

# How insurance company solvency ratios performed during COVID-19

*This paper has been authored by a group of Life actuaries led by Ivy Ye. The group has a focus on Capital Management and is working as part of the IFoA Covid-19 Action Taskforce. Here we are looking at how the solvency ratios had performed thus far since YE19.*

We expect the Solvency Ratio (own funds / Solvency Capital Requirement) to be affected by various reasons such as market/business movements, pandemic, countercyclical measures and management actions. This paper does not discuss the cause of the Solvency Ratio movements. It captures only the European Solvency Ratio comparison based on EIOPA published statistics for the period just before the start of the COVID-19 pandemic and during (2019 Q4 – 2020 Q2). The comparisons are based on data extracted from the EIOPA website: [https://www.eiopa.europa.eu/tools-and-data/insurance-statistics\\_en](https://www.eiopa.europa.eu/tools-and-data/insurance-statistics_en).

## **Points to note when viewing the result:**

Some (re)insurance undertakings are exempt from quarterly reporting which means the sample of undertakings is not identical between annual and quarterly publications. For consistency, the solvency ratios were analysed over the reporting periods 2019 Q4, 2020 Q1 and 2020 Q2 rather than YE2019, 2020 Q1 and 2020 Q2.

Moreover, the regulatory Solvency Capital Requirement (SCR) is not necessarily recalculated for the quarterly templates. The quarterly SCR ratios will therefore represent a snapshot, but not necessarily fully recalculated SCR ratios.

## **Solvency Ratio change by undertaking type**

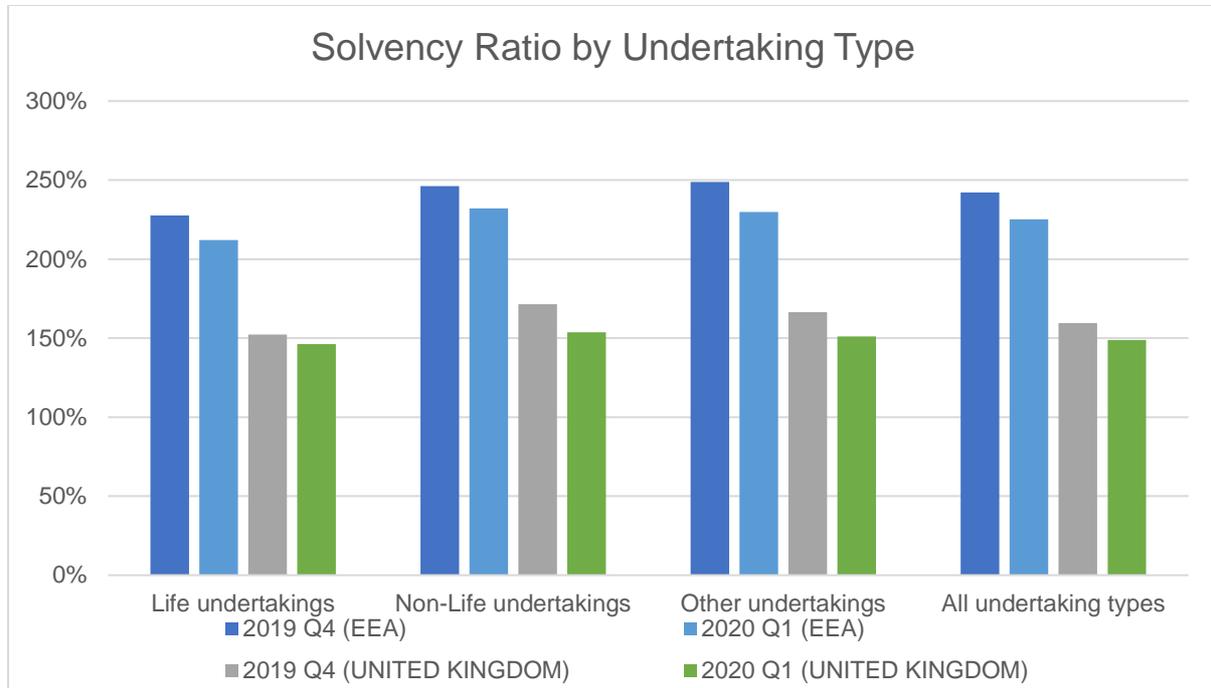
Across the whole EEA, in the first quarter the average solvency ratio across all undertakings **reduced by 17% to 225%**. By Q2 the solvency ratio **increased slightly to 226%**. Looking at EEA (see Table 1 and Graph 1), there is not much difference between the different undertaking types (Life, Non-Life and Other) in the first quarter. In Q2, only Life undertakings continued to decrease with the other undertaking types appearing to show an increase in solvency (see Table 2 and Graph 2).

