Risk Dashboard shows overall resilient insurance sector even as macro, market and cyber risks abound

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The European Insurance and Occupational Pensions Authority (EIOPA) published today its Risk Dashboard based on Solvency II data from the first quarter of 2022. The results show that insurers' exposures to macro, market and digitalisation risks are currently the main concern for the insurance sector. The other risk categories, such as insurance as well as profitability and solvency risks stay at medium levels.

Macro-related risks remain a key source of concern. Forecasted GDP growth at global level further decreased until Q2 2023, while inflation forecasts for main geographical areas remain high. Central banks are adjusting their instruments: the global average policy rate increased while asset purchases continue at a slower pace and will further slowdown. 10-year swap rates increased across currencies.

Market risks are currently at a high level. Volatility in the bond market increased and remained at high levels in equity markets. Property prices showed a slight further increase. The median insurers' exposure to bonds has decreased slightly, whereas exposure to equity remained relatively unchanged and exposure to property slightly increased in Q1 2022. Credit risks remain relatively moderate, but CDS spreads further increased for financial unsecured and non-financial corporate bonds and the median exposure to below investment grade assets (with a credit quality step higher than 3) slightly increased.

Profitability and solvency risks remain at medium level. Given the increasing trend of interest rates since the beginning of the year, the solvency position of life undertakings rose, while the solvency position of groups dropped. Insurance risks remained at medium level in Q1-2022. The median return on investmentfor life undertakings

decreased. The year-on-year premium growth for non-life reported a substantial increase, while for life a slight decrease was observed.

Market perceptions remain at medium level. Non-life insurance stocks slightly outperformed the stock market, while life stocks returns were in line. The median price-to-earnings ratio decreased. The ratings of insurers haven't change.

Climate risks remain at medium level. Insurers slightly increased the share of green bonds in their assets portfolio, while their ratio of investments in green bonds of the entire green bond universe slightly decreased. The y-o-y growth of green bonds in insurers' portfolios has slightly increased, while the growth of green bonds outstanding has decreased.

Digitalisation and cyber risks are at a high level. The materiality of these risks for insurance as assessed by supervisors increased given the resurge of cyber security issues and concerns of a hybrid geopolitical conflict.

Go to the Risk dashboard

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 2022. The data is based on financial stability and prudential reporting collected from 93 insurance groups and 2182 solo insurance undertakings.

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