EIOPA Statistics - Accompanying note

EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY

Publication references: Solo/Quarterly/Published 20171311/Data extracted 20171023 and FS/Annual/Published 20170918/Data extracted 20170828
Published statistics: [Balance sheet], [Premiums, claims and expenses], [Own funds and SCR]

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1. Balance sheet structure, main items[1]

Assets

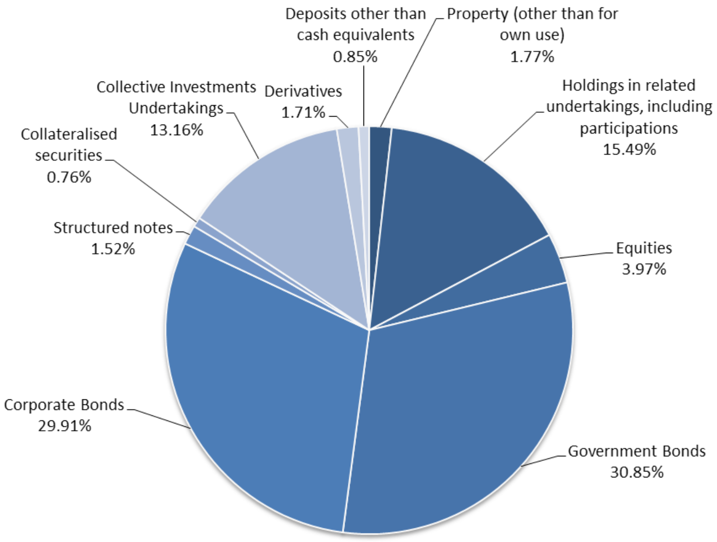
The asset side of the Solvency II balance sheet is split into investments, assets held for unit-linked business and other assets. Investments represent those held by insurers in order to be able to fulfil the promises made to the policy-holder on an on-going basis. This excludes unit-linked business for which the investment risk is assumed by the policyholder. On an EEA wide basis[2], 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.[3]

[1] 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.

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

[3] 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. 2017 Q1. %



Source: EIOPA [Solo/Quarterly/Published 20171311/Data extracted 20171023]
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).

Table 1: Main categories of total assets by insurers in per country. 2017 Q1. EUR million and %