In the UK, the reduction in the Solvency Ratios for Life undertakings was much less than that of Non-Life undertakings for the first quarter (6% reduction for Life against 18% reduction for Non-Life). However, by Q2, the solvency ratios for Non-Life undertakings recovered by 15% whereas Life continued to reduce (albeit by only 1%).

*Table 1: Average Solvency Ratio breakdown by undertakings for the periods 2019 Q4 and 2020 Q1*

Undertaking type	EEA			UK		
	2019 Q4	2020 Q1	Change	2019 Q4	2020 Q1	Change
Life undertakings	228%	212%	-16%	152%	146%	-6%
Non-Life undertakings	246%	232%	-14%	172%	154%	-18%
Other undertakings	249%	230%	-19%	166%	151%	-15%
All undertaking types	242%	225%	-17%	159%	149%	-11%

Graph 1: Average Solvency Ratio breakdown by undertakings for the periods 2019 Q4 and 2020 Q1

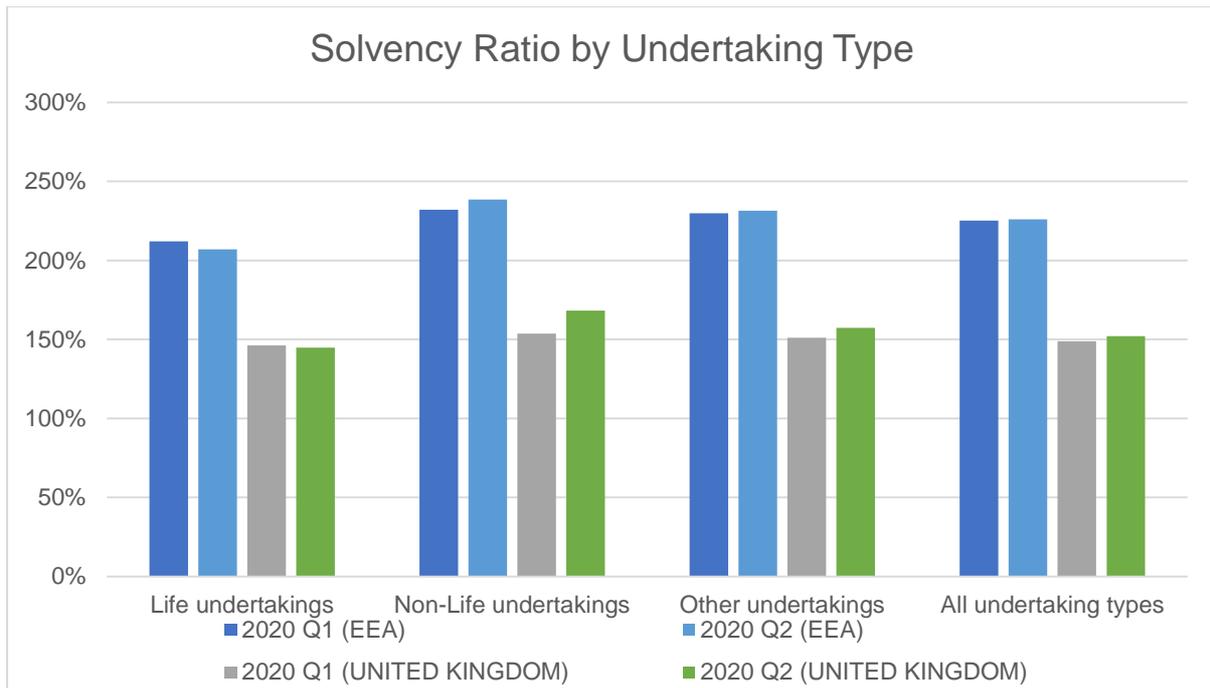


ALT = Bar Chart for Data Comparing Average Solvency Ratio for periods 2019 Q4 (EEA), 2019 Q4 (United Kingdom), 2020 Q1 (EEA) and 2020 Q1 (United Kingdom), across Undertaking Types. See table 1 above for data.

Table 2: Average Solvency Ratio breakdown by undertakings for the periods 2020 Q1 and 2020 Q2

Undertaking type	EEA			UK		
	2020 Q1	2020 Q2	Change	2020 Q1	2020 Q2	Change
Life undertakings	212%	207%	-5%	146%	145%	-1%
Non-Life undertakings	232%	238%	6%	154%	168%	15%
Other undertakings	230%	232%	2%	151%	157%	6%
All undertaking types	225%	226%	1%	149%	152%	3%

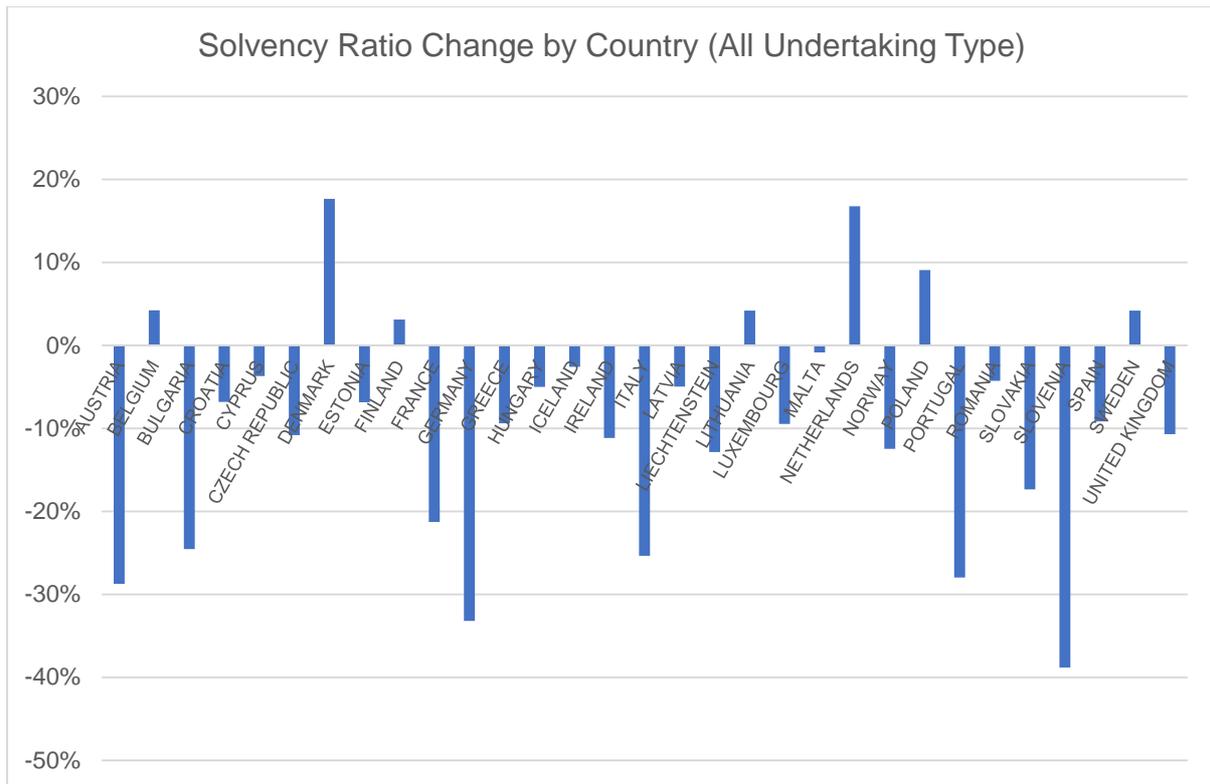
Graph 2: Average Solvency Ratio breakdown by undertakings for the periods 2020 Q1 and 2020 Q2



