insurance europe

European Insurance in Figures

2020 data

Insurance Europe is the European insurance and reinsurance federation. Through its 36 member bodies — the national insurance associations — it represents insurance and reinsurance undertakings that account for around 95% of total European premium income.

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Member associations and country codes

Austria (AT) — Verband der Versicherungsunternehmen Österreichs (VVO)

Belgium (BE) — Assuralia

Bulgaria (BG) — Асоциация на българските застрахователи (АБЗ)

Croatia (HR) — Hrvatski ured za osiguranje (HUO)

Cyprus (CY) — Insurance Association of Cyprus (IAC)

Czech Republic (CZ) — Česká asociace pojišťoven (ČAP)

Denmark (DK) — Forsikring & Pension

Estonia (EE) — Eesti Kindlustusseltside Liit (EKsL)

Finland (FI) — Finanssiala (FA)

France (FR) — France Assureurs

Germany (DE) — Gesamtverband der Deutschen Versicherungswirtschaft (GDV)

Greece (GR) — ΕΝΩΣΗ ΑΣΦΑΛΙΣΤΙΚΩΝ ΕΤΑΙΡΙΩΝ ΕΛΛΑΔΟΣ (EAEE)

Hungary (HU) — Magyar Biztosítók Szövetsége (MABISZ)

Iceland (IS) — Samtök Fjármálafyrirtækja (SFF)

Ireland (IE) — Insurance Ireland

Italy (IT) — Associazione Nazionale fra le Imprese Assicuratrici (ANIA)

Latvia (LV) — Latvijas Apdrošinātāju asociācija (LAA)

Liechtenstein (LI) — Liechtensteinischer Versicherungsverband (LVV)

Luxembourg (LU) — Association des Compagnies d'Assurances et de Réassurances du Grand-Duché de Luxembourg (ACA)

Malta (MT) — Malta Insurance Association (MIA)

Netherlands (NL) — Verbond van Verzekeraars

Norway (NO) — Finans Norge

Poland (PL) — Polska Izba Ubezpieczeń (PIU)

Portugal (PT) — Associação Portuguesa de Seguradores (APS)

Romania (RO) — Uniunea Națională a Societăților de Asigurare şi Reasigurare din Romania (UNSAR)

Slovakia (SK) — Slovenská asociácia poisťovní (SLASPO)

Slovenia (SI) — Slovensko Zavarovalno Združenje (SZZ)

Spain (ES) — Unión Española de Entidades Aseguradoras y Reaseguradoras (UNESPA)

Sweden (SE) — Svensk Försäkring

Switzerland (CH) — Swiss Insurance Association (ASA/SVV)

Turkey (TR) — Türkiye Sigorta Birliği (TSB)

United Kingdom (UK) — The British Insurers' European Committee:

Association of British Insurers (ABI)

International Underwriting Association of London (IUA)

Lloyd's

Methodological note

Insurance Europe revised the methodology of its data collection in 2021, both in terms of the scope and the split of business lines.

Scope: the data now additionally includes those activities generated by:

- local branches of EU/EEA companies operating though freedom of establishment (FOE); and
- EU/EEA companies operating locally through freedom of provision of services (FOS).

Split of business lines: the data collection templates now follow the Solvency II reporting definitions.

2020 figures were collected, and 2016-2019 figures were revised, according to the new methodology. As a result, the figures in this publication and on the Insurance Europe website are not comparable with previous publications.

Exchange rates

Insurance Europe collects data from its member associations in their national currency. For non-eurozone countries, it is then converted into euro. All monetary values are converted with the current end-of-year exchange rates. All growth rates and ratios are calculated using constant (most recent year's) end-of-year exchange rates.

Data samples

Not all data, and in particular historical data, is available for all markets. For each indicator, samples contain only those countries for which the entire historical data series is available. Therefore, due to different sample sizes, some data in the charts depicting five-year series differs from the figures quoted in the report text and from the charts based on two-year samples.

Scope

All data covers the entire economic activity of insurance companies within the borders of the reporting country (ie, excluding extra-territorial activity), unless otherwise stated. This includes economic activity generated by:

- Domestic companies, including subsidiaries of EU/EEA companies
- Local branches of companies outside the EU/EEA
- Local branches of EU/EEA companies operating though freedom of establishment (FOE)

- Activity of EU/EEA companies operating locally through freedom of provision of services (FOS)

Consolidation level

All figures are reported at solo level (non-consolidated), unless otherwise stated.

Inflation adjustment

All published figures are not adjusted for inflation, unless otherwise stated.

(Re)insurance

All published figures exclude accepted reinsurance, and include ceded reinsurance, unless otherwise stated.

Solvency II reporting definitions

Since 2016, countries have been switching at different speeds to the reporting definitions in the EU's Solvency II regulatory regime. This means that, for a growing number of countries, figures are not fully comparable with earlier years, primarily for health and P&C business.

Premiums

Premiums are gross (direct) written premiums (GWP), unless otherwise stated.

Data source

All figures are provided by member associations, unless otherwise stated.

Fuller details, as well as any national deviations from Insurance Europe's methodology can be found here.

Abbreviations

bps	basis points
EEA	European Economic Area
EIOPA	European Insurance & Occupational Pensions Authority
EU	European Union
GDP	gross domestic product
GWP	gross written premiums
MAT	marine, aviation and transport
MTPL	motor third-party liability
P&C	property & casualty
pp	percentage point

Foreword

The figures in this booklet show the size and strength of the European insurance industry and its importance to Europe's economies and societies. Europe's insurers provide a massive amount of protection, paying out almost €2.8bn a day in claims in 2020. And the European industry is a huge and long-term investor, with more than €10.6trn invested in the economy.

This booklet sets out the life, property & casualty (P&C) and health premiums written by Europe's insurers and the benefits and claims they paid, together with figures on the industry's investment portfolio and information on the structure of the sector. A more extensive dataset is available free of charge on Insurance Europe's website.

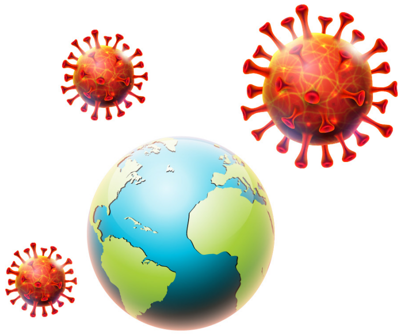
Total gross premiums written in the European countries in which Insurance Europe has members (listed on p5) totalled close to €1.3trn in 2020, down 4% on 2019. P&C premiums increased 2.8% and health premiums 3.4%, but life premiums fell 9.6% year-on-year.

Of course, business flows, claims and assets were all affected by the arrival of the COVID-19 pandemic in Europe and these results were against the background of the EU27's GDP shrinking 6%[1] year-on-year in 2020 and its consolidated gross debt increasing 13.2% to an EU average of 90.7% of the bloc's GDP.

The severity of the pandemic and the measures taken by governments in response differed between markets. And the effects on insurance business lines differed depending not only on the varied responses but also on the characteristics of the specific insurance products sold in each market. Some broad trends have nevertheless been identified and are covered in the relevant sections of this booklet.

The effects of the pandemic will continue to be felt in the economy and the insurance sector for a number of years. Current estimates put the global insurance industry's eventual total COVID-related losses at anywhere between $30bn and $60bn (€36–72bn).

1 Real GDP growth rates, Eurostat



Nevertheless, in 2020 the insurance industry in Europe remained strong, with insurers generally maintaining their solvency levels. One reason is that — despite the challenging environment — insurers managed to maintain their operations throughout the periods of lockdown imposed by governments, with many taking full advantage of digital tools to ensure business continuity, while still protecting their customers and employees.

Individually and collectively, insurers also took many, varied additional steps to help their customers and society in general during the worst of the pandemic. Often on a case-by-case basis, insurers agreed delays in premium payments, switches of tariffs and policy cancellations and suspensions where possible and appropriate. In some cases, they extended cover and services beyond their contractual obligations, donated to health initiatives and committed financial support to the economy.

Insurance Europe, for its part, endorsed the European Commission's July 2020 best practice recommendations on temporary COVID-19 relief measures, which very much reflected the actions the industry was already taking in terms of treating customers fairly and flexibly. And it remains fully engaged in all European and international discussions on ways to strengthen future pandemic resilience.

Michaela Koller
Director General

1. European insurance in 2020

€1 010bn

Total claims & benefits paid

€2.8bn

Claims & benefits paid per day

€1 674

Claims & benefits paid per capita

1.1 Overview

Claims and benefits paid

The claims and benefits paid to customers in Europe totalled €1 010bn in 2020, equivalent to €1 674 per capita or €2.8bn per day.

Life benefits paid declined 9.1%. The main reason for the decline was weaker returns on unit-linked products compared to previous years, which led some policyholders to hold on to their unit-linked contracts for longer in the hope of better returns in the medium term. Another factor was higher than usual mortality that was largely among the most elderly, which translated into insurers paying out fewer annuities in some markets.

In health, claims increased 1.1%, a small increase compared to the 3.9% average increase between 2016 and 2019, as a result of the many non-COVID-related medical procedures that were postponed, combined with a surge in COVID-19-related health claims in a number of markets.

In P&C, the impact of COVID-19 and government-imposed measures was seen in some business lines. This was notably the case in motor, where claims fell 8.6%, mainly due to a decline

Chart 1: Total claims & benefits paid — 2016–2020 (€bn)

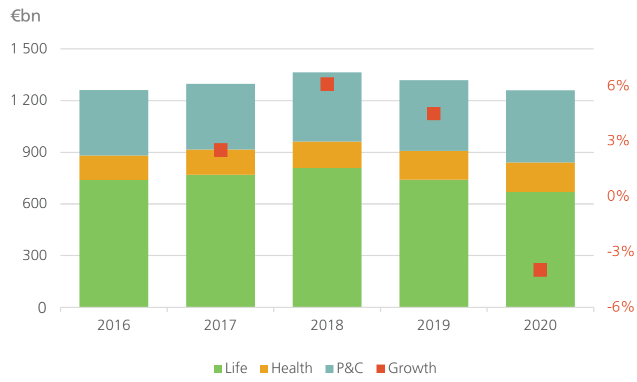


Chart 2: Breakdown of claims & benefits paid by business line — 2020

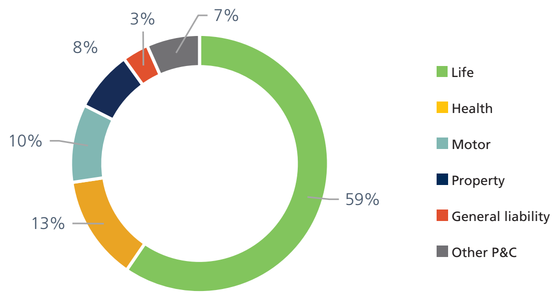


Chart 3: Change in total claims & benefits paid by country — 2020

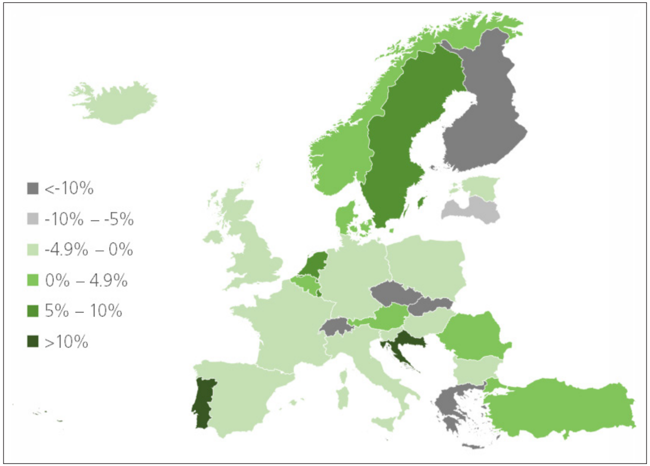
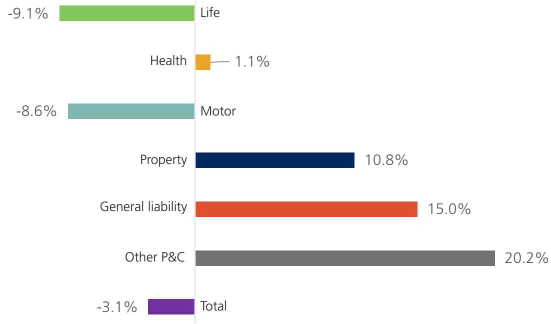


Chart 4: Change in claims & benefits paid by business line — 2020



in the frequency of accidents. In contrast, property claims rose 10.8%, partly due to significant natural catastrophe losses and partly to people spending more time at home because of the pandemic, which resulted in an increase in personal lines claims. General liability claims registered a 15% increase and other P&C lines rose 20.2%, as result of higher claims for legal expenses, marine, aviation and transport, and miscellaneous financial losses.

Average claims and benefits paid per capita in Europe — 2020

Premiums

In 2020, total premiums in Europe amounted to €1 264bn, a drop of 4% on 2019. This was due to a sharp decline in life insurance, where premiums fell 9.6% compared with the year before.

The economic hardship and uncertainty over future income caused by the COVID-19 pandemic led to many life insurance policyholders interrupting their pension saving.

An additional reason for the decline in life premiums was the difficulty in actively engaging with policyholders during the lockdowns.

Chart 5: Change in total claims & benefits paid by country — 2020

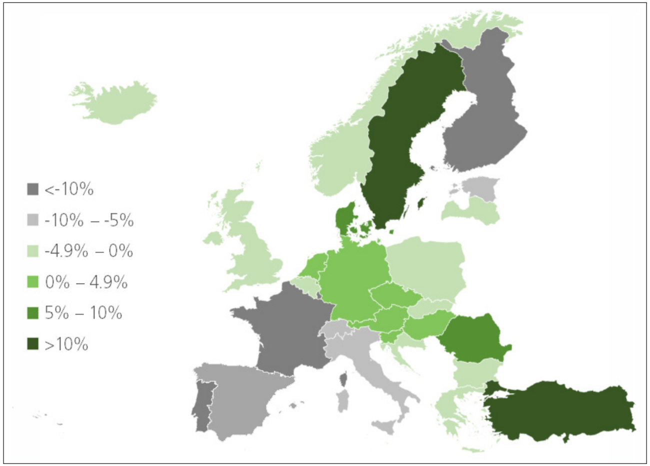
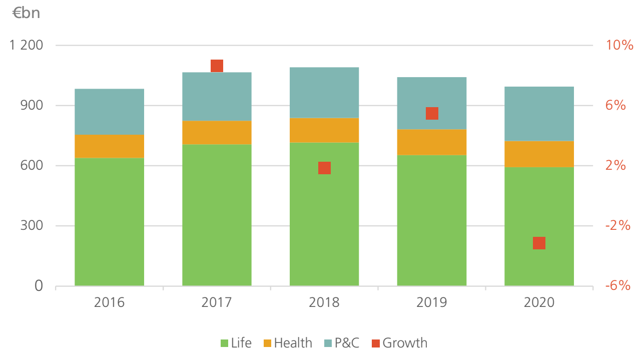


Chart 6: Total premiums — 2016–2020 (€bn)



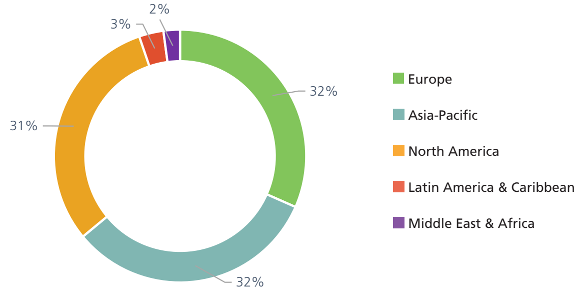
In contrast, both health and P&C lines showed more resilience, with growth of 3.4% and 2.8% respectively, building on the growth of previous years. The pandemic made more people realise the importance of health cover and the growth observed in 2020 is in line with recent evolution and is expected to continue in the medium term. And the increase in P&C premiums reflects growing demand in certain business lines. These included general liability, where premiums rose 7% and property, where they rose 3.6%.

