

RISK DASHBOARD

October 2019¹

Risks	Level	Trend
1. Macro risks	High	→
2. Credit risks	Medium	→
3. Market risks	High	→
4. Liquidity and funding risks	Medium	→
5. Profitability and solvency	Medium	→
6. Interlinkages and imbalances	Medium	↘
7. Insurance (underwriting) risks	Medium	→
Market perceptions	Level	Trend
8. Market perceptions	Medium	→

Key observations:

- Risk exposures for the European insurance sector remain overall stable.
- Macro and market risks continue at a high level. Downward revisions to GDP growth and inflation forecasts and declines in swap rates for major currencies are adding further pressure to the sector. Volatility of the largest asset class – bonds – increased since July.
- Credit risks continue at a medium level, with somewhat lower CDS spreads for most bond segments and broadly stable credit quality of asset portfolios. Nonetheless, signs of potential risk mispricing prevail.
- Profitability and solvency risks are also at a medium level. Half-yearly profitability indicators improved compared to Q2-2018 due to higher profit and loss figures reported by some insurance groups. SCR ratios for life undertakings declined.
- Interlinkages and imbalances show a decreasing trend due to a lower share of premiums ceded to reinsurers in Q2, but remain at a medium level.
- Market perceptions were marked by an underperformance of insurers' stocks compared to overall equity markets, whereas no change was observed in insurers' external ratings.

¹ Reference date for company data is Q2-2019 for quarterly indicators and 2018-YE for annual indicators. The cut-off date for most market indicators is mid-September 2019. Due to changes in data sources or methodology, the time series for some indicators have been revised. More details are provided under the charts for these indicators.

Macro risks



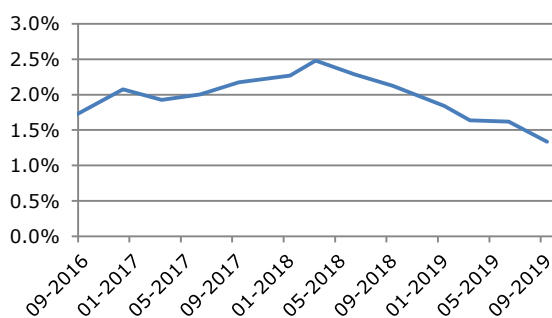
Level: high

Trend: constant

Macro risks continue at a high level. The economic outlook remained subdued due to further downward revisions to GDP growth and inflation forecasts over the next four quarters and to a further decline in swap rates. This assessment is marked by a decrease in the Federal Reserve’s key policy rate and balance sheet assets. The recently announced reduction in key ECB interest rates and restart of the net purchases under the asset purchase programme should be reflected in later updates.

The indicator on forecasted GDP growth decreased and reached new lower levels in the third quarter of 2019. Downward revisions of projections for GDP growth are across all geographical areas, until the second quarter 2020.

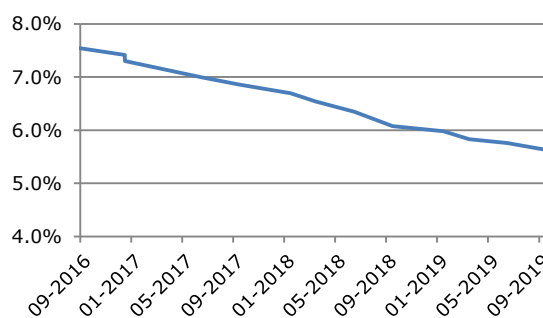
GDP consensus forecast



Note: Average of forecasts four quarters ahead, weighted average for Euro area, United Kingdom, Switzerland, United States, BRICS.
Source: Bloomberg Finance L.P.

The indicator on unemployment rates remained at historically low levels, compared to the previous quarters.

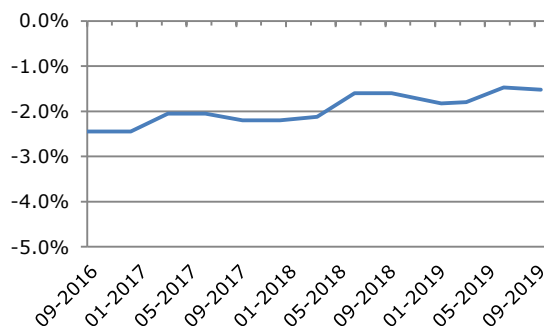
Unemployment rate



Note: Weighted average for EU, Switzerland, United States, China.
Source: Refinitiv

The indicator on fiscal balances remains negative and continue to hover around -1.5%.

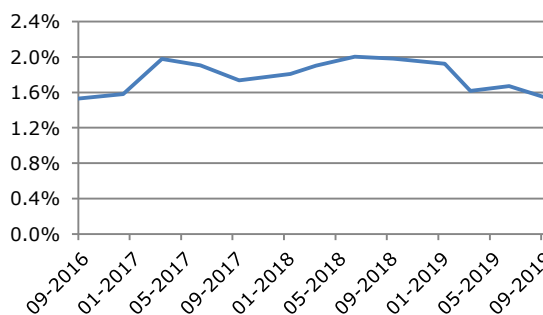
Fiscal balance



Note: Weighted average for EU and United States.
Source: Bloomberg Finance L.P.

The indicator for forecasted inflation slightly decreased to 1.6% from 1.7%. The projections for inflation until the second quarter of 2020 have been revised downwards, especially for Euro area in the short term, while inflation forecasts for the "BRICS" countries slightly increased.

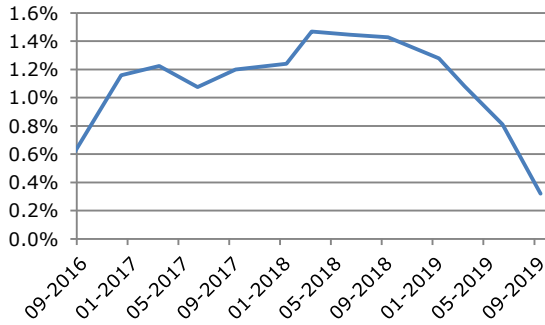
CPI consensus forecast



Note: Average of forecasts four quarters ahead, weighted average for Euro area, United Kingdom, Switzerland, United States, BRICS.
Source: Bloomberg Finance L.P.

The 10 years swap rates, already on a downward path since previous quarters, decreased from 0.8% to 0.3% reaching historically low levels. The decline was homogeneous across all currencies considered, particularly the Euro swap rates which went into negative territories reaching -0.04% from 0.26% in the previous quarter.

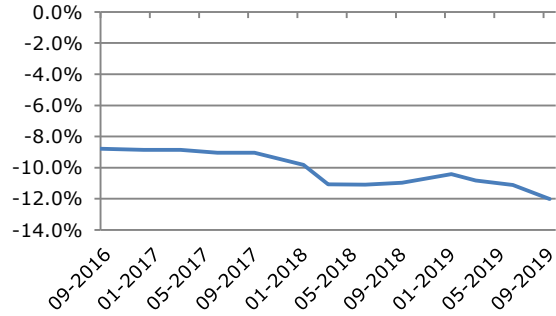
10Y swap rates



Note: Weighted average for EUR, GBP, CHF, USD.
Source: Refinitiv

The indicator on credit-to-GDP gap did not change from the previous quarter, with a negative gap in the Euro area (-13.1 p.p.).

