EIOPA Statistics - Accompanying note

Publication references: Solo/Quarterly/Published 20170918/Data extracted 20170829 [(1)] and FS/Annual/Published 20170918/Data extracted 20170828
Published statistics: [Balance sheet], [Premiums, claims and expenses], [Own funds and SCR], [FS]
Disclaimer: Data is drawn from the published statistics as of the extraction date (revision of historical series may occur). However, in order to produce the graphs and charts used in this note for illustrative or analytical purposes, certain calculations have been carried out. These are documented or available (as formulas) in the data source on EIOPA's website, unless they represent pure summation or aggregation. Any calculation or formula used for this report should not be interpreted to signify any official EIOPA methodology.

1. Balance sheet structure, main items[2]

Assets

The asset side of the Solvency II balance sheet is split into investments, assets held for unit-linked business and other assets. Investments represent those held by insurers in order to be able to fulfil the promises made to the policy-holder on an on-going basis. This excludes unit-linked business for which the investment risk is assumed by the policyholder. On an EEA wide basis[3], Figure 1 shows that the investment portfolio of insurers is dominated by bonds. Corporate and government bonds together account for more than 60% of the portfolio.[4]

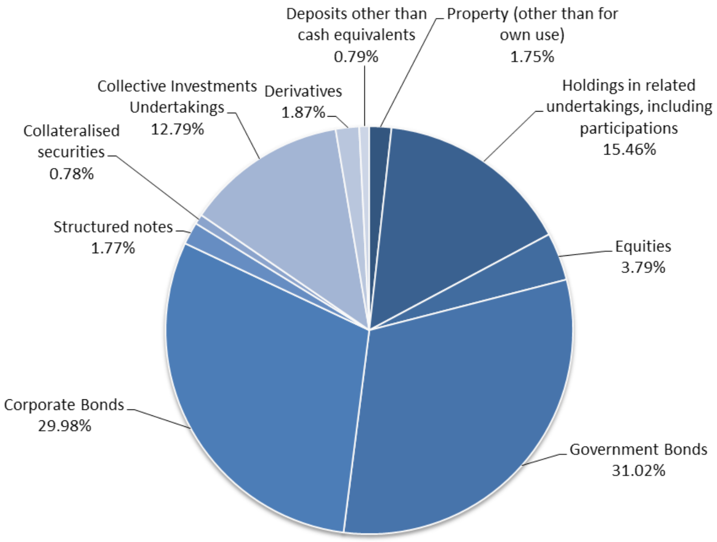
[1] Data for PT and DK extracted on 14 September 17

[2] Note that some undertakings are exempted from quarterly reporting in accordance with Art. 35(6) of Directive 2009/139/EU. This means that the values in this note, which are based on quarterly reported data, may vary slightly from figures reported based on annual reporting.

[3] Data covers the EU plus Norway and Liechtenstein..

[4] Certain categories of investments, such as equity and bond investments are categorized and identified under Solvency II reporting of the balance sheet under "Investments (other than assets held for index-linked and unit-linked contracts)". However, where insurers hold such assets indirectly via "Collective Investment Undertakings" or where those investments represent "Holdings in related undertakings, including participations", they will be reported under those categories instead. In addition, insurers could hold additional investments of these asset classes under "Assets held for index-linked and unit-linked contracts" (where the Solvency II reported main balance sheet does not provide an asset breakdown).

Figure 1: Investment mix by insurers in EEA following S.02 Balance sheet. 2016 Q4. %



Source: EIOPA [Solo/Quarterly/Published 20170918/Data extracted 20170829]
Note: Figure does not include unit-linked business.

However, the investments shown in these figures represent only part of the balance sheet. There is also a considerable share of investments for unit-linked business. Table 1 shows the breakdown of total assets into three main categories (investments as shown above, assets held for unit-linked business and other assets). The share of unit-linked business (measured by assets) in the EEA was 22.9% in Q4 2016.

