



eiopa
EUROPEAN INSURANCE
AND OCCUPATIONAL PENSIONS AUTHORITY

ASSET ALLOCATION IN EUROPE: What challenges and opportunities lie ahead?

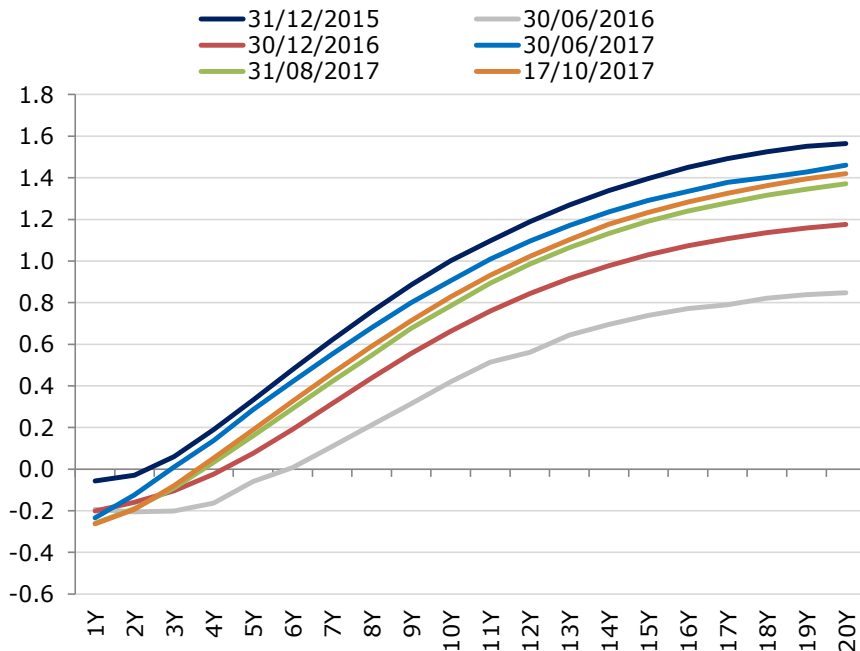
Session 1: Insurance companies

CEPS Task Force, Brussels, 24 October 2017

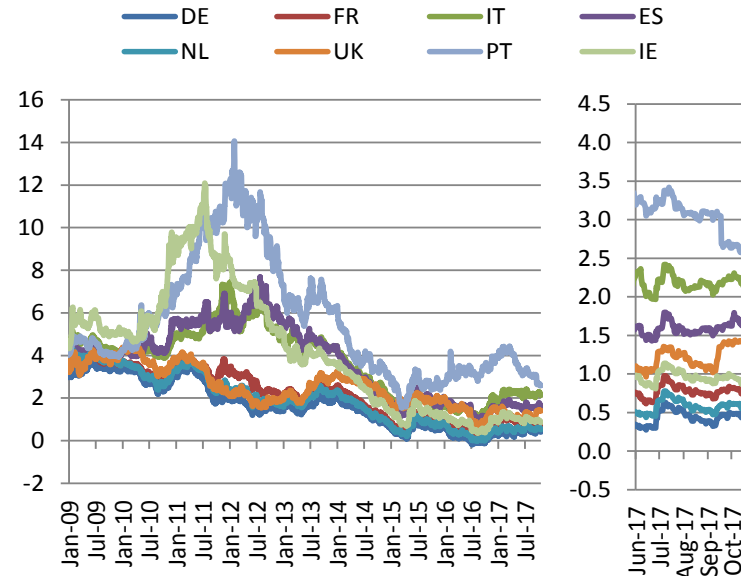
Low yields remain

- EUR swap curve and government bond yields remain at low levels, despite recent increases