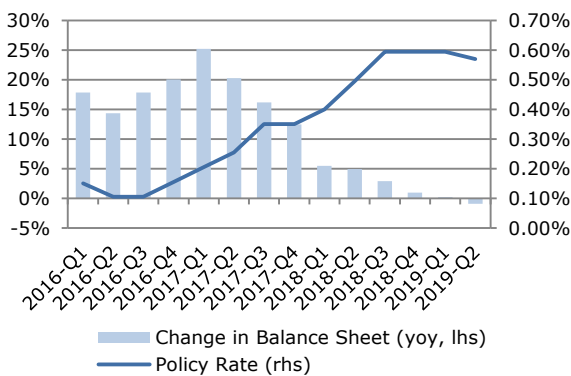
Credit-to-GDP gap



Note: Weighted average for Euro area, United Kingdom, Switzerland, United States, China.
Source: BIS

Key policy rates have decreased since January's assessment for the US. More recently, the ECB has also announced a further decrease of the key rates, which will be reflected in later updates. CB's balance sheets globally shrank slightly in the second quarter of 2019 (as a negative rate of expansion of -0.9% of CB's balance sheets is shown). This was led mainly by the FED, whose balance sheet is contracting by 9%. The ECB's balance sheet increased but at a lower rate compared to Q1. According to the latest announcement, the ECB balance sheet is expected to expand at a higher rate starting from the end of 2019

State of monetary policy



Note: Weighted average for Euro area, United Kingdom, Switzerland, United States.
Source: Bloomberg Finance L.P.

Credit risks



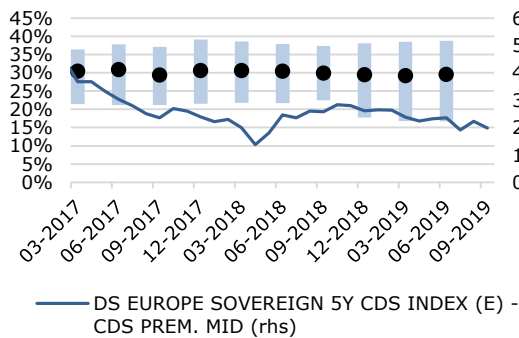
Level: medium

Trend: constant

Credit risks remain stable at medium level. CDS spreads have declined across all corporate bond segments except for secured financial corporate bonds. The indicator on fundamental credit risk in non-financial corporations still signals potential risk mispricing in this segment. No major changes have been observed in the credit quality of insurers' investments.

CDS spreads for European sovereign bonds slightly declined since the July assessment. Insurers' exposures to this asset class remain just under 30% of total assets.

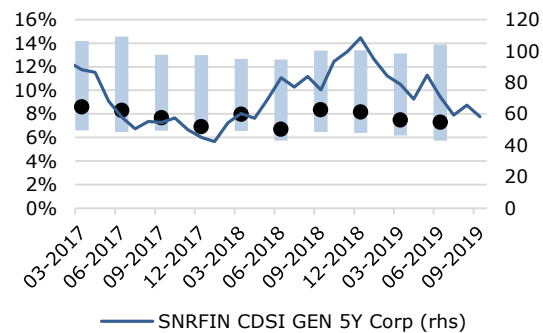
Investments in government bonds



Note: Left scale shows the distribution of exposures (inter-quartile range and median), right scale the risk measure. Source: Refinitiv, QFG (N_{2019 Q2}=98)

Spreads for unsecured financial bonds declined since June. Median exposures to this bond segment are at 7.3% of total assets in Q2-2019.

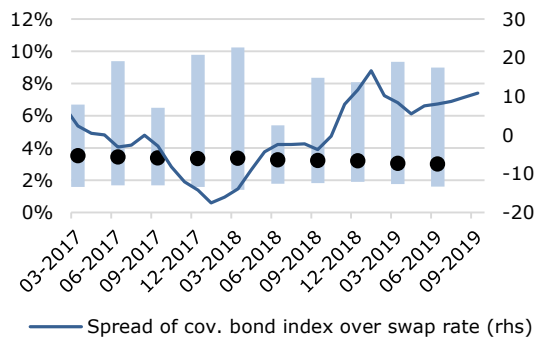
Investments in corporate bonds - financials, unsecured



Note: Left scale shows the distribution of exposures (inter-quartile range and median), right scale the risk measure. Time series revised - indicator now excludes unit-linked and index-linked assets. Source: Refinitiv, QFG (N_{2019 Q2}=85)

Spreads for secured financial bonds have slightly increased since the July assessment. Median exposures are at 3% of total assets in Q2-2019.

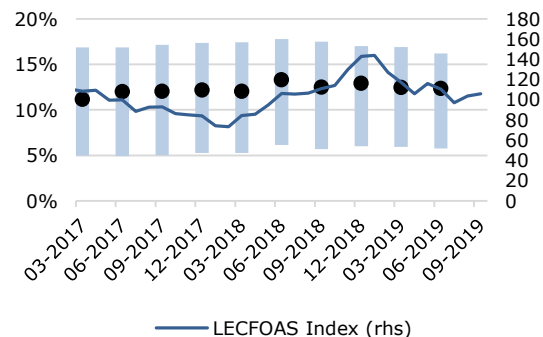
Investments in corporate bonds - financials, secured



Note: Left scale shows the distribution of exposures (inter-quartile range and median), right scale the risk measure. Time series revised - indicator now excludes unit-linked and index-linked assets. Source: Bloomberg Finance L.P., QFG (N_{2019 Q2}=80)

Spreads for non-financial corporate bonds have somewhat declined since June. Median exposure to this bond segment was at 12.4% of total assets in Q2-2019.

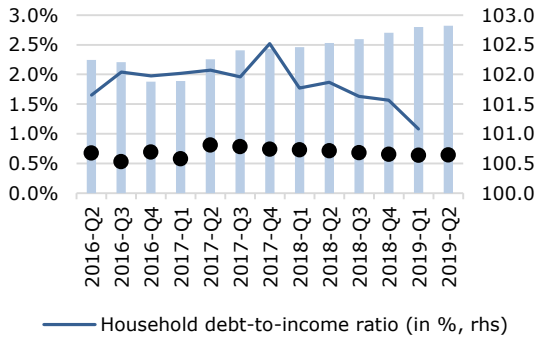
Investments in corporate bonds - non-financials



Note: Left scale shows the distribution of exposures (inter-quartile range and median), right scale the risk measure. Time series revised - indicator now excludes unit-linked and index-linked assets. Source: Bloomberg Finance L.P., QFG (N_{2019 Q2}=85)

Median exposures to loans and mortgages is at 0.6% of total assets. The household debt-to-income ratio continued to slightly decrease, driven by both the UK and the euro area.

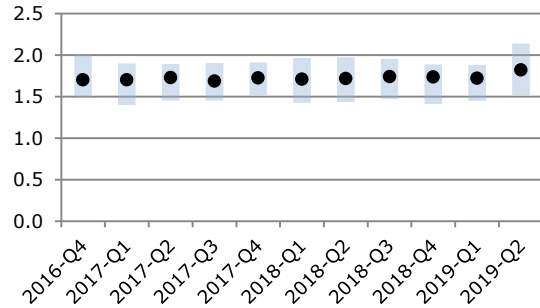
Investments in loans and mortgages to individuals



Note: Left scale shows the distribution of exposures (interquartile range and median), right scale the risk measure (weighted average of EA and UK).
Source: QFG (N_{2019 Q2}=98), ECB

The average credit quality step of investments slightly increased (from 1.75 to 1.83 in Q2-2019), still corresponding to an S&P rating between AA and A.