Global premiums

The global pandemic inevitably had an impact on economies. The EU27's inflation-adjusted GDP shrank 5.9% (+1.6% in 2019), more than at the depths of the global financial and economic crisis (-4.2% in 2009)[2]. The US economy shrank less; by 3.5% in 2020 after a 2.8% increase in 2019. By contrast, China managed to maintain GDP growth of 2.2%, albeit down on the 5.8% growth the year before.

Against this background, the volume of global premiums fell 1.3%[3]. Unadjusted for inflation, premiums in Asia and North America grew at nearly the same speed in 2020; 2% and 2.1% respectively. Premiums in Latin America and the Caribbean shrank 16% and those in the Middle East and Africa declined 5.3%.

Chart 7: World insurance premiums by region — 2020[2]

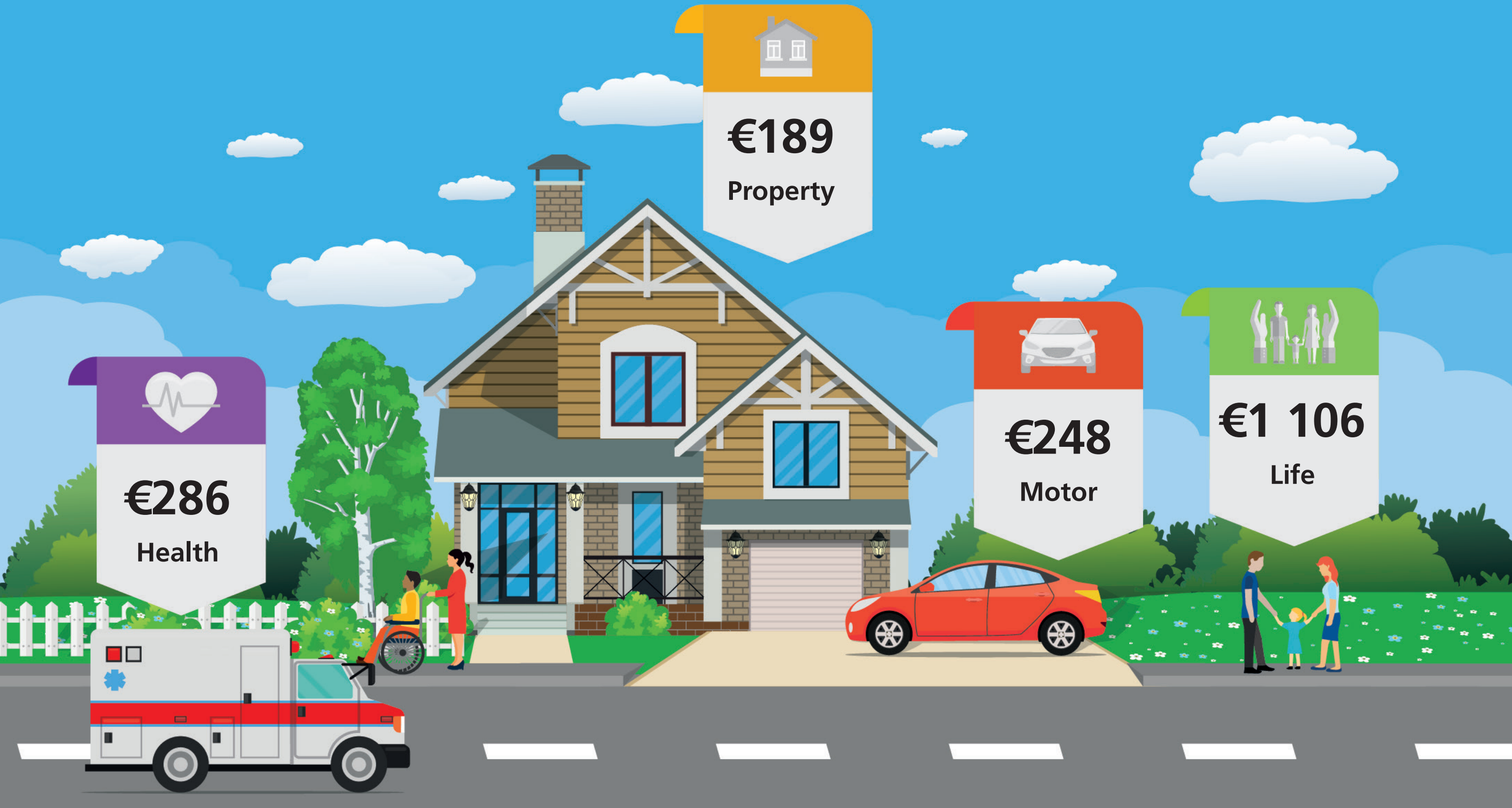


Density and penetration

In 2020, the average amount per capita spent on insurance (known as insurance density) in Europe was €2 093. The ratio of total premiums to GDP (insurance penetration) was 7.43%.

2 Eurostat national account
3 Swiss Re Institute: World insurance series

Average spent per capita on insurance in Europe — 2020



1.2 Life insurance

Benefits paid		
2019	2020	Change
€653bn	€593bn	⬇ -9.1%

Premiums		
2019	2020	Change
€742bn	€668bn	⬇ -9.6%

Density		
2019	2020	Change
€1 228	€1 106	⬇ -9.9%

Penetration		
2019	2020	Change
4.17%	3.93%	⬇ -0.24pp

Life insurance covers individuals' concerns related to their lives, often in the form of a benefit paid to beneficiaries on the death of the insured person. Some contracts also cover funeral expenses or the biometric risks of illness or disability. Life insurance can also take the form of a private pension product, in which retirement saving is accumulated during the individuals' working life and can be taken at retirement as a lump sum or as an annuity that provides guaranteed regular payments.

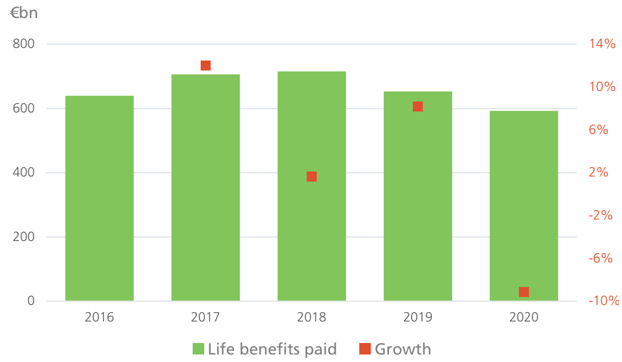
The two main types of retirement products are guaranteed (the insurer guarantees a pre-defined level of return on the investment) and unit-linked (the return largely depends on the performance of an index or a fund to which the investment is tied and the risk is partially or fully borne by the client). National pension, protection and savings systems differ greatly across Europe and this, in turn, means that national life insurance markets and products can vary significantly.

The two waves of the COVID-19 pandemic in 2020 resulted in lockdowns and in significantly reduced economic activity in most countries, creating uncertainty for many about their future income. This impacted Europe's life insurers, as it led people — especially in the worst affected countries — to reconsider their life insurance contributions and/or to partially or fully surrender their policies. New business underwriting likewise suffered as a result of the lockdown restrictions and uncertainty over future income. The low interest rate environment observed throughout the year also continued to prove challenging for life insurers.

Benefits paid

After three years in which the benefits paid out by European life insurers increased 7.3% on average, in 2020 benefits paid fell 9.1%. One of the reasons that fewer benefits were paid out is that poorer returns on unit-linked products in 2020 compared to

Chart 8: Life benefits paid — 2016–2020 (€bn)



previous years led some policyholders to hold on to their unit-linked contracts for longer in the hope of better returns in the medium term. The poor returns were due to the lacklustre stock market performance, which plunged as a result of the pandemic and lockdowns before recovering towards the end of the year.

Another significant element that can affect the levels of life benefits paid is mortality. And in this respect 2020 was an unusual year, with the European Centre for Disease Prevention and Control estimating that there were 410 000 COVID-19-related deaths in 2020 in the EU. The impact of COVID-19 — and the related excess mortality — did, however, vary between countries.

The extent to which excess mortality translates into more benefits being paid out can also vary. 2020 was characterised by high excess mortality primarily among the older cohorts of the population; nearly 366 000 of the COVID-19-related deaths were aged over 65, according to EuroMOMO, a European mortality monitoring service. This tranche of the population is either less likely to have life insurance or to be in the decumulation phase of their life insurance contracts, ie, they may be receiving annuities. This may have contributed to the decrease in benefits paid observed in some countries.

The largest falls in benefits paid were registered in Switzerland (-44.3%), Slovakia (-19.6%), the UK (-16.4%), the Czech Republic (-15.1%) and France (-12.5%). The dramatic drop in Switzerland was not, however, primarily COVID-19-related, but was mainly due to an exceptional event; in 2019, one of the country's largest providers of full-cover occupational pensions, Axa, ceased to offer that type of cover and companies that did not wish to switch to autonomous or semi-autonomous solutions received their benefits in full, leading to a significant spike of 60.4% in the benefits paid in 2019. The return to the usual level of benefits explains the substantial drop in 2020.

Smaller decreases in benefits paid were reported by Germany (-3.4%), the Netherlands (-1.9%) and Italy (-1.4%). In Spain, the benefits paid out remained broadly stable (+0.6%).

Benefits did not fall everywhere, however. For example, in Bulgaria, benefits paid increased 22.1% in 2020, of which over a fifth was related to early surrenders of both traditional and unit-linked contracts due to the economic uncertainty created by the pandemic. Similarly, in Portugal benefits paid increased 25.5%, of which over a third was due to (partial) surrenders and over half was due to the expiration of contracts (mainly retirement savings plans). Other countries in which early surrenders led to an increase in benefits paid were Luxembourg (+20.7%), Malta (+19.5%) and Croatia (+18.2%).

Premiums

In 2020, life insurance premiums fell 9.6%, after average annual growth between 2016 and 2019 of 4.2%. A number of factors played a role in the stark decline. The primary reason, as outlined at the start of this section, was the economic hardship and uncertainty created by the COVID-19-related lockdowns, resulting in a number of people postponing their pension saving.

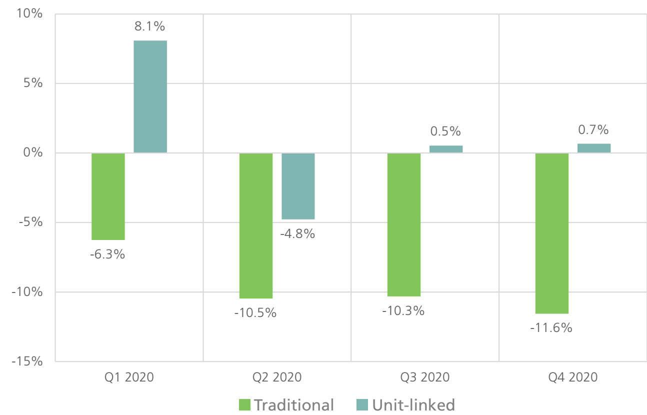
Chart 9: Life premiums — 2016–2020 (€bn)

However, varying fiscal and regulatory environments served as additional forces in the national dynamics in premiums.

Portugal, Spain and France saw the largest reductions in life premiums in 2020: -34.8%, -20.5% and -20% respectively. In Portugal, aside from the impact of the COVID-19 pandemic, low interest rates created an unfavourable environment for life insurance business for the second year in a row.

In Spain, where a distinction is made between life protection and life savings products, the bulk of the decrease was in life savings (-25%), whereas life protection premiums changed little (-0.38%). In France, there was increased interest in liquid savings and unit-linked products in the first quarter, but this fell away with the advent of COVID-19. This was also evident in other European countries (see Chart 10).

Chart 10: Life premiums in a sample of 21 European countries — median quarterly change (year-on-year)



The three countries with the next largest falls in premiums were Switzerland, Luxembourg and Finland, where premiums were down -17.8%, -17.7% and -17.3% respectively. In Switzerland, as with claims, the figure reflects Axa's 2019 withdrawal from full life insurance business, which triggered significant portfolio transfers and thus a spike in premiums in 2019, with premiums returning to normal in 2020.

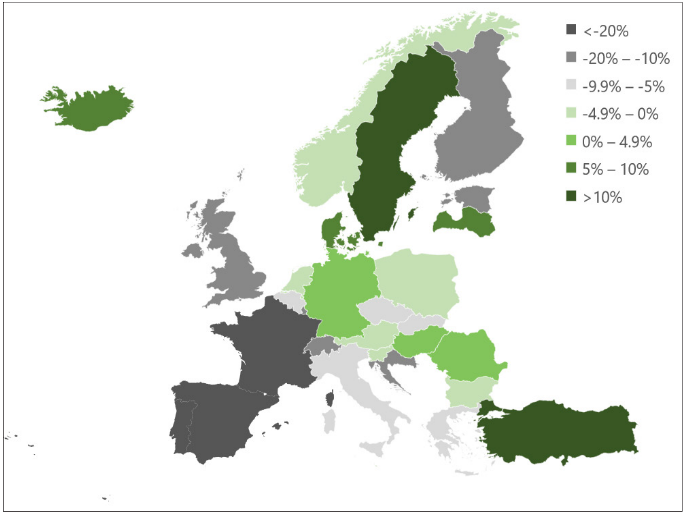
In Luxembourg, a strong decrease in premiums prevailed in the first three quarters of 2020, with the last quarter being comparable with 2019. The reduction was mainly driven by guaranteed rate savings products.

Part of the reason for the 2020 fall in Finland was a change in the tax regime that drove many policyholders to surrender their insurance contracts in 2019 in order to sign new contracts offering better tax benefits before the change took effect. After this spike in 2019, life insurance business broadly returned to pre-2019 levels in 2020.

In the UK, life premiums collected in 2020 were 11.7% lower than in 2019. Retirement income products dropped dramatically in the first half of the year (-60%) despite the government's furlough scheme, under which it sought to safeguard employees' jobs and wages by paying part of their salaries. Accumulation product premiums decreased by a lower but still significant 25% in the same period. Premiums for both types of products started to recover in the second half of the year.

In Greece, both guaranteed products and group pension contributions registered a 17.5% drop, probably affected by the economic uncertainty. At the same time, unit-linked products recorded a 53% increase, yielding an overall decline in life premiums of 5.2%.

