

# NBB Covid-19

*Impact on insurance sector*

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# I. Context / Reporting

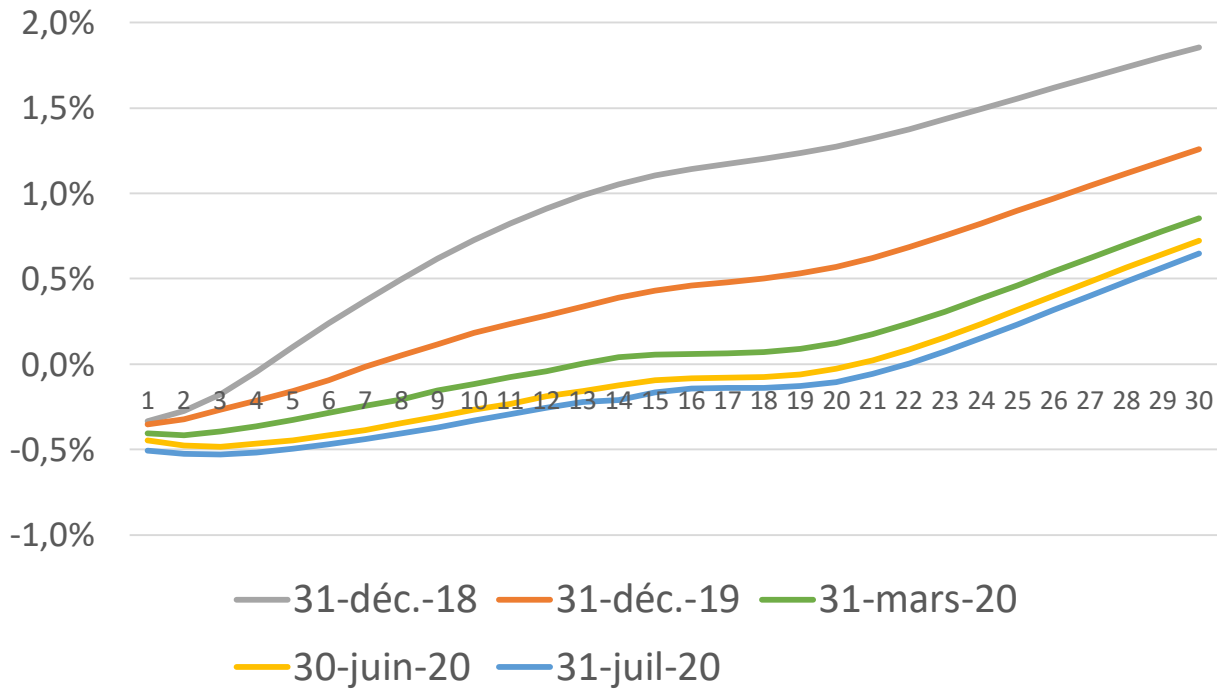
- ◆ Following the COVID-19 pandemic, the National Bank of Belgium published circular [NBB 2020 08](#) introducing a new COVID-19 reporting for the Belgian insurance sector.
  - ◇ The objective of this reporting is to receive, on a frequent basis (frequency determined by the need), recent key data from insurance companies, on a best-effort basis, that is as accurate as possible.
  - ◇ The reporting should allow an initial assessment of the impact of the COVID-19 pandemic at the level of the individual insurance companies as well as at the level of the sector as a whole.
- ◆ This presentation includes the results of the quantitative analyses of some key data gathered through the COVID-19 reporting and illustrates the impact of the COVID-19 crisis on the Belgian insurance companies\*. The cutoff date applied is 31st of July. At a regular interval, this presentation will be updated with the most recent figures.

\* Aggregated market data includes those insurers whose COVID-19 figures provided sufficient data quality throughout the reporting period. To ensure comparability between periods, the scope is the same for each period. (Undertakings in the analysis represents 92% of total assets). The sample may vary slightly from one analysis to another.