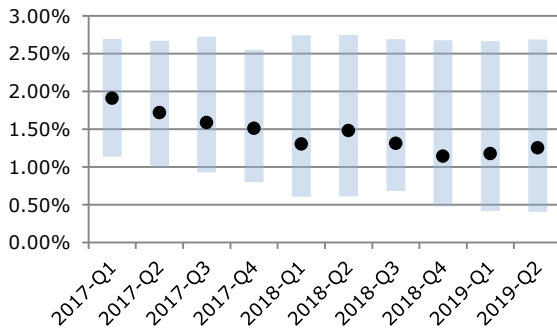
Average rating of investments (credit quality step)



Note: Distribution of indicator (interquartile range, median).
Source: QFG (N_{2019 Q2}=94)

The median share of below investment grade assets (with a credit quality step higher than 3) in insurers' portfolios has registered a minor increase, from 1.2% to 1.3% in Q2-2019.

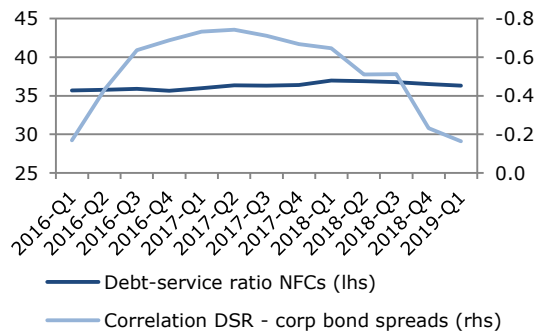
Share of below investment grade assets (credit quality step > 3)



Note: Distribution of indicator (interquartile range, median). Includes both internal and external credit ratings. Time series revised - denominator now excludes assets for which no rating shall be reported.
Source: QFG (N_{2019 Q2}=98)

The correlation between the debt-service ratio of non-financial corporations and corporate bond spreads is still negative, though an increase has been observed since the July assessment.

Fundamental credit risk



Note: Correlation between the debt-service ratio of non-financial corporates and the spread of non-financial corporate bonds based on a 12-quarter rolling window.
Source: BIS, Bloomberg Finance L.P.

Market risks

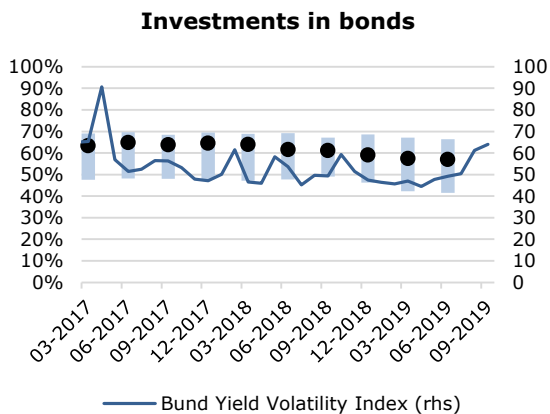


Level: high

Trend: constant

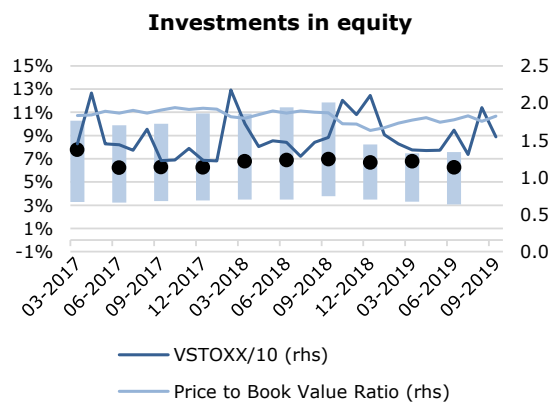
Market risks remain constant at a high level. Since the last assessment, volatility of bonds – the largest asset class – increased, while equity market volatility returned to July’s values after a peak in late August. No major changes have been observed for other indicators in this category.

Bond market volatility increased since the previous assessment. Median exposures to bonds remain close to 60% of total assets in Q2-2019.



Note: Left scale shows the distribution of exposures (interquartile range and median), right scale the risk measure.
Source: Bloomberg Finance L.P., QFG (N_{2019 Q2}=98)

Volatility of equity prices peaked in late August, declining thereafter to levels close to the July assessment. The price-to-book value slightly increased. Median exposures to equity are around 6.3% of total assets.



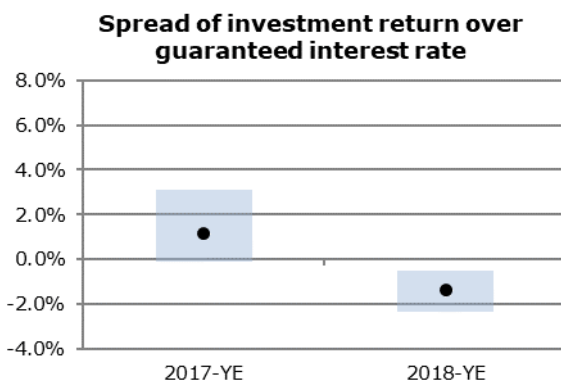
Note: Left scale shows the distribution of exposures (interquartile range and median), right scale the risk measure.
Source: Bloomberg Finance L.P., QFG (N_{2019 Q2}=98)

Median exposures to property remain just below 3% of total assets. The last observation available for the indicator on the annual growth rate of property prices is 3.2%.



Note: Left scale shows the distribution of exposures (interquartile range and median), right scale the risk measure. Time series revised due to changes in source data from the ECB.
Source: QFG (N_{2019 Q2}=98); QFT prior to 2016; ECB

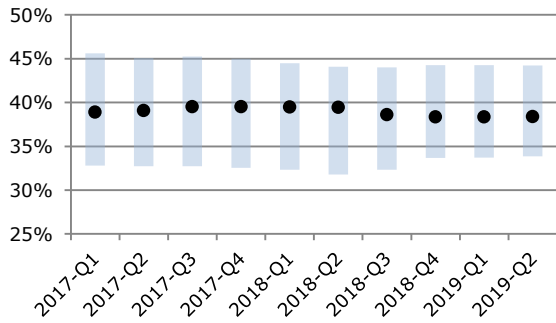
The median spread of investment returns over guaranteed rates declined since the last year from 1.1% to -1.4%. This is mainly justified by lower returns on investments in 2018. This indicator was included for the first time in the July 2019 Risk Dashboard and is based on year end 2017 and 2018 data.



Note: Distribution of indicator (interquartile range, median).
Source: ARS (N₂₀₁₈=476)

The indicator on concentration of assets remained stable across the whole distribution, with the median Herfindahl index standing at 38.4%.

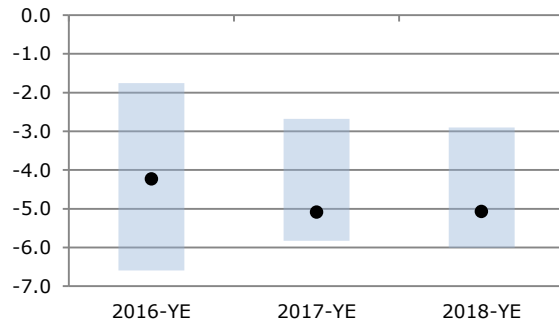
Concentration of assets



Note: Herfindahl Hirshman index computed on six balance sheet asset classes (government bonds, corporate bonds, equities, properties, cash and cash equivalents and loans and mortgages). Distribution of indicator (interquartile range, median).
Source: QFG (N_{2019 Q2}=100)

The distribution of the duration mismatch indicator remained quite stable from 2017 to 2018, with the median mismatch standing at around -5 years. Duration mismatch is based on the modified duration of the fixed income assets and of the liabilities. Duration of the liabilities does not take into account optionalities such as future profit participation. This indicator was included for the first time in the July 2019 Risk Dashboard and is based on year end 2016-2018 data.