Chart 11: Change in life premiums by country — 2020

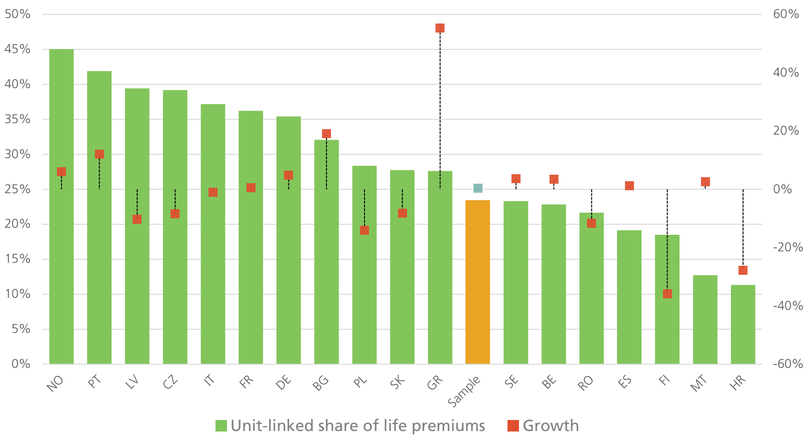


In Norway, life premiums fell 4.8%, not least due to the premium holidays that were offered to Pillar 2 policyholders who were laid off, as otherwise even those temporarily laid off would have been excluded from the schemes. Municipal occupational premiums fell 16% due to low wage growth, however private defined contribution and unit-linked pension premiums both grew a strong 6%.

In Italy, life premiums fell steeply in the second quarter, with up to a 40% decline in monthly premium collection, but they recovered towards the end of the year due to a strong rebound in unit-linked products. This was largely due to strong recovery in the financial markets as a result of measures taken by the European Central Bank and renewed confidence following the approval of the first vaccines. This meant that the overall 6.1% reduction in Italian life premiums in 2020 was less than previously anticipated.

The results from Sweden and Latvia tell a different story. In Sweden, life premiums increased 15.1%, while in Latvia the increase was 8.4%, largely due to the transfer of Pillar 2 pensions from the state to private insurers. The impact of COVID-19 on the life insurance market was also limited in the Netherlands, where premium income remained relatively stable (-1.4%). The small decline was caused by the transition from more expensive defined benefit schemes to defined contribution schemes, which are less expensive but provide less cover. Defined contribution schemes are now the most common scheme offered by Dutch employers.

Chart 12: Unit-linked share of life premiums — 2020

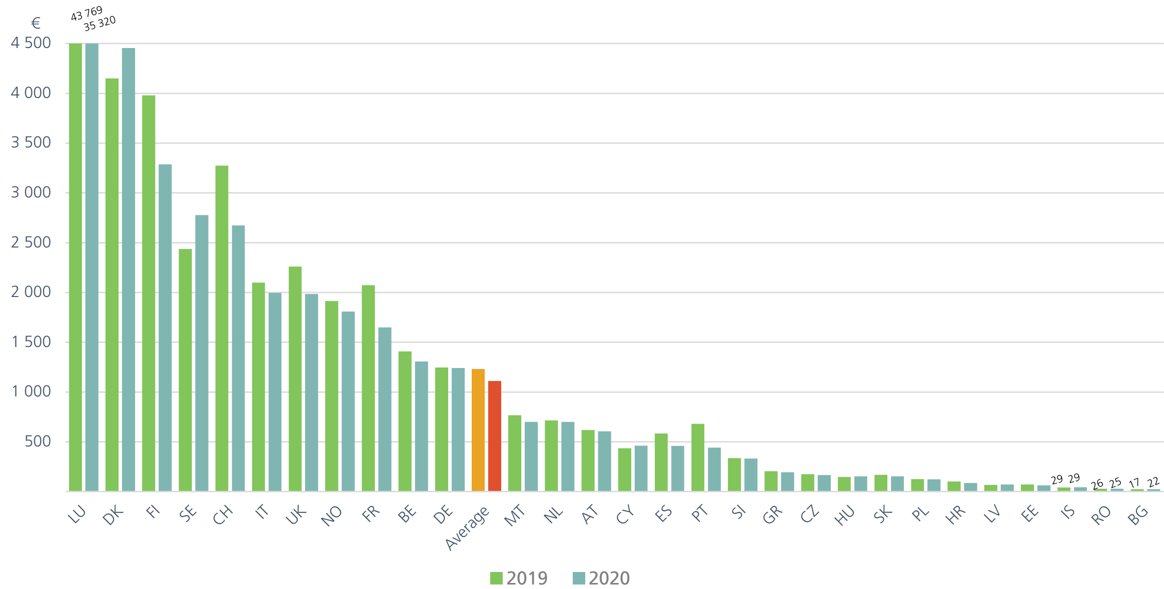


Density and penetration

In 2020, an average of €1 106 per capita (insurance density) was spent on life insurance in Europe, down 9.9% on 2019. The penetration of life premiums in Europe, or premiums as a percentage of GDP, declined 0.24pp to 3.93%.

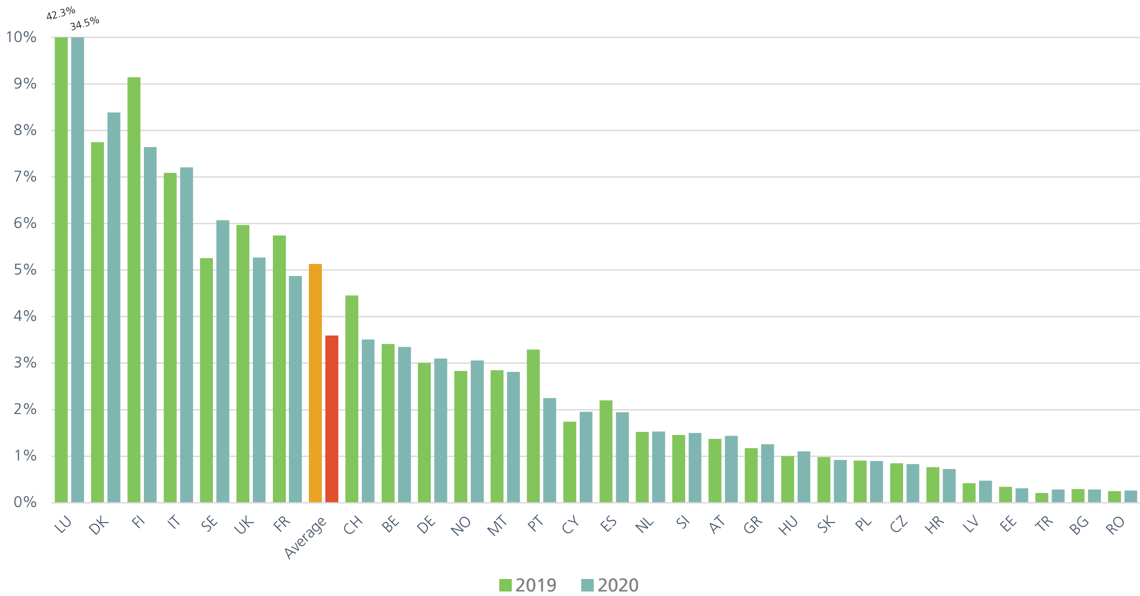
An average of €1 106 per person was spent on life insurance in Europe

Chart 13: Life density (premiums per capita) by country — 2019–2020 (€)



Average life insurance penetration in Europe was 3.93% in 2020

Chart 14: Life penetration (premiums as % of GDP) by country — 2019–2020



1.3 Health insurance

Claims paid		
2019	2020	Change
€129bn	€130bn	↑ 1.1%

Premiums		
2019	2020	Change
€167bn	€173bn	↑ 3.4%

Density		
2019	2020	Change
€278	€286	↑ 3.0%

Penetration		
2019	2020	Change
0.94%	1.01%	↑ 0.07pp

The severe strains the COVID-19 pandemic placed on national healthcare systems are well documented. Governments responded by financing the treatment of COVID-19 patients, providing additional funding for hospitals, hiring additional medical personnel, developing testing capacity and contributing to the development of vaccines. Non-medical measures such as social distancing, lockdowns and the closure of business sectors were also deployed to contain the spread of the virus, although national approaches differed.

COVID-19 significantly affected people's health and their access to healthcare providers. At the height of the outbreaks, those who contracted the virus sometimes suffered due to the pressures on medical resources. And for those who recovered, the effect of "long COVID" and its interaction with pre-existing diseases are still to be assessed and fully understood.

The pandemic also had a significant impact on wider healthcare. Delays and cancellations of non-urgent healthcare services were widely observed, especially during the lockdowns.

In addition, the pandemic had a detrimental effect on mental health, with emerging evidence of higher rates of stress, anxiety and depression.

Another trend was the increasing use of medical tele-consultations. In France, for example, in the year to the end of March 2020, the number of teleconsultations increased 50-fold compared with the same period in 2019. In Germany, the estimated increase was 10-fold over the same period. In Norway, tele-consultations accounted for 60% of all GP consultations at the end of March 2020, having only been 5% at the beginning of the month[4].

Acting with public bodies and healthcare workforces, private health insurers engaged in combatting COVID-19. Individual insurers made contributions to government funds in acts of solidarity. In France, for instance, insurers contributed €1.5bn to the national social security funds. The German health insurance funds also contributed €5bn to a government scheme that provides funding for hospitals. Health insurers have also increased the digital handling of claims and online services to their customers.

4 "Health at a Glance: Europe 2020", OECD, November 2020

The role of private insurers in health

Private insurers provide a range of services, which include extending and supplementing publicly financed healthcare systems, allowing policyholders to benefit from faster access to treatment and a wider choice of healthcare providers.

In national markets across Europe, the role of private insurers differs significantly due to differences in the way national healthcare systems are organised and financed. Private health insurance in national markets typically takes one of the following three forms, or a combination of the three:

Supplementary: offers faster access to treatment, and a wider choice of healthcare providers or enhanced services.

Often sold in combination with complementary cover and available in almost all national markets, but tends to be small in terms of the percentage of population covered. However, there are some exceptions: in Belgium, for example, it is often offered by employers as part of a benefit package and is estimated to cover up to 60% of the population[5].

Complementary: covers excluded charges or services to complement public schemes.

Available in many countries for services such as dental and optical care, physiotherapy, etc. In countries such as France, Croatia and Slovenia, it plays a major role and usually comes in the form of coinsurance, in which the policyholder pays a set price for the services. The Netherlands is another example of a major complementary market.

Substitute: provides cover for people who are not eligible for, or who opt out of, public schemes.

Similar to publicly financed systems but only available to limited groups of people. In Germany, alongside the more common complementary insurance, substitute insurance exists only for the self-employed and sometimes people with income above a certain level. In the Czech Republic, it is mainly for foreigners who are not eligible for the national healthcare system.

5 "Voluntary health insurance in Europe: role and regulation", World Health Organization, 2016

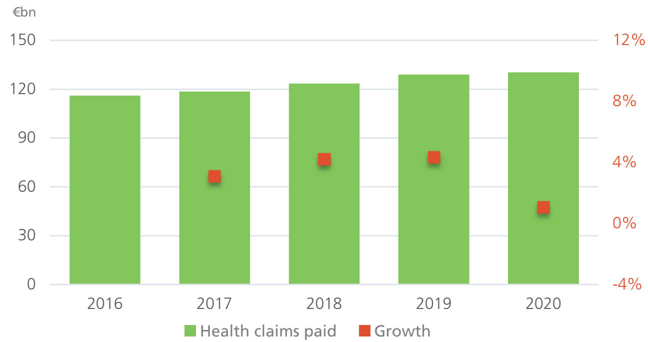
Claims paid

A slight increase of 1.1% in claims was registered in 2020, compared to 4.3% in 2019. The lower rate in 2020 reflected the fact that between March and May a significant number of non-urgent medical procedures were delayed. This was to some extent offset by an increase in later months. In addition, there are certain elements to note: an increase in claims for mental health services was reported in a number of countries and that trend is expected to continue; claims for teleconsultations went up substantially in the first months of the pandemic, but decreased later as healthcare facilities reopened; and the backlog of claims delayed in 2020 is expected to affect subsequent years, as already confirmed by preliminary 2021 figures in many markets.

Claims for teleconsultations went up substantially in the first months of the pandemic, but decreased later as healthcare facilities reopened.

In the three years prior to 2020, health claims grew 3.9% on average. Healthcare spending tends to be higher in older age groups, so this reflects Europe's ageing population, but also the

Chart 15: Health claims paid — 2016–2020 (€bn)



fact that there are an increasing number of people signed up to group policies.

Importantly, the change in 2020 claims volumes varied significantly from country to country, reflecting the differences in the government measures to contain the virus and the varying roles private health insurance plays in each market (see p27).

The Netherlands, Germany, France, Switzerland and Spain are the five largest private health insurance markets, accounting for more than 80% of all premiums written. In the Netherlands, where mandatory health insurance is completely private, there was an increase of 3.1% in claims, down substantially on the 10.7%

Chart 16: Five largest health insurance markets — 2020

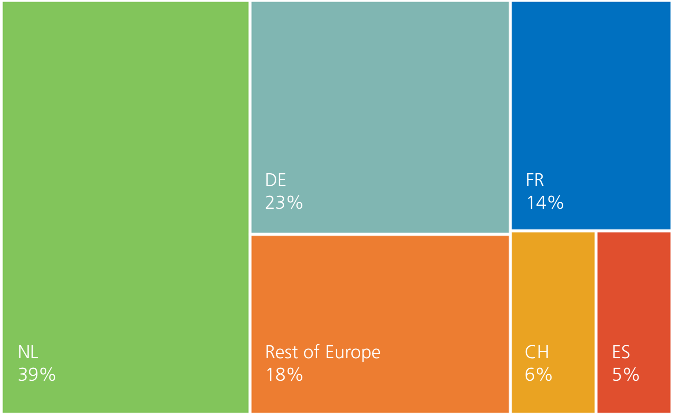
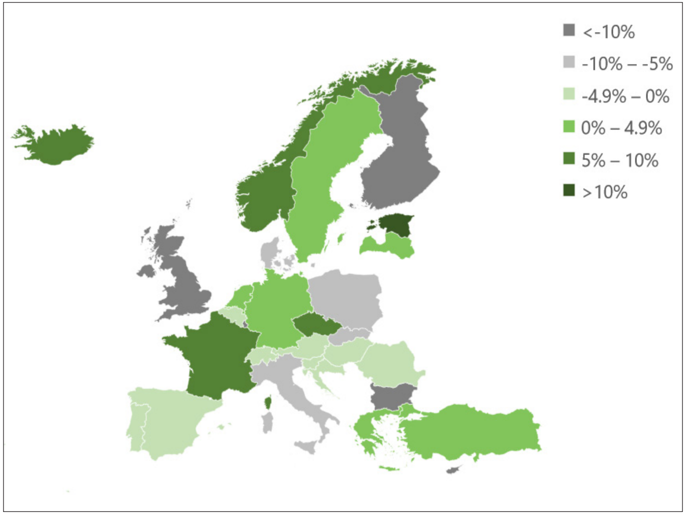


Chart 17: Changes in health claims by country — 2020



growth in 2019. In Germany, claims remained largely stable year on year (+0.2%), as they did in Switzerland and Spain (down 1% and 0.2% respectively). In France, claims increased 6.5%, following the contribution to national social security funds by private insurers and the roll-out of the "100% Santé" policy in 2020, which allows people to benefit from higher reimbursements for eye, dental and hearing care.

In contrast, claims in the UK fell significantly — down 17.8% — but this is expected to be compensated for in 2021 and beyond. Similarly, claims went down 12.7% in Luxembourg and 10.7% in Finland.

In some of the smaller markets, there was a significant year-on-year decrease, although this was not enough to undo the significant growth seen in recent years.