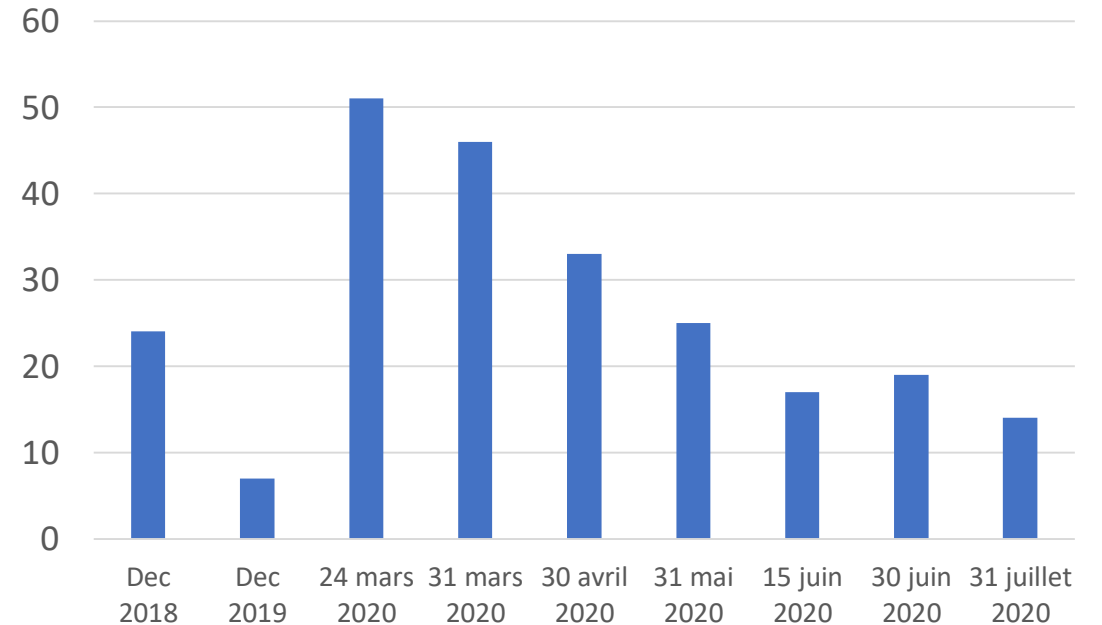
## II. Financial market evolutions

*EIOPA risk free rate & volatility adjustment*

### EIOPA risk free rate (without VA)



### Volatility Adjustment



## II. Financial market evolutions

### Equity & bond market

European Spreads	Dec. 2019	31/03/2020	30/04/2020	31/05/2020	30/06/2020	31/07/2020
Italy 10Y vs Germany	160	199	236	192	178	160
Spain 10Y vs Germany	65	114	130	101	93	87
Belgium 10Y vs Germany	28	54	59	43	33	31
Euro stoxx 50 Corporate bond index	140	131	136	137	138	140

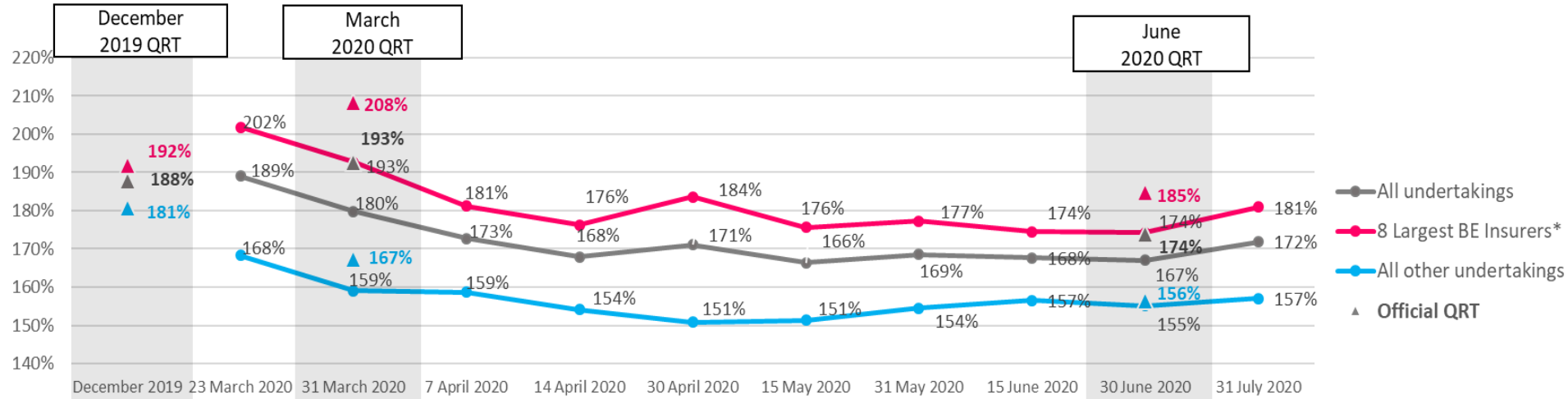
*An increase in spreads reflects a relative decrease in the value of the bonds concerned.*