Duration mismatch (years)



Note: Distribution of indicator (interquartile range, median).
Source: Assets QFG (N_{2018 Q4}=92); Liabilities AFG (N₂₀₁₈=92)

Liquidity and funding risks

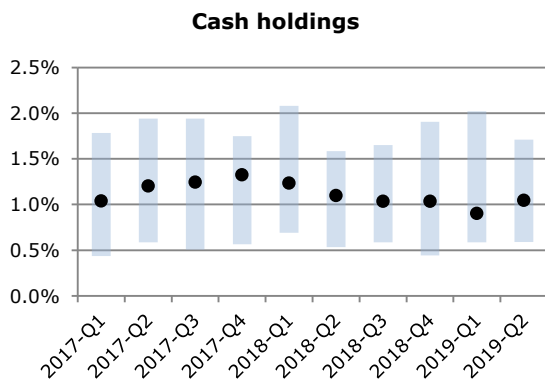


Level: medium

Trend: constant

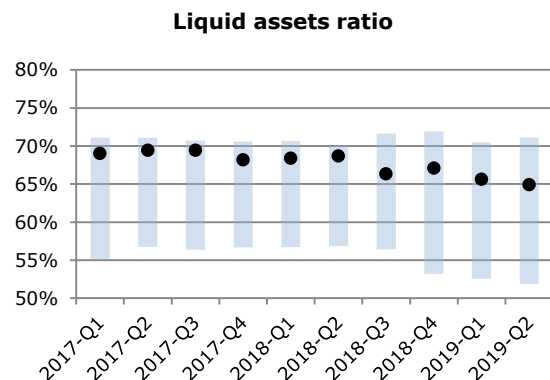
Liquidity and funding risks continue at medium level. Bonds issued by insurers have increased somewhat in Q2, with the average coupon to maturity indicator increasing again in this quarter. Issued volumes of catastrophe bonds also increased, with a reported decline in the average multiplier. The two liquidity indicators – cash holdings and liquid assets ratio – remained broadly stable.

The indicator on cash holdings shows a median value around 1% of total assets in Q2-2019 (0.9% in the previous quarter).



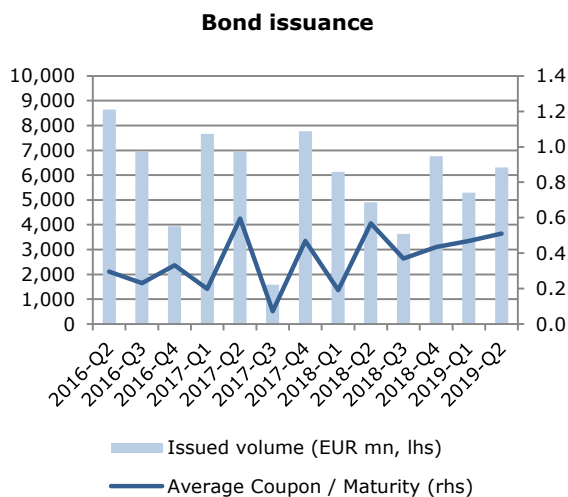
Note: Distribution of indicator (interquartile range, median).
Source: QFG (N_{2019 Q2}=98)

The median ratio of liquid assets to total assets stands close to 65%, with the whole distribution remaining broadly unchanged since the previous quarter.



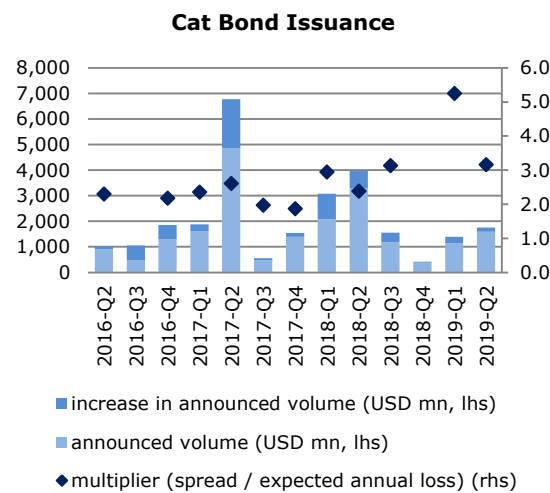
Note: Distribution of indicator (interquartile range, median).
Source: QFG (N_{2019 Q2}=92)

Bond issuance volumes increased in Q2-2019 by around 1 billion EUR to 6.3 billion. The average ratio of coupons to maturity increased again to 0.51.



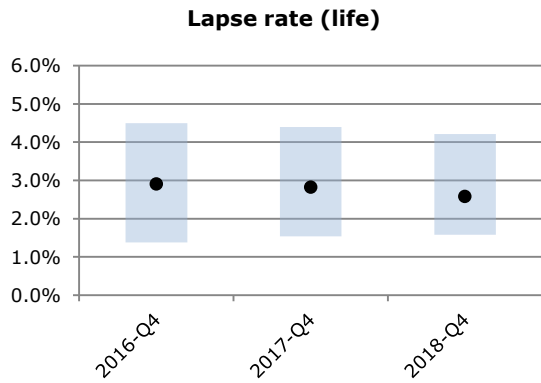
Note: Volume in EUR mn.
Source: Bloomberg Finance L.P.

Catastrophe bond issuance increased in Q2-2019 to USD 1,750 million. Issued volumes were only 10% higher than announced and the average multiplier declined to 3.2.



Note: Volumes in USD mn, spread in per cent
Source: <http://artemis.bm>

Lapse rates in life business remained overall unchanged across the whole distribution since 2017. Median lapse rates slightly decreased to around 2.6% (-0.2 p.p.).



Note: Distribution of indicator (interquartile range, median).
Source: QFG (N_{2018 Q4}=88)

Profitability and solvency



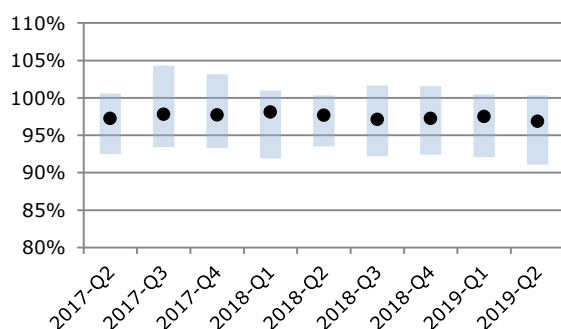
Level: medium

Trend: constant

Profitability and solvency risks remain constant at medium level. Profitability indicators, such as the return on excess of assets over liabilities, return on assets and return to premiums, show an improvement compared to Q2 and Q4-2018 due to higher reported profit and loss figures in Q2-2019. SCR ratios for both groups and non-life undertakings have remained broadly stable, though a decline across the whole distribution has been observed for life undertakings.

The distribution of the net combined ratio for non-life business remained broadly stable in Q2-2019, with the median ratio standing at 96.8%.