In Bulgaria claims fell 15.8%, but were still nearly 60% higher than in 2016. There was a similar trend in Poland (-6.4% on 2019, +62.6% on 2016), Slovakia (-7.5% on 2019, +100% on 2016) and Romania (-3.2% on 2019, +238.1% on 2016).

Premiums

Pre-pandemic, increasing demand for private health insurance and rising healthcare costs had led to steady growth in health premiums, with the average growth rate between 2016 and 2019 reaching 5.8%.

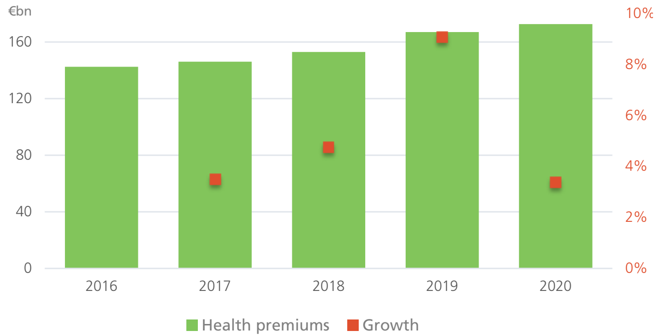
In 2020, there was an increase of 3.4%, reflecting not only a continuation of the growth of earlier years but also a side effect of the pandemic; many people have become more aware of health risks and see the value of the additional protection offered by health insurers.

Two thirds of countries reported growth in 2020. The largest five markets all registered growth: the Netherlands 3.4%, Germany 4.4%, France 5.6%, Switzerland 2.8% and Spain 4.5%.

Two thirds of countries reported growth in health premiums in 2020.

The picture was mixed for those markets that had been expanding fastest before 2020, in that some were able to sustain the high growth — Romania (+21.2%), Greece (+9.5%),

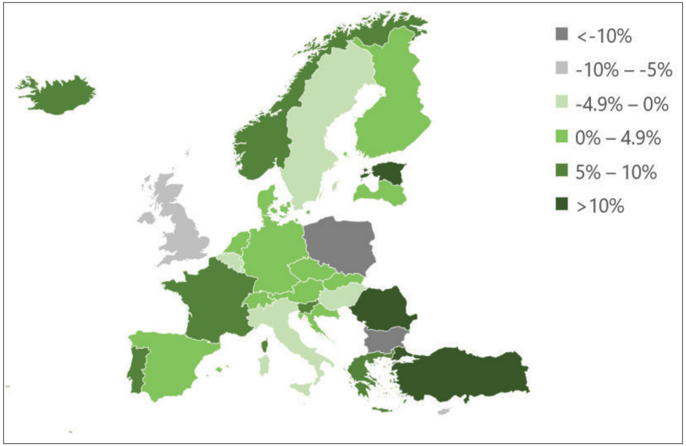
Chart 18: Health premiums — 2016–2020 (€bn)



Portugal (+8.2%) and Slovenia (+7.1%) — while others such as Poland (-23.5%) and Bulgaria (-21.3%) were hit hard by the difficult circumstances. Italy, too, was adversely affected, as growth stalled for the first time in five years (-2.9%), but premiums written in 2020 were still nearly 25% higher than five years earlier.

The evolution in premiums can also be linked to regulatory changes, such as the introduction of incentives for employers to offer insurance packages. This was the case in Norway, where health premiums grew 6.2%, mainly driven by an increase in group policies for supplementary cover provided by employers.

Chart 19: Health premium growth by country — 2020

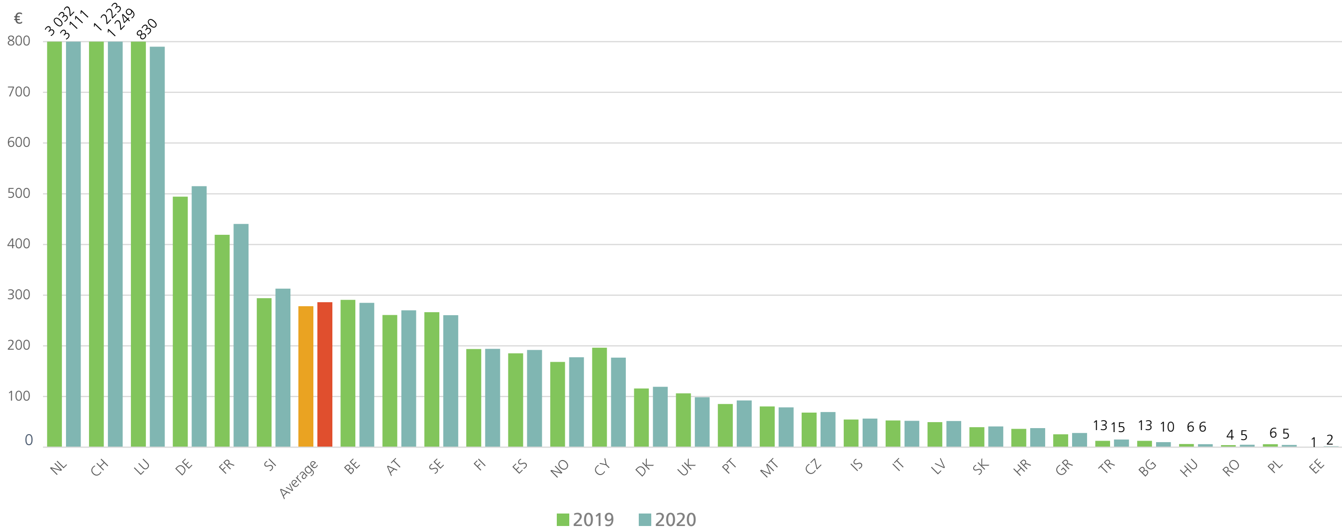


The significant differences in national results reflect the differences between national health markets, including policy developments and levels of satisfaction with public healthcare services. Looking to the future, these factors will continue to play a role in the development of the private health insurance market, as will the evolution of the pandemic, demographic changes and the macro-economic environment. Given the strong national component of many of these factors, national health insurance markets can be expected to continue to develop at different speeds.

Density and penetration

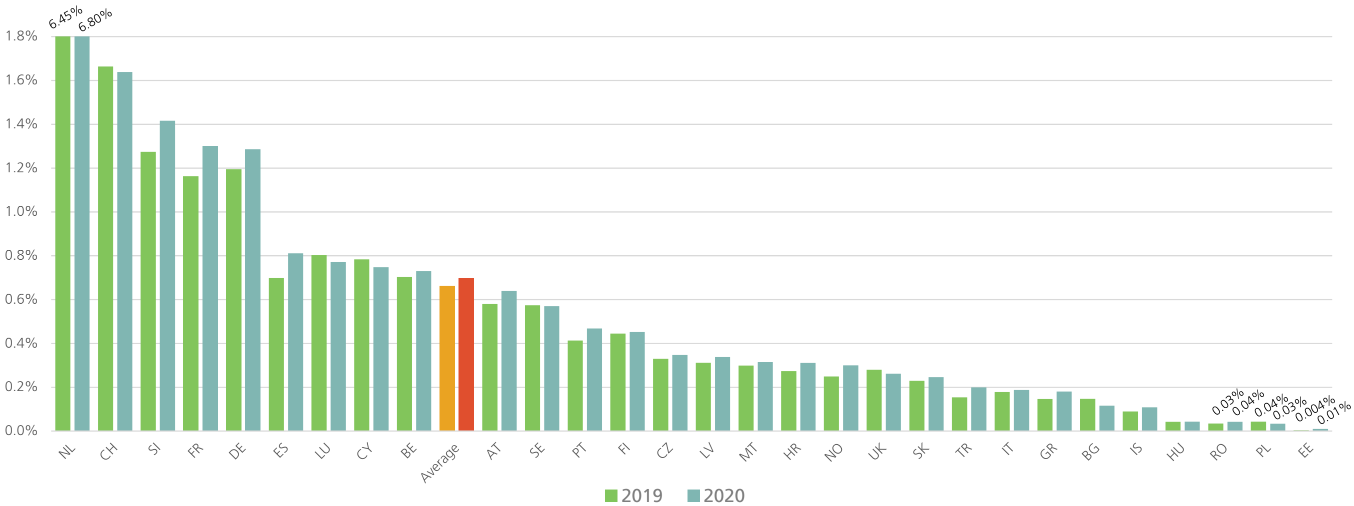
On average, the sum spent per capita on private health insurance (insurance density) in Europe in 2020 was €286, or €8 more than in 2019. The health insurance penetration rate, or health premiums as a percentage of GDP, grew 0.07pp to an average of 1.01%. The vast differences between countries largely reflect differences in national health systems and the differing roles of private insurers.

Chart 20: Health density (premiums per capita) by country — 2019–2020 (€)



Health insurance penetration in Europe grew to an average of 1.01%

Chart 21: Health penetration (premiums as % of GDP) by country — 2019–2020



1.4 Property & casualty insurance

Claims paid

2019	2020	Change
€260bn	€272bn	↑ 5.4%

Premiums

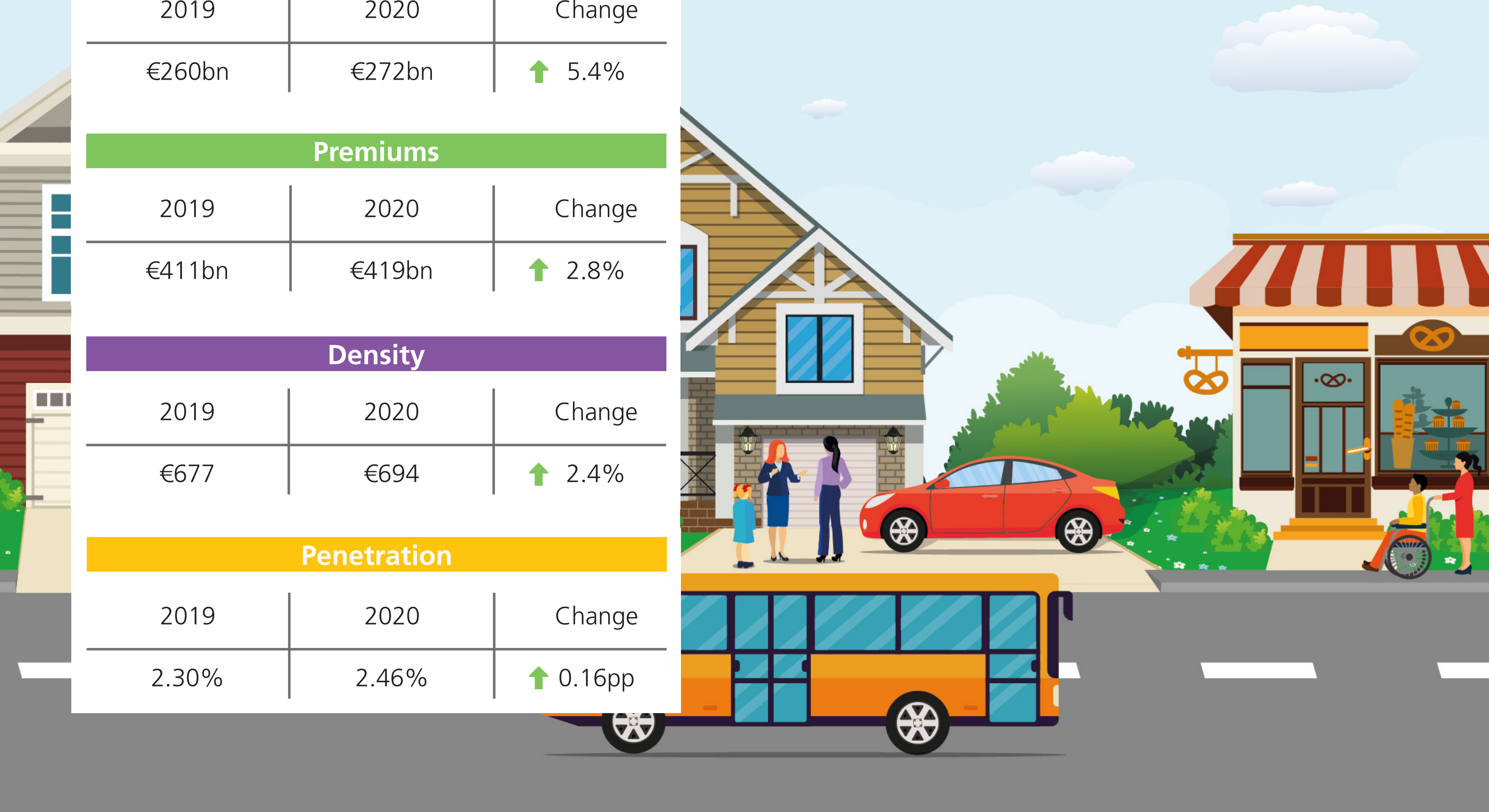
2019	2020	Change
€411bn	€419bn	↑ 2.8%

Density

2019	2020	Change
€677	€694	↑ 2.4%

Penetration

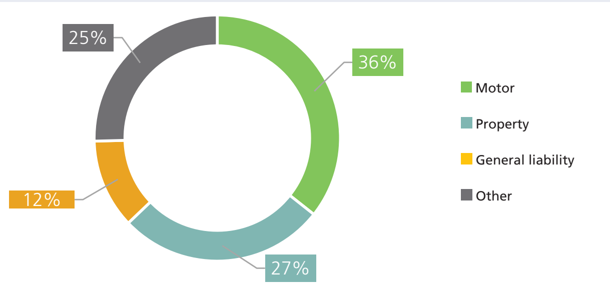
2019	2020	Change
2.30%	2.46%	↑ 0.16pp



Property & casualty (P&C) insurance is an umbrella term to describe a broad range of insurance products covering the risks of damage to the assets of policyholders (car, home, etc.) and offering liability coverage against these risks.

The main P&C business lines in Europe, in terms of premium share, are motor, property and general liability. Other lines include marine, aviation and transport (MAT), legal expenses, credit and surety, miscellaneous financial losses and travel.

Chart 22: P&C premiums by business line — 2020



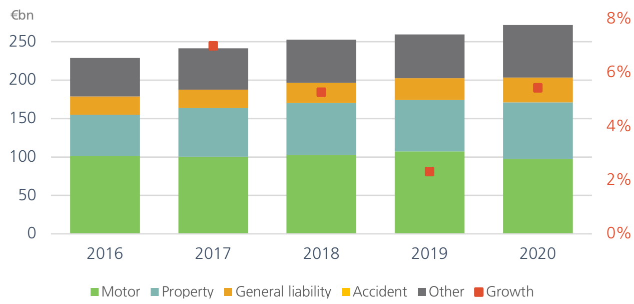
As for all other economic sectors, the COVID-19 pandemic was the main event for insurers in 2020, affecting the different P&C business lines in distinctive ways. There were also differences between markets, not only because of the variations in the products sold, but also as a result of the different restrictions put in place by national governments.

Claims paid

Overall, P&C claims paid in Europe increased 5.4% in 2020 to €272bn (or €459 per capita), slightly higher than the average growth of 4.9% between 2016 and 2019.