*A rise in the corporate bond index reflects an increase in the value of corporate bonds.*

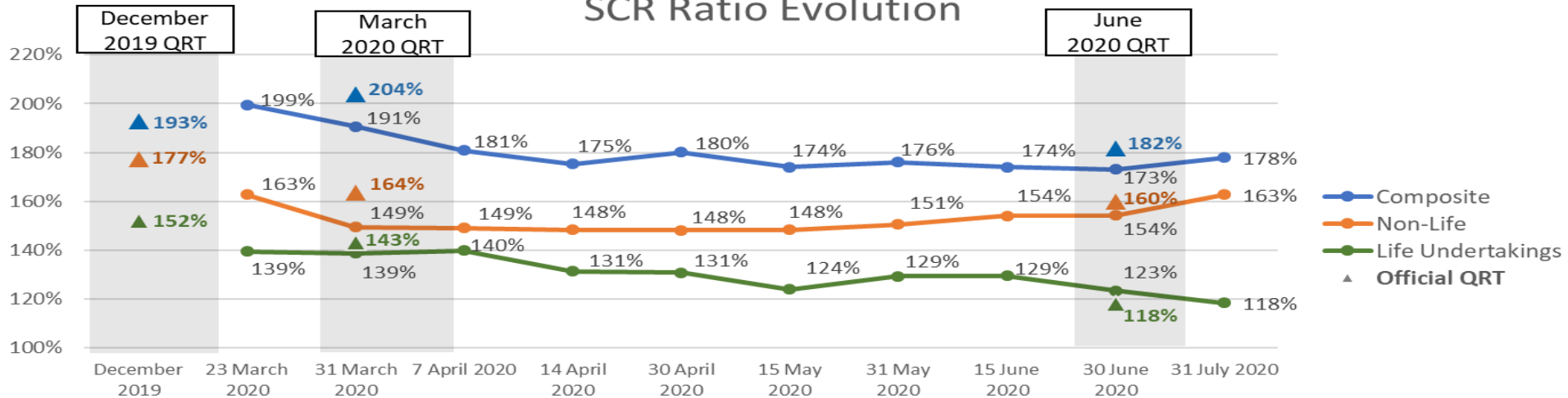
	Euro Stoxx 50 index	Variation YTD
31/12/2019	3 748	
24/03/2020	2 715	<b>-27,6%</b>
31/03/2020	2 787	<b>-25,7%</b>
30/04/2020	2 928	<b>-21,9%</b>
30/05/2020	3 050	<b>-18,6%</b>
30/06/2020	3 234	<b>-13,7%</b>
31/07/2020	3 174	<b>-15,3%</b>