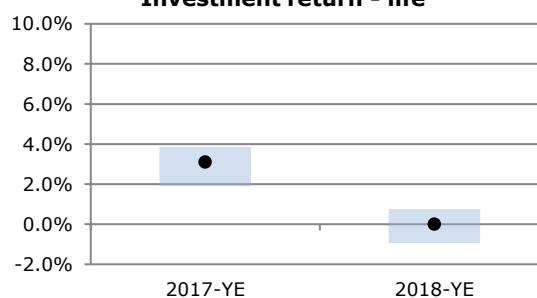
Net combined ratio - non-life



Note: Distribution of indicator (interquartile range, median).
Source: QRS (N_{2019 Q2}=1,456)

The whole distribution of the return on investments for life solo undertakings has declined since 2017, with a median of zero in 2018 (-3.1 p.p. than in the previous year). This decline is mostly driven by government and corporate bonds, equity and collective investment undertakings and is broadly in line with observed declines in market prices for these asset classes. This indicator was included for the first time in the July 2019 Risk Dashboard and is based on year end 2017 and 2018 data.

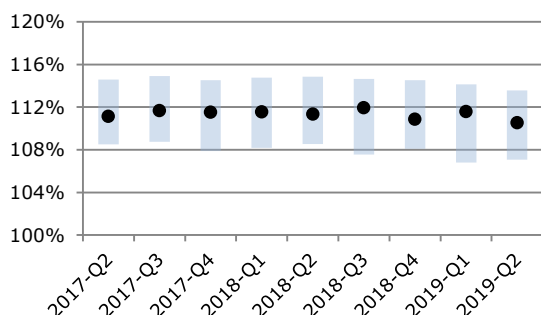
Investment return - life



Note: Distribution of indicator (interquartile range, median).
Source: ARS (N₂₀₁₈=517)

The median value of the ratio of assets over liabilities slightly declined in Q2 from 111.6% to 110.5%.

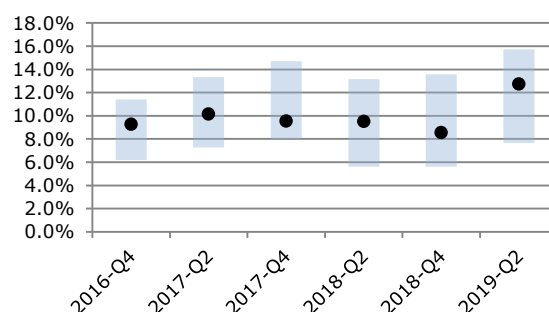
Assets over liabilities



Note: Distribution of indicator (interquartile range, median).
Source: QFG (N_{2019 Q2}=98)

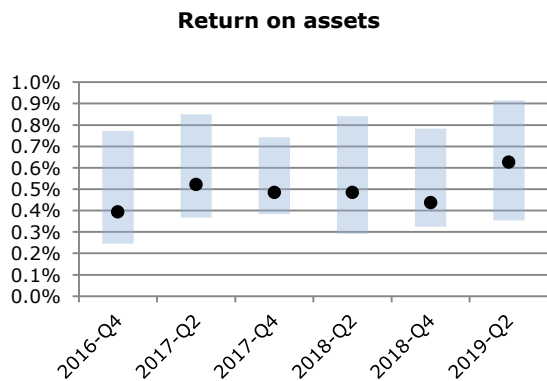
The median return on excess of assets over liabilities (based on statutory accounts) has increased by 4.2 p.p. to 12.7% (annualized). This is driven by a higher profit and loss figure reported by many groups in the sample.

Return on excess of assets over liabilities



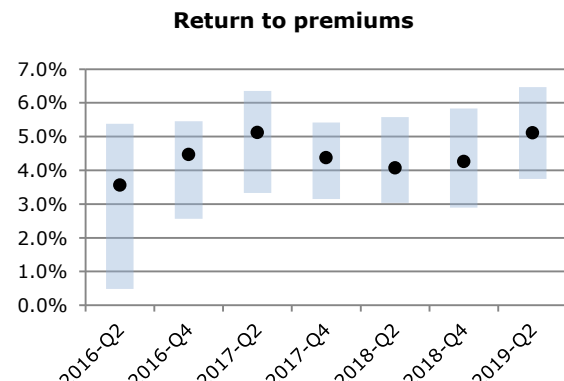
Note: Distribution of indicator (interquartile range, median).
Q2 figures annualised.
Source: QFG and ARG (N_{2019 Q2}=96)

The median return on assets (based on statutory accounts) increased by 0.2 p.p. since Q4-2018, standing at 0.6% (annualized). Higher reported figures for profit and loss are behind the upward shift of the distribution.



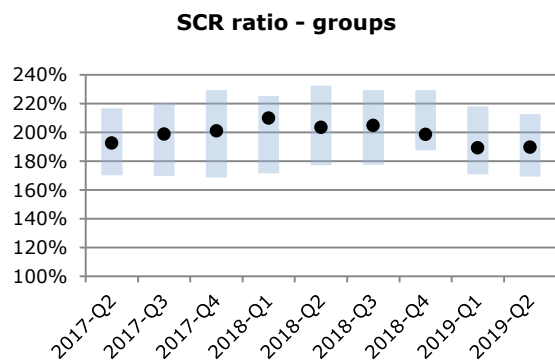
Note: Distribution of indicator (interquartile range, median). Q2 figures annualised.
Source: QFG and ARG (N_{2019 Q2}=91)

The median return to premiums has improved in Q2-2019 when compared to Q4-2018, by roughly 1 p.p. to 5.1%. Similarly to the other return indicators, this was driven by a higher profit and loss for several groups in the sample.



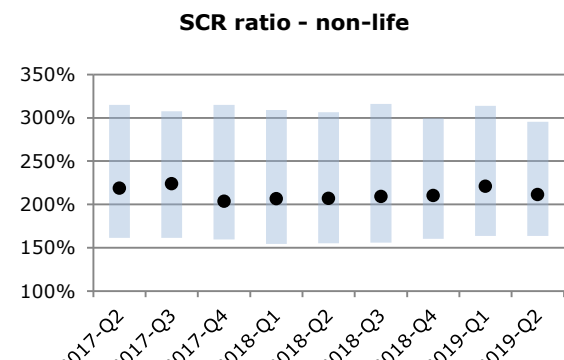
Note: Distribution of indicator (interquartile range, median).
Source: QFG (N_{2019 Q2}=98)

The distribution of SCR ratios for groups has remained broadly stable since the first quarter of the year, with the median ratio standing at 190%.



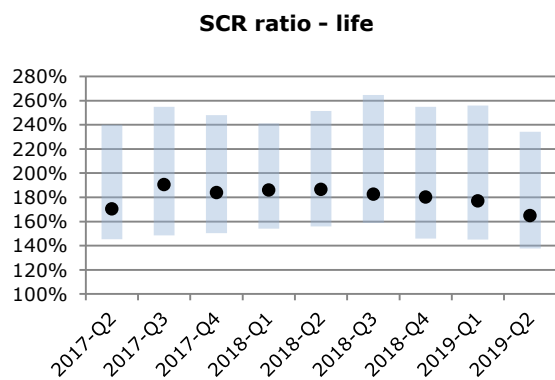
Note: Distribution of indicator (interquartile range, median).
Source: "Total" QFG (N_{2019 Q2}=98)

The 75th percentile and the median of the SCR ratio for non-life solo undertakings has declined by roughly 10 p.p. to 211%.



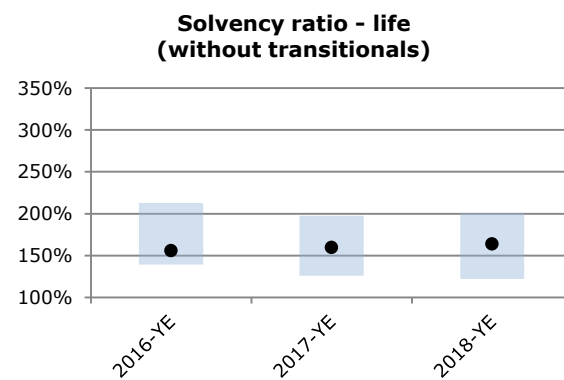
Note: Distribution of indicator (interquartile range, median).
Source: QRS (N_{2019 Q2}=1,255)

The distribution of SCR ratios for life solo undertakings has shifted downwards, with the median ratio declining by around 12 p.p. to 165%.



