

Insurance Market Briefing - Europe

10:05 GMT (11:05 CET)



Agenda – Morning Session

10:05 Introduction

Nick Charteris-Black, Managing Director, Market Development

10:10 EMEA Market Overview - Update on Credit Rating Activity and Market Segment Outlooks

Session Chair

Nick Charteris-Black, Managing Director, Market Development

Speakers

Greg Carter, Managing Director, Analytics - EMEA & AP

Angela Yeo, Senior Director, Analytics

Ghislain Le Cam, Director, Analytics

10:55

11:05 Panel Discussion: Insurance and Reinsurance Markets. Issues relating to the impact of COVID-19

Session Chair

Nick Charteris-Black, Managing Director, Market Development

Speakers

Catherine Thomas, Senior Director, Analytics

Carlos Wong-Fupuy, Senior Director, Global Reinsurance Ratings

Mathilde Jakobsen, Director, Analytics

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No part of this presentation amounts to sales / marketing activity and AM Best's Rating Division employees are prohibited from participating in commercial discussions.

Any queries of a commercial nature should be directed to AM Best's Market Development function.

EMEA Re/Insurance Market Overview

Session Chair



**Nick
Charteris-Black**
Managing Director
Market Development

Speakers:



**Greg
Carter**
Managing Director
Analytics – EMEA & AP



**Angela
Yeo**
Senior Director
Analytics



**Ghislain
Le Cam**
Director
Analytics

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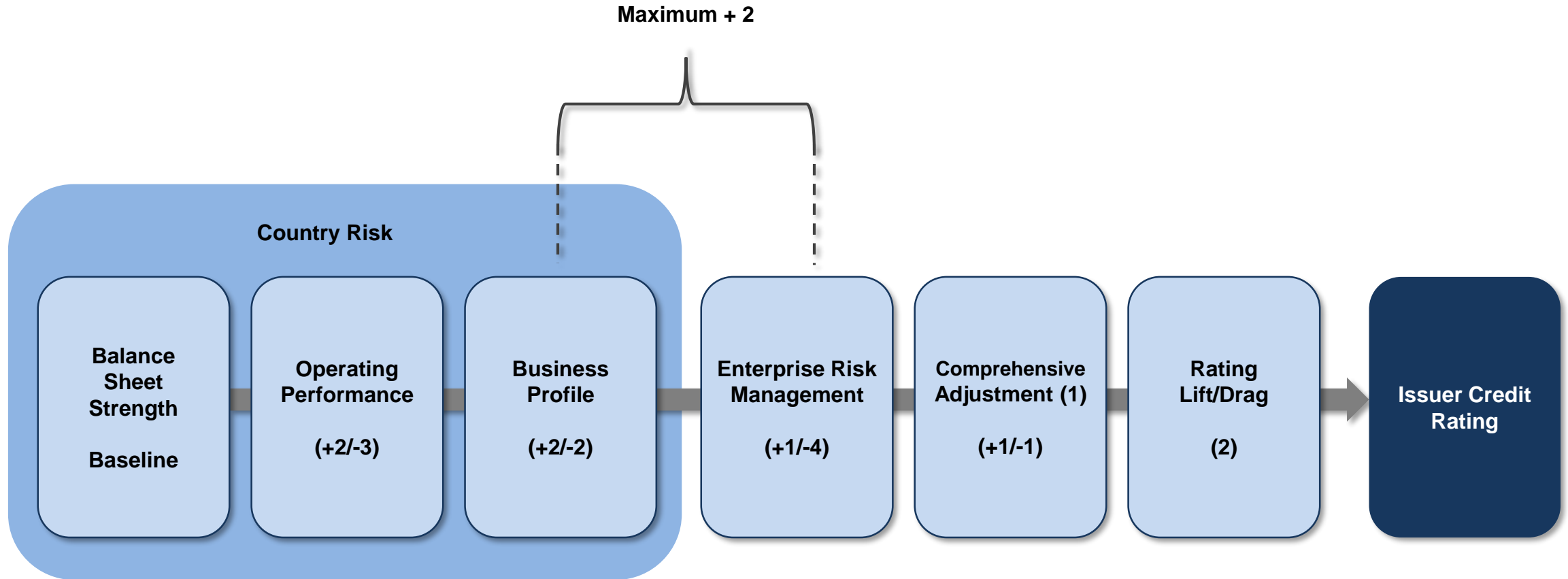
EMEA Market Overview: Update on Credit Rating Activity and Outlooks