EUR Swap Curve



10-year sovereign bond yields



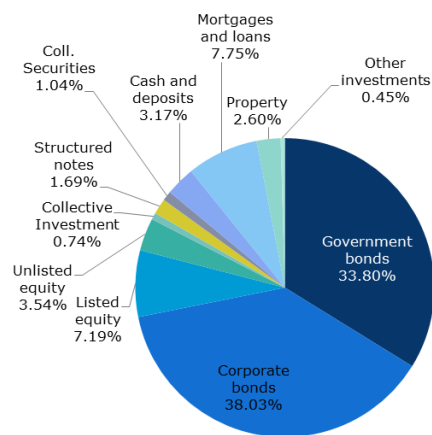
EU INSURANCE PERFORMANCE DATA

	1M	3M	6M	2016	PE Ratio	PB Ratio
Life	4.4%	2.8%	10.0%	3.7%	16.3	1.7
Non-life	4.7%	-0.7%	10.3%	4.5%	22.8	3.6
Composite	2.5%	2.0%	7.7%	-3.6%	13.8	1.6
Reinsurance	4.7%	-0.4%	1.2%	-3.0%	10.8	1.1
STXE 600 Insurance € Pr	3.5%	1.8%	5.6%	-5.6%	12.6	1.2
STXE 600 € Pr	2.8%	2.3%	3.8%	-1.2%	21.8	1.9

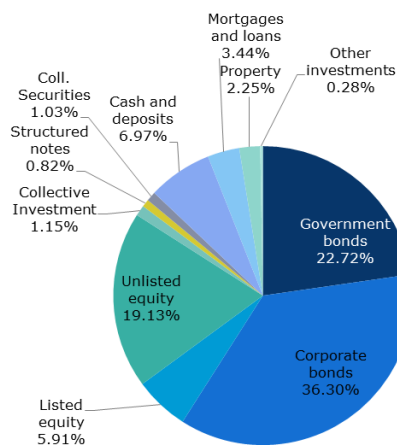
Investment split by line of business

- For life insurers, more than half of the portfolio is composed of fixed-income assets
- Non-life insurers typically have a lower duration of their liabilities so their asset allocation is less exposed to fixed income securities
- The investment portfolio of undertakings pursuing both life and non-life insurance comprised mostly of fixed income securities