Note: Distribution of indicator (interquartile range, median).
Source: QRS (N_{2019 Q2}=511)

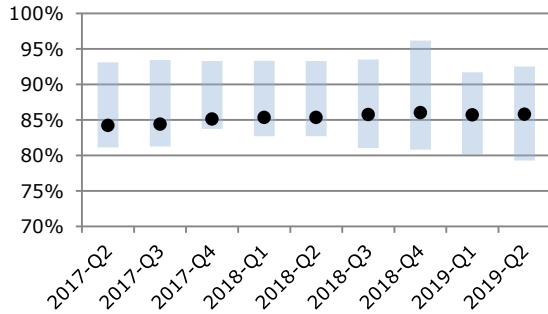
The median SCR ratio of life solo companies excluding the impact of transitional measures is at 163.7% in 2018 (+4 p.p. than in 2017). The indicator remains above 100% for most life insurers in the sample.



Note: Distribution of indicator (interquartile range, median).
Source: ARS (N₂₀₁₈=285)

The median share of Tier 1 capital in total own funds is stable since the previous quarter, remaining close to 86%.

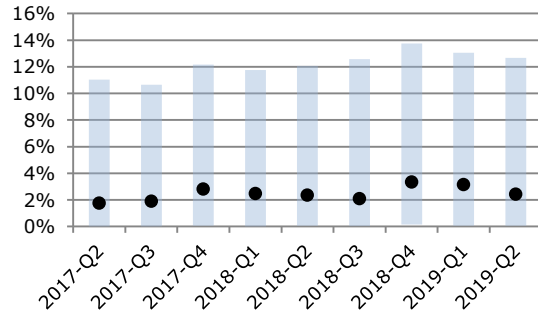
Tier 1 own funds to total own funds



Note: Distribution of indicator (interquartile range, median).
Source: QFG (N_{2019 Q2}=99)

The median share of expected profit in future premiums as a percentage of total eligible own funds to meet the SCR slightly declined to 2.4% (from 3.1% in Q1-2019).

Expected Profit in Future Premiums



Note: Distribution of indicator (interquartile range, median).
Source: QRS (N_{2019 Q2}=2,186)



Interlinkages & imbalances



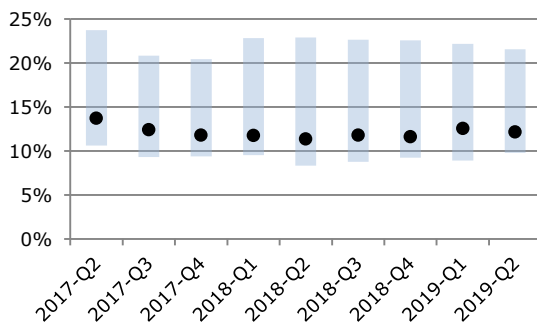
Level: medium

Trend: decrease

Interlinkages and imbalances risks remain at medium level in Q2-2019, but display a decreasing trend. This is mostly due to a reported decrease in the share of premiums ceded to reinsurers and to a lesser extent due to a slight decrease in the median exposure to domestic sovereign debt. Insurance groups' investments in banks, insurers and other financial institutions remained broadly unchanged.

The median value of investments in banks as a share of total assets has slightly declined in Q2-2019 to 12.1% (12.5% in Q1).

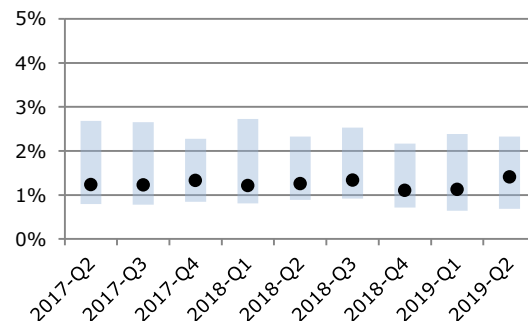
Investments in banks



Note: Distribution of indicator (interquartile range, median). Banks comprise all activities identified with NACE code K.64.1.9. Time series revised – indicator now includes all asset categories.
Source: QFG (N_{2019 Q2}=97)

The distribution of investment exposures to other insurers has remained stable compared to the previous quarter, with the median exposures slightly increasing from 1.1% to 1.4% in Q2-2019.

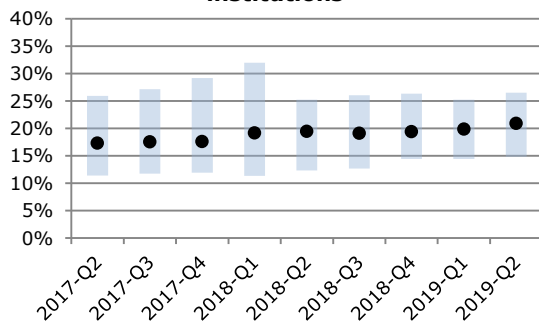
Investments in insurances



Note: Distribution of indicator (interquartile range, median). Insurances comprise all activities identified with NACE code K65, excluding K65.3. Time series revised – indicator now includes all asset categories.
Source: QFG (N_{2019 Q2}=95)

The distribution of investments in other financial institutions has remained broadly stable, though an increase of 1 p.p. has been reported for the median (20.9% in Q2).

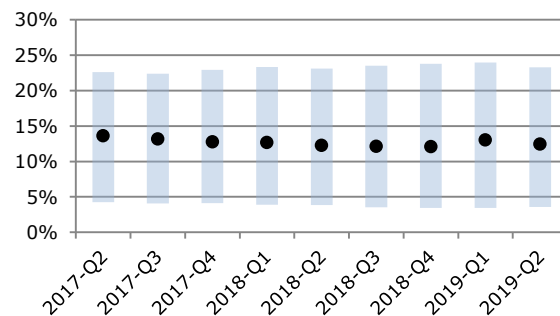
Investments in other financial institutions



Note: Distribution of indicator (interquartile range, median). Other financial institutions comprise all activities identified with NACE codes K66, K65.3 and K64 excluding K64.1.9. Time series revised – indicator now includes all asset categories.
Source: QFG (N_{2019 Q2}=98)

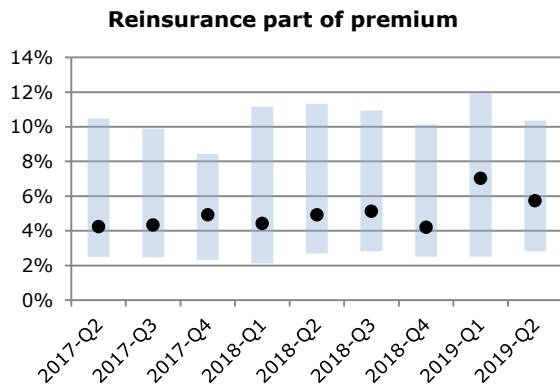
The median exposure to domestic sovereign debt is at 12.4% in Q2-2019 (-0.6 p.p. since the previous quarter). The distribution has been quite stable over time.