Greg Carter, Managing Director, Analytics
– EMEA & Asia Pacific

Rating Actions



Best's Credit Rating Methodology (BCRM) – Building Blocks



Notes:

- 1: A comprehensive adjustment can be applied of + 1 or - 1 for creditworthiness not captured elsewhere
- 2: Applies to assessment of non-lead rating units in relation to the broader organisation leading to lift/drag +4 to -4

Credit Drivers – Causes of Rating Actions

Changes in Balance Sheet Strength

3 Upgrades, 5 Downgrades

Operating Performance

No changes

Business Profile

1 Upgrade

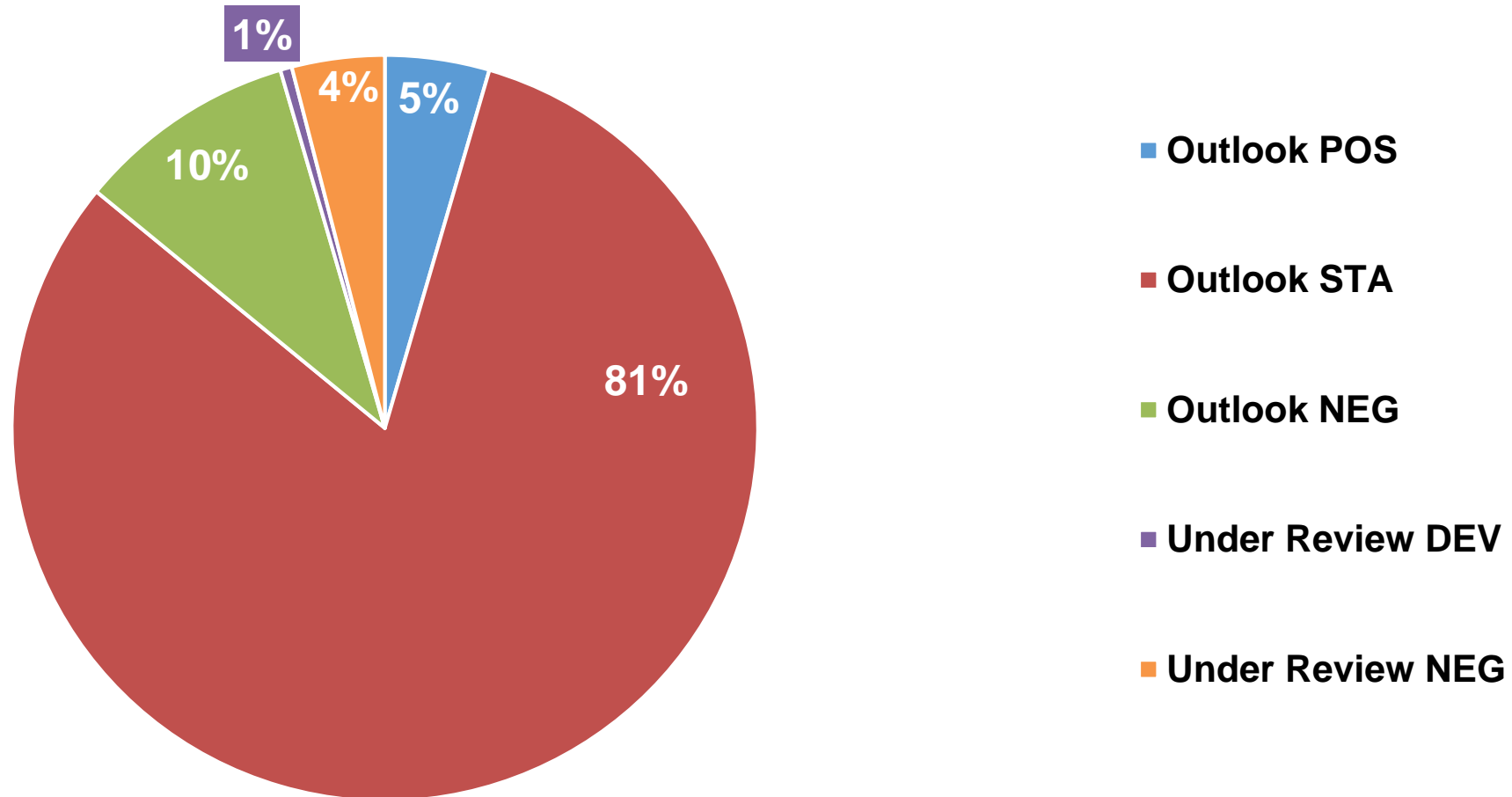
Enterprise Risk Management

1 Downgrade

Changes to Lift/Drag

2 Downgrades

Outlooks



2019 Outlook – Future Credit Drivers

Centre for the Study of Financial Innovation

2019 Rank	Risk	2017 Rank
1	Technology	3
2	Cyber Risk	2
3	Change Management	1
4	Regulation	6
5	Investment Performance	5
6	Climate Change	-
7	Competition	8
8	Human Talent	9
9	Macro-Economy	7
10	Interest Rates	4

European Primary Insurance Trends, Market Outlooks and Impact on Reinsurance Sector