Table 1: Main categories of total assets by insurers in per country. 2016 Q4. EUR million and %

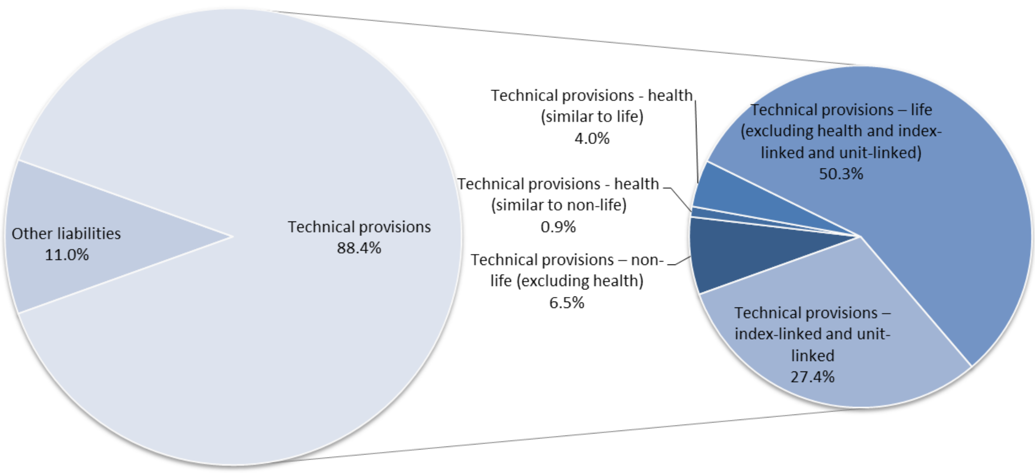
	Investments (other than assets held for index-linked and unit-linked contracts)		Assets held for index-linked and unit-linked contracts		Other assets		Total assets
	Eur mn.	%	Eur mn.	%	Eur mn.	%	Eur mn.
AUSTRIA	102 945.44	73.8%	19 603.44	14.1%	16 858.94	12.1%	139 407.82
BELGIUM	244 843.24	75.0%	31 776.92	9.7%	49 879.29	15.3%	326 499.45
BULGARIA	2 293.85	70.6%	57.99	1.8%	896.97	27.6%	3 248.81
CROATIA	4 178.12	80.0%	174.93	3.3%	870.61	16.7%	5 223.66
CYPRUS	1 734.79	45.3%	1 225.64	32.0%	865.35	22.6%	3 825.78
CZECH REPUBLIC	12 097.69	70.6%	2 589.71	15.1%	2 450.31	14.3%	17 137.71
DENMARK	279 651.36	65.3%	133 035.32	31.1%	15 417.98	3.6%	428 104.66
ESTONIA	1 008.00	55.5%	630.78	34.7%	177.66	9.8%	1 816.44
FINLAND	35 711.45	47.2%	34 434.69	45.5%	5 489.41	7.3%	75 635.55
FRANCE	2 037 916.14	79.4%	295 054.47	11.5%	234 633.31	9.1%	2 567 603.92
GERMANY	1 798 693.48	83.1%	100 873.70	4.7%	264 649.53	12.2%	2 164 216.71
GREECE	11 116.10	69.7%	2 277.26	14.3%	2 551.48	16.0%	15 944.84
HUNGARY	4 191.87	49.5%	3 645.93	43.0%	637.24	7.5%	8 475.04
IRELAND	76 741.77	22.1%	198 273.73	57.2%	71 534.12	20.6%	346 549.62
ITALY	672 752.17	76.0%	139 466.29	15.8%	72 970.24	8.2%	885 188.70
LATVIA	347.52	57.8%	50.08	8.3%	203.83	33.9%	601.43
LIECHTENSTEIN	2 649.78	9.2%	20 828.50	72.3%	5 329.97	18.5%	28 808.25
LITHUANIA	665.96	52.7%	463.23	36.7%	134.69	10.7%	1 263.88
LUXEMBOURG	48 583.35	22.7%	114 976.63	53.7%	50 418.98	23.6%	213 978.96
MALTA	5 168.03	59.9%	1 234.71	14.3%	2 231.64	25.8%	8 634.38
NETHERLANDS	272 032.57	53.2%	99 705.77	19.5%	139 241.04	27.2%	510 979.38
NORWAY	129 563.72	73.7%	25 688.49	14.6%	20 472.81	11.7%	175 725.02
POLAND	25 808.33	61.6%	12 193.41	29.1%	3 889.43	9.3%	41 891.17
PORTUGAL	35 273.34	69.1%	11 565.39	22.7%	4 177.49	8.2%	51 016.22
ROMANIA	2 332.10	56.2%	737.31	17.8%	1 083.15	26.1%	4 152.56
SLOVAKIA	4 556.18	69.2%	1 194.56	18.1%	833.83	12.7%	6 584.57
SLOVENIA	5 585.06	72.1%	1 359.04	17.5%	806.35	10.4%	7 750.45
SPAIN	246 867.57	82.5%	15 345.22	5.1%	37 109.06	12.4%	299 321.85
SWEDEN	168 143.77	56.8%	108 407.42	36.6%	19 322.24	6.5%	295 873.43
UNITED KINGDOM	974 697.11	36.0%	1 224 317.27	45.2%	510 259.92	18.8%	2 709 274.30
TOTAL	7 208 149.86	63.5%	2 601 187.83	22.9%	1 535 396.87	13.5%	11 344 734.56