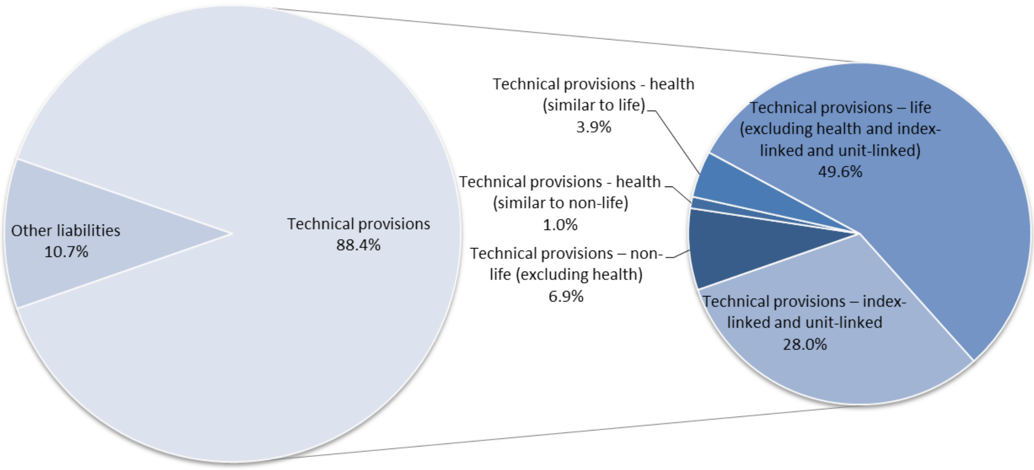
	Investments (other than assets held for index-linked and unit-linked contracts)		Assets held for index-linked and unit-linked contracts		Other assets		Total assets
	Eur mn.	%	Eur mn.	%	Eur mn.	%	Eur mn.
AUSTRIA	102 288.68	73.2%	19 687.96	14.1%	17 784.38	12.7%	139 761.02
BELGIUM	240 134.30	74.4%	32 857.80	10.2%	49 883.92	15.4%	322 876.02
BULGARIA	2 560.88	72.3%	63.57	1.8%	916.04	25.9%	3 540.49
CROATIA	4 174.48	78.8%	204.15	3.9%	918.27	17.3%	5 296.90
CYPRUS	1 772.26	45.2%	1 252.85	31.9%	899.26	22.9%	3 924.37
CZECH REPUBLIC	12 620.33	70.5%	2 659.06	14.9%	2 615.64	14.6%	17 895.03
DENMARK	251 345.31	62.1%	137 955.03	34.1%	15 496.63	3.8%	404 796.97
ESTONIA	1 003.58	54.6%	652.21	35.5%	182.46	9.9%	1 838.25
FINLAND	36 104.38	46.8%	35 676.88	46.2%	5 360.44	6.9%	77 141.70
FRANCE	2 051 708.24	78.2%	314 550.54	12.0%	258 040.68	9.8%	2 624 299.46
GERMANY	1 810 197.50	82.9%	105 285.04	4.8%	267 722.98	12.3%	2 183 205.52
GREECE	11 178.36	69.5%	2 320.98	14.4%	2 594.45	16.1%	16 093.79
HUNGARY	4 313.66	49.4%	3 734.12	42.8%	683.41	7.8%	8 731.19
IRELAND	77 805.41	22.0%	204 604.05	57.9%	70 705.52	20.0%	353 114.98
ITALY	674 926.03	75.6%	144 274.95	16.2%	74 056.58	8.3%	893 257.56
LATVIA	394.67	64.1%	51.52	8.4%	169.68	27.6%	615.87
LIECHTENSTEIN	2 670.95	9.0%	21 056.82	70.7%	6 049.61	20.3%	29 777.38
LITHUANIA	645.11	50.5%	470.24	36.8%	162.99	12.8%	1 278.34
LUXEMBOURG	48 943.24	22.5%	117 997.75	54.2%	50 798.65	23.3%	217 739.64
MALTA	5 449.02	59.0%	1 257.12	13.6%	2 536.73	27.4%	9 242.87
NETHERLANDS	266 725.27	53.3%	93 829.28	18.7%	140 001.21	28.0%	500 555.76
NORWAY	128 867.04	73.0%	27 169.92	15.4%	20 453.82	11.6%	176 490.78
POLAND	27 684.82	61.7%	13 033.23	29.0%	4 160.11	9.3%	44 878.16
PORTUGAL	34 656.10	67.3%	11 766.01	22.8%	5 093.31	9.9%	51 515.42
ROMANIA	2 335.52	54.2%	743.62	17.3%	1 227.13	28.5%	4 306.27
SLOVAKIA	4 464.13	67.9%	1 207.09	18.3%	907.54	13.8%	6 578.76
SLOVENIA	5 427.92	68.7%	1 565.35	19.8%	903.94	11.4%	7 897.21
SPAIN	245 778.81	81.4%	16 250.48	5.4%	39 906.09	13.2%	301 935.38
SWEDEN	172 632.33	55.8%	113 383.85	36.7%	23 107.86	7.5%	309 124.04
UNITED KINGDOM	969 257.80	35.9%	1 253 827.99	46.4%	478 091.89	17.7%	2 701 177.68
TOTAL	7 198 066.13	63.0%	2 679 389.46	23.5%	1 541 431.22	13.5%	11 418 886.81

Source: EIOPA [Solo/Quarterly/Published 20171311/Data extracted 20171023]. 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. 2017 Q1. %