# III. Solvency impact

## SCR Ratio Evolution - Covid-19 reporting

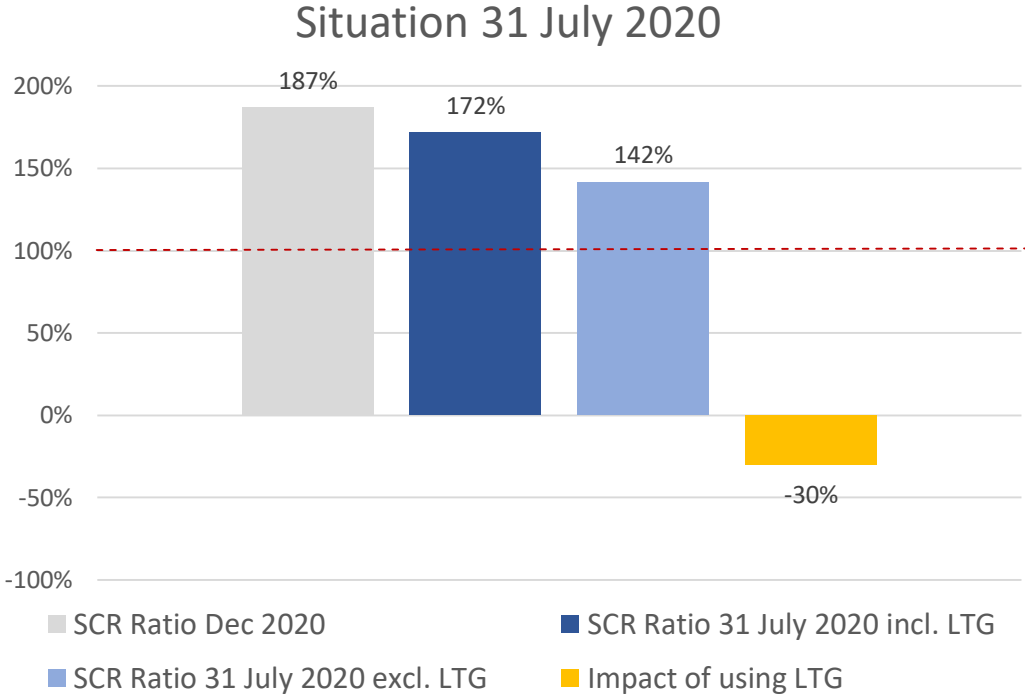
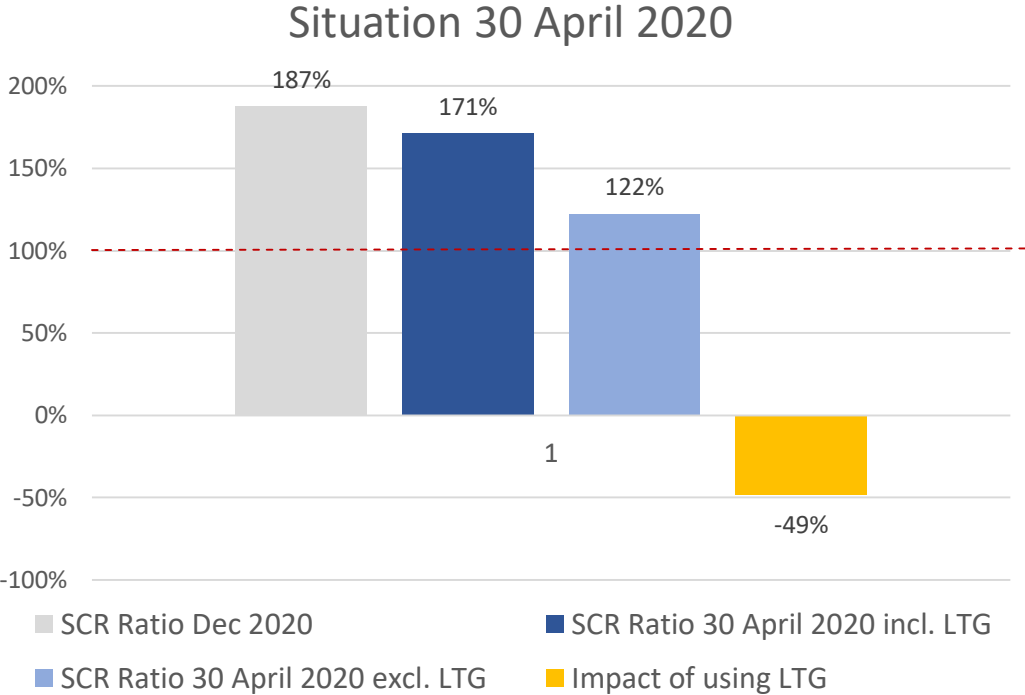


## SCR Ratio Evolution



\*8 Largest insurers based on total assets December 2019: AG Insurance, AXA Belgium, KBC, Allianz Benelux, Belins, P&V, Ethias, NN Insurance

# IV. Impact of Long term guarantee measures (mainly VA)



## V. Balance sheet impact

(in € bn)	Dec. 2019 (QRT)	March 2020 (QRT)	June 2020 (QRT)	31 July 2020	Delta July 2020 vs Dec. 2019
<b>Total assets</b>	<b>349,50</b>	<b>344,09</b>	<b>354,33</b>	<b>357,36</b>	<b>2%</b>
Of wich equities	10,70	8,80	9,25	8,84	-17%
Of wich governements bonds	140,72	140,23	141,26	142,24	1%
Of which Corporate bonds	59,35	57,63	61,33	62,29	5%
Of which collective investment Undertakings	15,12	15,17	15,26	15,45	2%
Of which Loans and Mortgages	36,51	37,42	38,92	39,35	8%
Of which Cash and Cash equivalentents	5,98	6,73	5,50	5,32	-11%
Of which Derivatives	1,08	2,02	1,99	1,92	77%
UL Assets (Est. Delta TP UL = Delta UL Assets)	44,37	40,13	43,34	43,62	-2%
Other Assets	35,67	35,94	37,49	38,34	7%
<b>Total Liabilities</b>	<b>317,23</b>	<b>313,56</b>	<b>324,94</b>	<b>328,29</b>	<b>3%</b>
Of which Technical Provision (life excluding Unit Linked)	214,55	211,11	218,09	220,83	3%
Of which Technical Provision Non-Life	24,58	26,32	27,04	26,93	10%
Of which Technical Provision (Unit liked)	43,35	39,46	42,41	42,68	-2%
Other liabilities	34,75	36,67	37,40	37,84	9%
<b>Excess of assets over Liabilities</b>	<b>32,27</b>	<b>30,53</b>	<b>29,39</b>	<b>29,07</b>	<b>-10%</b>