ALT = Bar Chart for Data Comparing Average Solvency Ratio for periods 2020 Q1 (EEA), 2020 Q1 (United Kingdom), 2020 Q2 (EEA) and 2020 Q2 (United Kingdom), across Undertaking Types. See Table 2 above for data.

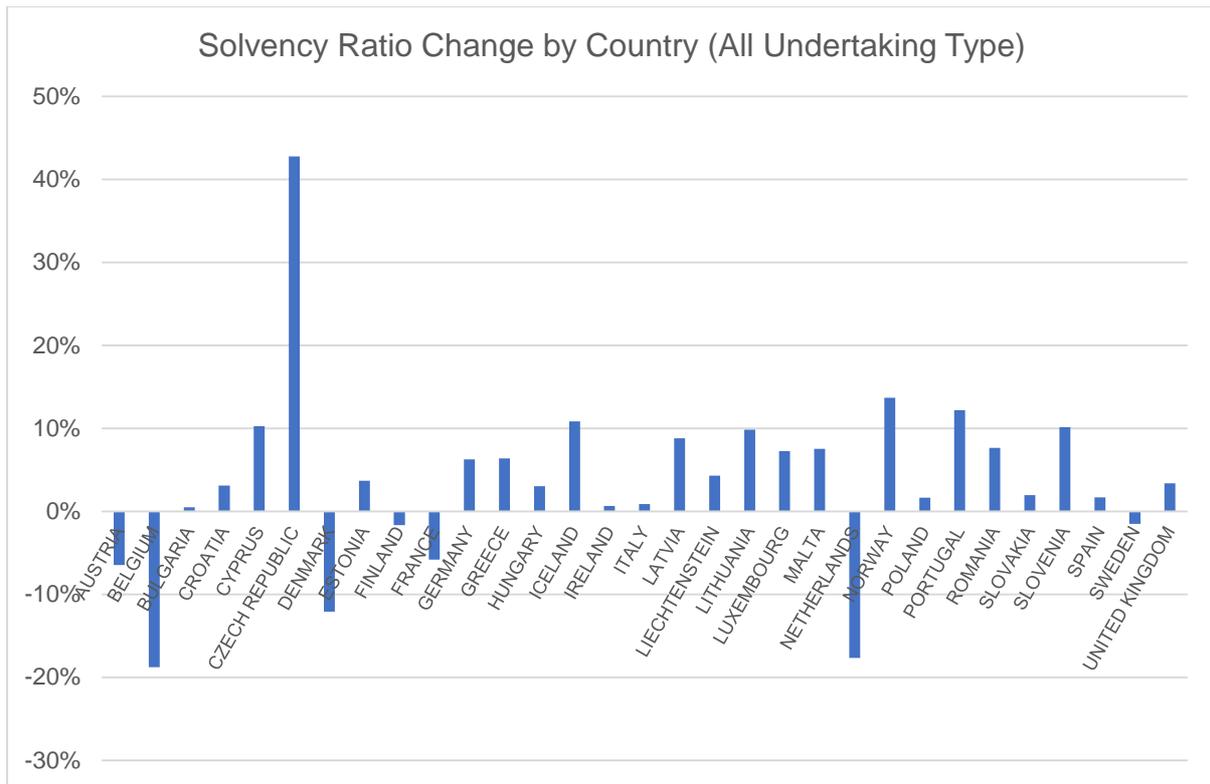
The reduction in Solvency Ratio is not observed across all countries. See section below for Solvency Ratio change breakdown between period 2019 Q4 and 2020 Q1 (Graph 3). However, some of the reductions observed in 2020 Q1 are reversed in 2020 Q2 (Graph 4).