Investment in domestic sovereign debt



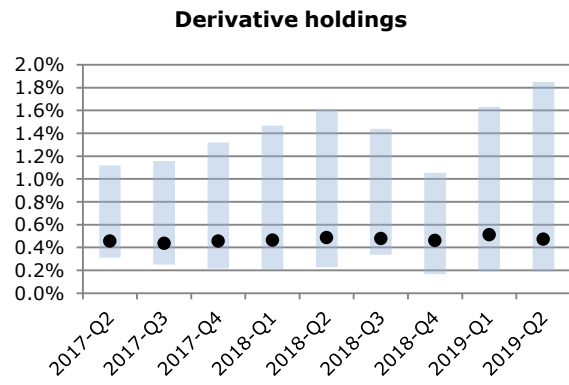
Note: Distribution of indicator (interquartile range, median).
Source: QRS (N_{2019 Q2}=1,318)

The median share of premiums ceded to reinsurers has declined since Q1 from 7.0% to 5.7% as well as the upper quartile (-1.6 p.p. to 10.4%).



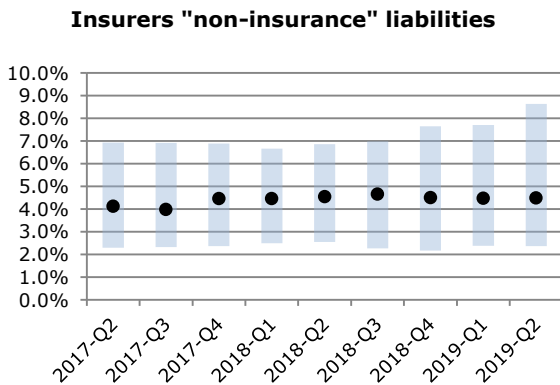
Note: Distribution of indicator (interquartile range, median).
Source: QFG (N_{2019 Q2}=96)

The median exposure to derivatives continues at 0.5% of total assets. Similarly to the last assessment, an increase has been reported for the upper quartile of the distribution.



Note: Distribution of indicator (interquartile range, median).
Source: QFG (N_{2019 Q2}=98)

The indicator on insurers' "non-insurance" liabilities reports a median value of 4.5%, broadly stable over time. A slight increase in the 75th percentile has been reported in Q2 (+0.9 p.p. to 8.6%).



Note: Distribution of indicator (interquartile range, median).
Source: QFG (N_{2019 Q2}=98)

Insurance (underwriting) risks



Level: medium

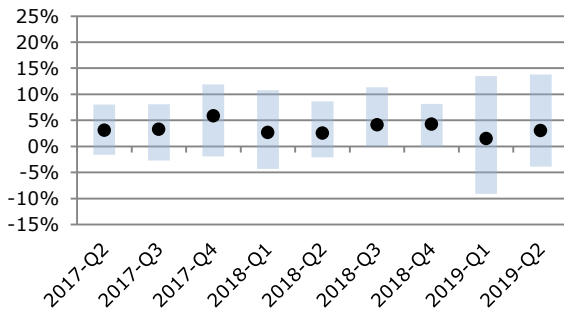
Trend: constant

Insurance risks remain constant at a medium level. A decline has been observed for reinsurers' cat loss ratios while overall insurance loss ratios have remained broadly unchanged. Median premium growth in life business remains positive, with an observed improvement in the lower quartile of the distribution. Premium growth in non-life business is positive across the whole interquartile range.

Median life premium growth increased from 1.5% to 3% in Q2-2019. The lower tail of the distribution (25th percentile) increased from -9.1% to -3.9%, indicating fewer groups with negative premium growth.

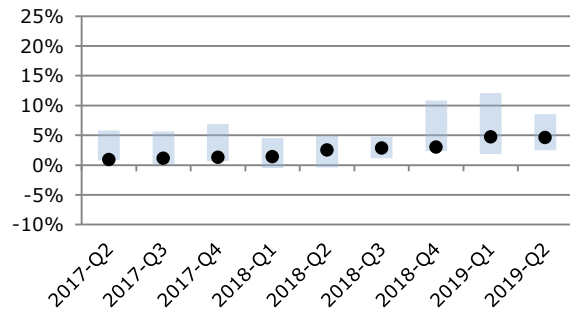
The distribution of non-life premium growth shrank in Q2-2019. The median growth rate has remained stable, hovering around 4%.

Premium growth - life



Note: Year-on-year change in gross written premiums. Distribution of indicator (interquartile range, median). Source: QFG (N_{2019 Q2}=94)

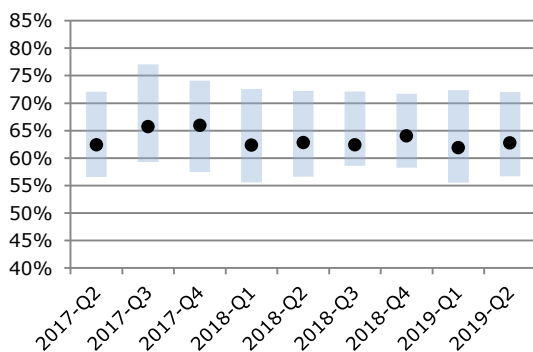
Premium growth - non-life



Note: Year-on-year change in gross written premiums. Distribution of indicator (interquartile range, median). Source: QFG (N_{2019 Q2}=84)

The median loss ratio has remained broadly stable at around 63%.

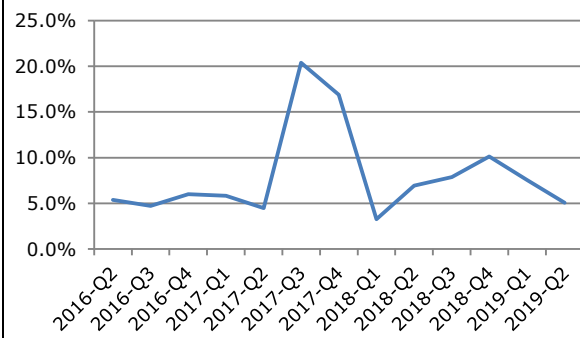
Loss ratio (gross)



Note: Distribution of indicator (interquartile range, median). Source: QRS (N_{2019 Q2}=1,451)

The cumulative catastrophe loss ratio declined since the previous quarter to 5.1% (-2.5 p.p.).

Catastrophe loss ratio



Note: Cumulative year-to-date loss ratio calculated based on Munich Re, Hannover Re and Everest Re. Source: Bloomberg Finance L.P.

Market perceptions

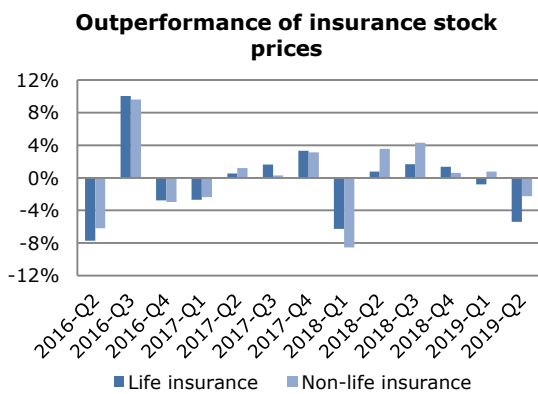


Level: medium

Trend: constant

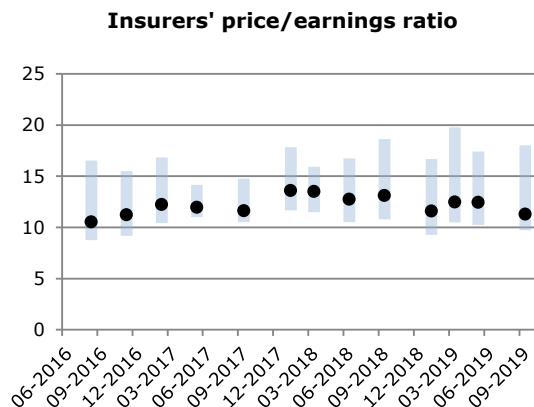
Market perceptions remain constant at medium level. Stock prices underperformed the overall market for both life and non-life insurance groups. This is possibly linked to the observed decline in the median price-to-earnings ratio of insurance groups in the sample since the July assessment. No changes have been observed for insurers' external ratings.