# VI. Claims & Premium evolution H1 2020 vs H1 2019

## Life Premiums Written – Gross of reinsurance

	H1 2018	H1 2019	H1 2020	YoY %
Insurance with profit participation	5178	5688	4995	-12,2%
Index linked / Unit linked	2058	2077	1918	-7,7%
Other life insurance	601	630	645	2,3%
<b>Total Life (W/Health)</b>	<b>7837</b>	<b>8396</b>	<b>7558</b>	<b>-10,0%</b>

## Health & Medical insurance (Total Life and Non-life) – Gross of reinsurance\*

	Health related Premium (in € Mio)				Health related Claims (in € Mio)			
	H1 2018	H1 2019	H1 2020	YoY %	H1 2018	H1 2019	H1 2020	YoY %
<b>All Health &amp; Medical insurance</b>	<b>1374</b>	<b>1451</b>	<b>1562</b>	<b>7,7%</b>	<b>945</b>	<b>996</b>	<b>1093</b>	<b>9,7%</b>

\* Written premiums and Claims incurred

# VI. Claims & Premium evolution H1 2020 vs H1 2019

## Non-life – Gross of reinsurance\*

	Non-Life Premium (in € Mio)				Non-Life Claims (in € Mio)			
	H1 2018	H1 2019	H1 2020	YoY %	H1 2018	H1 2019	H1 2020	YoY %
Motor Insurance	2411	2577	2583	0,2%	1336	1392	1146	-17,7%
Fire & Property	1635	2213	2303	4,1%	819	1095	1111	1,5%
Credit & Suretyship	828	965	911	-5,6%	97	113	110	-2,9%
General Liability	556	1278	1318	3,2%	174	339	632	86,3%
Workers' Compensation	703	753	723	-4,0%	485	560	482	-13,9%
Legal expenses insurance	286	296	305	3,2%	102	103	77	-25,1%
Income Protection	277	359	321	-10,6%	60	91	143	55,8%
Miscellaneous financial loss	207	249	201	-19,5%	35	43	29	-32,3%
Assistance	208	215	207	-3,6%	114	117	103	-11,2%
Marine, Aviation and transport	73	584	704	20,5%	42	182	401	120,4%
<b>Total Non-Life (w/ Health)</b>	<b>7183</b>	<b>9488</b>	<b>9575</b>	<b>0,9%</b>	<b>3263</b>	<b>4034</b>	<b>4234</b>	<b>4,9%</b>

\* Written premiums and Claims incurred

# VII. Claims & Premium evolution H1 2020 vs H1 2019

Results of insurance activities without investment income (in bn.)

