

### New report confirms insurers' vital investment role

*With assets of €8.5trn, side role can be to help fill Europe's €4-5trn funding gap*

*Brussels, 13 June 2013:* A study published today by Insurance Europe and Oliver Wyman confirms the European insurance industry as the largest institutional investor in Europe, with an estimated €8.5trn of assets under management in 2012.

With new banking rules forcing banks to reduce levels of maturity mismatching and liquidity risk that were common pre-crisis, and with funds required to stimulate economic growth, the study highlights that Europe faces a total funding gap of between €4trn and €5trn between 2012 and 2016.

Insurers can provide long-term, stable funding for governments and business as a natural match to the long-term maturity of their liabilities, so without incurring liquidity risk.

"Our study confirms that insurers are a vital and ideal source of the long-term funding the European economy desperately needs," said Sergio Balbinot, president of Insurance Europe. "As we carry out our primary function as providers of risk-transfer, protection and pension products, we benefit from a continual flow of premiums and predictable claims that enable us to keep investing when others withdraw. Insurers therefore play an important stabilising role in the economy."

"The insurance industry provides funding for activities on which European economic growth depends," said Jan-Hendrik Erasmus, partner at Oliver Wyman. "These range from infrastructure projects, mortgages and government debt to investments in small and large businesses. Also, because insurance policies often result in predictable cash flows for insurers they have a structural advantage in providing long-term financing."

A breakdown of insurers' 2011 assets (which totalled €7.7trn) shows that the insurance industry held more than half of all European institutional assets. Around 60% of the industry's assets were government and corporate bonds, including covered bonds. In 2011 the insurance industry held:

- 24% of European government debt
- 21% of all European corporate bonds
- 18% of total European public equity
- 11% of all euro-area bank debt

Real threats exist, however, to insurers' long-term investing. "A range of regulatory developments have the potential to create conditions that would affect the insurance industry's investment strategies and ability to continue providing long-term funding to the economy," warned Balbinot.

The Insurance Europe/Oliver Wyman study identifies policies that could inadvertently threaten insurers' long-term investing, such as aspects of the forthcoming Solvency II regulatory regime's capital requirements, the proposed financial transaction tax and reforms of over-the-counter derivatives trading.

"The capital requirements and balance-sheet volatility in the current Solvency II proposals, for example, would make it less attractive for insurers to invest in long-term assets," explained Balbinot.



“Good and consistent regulation is important for a healthy insurance industry, but if regulatory frameworks do not take proper account of the distinctive characteristics of insurance, they may have a negative impact not just on insurers but also on policyholders, hindering growth opportunities for the wider economy.”

*-Ends-*

Link

[“Funding the future: insurers role as institutional investors”, Insurance Europe and Oliver Wyman, June 2013.](#)

The report is also available to download from the Insurance Europe website, [www.insuranceeurope.eu](http://www.insuranceeurope.eu).

Notes for editors

1. For further information please contact Janina Clark, head of communications & PR (tel: +32 2 894 30 70, [clark@insuranceeurope.eu](mailto:clark@insuranceeurope.eu)).
2. Copies of all Insurance Europe press releases are available on the Insurance Europe website ([www.insuranceeurope.eu](http://www.insuranceeurope.eu)).
3. Insurance Europe is the European insurance and reinsurance federation. Through its 34 member bodies — the national insurance associations — Insurance Europe represents all types of insurance and reinsurance undertakings, eg pan-European companies, monoliners, mutuals and SMEs. Insurance Europe, which is based in Brussels, represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe’s economic growth and development. European insurers generate premium income of more than €1 100bn, employ almost one million people and invest around €8 500bn in the economy.
4. Oliver Wyman is a global management consultancy with offices in 50+ cities across 25 countries. It is a wholly owned subsidiary of Marsh & McLennan Companies.