Source: EIOPA [Solo/Quarterly/Published 20170918/Data extracted 20170829]. Other assets include items such as loans and mortgages, re-insurance recoverables/receivables and own shares. See the balance sheet statistics for a full overview.

Liabilities

Total liabilities consist of technical provisions and other liabilities. This is illustrated on an EEA level in the Figure below. Technical provisions represent the amount of resources to be set aside to pay policy-holder claims and are split into 5 main categories. Other liabilities include debt such as subordinated liabilities and financial liabilities other than debts owed to credit institutions, but also other liabilities such as, for example, deposits from reinsurers.

Figure 2: Liability profile insurers in EEA. 2016-Q4. %

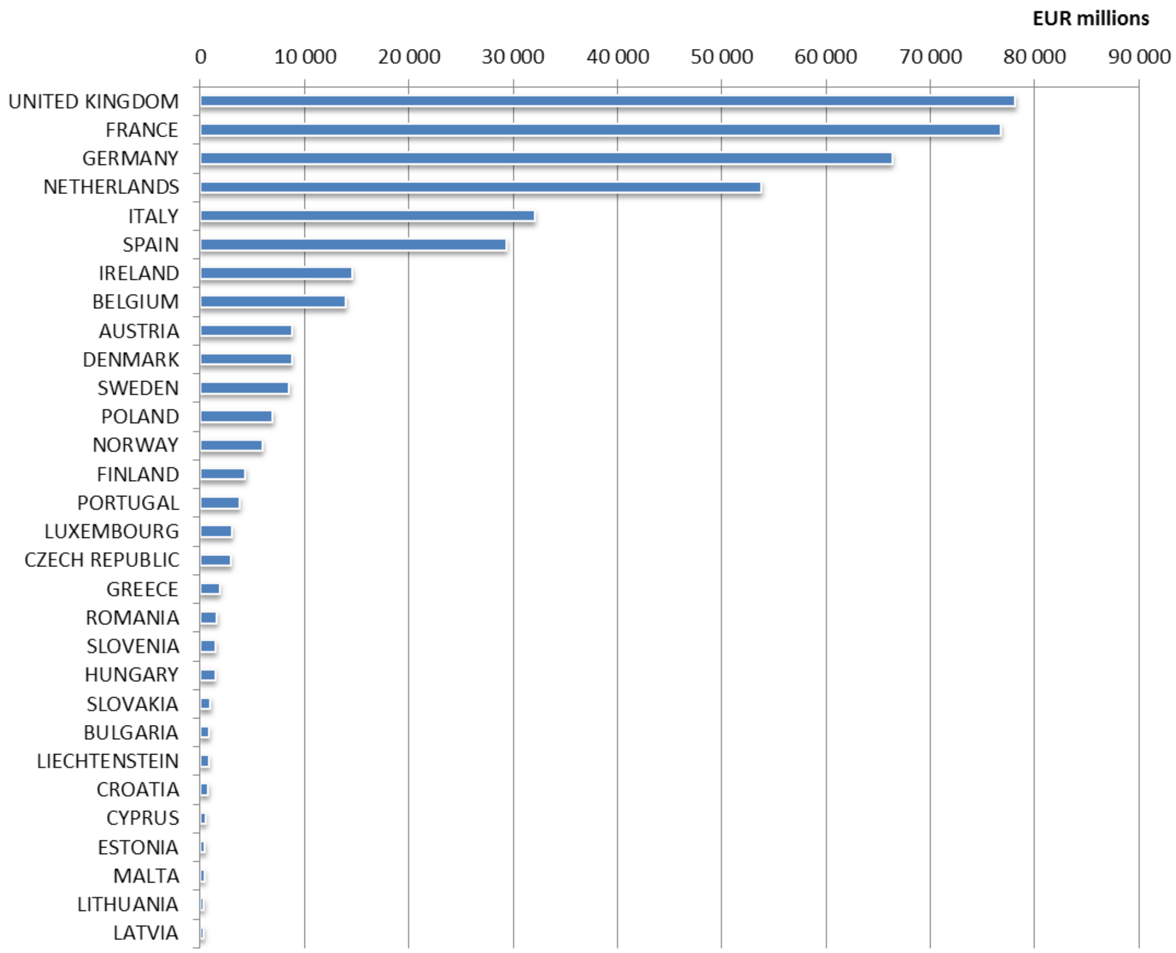


Source: EIOPA [Solo/Quarterly/Published 20170918/Data extracted 20170829]

2. Premiums (Non-life)

One way of assessing market size is to look at the gross (i.e. before reinsurance) written premiums by country.[5] The Figure below ranks the countries according to the gross premiums written by undertakings in their jurisdiction in 2016. At this stage the figure shows only premiums in the non-life segment, since life premiums are not available for Q4-2016 on a consistent basis. There is an ongoing process to eliminate some national differences in reporting of life premiums.

Figure 3: Non-life GWP (gross written premiums) per country. 2016 Q4 Year to date.



Source: EIOPA [Solo/Quarterly/Published 20170918/Data extracted 20170829]. Excluding undertakings with non-standard financial year-end. Reinsurance premiums not included.

[5] Note that written premiums do not represent exact market size as there could be cross-border activities not captured in the solo data (e.g. premiums written outside the national market under freedom to provide services).