Graph 3: Solvency Ratio change between 2019 Q4 and 2020 Q1 breakdown by All Undertakings and Country



ALT = Bar Chart for Data Comparing Average Solvency Ratio change between periods 2019 Q4 to 2020 Q1 by Countries. See first table in Appendix below for data.

Graph 4: Solvency Ratio change between 2020 Q1 and 2020 Q2 breakdown by All Undertaking and Country



ALT = Bar Chart for Data Comparing Average Solvency Ratio change between periods 2020 Q1 to 2020 Q2 by Countries. See second table in Appendix below for data.

*This paper has been authored by a group of Life actuaries led by Paul Fulcher and Tim Stedman. The group has a focus on Capital Management and is working as part of the [IFoA Covid-19 Action Taskforce](#).*

Links to other two papers already published by the group:

Countercyclical effects: <https://www.actuaries.org.uk/system/files/field/document/Countercyclical-effects-v5-intro-%28002%29.pdf>

Using hindsight to gain foresight: <http://blog.actuaries.org.uk/blog/using-hindsight-gain-foresight>

## APPENDIX

Further breakdowns of Solvency Ratio by Country and Undertaking types for period 2019 Q4 and 2020 Q1:

Undertaking type:	All undertaking types			Life undertakings			Non-Life undertakings			Other undertakings		
COUNTRY	Reference period			Reference period			Reference period			Reference period		
	2019 Q4	2020 Q1	Change	2019 Q4	2020 Q1	Change	2019 Q4	2020 Q1	Change	2019 Q4	2020 Q1	Change
AUSTRIA	269%	240%	-29%	220%	192%	-28%	333%	317%	-16%	254%	223%	-31%
BELGIUM	202%	206%	4%	152%	143%	-9%	178%	164%	-14%	210%	220%	10%
BULGARIA	212%	187%	-25%									
CROATIA	224%	217%	-7%									
CYPRUS	298%	295%	-4%	309%	287%	-21%	331%	323%	-7%	273%	273%	0%
CZECH REPUBLIC	206%	195%	-11%									
DENMARK	276%	294%	18%	301%	325%	25%	283%	296%	12%	220%	230%	9%
ESTONIA	182%	175%	-7%									
FINLAND	205%	208%	3%									
FRANCE	266%	244%	-21%	254%	233%	-21%	286%	264%	-22%	261%	240%	-21%
GERMANY	308%	274%	-33%	378%	291%	-86%	303%	280%	-23%	282%	263%	-19%
GREECE	178%	169%	-9%									
HUNGARY	215%	210%	-5%	298%	279%	-19%	221%	216%	-5%	208%	205%	-3%
ICELAND	170%	167%	-3%	188%	257%	69%	169%	162%	-7%			
IRELAND	183%	172%	-11%	180%	178%	-2%	169%	164%	-5%	198%	175%	-23%
ITALY	235%	210%	-25%	175%	160%	-15%	193%	193%	0%	250%	221%	-29%
LATVIA	162%	157%	-5%									
LIECHTENSTEIN	223%	210%	-13%	186%	194%	9%	201%	178%	-23%	302%	280%	-22%
LITHUANIA	178%	182%	4%									
LUXEMBOURG	195%	185%	-9%	173%	157%	-16%	165%	158%	-7%	283%	278%	-5%
MALTA	289%	288%	-1%	221%	157%	-64%	172%	172%	0%	377%	395%	18%
NETHERLANDS	186%	202%	17%	190%	225%	36%	180%	172%	-8%	198%	175%	-23%
NORWAY	227%	214%	-12%	285%	251%	-34%	214%	208%	-6%	217%	202%	-14%
POLAND	249%	258%	9%	310%	315%	5%	222%	232%	10%			
PORTUGAL	181%	153%	-28%	212%	179%	-33%	197%	184%	-13%	161%	132%	-29%
ROMANIA	178%	173%	-4%	284%	258%	-25%	155%	148%	-6%	162%	166%	3%
SLOVAKIA	192%	175%	-17%									
SLOVENIA	250%	211%	-39%									
SPAIN	240%	231%	-9%	217%	213%	-4%	208%	207%	-1%	251%	239%	-12%
SWEDEN	261%	266%	4%	156%	178%	21%	219%	225%	6%	320%	320%	1%
UNITED KINGDOM	159%	149%	-11%	152%	146%	-6%	172%	154%	-18%	166%	151%	-15%