Looking at individual markets, year-on-year changes in claims were

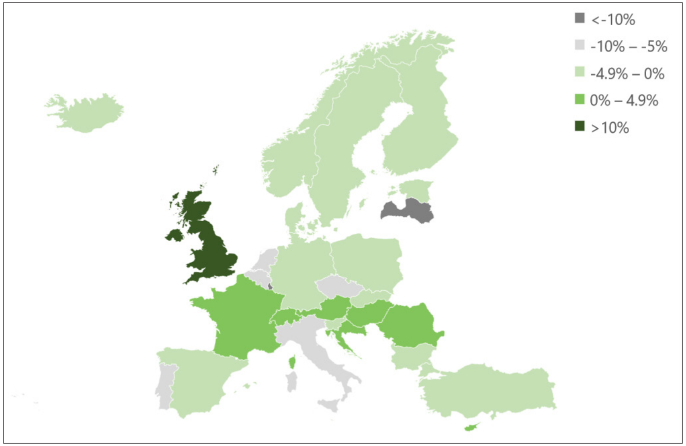
Chart 23: P&C claims paid — 2016–2020 (€bn)



mostly in the range of -5% to 5%, with the exception of the UK where claims rose sharply (+30.8%), with business interruption pay-outs and storm damage claims contributing to the rise.

Looking at individual business lines, in 2020, general liability claims leapt 15% (+6.2% per annum between 2016 and 2019), with the UK reporting a substantial increase of 32.6%. Property also registered an increase of 10.8% (+8.3% per annum between 2016 and 2019). This can partly be explained by an increase in damage or repairs as a result of people generally spending more time at home, as well as by claims related to natural catastrophe (natcat)

Chart 24: Change in P&C claims by country — 2020



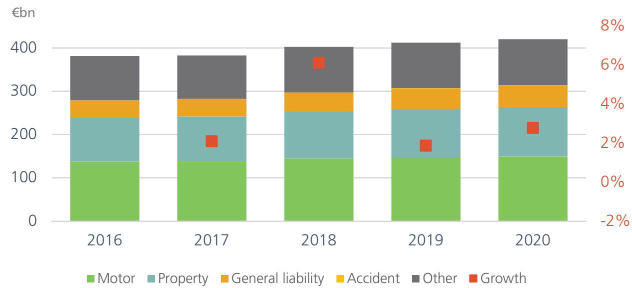
losses. On the other hand, motor claims dropped 8.6% (+2.7% per annum between 2016 and 2019).

Premiums

In 2020, as a result of the COVID-19 pandemic, GDP in the EU declined for the first time since 2013 (down 5.9% in real terms)[6]. The drop was even larger than the 4.2% decline in 2009 during the global financial crisis. In the UK, GDP decreased 9.7% in 2020[7].

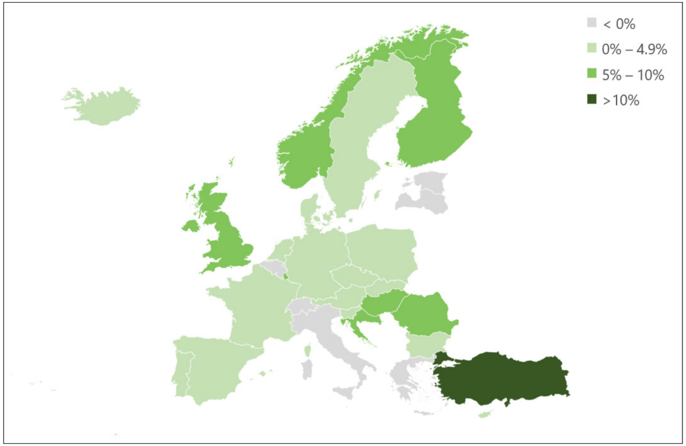
P&C insurers were not as affected as some other economic sectors, since they were able to continue their business by moving their operations online. This is reflected in the overall 2.8% growth that took premiums to €419bn in 2020, but the growth was slightly

Chart 25: P&C premiums — 2016–2020 (€bn)



6 [Eurostat national accounts data]
7 [World Bank national accounts data]

Chart 26: Change in P&C premiums by country — 2020



lower than the 3.4% average between 2016 and 2019. General liability (+7.0%) and property (+3.6%) grew the most, with more modest growth in motor (+1.6%).

P&C insurers were not as affected by the decreases in GDP in Europe in 2020 as some other economic sectors

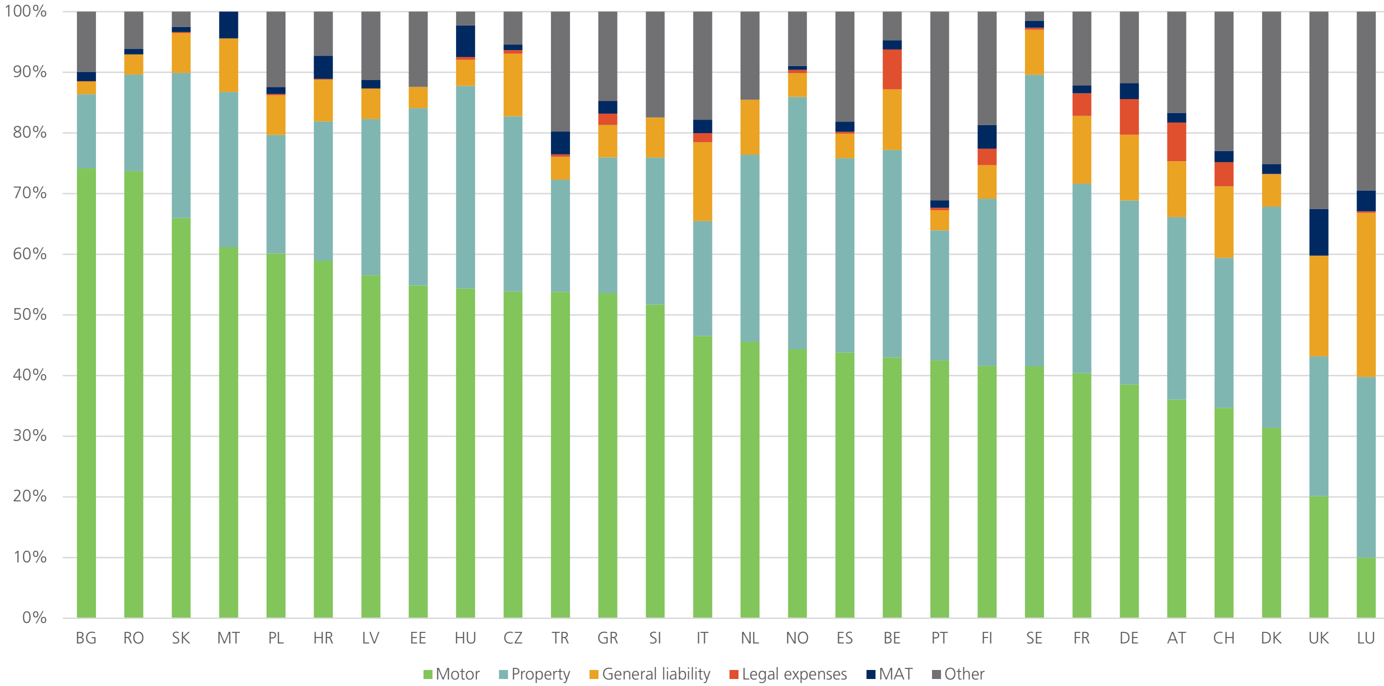
The increase in premiums can be attributed both to higher demand and to the trend of growing claims from previous years, as premiums evolve to reflect the cost of claims. In property insurance, for instance, as the value of buildings and assets increase, so does the cost of repairing them when they are damaged, whether from natural or man-made causes.

P&C insurance is also particularly prone to cycles; hard market periods of higher insurance rates and insurers accumulating capital that lead to increased competition and ultimately result in a soft market of lower rates and reduced profitability.

2020 P&C growth rates differed between countries. The two largest markets — the UK and Germany, which account for over 40% of all premiums — contributed significantly to the overall increase, with rates of 6.5% and 2.3% respectively. Premiums remained broadly stable in France (+0.1%) and Spain (+0.6%). In contrast, Italy saw a decrease of 2.2%. There, the otherwise stable growth was mostly reversed by the performance of motor, which was down 4%.

Country-level differences are linked to the relative sizes of the different business lines in each market — for example, motor premiums account for over 70% of P&C premiums in countries such as Bulgaria and Romania, but a far smaller share in, say, the UK and Luxembourg (see Chart 27) — and to how the different business lines were affected by the pandemic.

Chart 27: Breakdown of P&C business line premiums by country — 2020



Density and penetration

Average P&C premiums per capita in Europe stood at €694 in 2020, which was €17, or 2.4% more than in 2019.

The ratio of P&C premiums to GDP increased from 2.30% in 2019 to 2.46% in 2020.

Chart 28: P&C density (premiums per capita) by country — 2019–2020 (€)

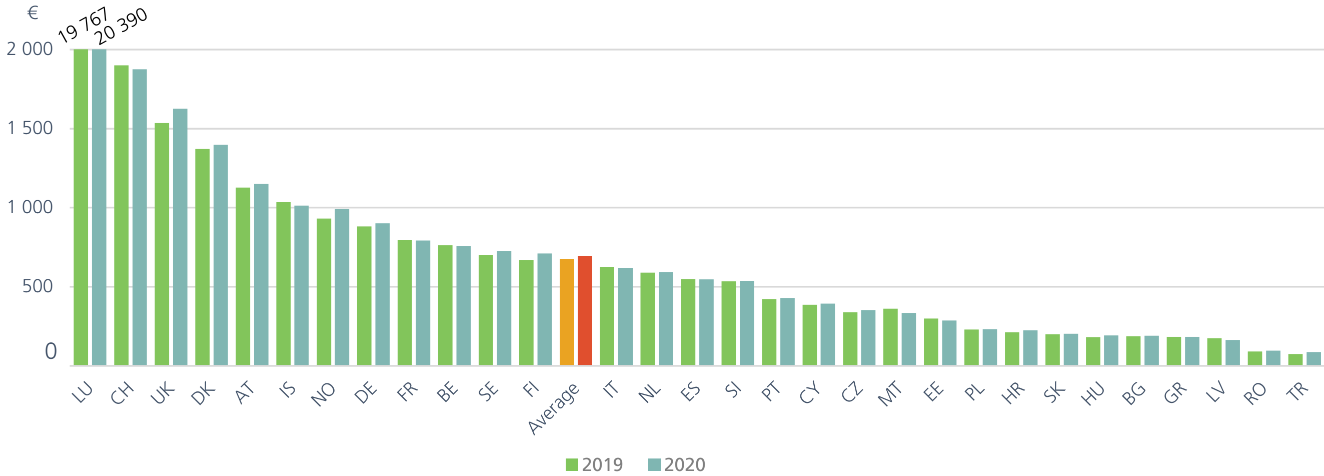
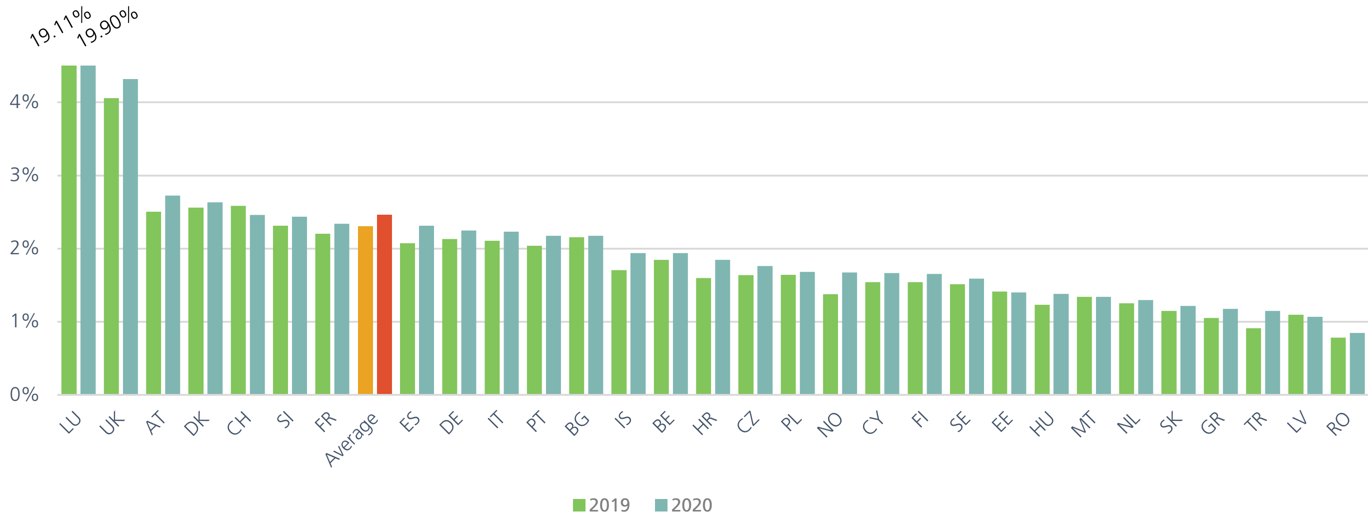


Chart 29: P&C penetration (premiums as % of GDP) by country — 2019–2020



1.4.1 Motor insurance

Motor insurance includes mandatory motor third-party liability (MTPL) and optional cover for other risks. It is the largest P&C business line, representing 36% of the P&C sector in terms of premiums.

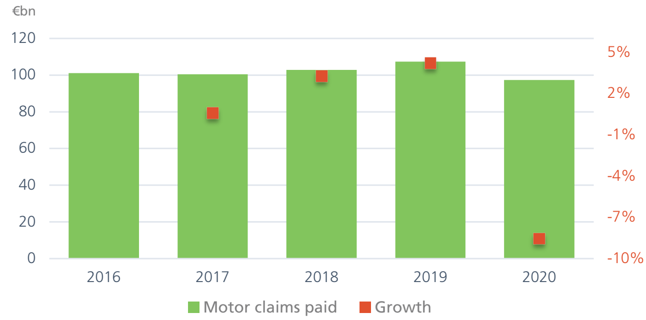
Table 1: Motor insurance — 2019–2020

	2019	2020	Change
Claims paid (€bn)	107	97	-8.6%
Premiums (€bn)	148.5	149.4	1.6%
Density (€)	247	248	0.2%
Penetration (% of GDP)	0.84%	0.88%	0.04pp

Claims paid

Overall, motor claims paid decreased significantly in 2020 as an immediate result of the pandemic, falling 8.6% to €97bn or €164 per capita. Government-imposed lockdowns and restrictions on movements meant fewer vehicles on the roads, leading to a drop in claims frequency. The extent of the traffic reduction depended on the national measures put in place, both in terms of length and severity.

Chart 30: Motor claims paid — 2016–2020 (€bn)

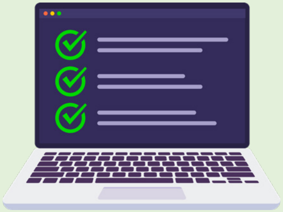


Prior to the pandemic, due to improvements in road safety in Europe, the average frequency of motor claims had been declining very gradually. For instance, in Europe's largest three motor markets, Germany, France and the UK, motor claims frequency fell 1.1%, 2.0% and 2.9% respectively between 2010 and 2019[8].

The average cost of motor claims, however, has been consistently on the rise due to the increased cost of vehicle repairs (both labour and spare parts), higher medical expenses for bodily injuries and the higher value of stolen vehicles. This trend is expected to continue and even be exacerbated by some of the effects of the pandemic; in particular, the disruptions to international trade

8 Sigma 4/2021, "More risk: the changing nature of P&C insurance opportunities to 2040", Swiss Re Institute, September 2021

The insurance industry is improving the efficiency of claims handling to help reduce costs. In the UK, for instance, an online portal has been developed recently to help customers file whiplash claims faster and more efficiently.