Ghislain Le Cam, Director, Analytics
Angela Yeo, Senior Director, Analytics

Discussion Outline

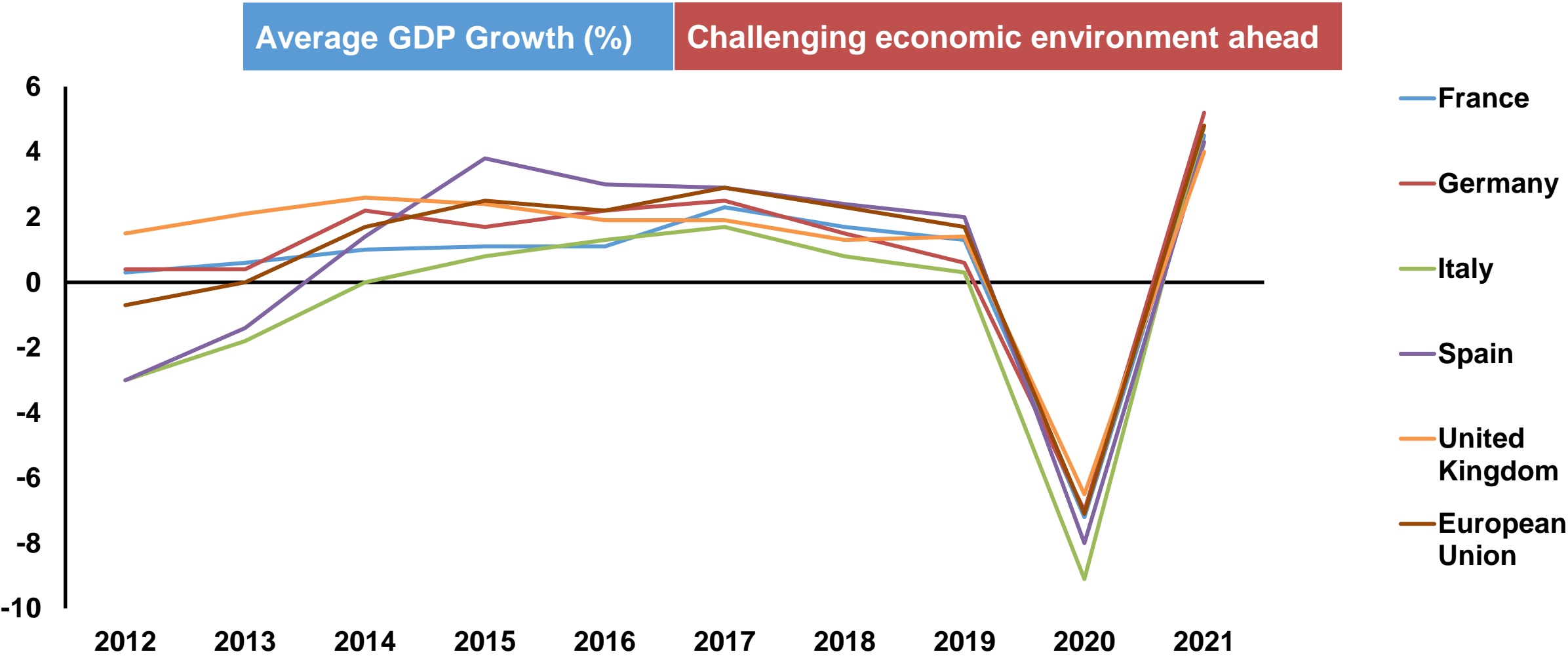
European Overview

What is a Market Segment Outlook

European Market Segment Outlooks

Looking Forward

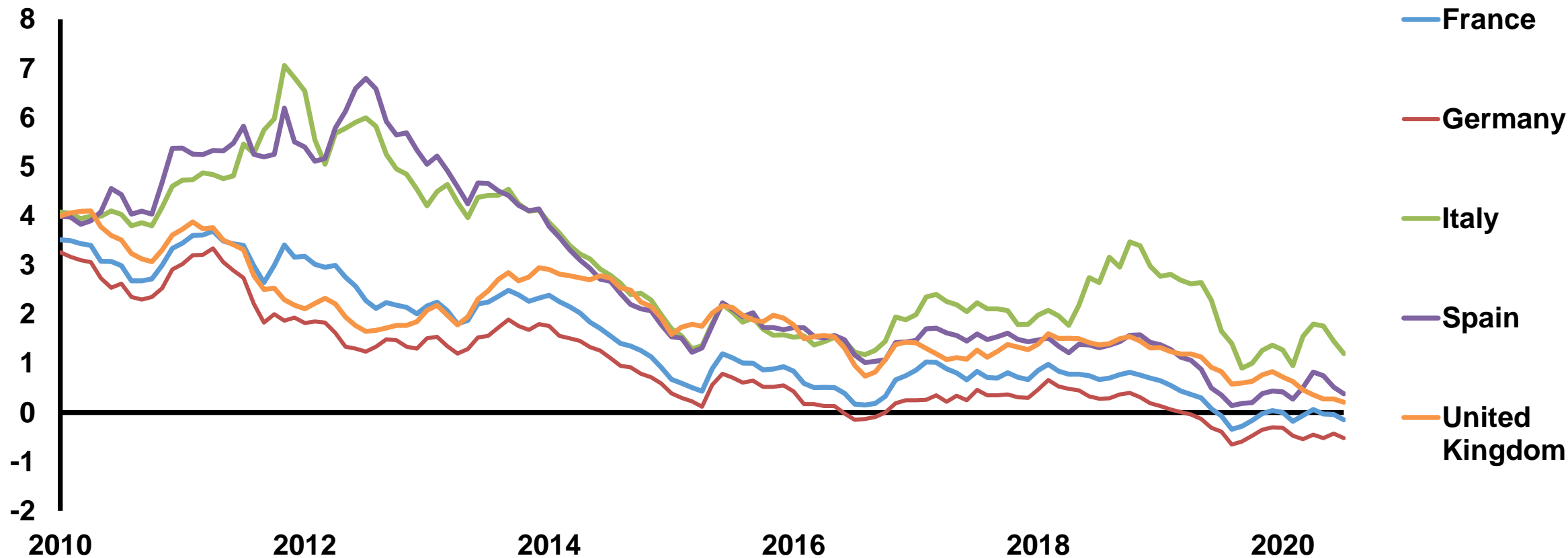
European Overview



European Overview

10 Year Government Rates (%)

Persistent low rate environment



What is a Segment Outlook?

AM Best's Market Segment Outlooks:

- Examine the current trends in particular segments of the insurance industry over the next 12 months
- Typical factors considered include:
 - current and forecast economic conditions
 - the regulatory environment and potential changes
 - emerging product developments
 - competitive pressures
- AM Best's Market Segment Outlook can be positive, negative, or stable, like a Best's Credit Rating Outlook for a company
- Many segments covered internationally
- AM Best ratings take into account how companies manage these factors and trends
- Not an indicator of rating movements

AM Best Market Segment Outlooks

UK	France	Germany	Italy	Spain
<ul style="list-style-type: none">• Non-Life: Negative	<ul style="list-style-type: none">• Non-Life: Stable	<ul style="list-style-type: none">• Non-Life: Stable	<ul style="list-style-type: none">• Non-Life: Stable	<ul style="list-style-type: none">• Non-Life: Stable
UK	France	Germany	Italy	Spain
<ul style="list-style-type: none">• Life: Negative	<ul style="list-style-type: none">• Life: Negative	<ul style="list-style-type: none">• Life: Negative	<ul style="list-style-type: none">• Life: Negative	<ul style="list-style-type: none">• Life: Negative