3. Own funds and MCR/SCR ratios

Insurance undertakings are required by the Solvency II regulation to hold a certain amount of capital of sufficient quality in addition to the assets they hold to cover the contractual obligations towards policyholders. The amount of capital (called eligible own funds) required is defined by the Minimum Capital Requirement (MCR) and the Solvency Capital Requirement (SCR), which depend on the risks to which the undertaking is exposed. If the amount of eligible own funds falls below the MCR, the insurance license should be withdrawn if appropriate coverage cannot be re-established within a short period of time.[6]Holding enough eligible own funds to cover the SCR enables undertakings to absorb significant losses, even in difficult times. Undertakings' compliance with the SCR therefore gives reasonable assurance to policyholders that payments will be made as they fall due. The SCR is calculated either by using a prescribed formula (called the standard formula) or by employing an undertaking-specific partial or full internal model that has been approved by the supervisory authority. Being risk-sensitive the SCR is subject to fluctuations and undertakings are required to monitor it continuously, calculate it at least annually and re-calculate it whenever their overall risk changes significantly.

As non-compliance with the MCR jeopardizes policyholders' interests, the MCR has to be re-calculated quarterly according to a given formula. The ratios shown in Table 2 are computed by dividing the respective eligible own funds by the SCR and MCR figures as reported by the insurance undertakings at the end of Q4 2016.

[6] If the amount of eligible own funds falls below the MCR and the undertaking fails to re-establish compliance with the MCR within three months, a withdrawal of the insurance license is mandatory in order to guard the interests of policyholders.

