EIOPA’s July 2019 Risk Dashboard shows broadly stable risk trends for the European Union insurance sector, with macro and market risks now at a high level

The European Insurance and Occupational Pensions Authority (EIOPA) published today its updated Risk Dashboard based on the first quarter 2019 Solvency II data.

The results show that the risk exposures of the European Union insurance sector remain overall stable, with macro and market risks now at a high level. This is due to a further decline in swap rates and lower returns on investments in 2018, which put strain on those life insurers offering guaranteed rates.

The low interest rate environment remains a key risk for the insurance sector. Credit risks continue at medium level with broadly stable Credit Default Swap (CDS) spreads for government and corporate bonds. Profitability and solvency risks increased due to lower return on investments for life insurers observed in year-end 2018 data. Solvency Capital Requirement (SCR) ratios are above 100% for most undertakings in the sample even when excluding the impact of the transitional measures.

Market perceptions were marked by a performance of insurers’ stocks broadly in line with overall equity markets, while median CDS spreads have slightly increased.

No change was observed in insurers’ external ratings and rating outlooks.

Background

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 2019. This data is based on financial stability and prudential reporting collected from 96 insurance groups and 2,868 solo insurance undertakings.