economic recovery and less expansionary monetary policy. A potential future deterioration in the assessment due to political and international trade tensions cannot be excluded. Bond market volatility declined since June and overall Credit Default Swap (CDS) spreads remained broadly stable at low levels despite adverse developments in sovereign bond markets in some countries. Liquidity and funding risks increased due to a higher average coupon-to-maturity ratio of a limited number of bond issuances. Profitability has been overall stable and Solvency Capital Requirement (SCR) ratios are above 100% for most insurers. Market perceptions were mixed with insurance stocks outperforming the market, but at the same time concerns increased as regards the market mispricing of risks.

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 second quarter of 2018. This data is based on financial stability and prudential reporting collected from 98 insurance groups and 2,904 solo

insurance undertakings.

Note

- Reference date for company data is Q2-2018 for quarterly indicators and 2017-YE for annual indicators. The cut-off date for most market indicators is mid-September 2018. Any market movements and potential losses from natural catastrophes occurred after the indicated cut-off dates are not yet reflected in the risk assessment.
- 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.

Resources

[Risk dashboard - October 2018](#)

[Background note](#)

Risk dashboard – July 2018

Risks	Score	Trend
1. Macro risks	Medium	↘ decrease
2. Credit risks	Medium	→ constant
3. Market risks	Medium	↗ increase
4. Liquidity and funding risks	Medium	→ constant
5. Profitability and solvency	Medium	→ constant
6. Interlinkages and imbalances	Medium	→ constant
7. Insurance (underwriting) risks	Low	↓ large decrease
Market perceptions	Score	Trend
8. Market perceptions	Medium	→ constant

Key observations

The results of the first quarter 2018 show that the risk exposure of the insurance

sector in the European Union remains stable overall with a decline in macro and insurance risks and an increasing trend in market risks. Persisting low yields and recent adverse developments such as increased protectionism should not be neglected, despite the improvement in recent economic data and the ongoing normalisation of monetary policy. Higher volatility in bond markets since March led to an increase in market risks, but these continue at a medium level. Credit risks also remain at a medium level, although spreads increased across all bond segments. Profitability and insurance risks benefited from the fading out of the impact of last year's natural catastrophes on (re)insurers' technical results. Median solvency ratios remain at satisfactory levels, though the reliance of some life insurers on transitional measures is high. Market perceptions were marked by an overall positive change in insurance groups' external rating outlooks, which was counterbalanced by an underperformance of insurance stocks relative to the overall market.

Note

- Reference date for company data is Q1-2018 for quarterly indicators and 2017-YE for annual indicators. The cut-off date for most market indicators is mid-June 2018
- 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.

Resources

[Risk dashboard - July 2018](#)

[Background note](#)

Risk dashboard – April 2018

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

Key observations

The results of the fourth quarter of 2017 show that the risk exposure of the insurance sector in the European Union remained stable. Despite positive macroeconomic developments, low interest rates are still a major source of risk for European insurers. Credit and market risks remained at a medium level. Spreads further decreased and concerns about potential risk mispricing remained. Volatility of equity prices increased and valuations are now slightly lower. Median profitability levels were broadly the same as in the fourth quarter of 2016 and solvency positions continued to be strong for both groups and solo companies. The impact of the natural catastrophes from the third quarter kept insurance risks at a medium level. Market perceptions were mixed, with insurers' stock prices outperforming the market, but at the same time there was a deterioration of the external rating outlook for some insurance groups.

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 fourth quarter of 2017. This data is based on financial stability and prudential reporting collected from 95 insurance groups and 2,930 solo insurance undertakings.

Note

- Reference date is Q4-2017 for quarterly indicators and 2016 YE for annual indicators. The cut-off date for most indicators based on market data is end-March 2018.
- 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.

Resources

[Risk dashboard - April 2018](#)

[Background note](#)

Risk dashboard – January 2018

Risk categories	Level	Trend
1. Macro risks	High	➡ Constant
2. Credit risks	Medium	➡ Constant
3. Market risks	Medium	➡ Constant
4. Liquidity and funding risks	Medium	➡ Constant
5. Profitability and solvency	Medium	➡ Constant
6. Interlinkages and imbalances	Medium	➡ Constant
7. Insurance (underwriting) risks	Medium	⬆ Large Increase
Market perceptions	Level	Trend
8. Market perceptions	Medium	➡ Constant

Key observations

The results of the third quarter 2017 show that the risk exposure of the insurance sector in the European Union remained overall stable. Despite positive macro and market trends, the risks linked to the low interest rates and to potential credit risk mispricing continued to be major concerns for the European insurance industry. Improvements in the solvency ratios were mainly driven by the increase in the eligible own funds. Some profitability and underwriting indicators

deteriorated due to the impact of the recent natural catastrophes. Market perception remained stable with some improvements in the rating outlooks.

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 2017. This data is based on financial stability and prudential reporting collected from 97 insurance groups and 2,963 solo insurance undertakings.

Note

- Reference date for the quarterly data is Q3-2017 (data extracted on 05/01/2018), while the cut-off date for most other indicators is beginning of January 2018.
- 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.