1. Not all country published split by underlying type

2. SLOVENIA underlying type not published for 2020 Q1

Further breakdowns of Solvency Ratio by Country and Undertaking types for period 2020 Q1 and 2020 Q2:

Undertaking type:	All undertaking types			Life undertakings			Non-Life undertakings			Other undertakings		
COUNTRY	Reference period			Reference period			Reference period			Reference period		
	2020 Q1	2020 Q2	Change	2020 Q1	2020 Q2	Change	2020 Q1	2020 Q2	Change	2020 Q1	2020 Q2	Change
AUSTRIA	240%	234%	-6%	192%	159%	-33%	317%	309%	-9%	223%	217%	-6%
BELGIUM	206%	188%	-19%	143%	118%	-25%	164%	161%	-3%	220%	198%	-22%
BULGARIA	187%	188%	0%									
CROATIA	217%	220%	3%									
CYPRUS	295%	305%	10%	287%	279%	-8%	323%	327%	3%	273%	292%	20%
CZECH REPUBLIC	195%	238%	43%									
DENMARK	294%	282%	-12%	325%	305%	-21%	296%	310%	14%	230%	215%	-14%
ESTONIA	175%	179%	4%									
FINLAND	208%	207%	-2%									
FRANCE	244%	239%	-6%	233%	219%	-14%	264%	264%	0%	240%	237%	-3%
GERMANY	274%	281%	6%	291%	294%	3%	280%	293%	13%	263%	267%	4%
GREECE	169%	175%	6%									
HUNGARY	210%	214%	3%	279%	272%	-7%	216%	241%	25%	205%	206%	1%
ICELAND	167%	178%	11%	257%	266%	8%	162%	173%	11%			
IRELAND	172%	173%	1%	178%	176%	-2%	164%	166%	2%	175%	176%	1%
ITALY	210%	211%	1%	160%	155%	-4%	193%	213%	20%	221%	222%	1%
LATVIA	157%	165%	9%									
LIECHTENSTEIN	210%	214%	4%	194%	188%	-6%	178%	188%	10%	280%	283%	3%
LITHUANIA	182%	192%	10%									
LUXEMBOURG	185%	193%	7%	157%	163%	5%	158%	164%	5%	278%	295%	17%
MALTA	288%	296%	8%	157%	182%	26%	172%	178%	6%	395%	386%	-9%
NETHERLANDS	202%	185%	-18%	225%	191%	-34%	172%	175%	3%	175%	194%	18%
NORWAY	214%	228%	14%	251%	295%	44%	208%	226%	18%	202%	200%	-3%
POLAND	258%	260%	2%	315%	311%	-4%	232%	236%	4%			
PORTUGAL	153%	165%	12%	179%	201%	23%	184%	180%	-4%	132%	144%	13%
ROMANIA	173%	181%	8%	258%	248%	-10%	148%	165%	17%	166%	171%	5%
SLOVAKIA	175%	177%	2%									
SLOVENIA	211%	221%	10%									
SPAIN	231%	232%	2%	213%	195%	-18%	207%	216%	9%	239%	240%	1%
SWEDEN	266%	264%	-2%	178%	172%	-6%	225%	226%	0%	320%	319%	-1%
UNITED KINGDOM	149%	152%	3%	146%	145%	-1%	154%	168%	15%	151%	157%	6%