Table 2: MCR and SCR ratios by country. Weighted average and interquartile distribution. 2016 Q4

	SCR Ratio				MCR Ratio			
		Percentiles				Percentiles		
	Weighted average	25th	50th	75th	Weighted average	25th	50th	75th
AUSTRIA	276%	197%	242%	298%	885%	535%	716%	968%
BELGIUM	176%	140%	165%	231%	381%	313%	425%	643%
BULGARIA	196%	137%	173%	241%	429%	113%	167%	402%
CROATIA	227%	178%	221%	290%	656%	227%	461%	727%
CYPRUS	270%	127%	165%	230%	752%	208%	296%	650%
CZECH REPUBLIC	225%	163%	214%	292%	666%	190%	362%	619%
DENMARK	304%	210%	286%	364%	780%	417%	649%	1127%
ESTONIA	193%	169%	177%	252%	536%	298%	539%	624%
FINLAND	201%	179%	258%	301%	649%	470%	761%	1134%
FRANCE	223%	159%	226%	350%	545%	391%	607%	982%
GERMANY	323%	204%	274%	419%	871%	509%	698%	1102%
GREECE	162%	126%	144%	190%	416%	242%	325%	400%
HUNGARY	224%	165%	220%	250%	565%	247%	468%	590%
IRELAND	173%	140%	192%	295%	468%	380%	517%	732%
ITALY	220%	134%	180%	228%	553%	297%	401%	521%
LATVIA	143%	114%	143%	157%	282%	113%	279%	346%
LIECHTENSTEIN	234%	165%	218%	309%	703%	370%	515%	782%
LITHUANIA	195%	147%	186%	202%	475%	283%	354%	445%
LUXEMBOURG	230%	151%	202%	300%	650%	335%	550%	816%
MALTA	398%	163%	197%	298%	948%	239%	478%	651%
NETHERLANDS	177%	152%	197%	269%	434%	342%	488%	790%
NORWAY	206%	168%	254%	390%	499%	348%	434%	699%
POLAND	269%	150%	205%	280%	843%	262%	416%	801%
PORTUGAL	147%	129%	156%	200%	417%	277%	392%	499%
ROMANIA	162%	132%	163%	281%	353%	147%	206%	424%
SLOVAKIA	229%	179%	229%	269%	571%	397%	512%	681%
SLOVENIA	240%	188%	223%	295%	698%	488%	654%	775%
SPAIN	240%	180%	243%	336%	605%	389%	574%	860%
SWEDEN	265%	173%	206%	253%	937%	381%	587%	828%
UNITED KINGDOM	151%	141%	159%	230%	454%	352%	530%	662%
TOTAL	228%	154%	210%	300%	613%	341%	522%	801%

Source: EIOPA [Solo/Quarterly/Published 20170918/Data extracted 20170829]. The weighted average represents the aggregate own funds (sum of all undertakings) divided by aggregate SCR or MRC respectively. The percentiles represent the interquartile range (25^{th} to 75^{th} percentile) and the median (50^{th} percentile).

4. Profitability indicators

Large insurers[7] in the EEA report their profit and loss figures as part of the reporting for financial stability purposes. The table below shows the distribution of the return on assets (ROA) and the return on the excess of assets over liabilities (as a proxy for the return on equity, ROE) for 2016. The median ROA was 0.45% in 2016, while the median return on the excess of assets over liabilities was slightly above 6%.

[7] The sample consists of groups and solos that do not belong to a group with total assets of more than 12 billion euro. This reporting is on a best-effort basis only. The table can be found under the section “Other indicators and data” on the webpage for the insurance statistics.

Table 3: Distribution of the profitability of large European insurers. 2016

	10th percentile	25th percentile	Median	75th percentile	90th percentile	Number of observations
Return on total assets (Solvency II)	0.03%	0.21%	0.45%	0.90%	2.38%	114
Return on excess of assets over liabilities (Solvency II)	0.58%	3.27%	6.07%	10.16%	13.04%	114

Source: EIOPA [FS/Annual/Published 20170918/Data extracted 20170828].