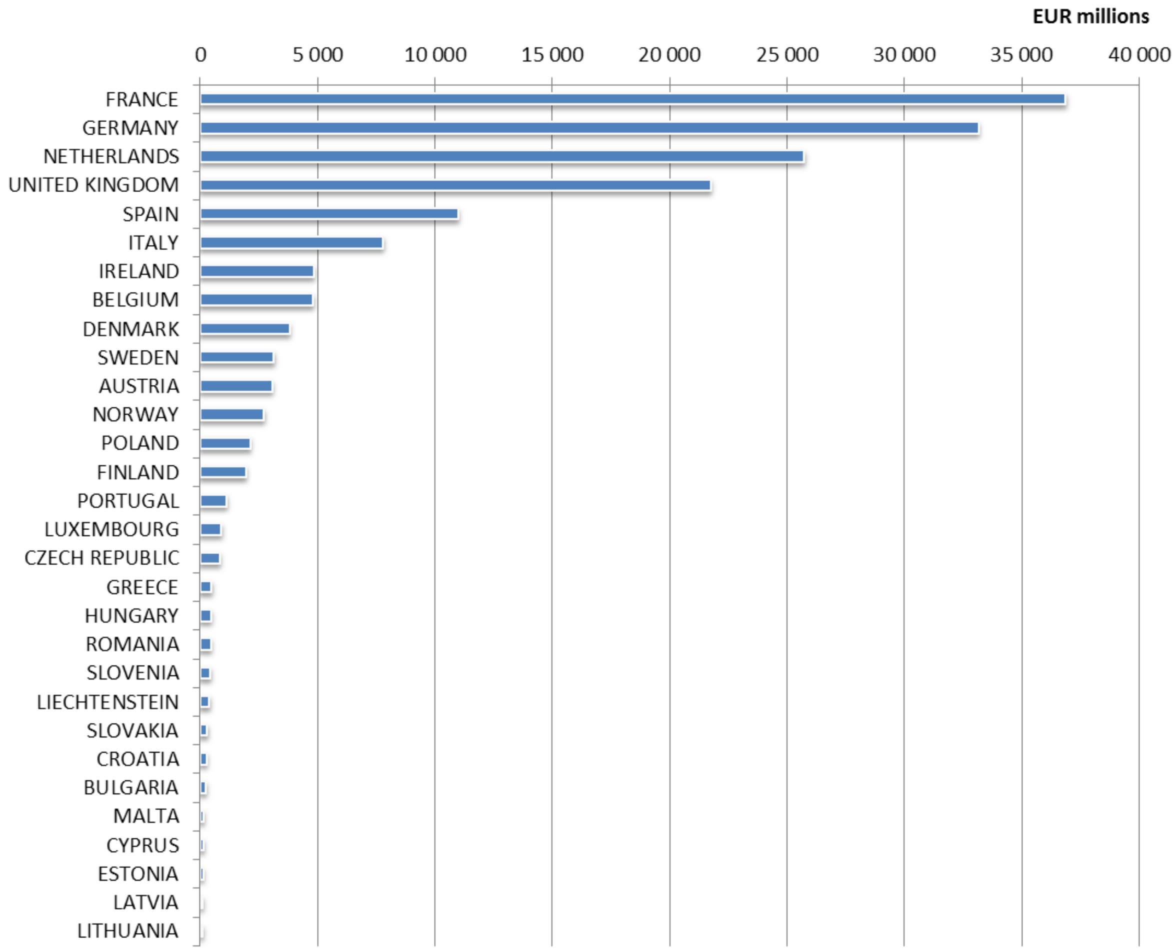
Source: EIOPA [Solo/Quarterly/Published 20171311/Data extracted 20171023]

2. Premiums, claims and expenses (Non-life)[4]

Gross written premiums

One way of assessing market size is to look at the gross (i.e. before reinsurance) written premiums by reporting country.[5] The Figure below ranks the countries according to the gross premiums written by undertakings in their jurisdiction in 2016. There is an ongoing process to eliminate some national differences in reporting of life premiums.