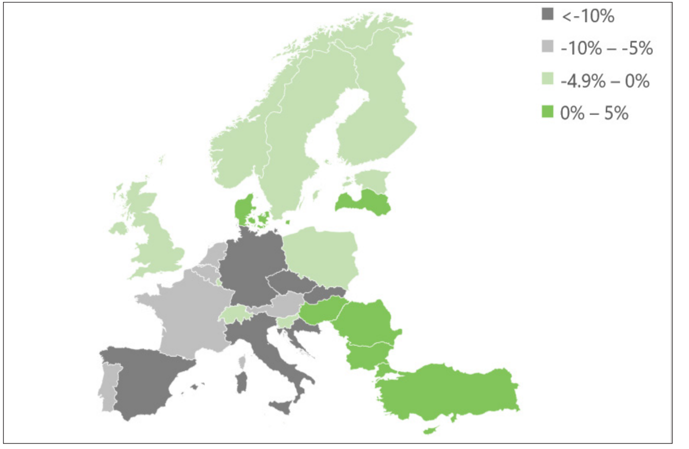
that increased spare part and repair costs in 2020 are unlikely to be resolved in the near future. More generally, higher inflation is likely to result in higher claims costs, as prices for consumer goods, medical expenses and labour costs rise.

Looking ahead, as the situation normalises traffic is expected to return to pre-COVID levels and the trends of gradually decreasing claims frequency and increasing claims costs are expected to continue.

The five largest motor markets, accounting for over 70% of claims, all saw claims decrease, albeit by different amounts: Germany (-11.6%), France (-8.2%), the UK (-3.2%), Italy (-11.4%) and Spain (-14.1%).

In Italy, motor claims had risen in 2019, but had previously been falling for over a decade. This was the result of the gradual introduction of telematic devices in vehicles, which has successfully promoted more responsible driving behaviour, reduced fraudulent claims and enabled insurers to make more accurate assessments of damage, thus bringing down both the frequency and the cost of claims.

Chart 31: Change in motor claims by country — 2020

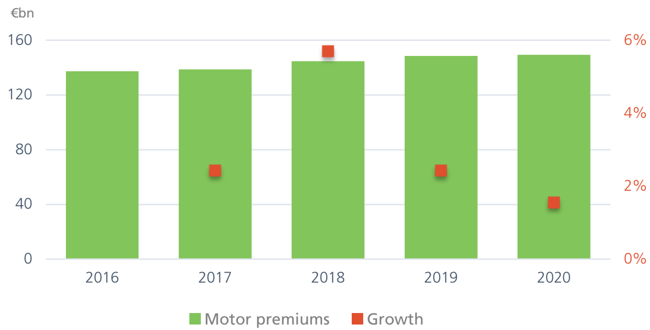


Despite the overall picture of declining claims in 2020, slight increases were still observed in a few countries: Bulgaria (+2.4%), Hungary (+0.5%), Romania (+2.5%) and Turkey (+2.1%). This reflects the fast-expanding number of insured vehicles pre-pandemic. In these countries, claims volumes in 2020 were considerably higher than in previous years: in Bulgaria, they were 27.5% higher than five years earlier. The increases over the same period were 42.3% in Hungary, 64.4% in Romania and 73.3% in Turkey.

Premiums

In 2020, total motor premiums increased 1.6% to €149bn. The impact of COVID-19 on motor premiums will materialise later than the effect on claims, since tariffs are usually adjusted — where appropriate and on the basis of long-term changes to the risk environment — when policies are renewed, which for motor policies is generally annually. Premium rates in 2020, therefore, were based primarily on pre-COVID risk exposures.

Chart 32: Motor premiums — 2016–2020 (€bn)



At the same time, European motor insurance markets remain highly competitive. Even in 2020, the motor lines had two of the highest combined ratios[9] in the non-life sector: 94.1% for MTPL and 90.0% for other motor liabilities[10].

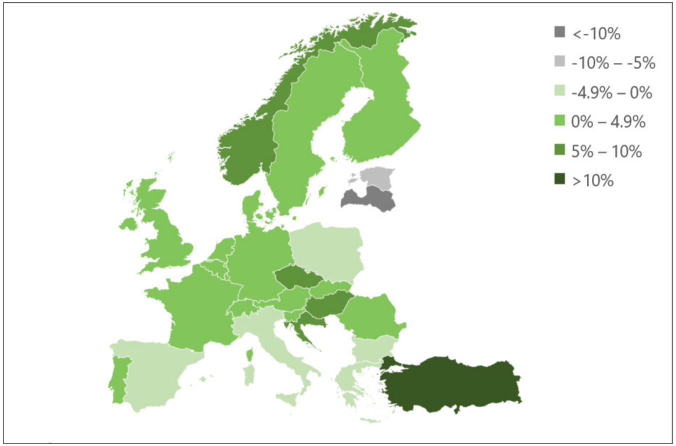
In some countries, however, the impact on premiums of reduced vehicle use and lower claims was more immediate, as some vehicles were temporarily deregistered or there were fewer newly registered vehicles. This was the case in Spain (-0.7%), Bulgaria (-1.1%), Greece (-3.8%) and Italy (-4%). In Latvia, motor premiums fell 10.1% after the law was amended to allow the suspension of policies for commercial transport.

In some markets, insurers offered — on a case-by-case basis — moratoria on premium payments, free extensions to contracts, fee waivers or even partial refunds of premium payments in response to the restrictions on vehicle use. Motor premium levels in these

9 The combined ratio is a measure of underwriting profitability. Incurred losses and expenses are divided by earned premiums, so ratios below 100% indicate an underwriting profit and those above indicate a loss.

10 "European Insurance Overview 2021", EIOPA, October 2021

Chart 33: Change in motor premiums by country — 2020



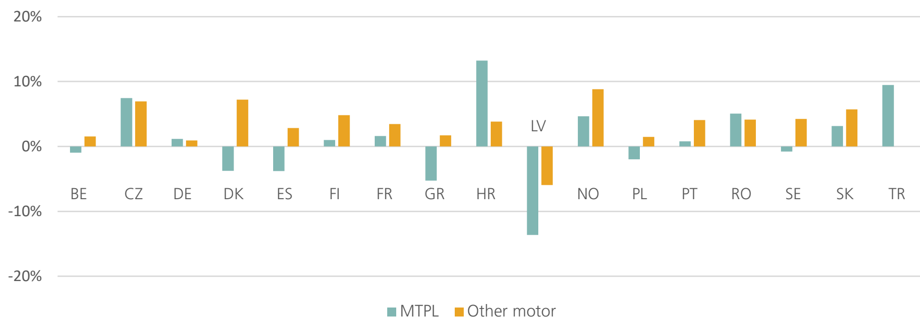
countries reflected this to some extent: in France, for instance, motor premiums grew more slowly than in previous years (+2.3%) due to rate freezes.

European motor insurance premiums grew to €149bn in 2020

Density and penetration

An average of €248 was spent per person on motor insurance in Europe in 2020 — a 0.2% increase on 2019. Motor insurance penetration increased by 0.05pp to 0.88% of GDP.

Chart 34: MTPL and other motor growth rates in selected countries — 2020



1.4.2 Property insurance

Property insurance includes a variety of policies that protect a property against risks such as fire, theft and some types of weather damage.

Table 2: Property insurance — 2019–2020

	2019	2020	Change
Claims paid (€bn)	69	76	10.8%
Premiums (€bn)	111	114	3.6%
Density (€)	183	189	3.2%
Penetration (% of GDP)	0.62%	0.67%	0.05pp

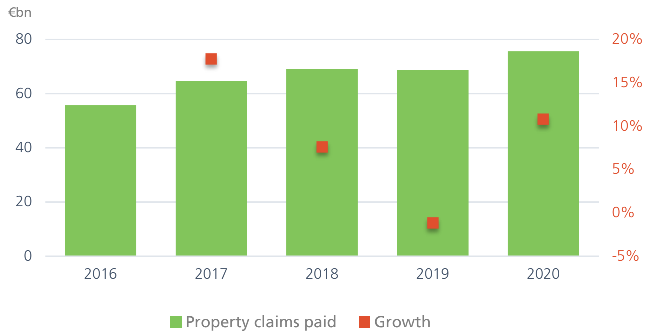
Claims paid

2020 was again a bad year in terms of catastrophe losses in Europe (see box on pp46-47). The year was also marked by certain pandemic-related trends, which were observed in a number of markets. For instance, personal lines claims went up as a result of people spending far more time at home, resulting in higher property damage claims and more non-urgent home repairs. Burglary claims, on the other hand, went down.

Overall, in 2020 €76bn, or €132 per capita, in property claims was paid by insurers, 10.8% or €7bn more than in 2019 and around €20bn more than just five years ago. The five largest property markets in Europe — the UK, Germany, France, Spain and Italy — paid out over 75% of all European property claims.

European property insurers paid €76bn in claims in 2020

Chart 35: Property claims paid — 2016–2020 (€bn)



Catastrophes in Europe — 2020

While the world's populations were forced to suspend many activities in 2020 due to the pandemic, natural catastrophes did not stop. Global insured natcat losses in 2020 totalled $89bn (€72bn), the fifth highest year on record. In Europe, total economic losses from natural and man-made catastrophes were estimated to be around $17.9bn, of which $6bn was insured[11].

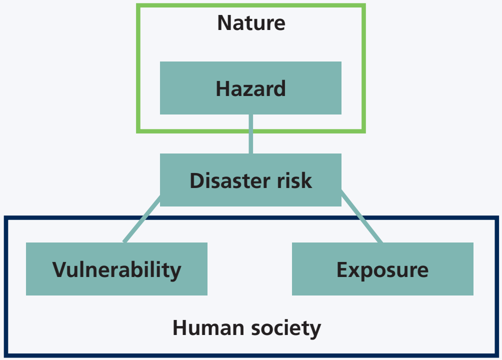
Floods, storms and extreme temperatures are Europe's most common natcat risks. National insurance schemes designed to cover these risks are highly diverse, ranging from optional private solutions bundled in property insurance contracts to public insurance pools mostly funded by the state. The take-up of private insurance in a market depends on the specific risks to which a region is exposed, as well as the national legislation for underwriting these risks.

Europe's highly diverse markets share one common feature: a general increase in the magnitude of property claims, as climate change increases the frequency and intensity of natural hazards and as economic development results in more people and assets being exposed and vulnerable to the risks.

11 [Sigma 1/2021, "Natural catastrophes in 2020"](), Swiss Re Institute, March 2021

There was seismic activity in the Balkans and the Aegean Sea throughout 2020. In January, Turkey was struck by a magnitude 6.7 earthquake, causing 41 fatalities and 1 600 injuries. In March, a magnitude 5.3 earthquake occurred near Zagreb

Figure 1: The three elements of a disaster risk



Hazard: the frequency and intensity of a catastrophe

Vulnerability: the susceptibility to damage caused by a catastrophe

Exposure: the value of assets and the population exposed

Source: "Flood risk = hazard x exposure x vulnerability", Wolfgang Kron, Water International, Volume 30, March 2005 in Croatia and caused significant damage to both public and private buildings. The total cost of the earthquake was estimated to be €11.3bn[12]. And a magnitude 7.0 earthquake in the Aegean Sea in October caused an estimated €55m of losses on both Greek and Turkish islands. Croatia was hit again by a major magnitude 6.4 earthquake near Zagreb in December: its strongest earthquake in 140 years. Economic losses were estimated to be €11bn and insured losses €52m[13].

2020 was a particularly eventful year for storms. In February, the powerful windstorms Ciara/Sabine brought heavy rain and severe flooding to the UK and Ireland, before moving on to impact continental Europe. Over 200 flights and several events were cancelled. Insured losses for Ciara/Sabine were estimated to total €1.1–1.9bn[14]. This storm was ranked the sixth costliest storm in Germany since 2002, with insured losses of €675m[15] (out of the 2020 total of €2bn for all storms and hail)[16].

12 "Croatia earthquake: rapid damage and needs assessment", Government of Croatia, June 2020
13 "Facts + Statistics: Earthquakes and tsunamis", Insurance Information Institute, March 2021
14 "Storm Ciara – Sabine insured losses up to EUR 1.9bn: AIR & Aon", Artemis, February 2020
15 "Sabine causes damage amounting to 675 million euros", German Insurance Association, February 2020
16 "Naturgefahrenreport 2021", German Insurance Association, September 2021

Only a few days after Ciara/Sabine, another windstorm, Dennis, swept through the same regions. This time, over 60 000 homes in France, 45 000 in the UK and 17 000 in Sweden were left without power. Serious flooding then occurred in the UK and Ireland, as two major storms arrived just a week apart. Record rainfalls were reported, causing rivers to burst their banks. Damage caused by Ciara/Sabine and Dennis cost UK insurers more than £360m (€400m)[17].

In September, a rare tropical-like cyclone, Medicanes Ianos, severely affected Greece and Cyprus. Greece reported collapsed bridges, landslides and damage to roads and the rail network, and the Greek government spent over €180m on compensation and repairs.

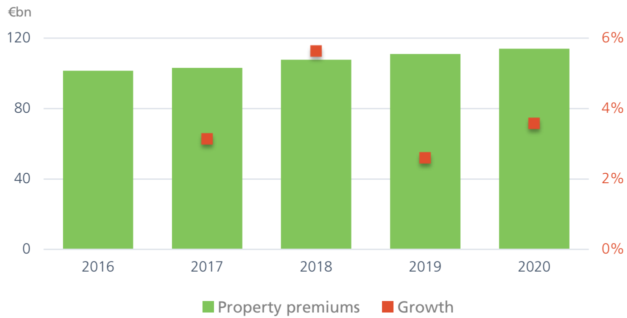
At the end of September, an early-season storm, Alex, struck France and Italy and led to over €3bn of economic losses, making it Europe's costliest storm in 2020. €288m of insured losses were reported in France[18] and €252m in Italy[19].

17 "Insurance pay outs to help customers recover from Storms Ciara and Dennis set to top £360 million", Association of British Insurers, March 2020
18 "Storm Alex flood & wind claims in France already EUR 288m", Artemis, October 2020
19 "Summary of natural catastrophe events 2020", Willis Re, February 2021

Premiums

In 2020, property premiums grew 3.6% to €114bn, reflecting increases in all countries except Luxembourg (-2.9%), Malta (-15.0%) and Turkey (-23.4%).

Chart 36: Property premiums — 2016–2020 (€bn)



Density and penetration

In 2020, €189 per capita was spent on property insurance, €6 more than the year before. Property insurance penetration grew to 0.67%, up 0.05pp on 2019.

1.4.3 Other P&C business lines

General liability

Claims paid for general liability insurance grew a substantial 15% to €33bn in 2020, in contrast to earlier years of stable or near-zero changes. To a certain extent this reflects business interruption and event cancellation claims.

Premiums grew 7% to €50bn, density 6.6% to €83 per person and penetration 0.03pp to 0.29% of GDP.