Both life and non-life insurance stock prices have underperformed the market. This is particularly notable for the life sector.



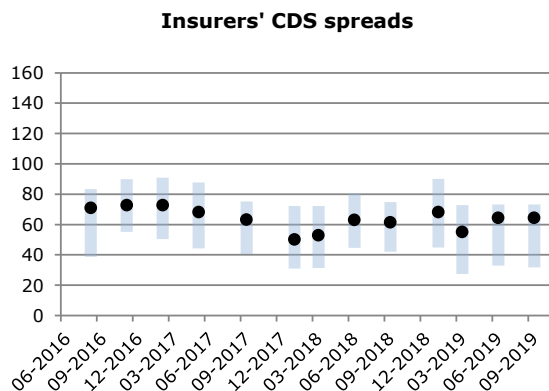
Note: Outperformance over 3-month periods vs Stoxx 600. Source: Refinitiv

The median price-to-earnings (P/E) ratio of insurance groups in the sample declined from 12.4% to 11.3%. This is likely justified by lower insurers' stock market performance in this period.



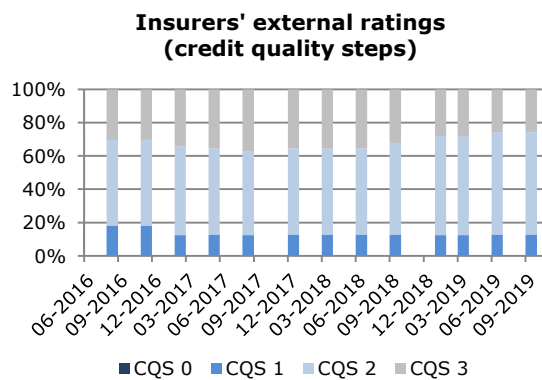
Note: Distribution of indicator (interquartile range, median). Source: Bloomberg Finance L.P. (N=34)

The distribution of insurers' CDS spreads has remained broadly stable since the previous assessment. The median value continues at 64.3 bps.



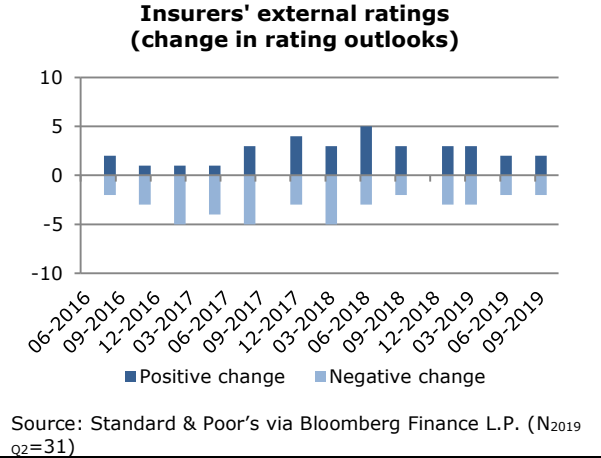
Note: Distribution of indicator (interquartile range, median). Source: Bloomberg Finance L.P. (N_{2019 Q2}=15)

Insurers' external ratings have not changed since the July 2019 assessment.












Source: Standard & Poor's via Bloomberg Finance L.P. (N_{2019 Q2}=31)

In September 2019 an equal number of positive and negative changes in ratings outlooks are observed for insurers (2).



APPENDIX

Level of risk		Very high
		High
		Medium
		Low
Trend		Large increase
		Increase
		Constant
		Decrease
		Large decrease

Arrows show changes when compared to the previous quarter.

Description of risk categories

Macro risks

Macro risk is an overarching category affecting the whole economy. EIOPA's contribution focuses on factors such as economic growth, state of the monetary policies, consumer price indices and fiscal balances which directly impact the insurance industry. The indicators are developed encompassing information on the main jurisdictions where European insurers are exposed to both in terms of investments and product portfolios.

Credit risks

The category measures the vulnerability of the European insurance industry to credit risk. To achieve this aim, credit-relevant asset class exposures of the (re)insurers are combined with the relevant risk metrics applicable to these asset classes. For instance, the holdings of government securities are combined with the credit spreads on European sovereigns.

Market risks

Market risk is, for most asset classes, assessed by analysing both the investment exposure of the insurance sector and an underlying risk metric. The exposures give a picture of the vulnerability of the sector to adverse developments; the risk metric, usually the volatility of the yields of the associated indices, gives a picture of the current level of riskiness. The risk category is complemented by an indicator which captures the difference between guaranteed interest rates and investment returns.

Liquidity and funding risks

This category aims at assessing the vulnerability of the European insurance industry to liquidity shocks. The set of indicators encompasses the lapse rate of the life insurance sector with high lapse rate signalling a potential risk, holdings of cash & cash equivalents as a measure of the liquidity buffer available, and the issuance of catastrophe bonds, where a very low volume of issuance and/or high spreads signals a reduction in demand which could form a risk.

Profitability and solvency

The category scrutinises the level of solvency and profitability of the European insurance industry. Both dimensions are analysed for the overall industry (using group data) and include a breakdown for the life and non-life companies (using solo data). In

detail, the solvency level is measured via solvency ratios and quality of own funds. Standard profitability measures for the whole industry are complemented by indicators such as the combined ratio and the return on investments specifically applied to the non-life and life industry respectively.

Interlinkages and imbalances

Under this section various kinds of interlinkages are assessed, both within the insurance sector, namely between primary insurers and reinsurers, between the insurance sector and the banking sector, as well as interlinkages created via derivative holdings. Exposure towards domestic sovereign debt is included as well.

Insurance (underwriting) risks

As indicators for insurance risks gross written premiums of both life and non-life business are an important input. Both significant expansion and contraction are taken as indicators of risks in the sector; the former due to concerns over sustainability and the latter as an indicator of widespread contraction of insurance markets. Information on claims and insurance losses due to natural catastrophes also contribute to this risk category.

Market perception

This category encompasses the financial markets' perception of the healthiness and profitability of the European insurance sector. For this purpose, relative stock market performances of European insurance indices against the total market are assessed, as well as fundamental valuations of insurance stocks (price/earnings ratio), CDS spreads and external ratings/rating outlooks.

Abbreviations

AFG	Annual Financial Stability Reporting for Groups
ARS	Annual Prudential Reporting for Solo Entities
QFG	Quarterly Financial Stability Reporting for Groups
QRS	Quarterly Prudential Reporting for Solo Entities
QFT	Quarterly Fast Track Reporting (pre-Solvency II, for around 32 large insurance groups on a best effort basis)

Notes

- Sample size for the different indicators may vary according to availability and consistency of the reported information.
- Vertical dashed lines where displayed in the graphs that signal the structural change in the series driven by the transition from Solvency I to Solvency II reporting.

EIOPA Risk Dashboard October 2019

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This report provides an interim risk-update, updating previous Risk Dashboards. Legal basis of this report is Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), and in particular Article 32 (Assessment of market developments) thereof.

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