European Life Outlook

Negative Outlook

Material uncertainty as to the impact of financial market volatility and economic challenges driven by the COVID-19 pandemic

Headwinds

Uncertainty as to impact of financial market volatility on capital positions

Low interest rates putting pressure on earnings

High guarantees on legacy business (Germany)

Deteriorating economic conditions increases risk of corporate bond defaults and introduces pressure on premium volumes

Tailwinds

Solvency buffer to absorb a degree of financial market volatility

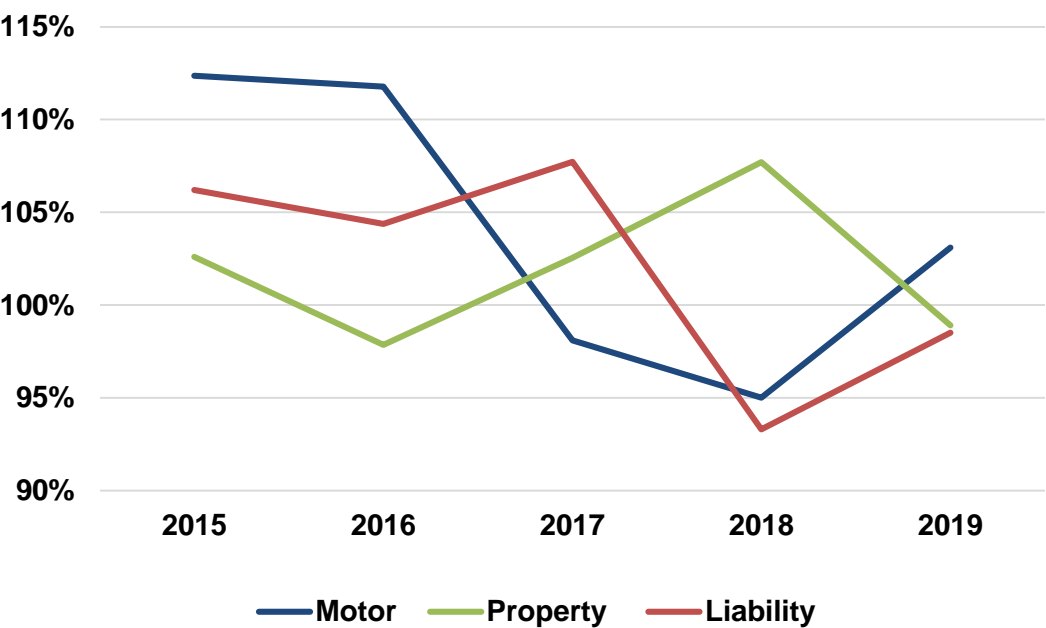
Effective asset-liability matching in place

Active management of product offering to reduce sensitivity to financial market movements

Allocation to illiquid assets supporting yields, but default and valuation uncertainty has increased

UK Non-Life Outlook

Non-life combined ratio (%)



Negative Outlook

Intense competition, legislative uncertainty and economic challenges continue to weigh on the segment. Civil Liability Act a positive but many reforms still to be implemented