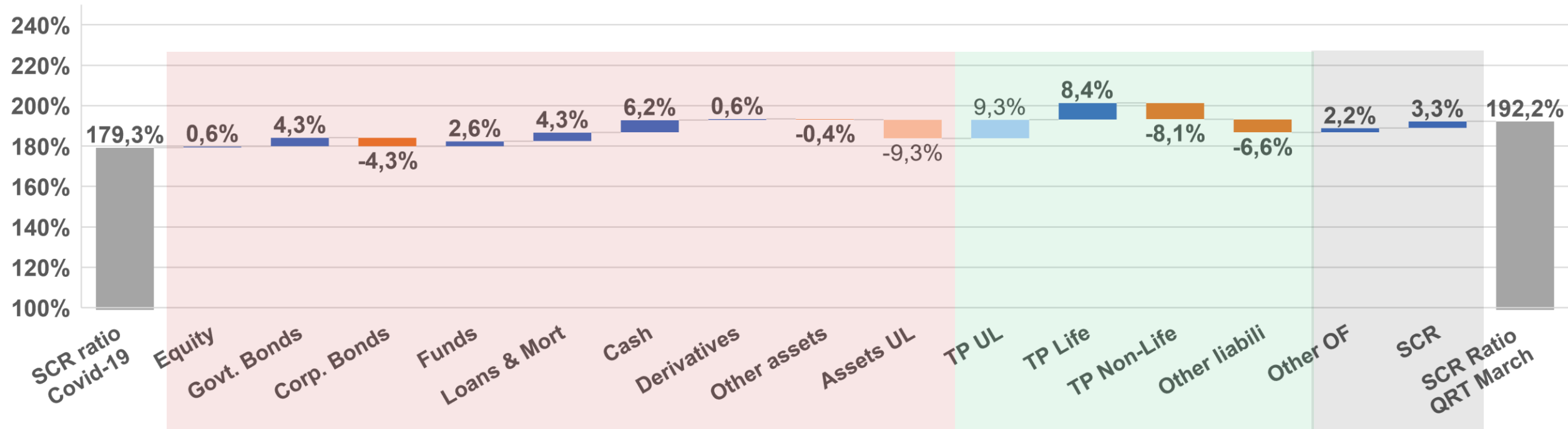
	June 2019	June 2020
<b>Results of life activities</b>	<b>-3,74</b>	<b>-3,13</b>
<b>Net premium earned</b>	<b>8,70</b>	<b>8,03</b>
Premium life (Br 21)	5,53	4,91
Premium UL (Br 23)	2,07	1,91
Premium Health	0,36	0,45
Premium other life	0,75	0,76
<b>Net claims incurred</b>	<b>-9,28</b>	<b>-9,92</b>
Claims life (Br 21)	-6,91	-7,14
Claims UL (Br 23)	-1,36	-1,51
Claims Health	-0,19	-0,29
Claims other life	-0,82	-0,98
Delta TP	-2,01	-0,11
Other expenses	-1,15	-1,13
<b>Results of non-life activities</b>	<b>0,01</b>	<b>0,44</b>
<b>Net premium earned</b>	<b>7,38</b>	<b>7,53</b>
Gross premium earned	9,66	10,90
Reinsurances' part	2,27	3,37
<b>Net claims incurred</b>	<b>-4,72</b>	<b>-4,20</b>
Gross claims incurred	-6,02	-6,40
Reinsurances' part	1,30	2,20
Net Δ TP	0,04	0,04
Total Expenses	-2,70	-2,93

## VIII. Conclusions

- I. Even though the aggregate solvency position of the Belgian insurers was not negatively impacted at the beginning of the Covid-19 crisis, from April 2020 onwards solvency ratios have started to show a gradual decrease.
- II. The impact of the Covid-19 crisis on Belgian insurers has been heterogeneous and the magnitude of the impact is partly driven by the size and business type of the insurer:
  - a) Initially, it seemed that the solvency of the largest companies was positively impacted, partly explained by an overshooting effect of the VA.
  - b) Subsequently, in the course of April, a general negative trend became visible for the entire Belgian insurance sector with the biggest impact for pure life insurers. The largest insurers were, on average, slightly less impacted compared to the other insurers.
- III. Counter-cyclical instruments such as the volatility adjustment and the symmetric equity adjustment seem to have played their role in dampening the impact of the market volatility on the solvency ratios of the Belgian insurers, although there is still room to further improve these mechanisms (see Solvency II 2020 review).
- IV. At the level of the investments, as might have been expected on the basis of market developments, the most negatively affected asset class are the equity investments. Loans and mortgages is one of the only investment class to have shown a clear upward trend.
- V. Given the volatility of the markets and the uncertainties regarding the length and further development of the COVID-19 crisis, the National Bank of Belgium continues to recommend insurers to remain prudent (see Circulaire NBB\_2020\_034).

# Appendix

Breakdown of the differences explaining the evolution of the SCR ratio between the QRT of March 2020 and the Covid-19 ratio of March 31, 2020.



For end-March 2020, the SCR ratio of the market is on average significantly higher for official QRTs than Covid-19 reporting:

- ◆ Covid-19 is done on a best-effort basis (not full recalculation) furthermore 31 march reporting date was flexible (This means that insurance companies could use an earlier reference date). In a context of high volatility, this explains the differences observed.
- ◆ The value of the different investment asset classes (except government bonds) is underestimated in the covid-19 reporting (2.4bn)
- ◆ Life TP are overestimated (1.4bn) , while the opposite is true for non-life TP (1.4bn)
- ◆ SCR is slightly overestimated (300 M)