Resources

[Risk dashboard - January 2018](#)

[Background note](#)

Risk dashboard – October 2017

Risk categories	Level	Trend
1. Macro risks	High	➡ Constant
2. Credit risks	Medium	➡ Constant
3. Market risks	Medium	➡ Constant
4. Liquidity and funding risks	Medium	➡ Constant
5. Profitability and solvency	Medium	➡ Constant
6. Interlinkages and imbalances	Medium	➡ Constant
7. Insurance (underwriting) risks	Low	➡ Constant
Market perceptions	Level	Trend
8. Market perceptions	Medium	↘ Decrease

Key observations

The results of the second quarter 2017 show that the risk exposure of the insurance sector in the European Union remains overall stable with some slight improvements in the solvency ratios of groups and life solo undertakings. Profitability of the sector has shown some positive signs both for life and non-life. Inflation rate forecast is decreasing inverting the positive trend observed till March 2017, whereas unemployment rates continue to decrease. Despite some positive developments, the continuing low-yield environment and the observation that market fundamentals might not properly reflect the underlying credit risk, are still important concerns for the European insurance industry. Recent natural catastrophe events have not yet been reflected in the data, therefore no impact on the industry is reflected at this stage. Market perception, driven by the outperformances of the insurance stocks and the reduction of the Credit Default Swap Spreads, improved. Ratings and rating outlooks remain stable.

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 second quarter of 2017. This data is based on financial stability and prudential reporting collected from 93 insurance groups and 3,076 solo

insurance undertakings.

Note

- Reference date for company data is Q2-2017 (data extracted on 26/09/2017), while the cut-off date for most other indicators is end-September 2017
- 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.

Resources

[Risk dashboard - October 2017](#)

[Background note](#)

Risk dashboard – July 2017

Risk categories	Level	Trend
1. Macro risks	High	➡ Constant
2. Credit risks	Medium	➡ Constant
3. Market risks	Medium	➡ Constant
4. Liquidity and funding risks	Medium	↘ Decrease
5. Profitability and solvency	Medium	↗ Increase
6. Interlinkages and imbalances	Medium	➡ Constant
7. Insurance (underwriting) risks	Low	➡ Constant
Market perceptions	Level	Trend
8. Market perceptions	Medium	➡ Constant

Key observations

The results show that the risk exposure of the insurance sector in the European Union remained overall stable in the first quarter 2017 with Solvency II ratios remaining strong and stable for groups whereas a slight deterioration has been

observed particularly for solo non-life insurance undertakings. Volatility has decreased and global inflation rates are fluctuating near the 2% medium-term inflation target. Despite these positive signs, the continuing low-yield environment and the observation that market fundamentals might not properly reflect the underlying credit risk are still important concerns for the European insurance industry. Nevertheless, market perception is relatively stable with some signs of improvement in the Credit Default Swap spreads.

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 2017. This data is based on financial stability and prudential reporting collected from 93 insurance groups and 3,076 solo insurance undertakings.

Note

- Reference date for company data is Q1-2017, while the cut-off date for most other indicators is end-June 2017.
- 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. For a thorough description of the methodology and of the presentation refer to the Background Note.

Resources

[Risk dashboard - July 2017](#)

[Background note](#)

Risk dashboard – May 2017

Risk categories	Level	Trend
1. Macro risks	High	➡ Constant
2. Credit risks	Medium	➡ Constant
3. Market risks	Medium	↘ Decrease
4. Liquidity and funding risks	Medium	➡ Constant
5. Profitability and solvency	Medium	⬇ Substantial Decrease
6. Interlinkages and imbalances	Medium	➡ Constant
7. Insurance (underwriting) risks	Low	➡ Constant
Market perceptions	Level	Trend
8. Market perceptions	Medium	↗ Increase

Key observations

The results show the risk exposure of the insurance sector remained overall stable and some positive market developments were identified. Solvency II ratios are stronger due to higher market values of assets and the increase of the risk free curve used for discounting the technical provisions. Volatility has decreased and inflation rates have slowly started to converge to desired target levels.

Despite these positive signs, the continuing low-yield environment and the observation that market fundamentals might not properly reflect the underlying credit risk, are still important concerns for the European Union insurance industry. This is also reflected in the slightly deteriorating market perception and the recent underperformance of insurance stock prices.

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 fourth quarter of 2016. This data is based on financial stability and prudential reporting collected from 93 insurance groups and 3,076 solo insurance undertakings.

Note

- Reference date for company data is Q4-2016, while the cut-off date for market-based data is end-March 2017.
- 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. For a thorough description of the methodology and of the presentation refer to the Background Note.

Resources

Risk dashboard - May 2017

Background note

Risk dashboard – February 2017

Risk categories	Level	Trend
1. Macro risks	High	➡ Constant
2. Credit risks	Medium	➡ Constant
3. Market risks	High	➡ Constant
4. Liquidity and funding risks	Medium	↘ Decrease
5. Profitability and solvency	Medium	➡ Constant
6. Interlinkages and imbalances	Medium	➡ Constant
7. Insurance (underwriting) risks	Low	➡ Constant
Market perceptions	Level	Trend
8. Market perceptions	Medium	➡ Constant

Note

- Reference date for company data is Q3-2016, while the cut-off date for market-based data is end-December 2016.
- 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. For a thorough description of the methodology and of the presentation refer to the Background Note.

Resources

Risk dashboard - February 2017

Background note