Figure 3: Non-life GWP (gross written premiums – direct business) per country. 2017 Q1 Year to date.



Source: EIOPA [Solo/Quarterly/Published 20171311/Data extracted 20171023]. Excluding undertakings with non-standard financial year-end. Reinsurance premiums not included.

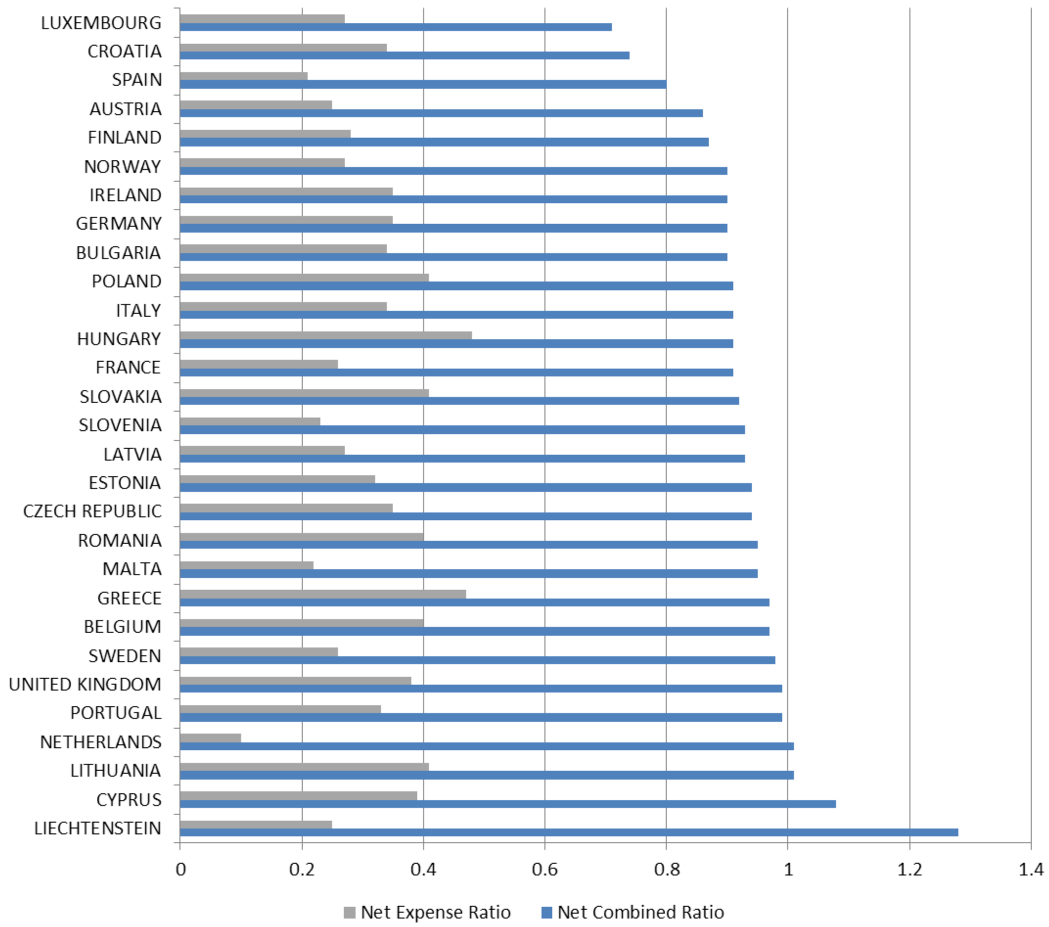
[4] At this stage the statistics only consider premiums, claims and expenses in the non-life segment, since life premiums are not available on a consistent basis.

[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).