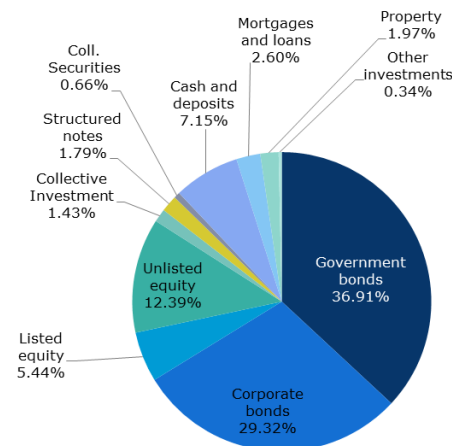
Life insurance



Non-life insurance



Undertakings pursuing both life and non-life insurance



Investment split at country level



	Government bonds	Corporate bonds	Equity	Cash and deposits	Mortgages and loans	Property	Other
EU/EEA	33.08%	34.59%	15.69%	5.25%	5.17%	2.30%	3.91%
AUSTRIA	26.09%	31.91%	23.66%	4.73%	4.25%	6.93%	2.43%
BELGIUM	51.34%	23.79%	6.39%	2.85%	10.87%	2.96%	1.79%
BULGARIA	49.66%	22.44%	9.47%	13.06%	0.76%	3.05%	1.56%
CROATIA	61.37%	4.39%	8.40%	9.93%	7.46%	8.24%	0.21%
CYPRUS	16.15%	33.52%	12.27%	19.34%	3.49%	6.72%	8.50%
CZECH REPUBLIC	50.71%	31.08%	7.81%	8.38%	0.77%	0.33%	0.92%
DENMARK	17.53%	42.36%	26.67%	3.22%	2.98%	3.30%	3.94%
ESTONIA	28.47%	54.62%	2.05%	13.19%	0.54%	0.00%	1.14%
FINLAND	10.84%	45.53%	15.36%	7.46%	4.40%	5.47%	10.93%
FRANCE	34.75%	38.77%	13.16%	3.60%	1.84%	2.43%	5.46%
GERMANY	25.88%	39.59%	20.00%	3.99%	5.03%	1.94%	3.57%
GREECE	60.32%	22.07%	4.68%	7.68%	1.16%	2.40%	1.70%
HUNGARY	84.80%	4.30%	4.53%	5.00%	0.30%	0.10%	0.98%
IRELAND	31.29%	31.51%	4.45%	24.31%	4.03%	1.22%	3.20%
ITALY	54.86%	22.17%	13.53%	3.66%	0.93%	0.87%	3.98%
LATVIA	58.41%	12.15%	2.93%	24.35%	0.68%	1.23%	0.25%
LIECHTENSTEIN	19.35%	31.36%	7.92%	32.54%	4.41%	0.15%	4.27%
LITHUANIA	68.53%	14.13%	2.70%	12.05%	1.01%	0.82%	0.77%
LUXEMBOURG	41.72%	31.05%	7.94%	10.56%	5.71%	0.82%	2.20%
MALTA	32.05%	19.19%	6.85%	19.18%	12.90%	2.12%	7.72%
NETHERLANDS	37.87%	15.33%	8.29%	5.89%	26.39%	2.35%	3.88%
NORWAY	17.84%	50.44%	18.63%	2.99%	7.76%	0.11%	2.24%
POLAND	58.08%	4.12%	25.86%	5.35%	4.86%	0.32%	1.41%
PORTUGAL	46.19%	30.44%	9.49%	9.14%	0.56%	2.78%	1.41%
ROMANIA	68.61%	7.68%	7.12%	13.45%	1.35%	1.55%	0.24%
SLOVAKIA	49.86%	33.88%	4.56%	7.23%	3.35%	0.74%	0.38%
SLOVENIA	39.45%	34.65%	17.84%	4.51%	1.31%	1.79%	0.45%
SPAIN	56.79%	23.10%	6.03%	8.83%	0.82%	2.49%	1.93%
SWEDEN	16.21%	30.77%	39.58%	4.89%	2.98%	3.16%	2.41%
UNITED KINGDOM	22.93%	37.21%	15.79%	9.60%	8.47%	2.78%	3.21%

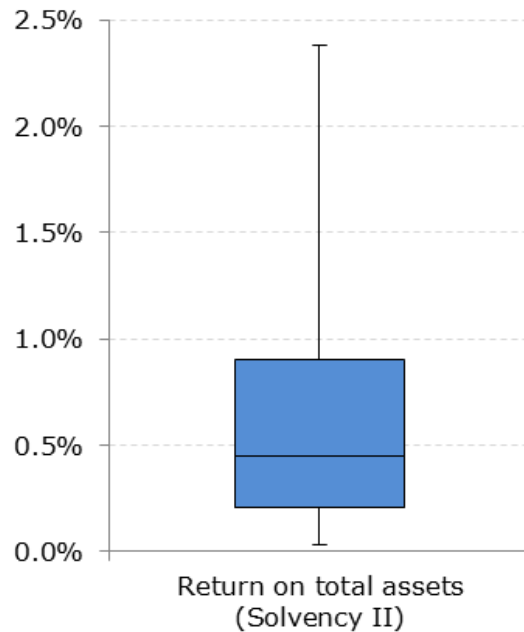
Source: EIOPA (sample based on 2027 solo insurance undertakings in EEA, asset by asset template, look through approach applied, participations included, unit linked excluded)

Note: Red - above 90th percentile, Blue - below 10th percentile

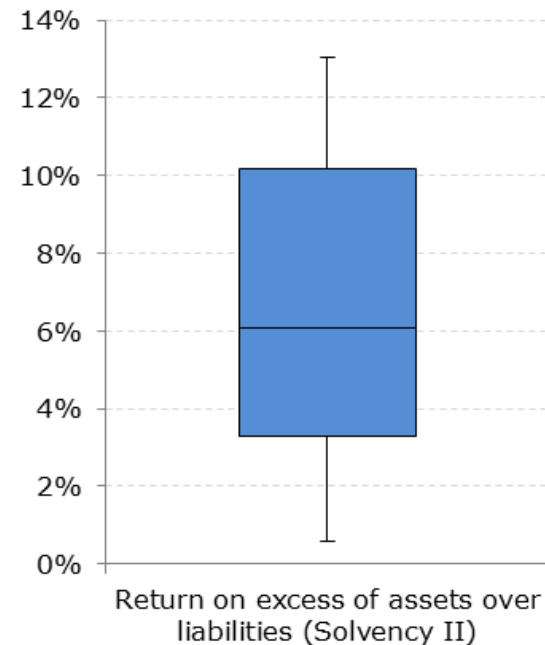
Reporting reference date: 30/06/2017

- Despite the persistent low yield environment, profitability remains positive for the majority of insurers