In most European markets, business interruption policies cover only physical damage, such as interruptions caused by events such as floods or storms. Non-damage business interruption cover is not typically sold. In the few countries where non-damage cover is offered, pandemic risk is typically excluded. This is because it is uninsurable at an acceptable premium since it defies the usual pooling mechanism on which private insurance is based. That mechanism, under which the claims of the few are shared among the many, does not work in a pandemic that affects a very large number of people and businesses all at the same time. Nevertheless, there are cases in which pandemic risks were covered by business interruption policies, usually with strict limits and conditions, and in those cases claims are being paid. In the UK, for instance, COVID-19 business interruption claims paid out in 2020 were estimated to be €1.8bn.

For the same reason, event cancellation policies also tend to exclude pandemics, although not always. In 2020, especially in the first half of the year, the banning of large events and gatherings was one of the most common measures taken by many national governments. As a result, many events were cancelled and claims were paid by insurers where there was no explicit pandemic exclusion in the contract.

Travel insurance

Travel insurance, which can be single trip, multi-trip or long-stay cover, was another business line directly affected by the pandemic.

Travel insurance was a business line that was directly affected by the pandemic

As travel restrictions were first introduced, insurers in many markets, such as Latvia, Denmark and Norway, reported a spike in travel claims on those contracts that covered cancellations and did not contain explicit pandemic exclusions. In Norway, for example, claims increased 76.3% in the first half of 2020, mostly related to cancellations.

Following the gradual lifting of restrictions, individual insurers began offering "cancel for any reason" policies, even for trips to high-risk areas, and providing cover for COVID-19 treatment during travel.

Insurers in the UK paid out £250m (€278m) in travel claims in 2020, with £63m to cover emergency medical treatment and £148m for cancelled trips[20]. In France, a total of €998m in claims was paid out, in Norway €215m and in Spain €152m, although just how much of that related to COVID-19 is not known.

Premiums in 2020 fell significantly, as travel was curtailed by restrictions, fear of contracting the virus or uncertainty about changing government measures. Premiums decreased 8.5% in France, 20.1% in the Czech Republic, 21.8% in Spain, 44.9% in Latvia, 45.5% in Sweden and 43.3% in Slovenia.

20 "Insurance – the big picture: ABI 2021 review", Association of British Insurers, December 2021

2. Insurers' investment portfolio

€10 627bn

Total value of insurers' investment portfolio

61.1%

Ratio of investment portfolio to GDP

45%

of insurers' assets are government and corporate bonds

The insurance industry is the largest institutional investor in Europe, making insurers important providers of the investments needed for economic growth.

A number of factors influence insurers' investment decisions. They need to invest in assets that match their liabilities, particularly in terms of duration. Since a significant share of insurers' liabilities are in pension and savings products and are thus long-term, they invest a significant proportion of their portfolios in long-term assets. They require assets that achieve attractive returns while maintaining targeted and well-balanced risk/return profiles and good portfolio diversification.

Insurers' investment decisions are also affected by macro-economic factors, including central bank monetary policies, causing them to review their financial situation on a regular basis to keep their liabilities and assets matched.

And, of course, prudential regulation plays a defining role in insurers' investment decision-making. Specifically, if the calibrations of capital requirements in the EU's Solvency II regulatory framework are based on wrong risk assumptions, they can create a disincentive for insurers to invest in certain assets.

Since insurers are such large and long-term investors, they are in a unique position to fund infrastructure and sustainable development projects, helping finance the transition to carbon-neutral, resource-efficient and more sustainable economies and societies. Indeed, research by the European Investment Bank shows that an increase in insurers' investments as a share of GDP has a positive impact on the reduction of greenhouse gas emissions per capita[21].

Insurers are already significant investors in green, social and sustainability bonds, financing environmental and climate-change mitigating projects, such as energy-efficient housing construction or work supporting the UN Sustainable Development Goals. Some offer sustainable investment products that target companies with specific sustainability profiles.

On their own initiative, many insurers have already developed sustainability-related disclosures and standards, or have made sustainable investment commitments, accompanied by environmental, social and governance (ESG) strategies. European insurers planned to allocate an estimated €150bn to sustainable investments by 2020[22].

21 "Investment report 2020/2021: Building a smart and green Europe in the COVID-19 era", European Investment Bank, January 2021
22 Insurance Europe estimate, 2019

2.1 Evolution of portfolio

In 2020, the total investment portfolio managed by insurers in Europe grew a modest 1.6% to €10 627bn, after a 4.9% increase in 2019. This result was influenced by the pandemic, which had a two-fold effect on investments. On the one hand, premiums written in 2020 declined 4%, thus reducing the inflow of fresh capital, and on the other, stock markets either fell or grew only modestly, although in all cases they recovered strongly at the end of the year after heavy earlier losses.

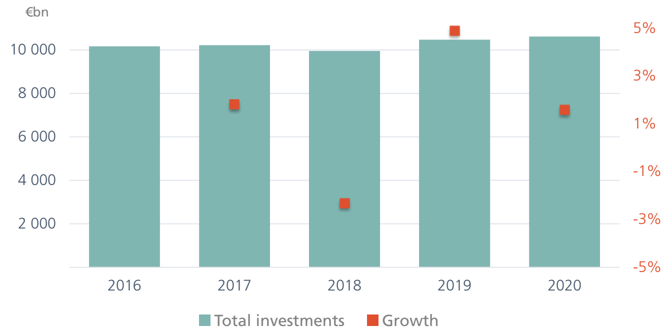
In the largest European countries, the investment portfolio was broadly stable: there was no change in France, a slight decrease in Germany (-1.4%) and more solid results in the UK (+4.6%), Italy (+4.7%) and Sweden (+5.7%).

In Sweden, the increase was a result of strong gains in the Swedish and US stock markets. In terms of composition of the Swedish portfolio, the proportion of traditional life insurance assets has been declining in recent years in favour of unit-linked investments, including deposit insurance.

Double-digit growth was observed in Slovenia (+16.2%), Turkey (+15.6%), Iceland (+14.8%) and Bulgaria (+13.4%), whereas Malta and Estonia experienced double-digit falls (-15.5% and -10.4% respectively).

Smaller shifts were seen in Finland, where the portfolio grew 2.9%, with growth in equities particularly strong, and in Switzerland and Portugal, where the portfolios shrank 4.5% and 3.4% respectively.

Chart 37: Insurers' investment portfolio — 2016–2020 (€bn)



In 2020, the total investment portfolio managed by insurers in Europe grew a modest 1.6% to €10 627bn

2.2 Impact of financial market performance

After a rally in 2019, stock markets had a challenging 2020, with many markets finishing lower. As lockdowns started to be rolled out in Europe by mid-March, stock prices in most industrial sectors plunged by anywhere between 15% and 40%. Towards the end of 2020, some sectors' stock prices recovered and even surpassed the levels of late 2019. Other sectors remained low, of which the strongest declines were recorded for travel and leisure, and real estate[23].

The Euro Stoxx 50 closed 2020 at 3 553, over 5% lower than the year before. The Italian FTSE MIB, the French CAC 40 and the UK FTSE 100 were also down (-6.4%, -8.2% and -15.2% respectively). The German DAX recorded a better result (+3.5%), which helped many local insurers secure growth in their investment portfolios despite the difficult year.

As a result of a quest for safety, government bond yields decreased further across all EU member states. In Germany, the secondary-market, 10-year bond yield decreased 26 bps (the average 2020 rate was -0.51%). Similarly, in France the yield was 28 bps lower in 2020 than the previous year, entering negative territory (-0.15%) for the first time. The same decrease (-28 bps) was registered in Spain and Austria, reaching respective national record lows of 0.38% and -0.22%. A much stronger drop was registered in Italy (-78 bps) to 1.17%. The biggest declines were registered in Poland (-85 bps to 1.50%) and in Greece (-132 bps to 1.27%).

23 "Investment report 2020/2021: Building a smart and green Europe in the COVID-19 era", European Investment Bank, January 2021

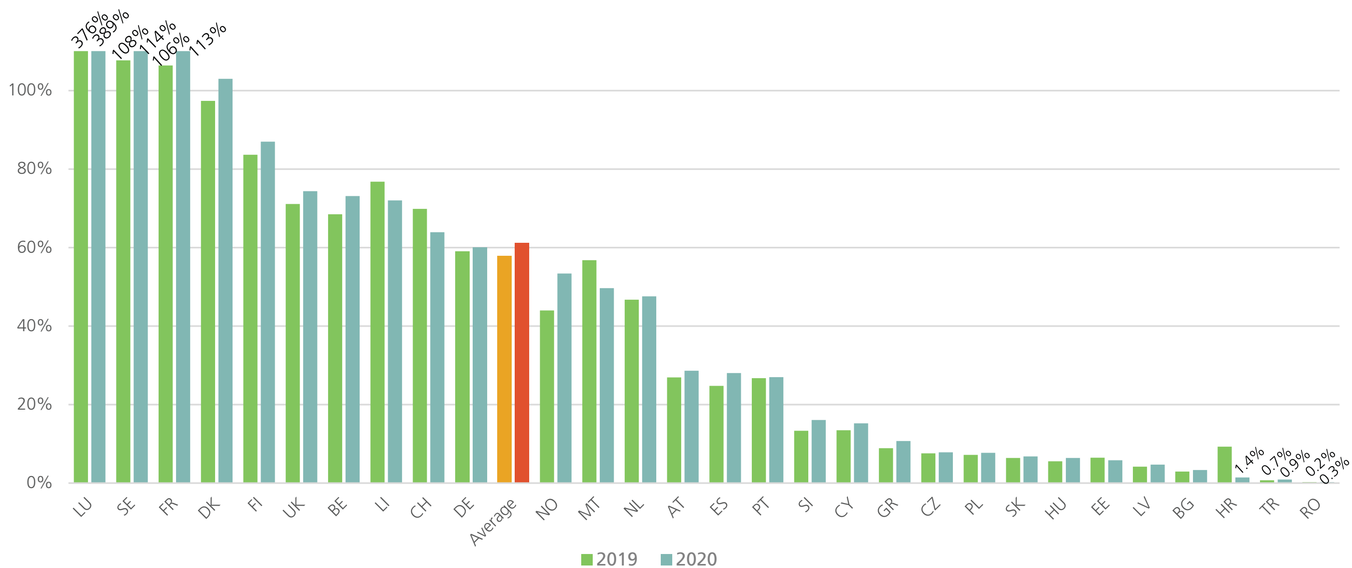
2.3 Size and composition of portfolio

EU GDP fell 5.9% in 2020, while insurers' investments grew slightly. This resulted in the investment portfolio as a share of GDP in countries with Insurance Europe members increasing by 3.2pp to 61.1%.

Overall, the strategic asset allocations of insurers' portfolios did not change significantly in 2020 compared to the previous year. European insurers continued to invest predominantly in debt-like products, notably government and corporate bonds (respectively 24.7% and 20.3% of the total portfolio).

According to EIOPA, unit-linked and index-linked assets grew 6.6% in 2020. Compared with the fourth quarter of 2019, the fastest growing asset class in the fourth quarter was

Chart 38: Insurers' investment portfolio as % of GDP by country — 2019–2020



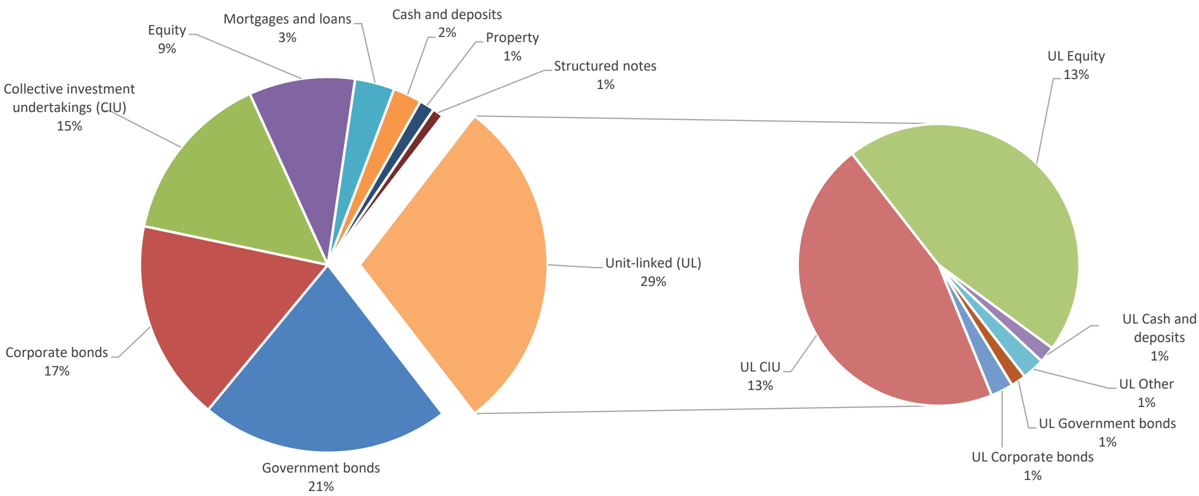
equity (+19.8%), followed by structured notes (+10.3%), and collateralised securities (+8.2%). Some unit-linked assets declined, notably government bonds (-11.3%) and mortgage loans (-12.8%).

By contrast, non-unit-linked or index-linked assets increased 3.1% in 2020, of which mortgage loans (+8.7%), structured notes (+6.7%) and collective investment undertakings (+6.4%) grew. A decline was registered in property (-2.1%) and in corporate bonds (-0.8%).

Insurers' investment portfolio composition varies greatly between countries, as well as from one company to another.