Net combined ratios and net expense ratios

Combined ratios are a traditional measure of profitability in the (non-life) insurance sector. Figure 4 ranks the countries according to their net combined ratio from lowest to highest; also displayed is the expense ratio of each country. Net combined ratio is calculated as the sum of net claims incurred and expenses incurred divided by net earned premium ([R0400 + R0550] / R0300). The net expense ratio is expenses incurred divided by net earned premium (R0550/R0300). [6] The ratios do not include the investments' income. A ratio below 1 indicates underwriting profit while a ratio above 1 means that the pay-outs due to expenses and claims exceed the earned premiums.

Figure 4: Net combined ratio and net expense ratio by country. Non-life. Q1 2017.



Source: EIOPA [Solo/Quarterly/Published 20171311/Data extracted 20171023]. Excluding undertakings with non-standard financial year-end. Reinsurance premiums not included.

[6] The net combined ratio is used rather than gross combined ratio as the data provided in quarterly returns is not sufficient to compute a gross combined ratio.

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.[7]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 Q1 2017.

[7] 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. 2017 Q1

	SCR Ratio				MCR Ratio			
		Percentiles				Percentiles		
	Weighted average	25th	50th	75th	Weighted average	25th	50th	75th
AUSTRIA	276%	198%	237%	301%	873%	511%	719%	977%
BELGIUM	176%	134%	170%	236%	384%	303%	437%	612%
BULGARIA	199%	136%	206%	274%	413%	115%	180%	390%
CROATIA	240%	178%	243%	344%	675%	216%	506%	762%
CYPRUS	265%	118%	154%	231%	750%	199%	307%	666%
CZECH REPUBLIC	223%	165%	211%	270%	658%	187%	363%	581%
DENMARK	295%	203%	269%	358%	721%	402%	622%	1171%
ESTONIA	197%	172%	187%	254%	558%	302%	552%	662%
FINLAND	209%	189%	253%	293%	672%	526%	787%	1075%
FRANCE	222%	158%	229%	340%	541%	382%	575%	951%
GERMANY	326%	202%	287%	410%	877%	518%	727%	1119%
GREECE	164%	129%	153%	194%	420%	237%	325%	429%
HUNGARY	223%	180%	210%	291%	561%	282%	446%	637%
IRELAND	172%	148%	190%	286%	468%	383%	538%	746%
ITALY	215%	140%	170%	235%	540%	295%	396%	527%
LATVIA	142%	126%	153%	158%	271%	117%	279%	343%
LIECHTENSTEIN	228%	157%	203%	290%	682%	362%	533%	744%
LITHUANIA	192%	139%	156%	211%	468%	206%	347%	469%
LUXEMBOURG	224%	147%	211%	341%	623%	342%	587%	782%
MALTA	385%	171%	217%	278%	954%	273%	524%	696%
NETHERLANDS	177%	156%	197%	278%	439%	339%	465%	760%
NORWAY	209%	157%	188%	223%	504%	337%	411%	596%
POLAND	267%	158%	208%	291%	851%	265%	436%	825%
PORTUGAL	160%	136%	163%	193%	453%	280%	381%	522%
ROMANIA	178%	139%	163%	270%	396%	180%	264%	451%
SLOVAKIA	209%	166%	212%	256%	530%	395%	487%	663%
SLOVENIA	250%	174%	242%	316%	731%	513%	684%	817%
SPAIN	240%	185%	249%	324%	614%	393%	609%	840%
SWEDEN	260%	175%	208%	248%	926%	394%	609%	814%
UNITED KINGDOM	152%	138%	158%	211%	457%	345%	518%	693%
TOTAL	228%	156%	209%	295%	613%	346%	535%	792%

Source: EIOPA [Solo/Quarterly/Published 20171311/Data extracted 20171023]. 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[8] 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%.

[8] The sample consists of groups and solos that do not belong to a group within the EEA 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 EIOPA 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].