Return on Total Assets (ROA) in %

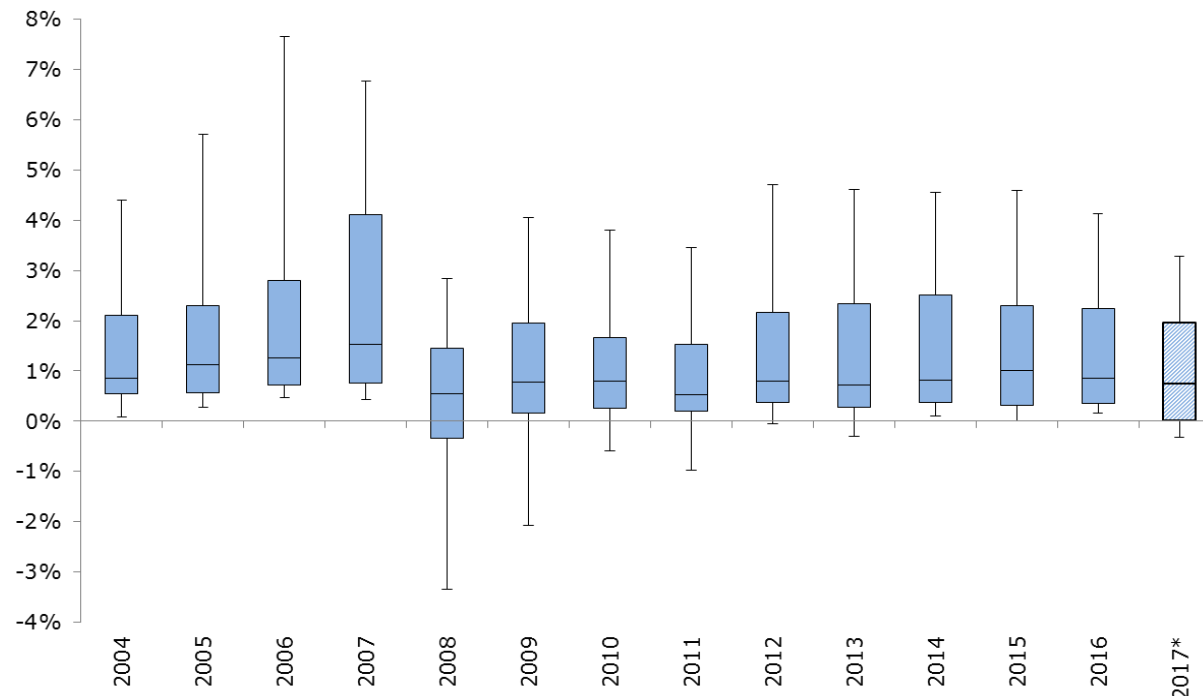


Return on excess of assets over liabilities in %



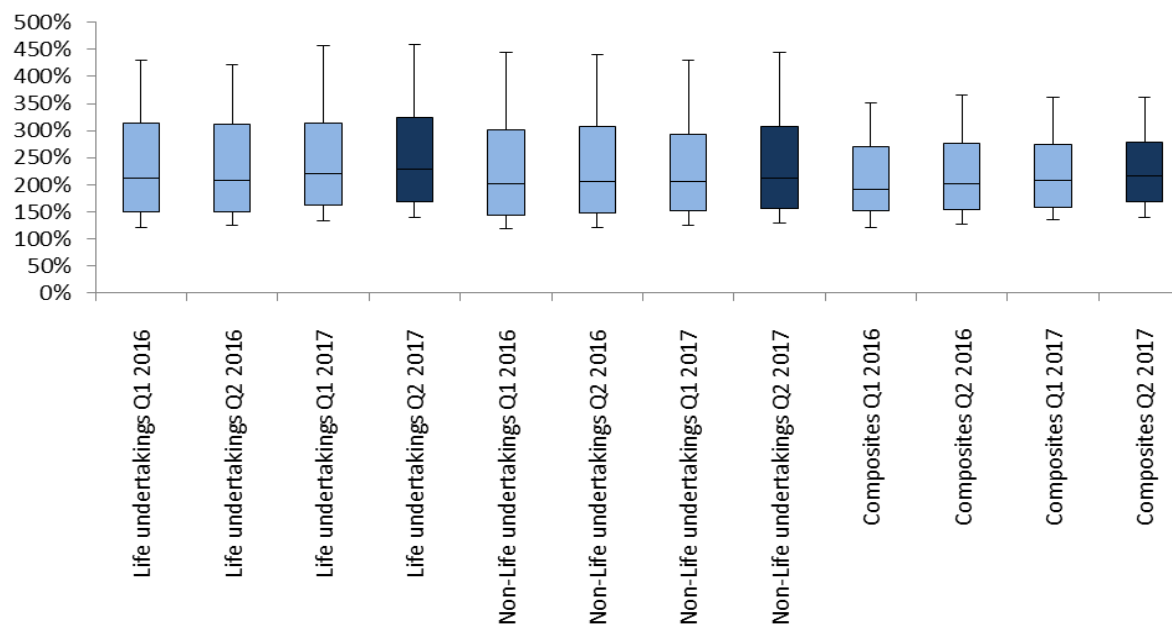
Recent trends in insurers' profitability

- Insurers' ROA is negatively affected by low yield levels
- The current data and EIOPA projection suggest a slight downward trend in insurers' profitability in terms of ROA



Solvency ratios

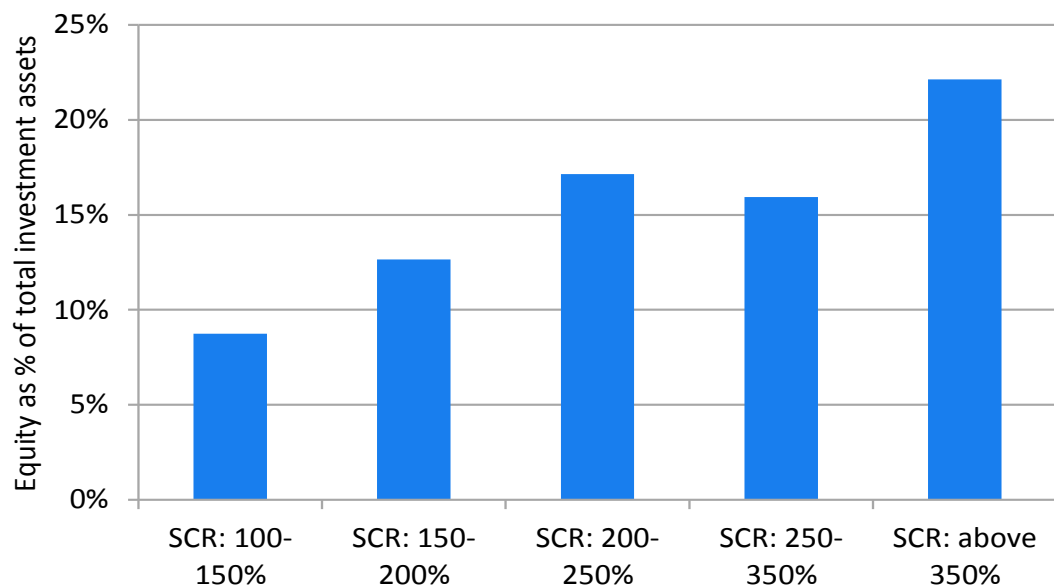
SCR ratio (in %; median, interquartile range and 10th and 90th percentile)



Type of undertaking	Q1 2016	Q2 2016	Q1 2017	Q2 2017
Life	213%	209%	220%	228%
Non-Life	201%	207%	205%	212%
Composite	191%	201%	209%	217%

Solvency ratios and equity holdings

Equity as a % of Total Inv. Assets vs. SCR for 2016



Source: EIOPA QRTs

Note: The above chart includes equity participations and equity investments made through collective investment undertakings for the companies which provided this information. The chart does not contain equity investments made through index linked and unit linked products.



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Thank you for your attention!

Dimitris Zafeiris, Head of EIOPA Risks and Financial Stability Department

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