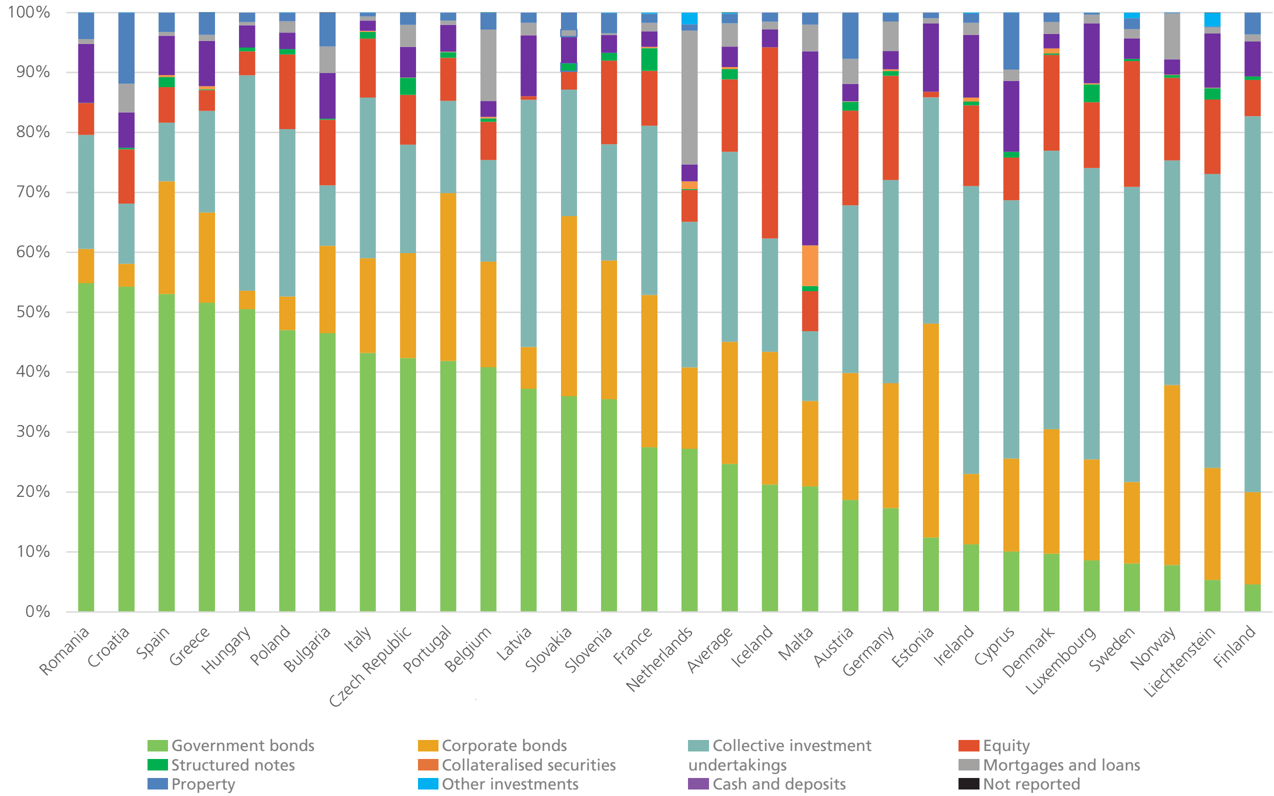
On average, over half (56%) of European insurers' assets are held within the borders of the home country. Nearly a third

Chart 39: Breakdown of investment portfolio — Q4 2020[24]



24 EIOPA statistics and risk dashboards: asset exposures

Chart 40: Breakdown of investment portfolio by country — Q4 2020[25]



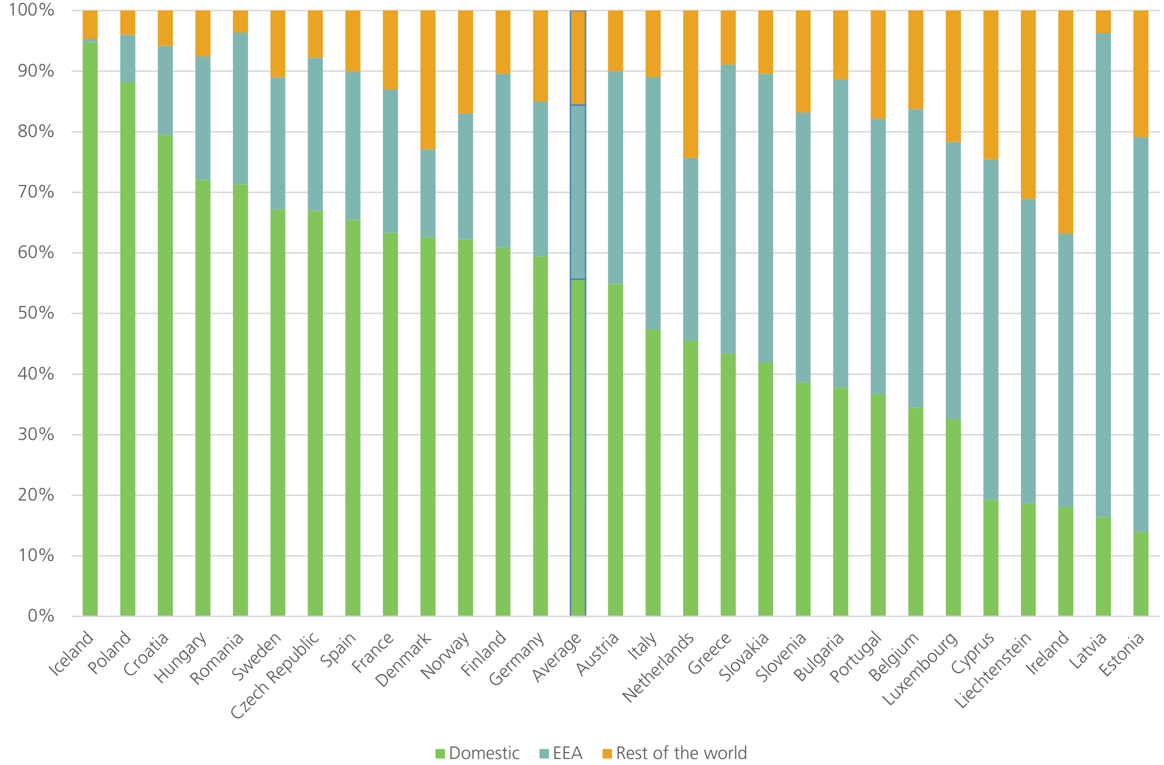
25 EIOPA statistics and risk dashboards: asset exposures

(29%) are located in other EU/EEA countries and only 16% are outside Europe (see Chart 41).

In countries in which the insurance sector is less developed, non-life insurance usually predominates, as products such as MTPL and property insurance are more commonly purchased and are sometimes required by law. Because non-life insurers have liabilities with a short-term duration, they favour liquid assets such as bonds in order to meet their contractual obligations. In addition, a number of the less mature insurance markets in the EU, such as Romania, Croatia, Hungary, Poland and Bulgaria, are outside the euro area and therefore tend to invest locally to avoid foreign exchange risk. These two factors explain the relatively higher share of investments in local government bonds in those countries. By contrast, in countries with well-developed life insurance markets, such as Finland, Liechtenstein, Luxembourg and Sweden, insurers tend to invest more in collective investment undertakings (see Chart 40).

Another factor affecting portfolio composition is the size of the market. Insurers based in smaller countries tend to invest a larger share of their assets outside their borders, especially if currency risk is not a concern. For example, in the fourth quarter of 2020, insurers located in Estonia held only 14% of assets at home, in Latvia 16%, in Ireland 18% and in Liechtenstein and Cyprus 19% each. The assets of insurers in larger euro-area countries were more equally split: German insurers held 59% of their assets at home, France 63%, Italy 47% and Spain 65%.

Chart 41: Geographical split of insurers' assets — Q4 2020[26]



26 EIOPA statistics and risk dashboards: asset exposures

3. Market structure

4 909

insurance companies

922 000

direct employees

Distribution structures across EU markets are diverse, adapted to consumers' needs and constantly evolving

3.1 Companies and employees

Companies

At the end of 2020, there were 4 333 insurance undertakings operating in the EU, of which 3 092 were domestic undertakings (including subsidiaries), 13 were third-country branches and 1 228 were EU/EEA branches, according to EIOPA . In addition, there were 371 companies in the UK, 145 in Switzerland and 60 in Turkey, bringing the total number of companies in markets represented by Insurance Europe to 4 909.

During the course of 2020, 37 new domestic undertakings and 12 EEA branches were licensed, according to EIOPA. Four new domestic undertakings were registered in each of Ireland, France, Germany, Luxembourg and Malta, along with three in Spain. Two new EEA branches were licensed in Ireland, Spain, Italy and the Netherlands.

Chart 42: New licences issued — 2020[27]

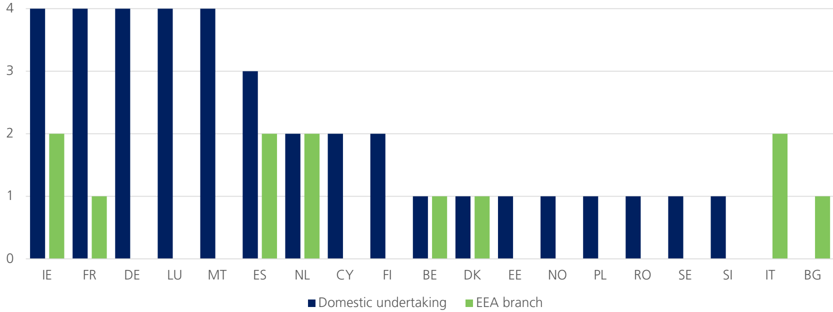
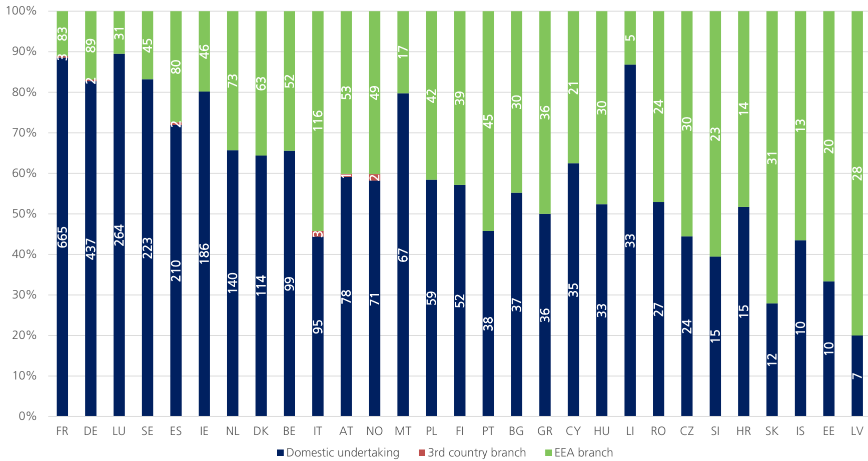


Chart 43: Registered insurance undertakings by type — 2020[27]



27 Register of Insurance Undertakings, EIOPA

Table 3: Top 15 European insurers by GWP — 2020[28]

	Group	Country	GWP (€m)
1	Axa	France	€93 915
2	Allianz	Germany	€82 986
3	Generali	Italy	€70 704
4	Zurich	Switzerland	€42 296
5	Talanx	Germany	€41 105
6	Prudential	UK	€37 296
7	Aviva	UK	€32 651
8	Crédit Agricole	France	€29 439
9	CNP	France	€26 922
10	BNP Paribas Cardif	France	€20 747
11	Mapfre	Spain	€20 482
12	R+V	Germany	€18 952
13	Ergo	Germany	€17 569
14	Covéa	France	€16 566
15	Aegon	Netherlands	€16 099

28 "2020 ranking of the largest European insurance groups", Mapfre Economic Research, July 2021

Employment

In 2020, the European insurance sector employed over 922 000 people directly, a slight increase (+0.6%) on 2019.

Over 815 000 intermediaries, including brokers, agents and bancassurance or other intermediaries, were operating in 25 of the EEA countries in 2020, according to EIOPA estimates[29]. In the five years to 2020, the number of intermediaries rose in Croatia, Cyprus, Denmark, France, Slovenia and Sweden, remained stable in Estonia, Finland, Iceland, Italy and Norway and fell elsewhere.

29 "Report on the application of the Insurance Distribution Directive", EIOPA, January 2022. The missing counties (GR, HU, IE, LT and NL) did not provide sufficient information for the analysis.

3.2 Distribution channels

Insurance contracts are sold either directly by insurers or through other channels, the most common of which are brokers, agents and bancassurance. The popularity of each channel varies depending on both the market and the type of insurance product. This diversity of channels makes it possible for insurers to adjust to the differing consumer cultures, needs and preferences in individual markets.

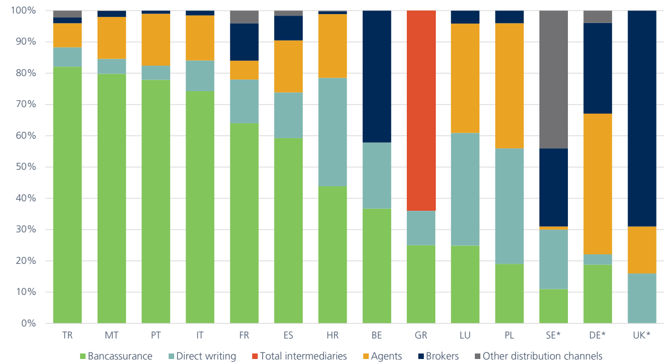
In recent years, all insurance distribution channels have increasingly started digitalising. While data on online sales is not readily available, the indications are that in most European countries, many clients conclude their travel, property and motor insurance contracts online. This is less the case for life insurance, where clients often still prefer expert advice to make the most suitable choice of life insurance or long-term savings product.

This trend towards more digital distribution was reinforced by the pandemic, which forced many companies to operate online to a large extent during much of 2020.

Life insurance

Insurance products were mainly sold via bancassurance in Malta (79.8% of GWP in 2019, which is the most recent year for which a breakdown is available), in Portugal (77.9%) and in Italy (74.3%).

Chart 44: Life distribution channels (% of GWP) — 2019



**Figures are for new business only*

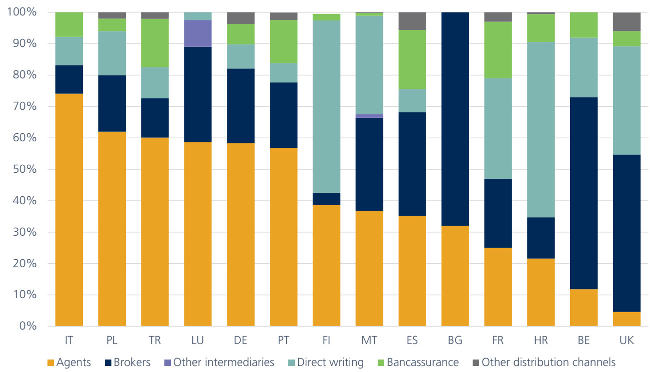
In France, 64% of premiums were sold via bancassurance and in Spain 59.2%.

In contrast, in the UK, life products were mainly sold by brokers (69%).

Meanwhile, agents were the main distribution channel in three markets: Bulgaria (82%), Germany (45%) and Poland (40%).

Bancassurance is the main life distribution channel in Europe

Chart 45: Non-life distribution channels (% of GWP) — 2019



Non-life insurance

In contrast to life insurance, non-life insurance policies are distributed through agents or brokers in the majority of markets.

Agents predominated in Italy (74.1%), Poland (62%), Luxembourg (58.6%), Portugal (56.8%) and Germany (58%). Meanwhile, brokers accounted for 68% of non-life premiums in Bulgaria, 61.1% in Belgium, 50.1% in the UK and 33% in Spain.

Non-life insurance policies are mainly distributed through agents and brokers in Europe

Developments in distribution

Advances in distribution are driven by changes in consumer needs and preferences, as well as by regulatory and technological developments.

Technological advances are significantly changing consumers' expectations of insurance and will have an impact on the structure of the market. Consumers are embracing innovation in financial services; they want new products and services that respond to their needs and the added convenience of interacting with their insurers when, how and where they want. Insurance Europe's 2021 Pan-European Pension Survey[30] confirmed that respondents are increasingly shifting towards digital information disclosures for their pension products, with 72% of respondents favouring this format over paper-based ones.

30 "2021 Pan-European Pension Survey: Key Findings", Insurance Europe, November 2021

Likewise, the digital environment enables both established companies and insurtech start-ups to bring new products and services to the market much faster and to better meet consumers' emerging needs. Alternative communication channels, such as social media, make choosing or buying insurance more efficient. No longer an annual transaction, the consumer/insurer relationship in the digital age is more of a day-to-day experience.

On the regulatory side, the upcoming reviews of EU legislation — such as the Insurance Distribution Directive and the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation — may have an impact on existing distribution practices, as will regulatory developments in individual EU countries.

It is crucial that the EU regulatory framework remains conducive to innovation and allows consumers, established companies and new market entrants/start-ups to benefit from the opportunities that digitalisation offers. Regulation and supervision should therefore be activity-based to ensure that consumers are effectively and equally protected whether they purchase their insurance products from established insurers or from new market entrants.

European Insurance in Figures and its dataset are available on the Insurance Europe website: www.insuranceeurope.eu

Brussels, March 2022

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