Headwinds

Persistent pressure on technical performance due to strong competition

Financial and economic challenges stemming from COVID-19 and Brexit

Whiplash reforms delayed

Tailwinds

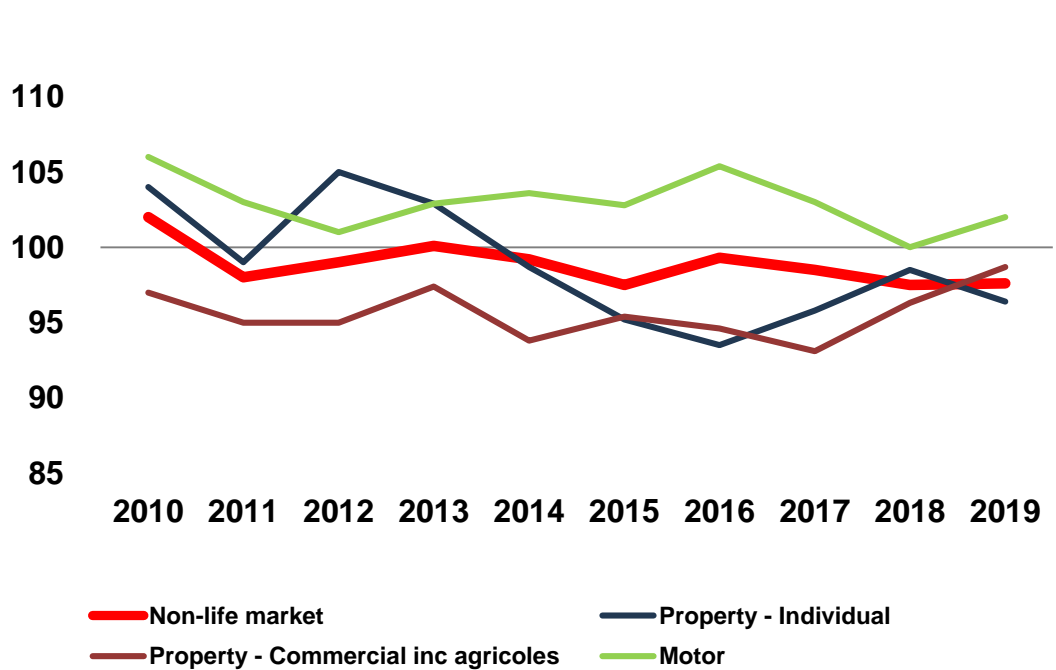
Implementation of Civil Liability Act should reduce personal injury losses once reforms are implemented

Planned government investment in flood defences



France Non-Life Outlook

Non-life combined ratio (%)



Stable Outlook

Resilient underwriting performance against a backdrop of significant competition. Good diversification by class of business, with weaker performance in motor offset by stronger performance elsewhere

Headwinds

- Strong price-based competition
- Premium levels expected to fall in line with economic contraction
- Low interest rates persist

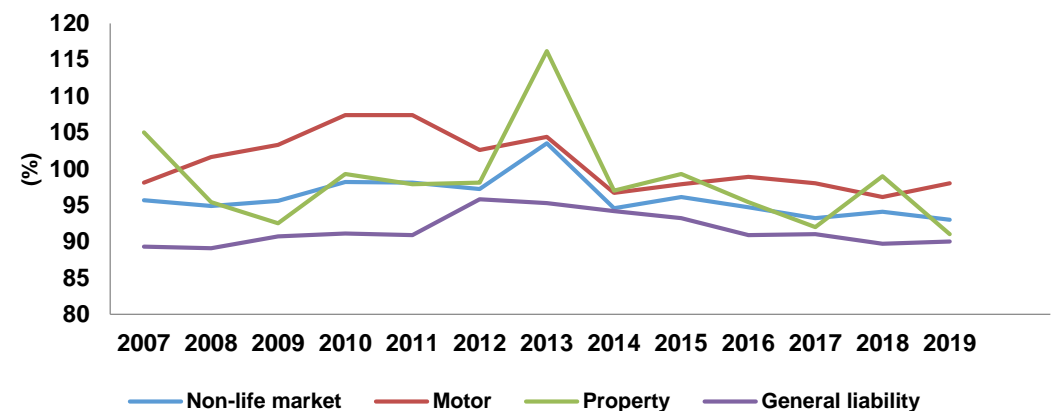
Tailwinds

- Modest price increases in core lines of business
- Conservative investment portfolios protect against volatility

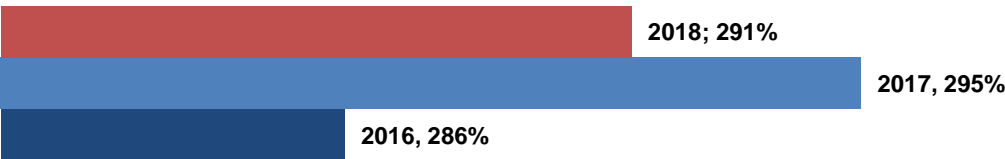


Germany Non-Life Outlook

Non-life combined ratio (%)



Solvency II SCR Calculation



Stable Outlook

Surplus capital to buffer earnings volatility, conservative investment portfolios and robust rate adjustments.

Headwinds

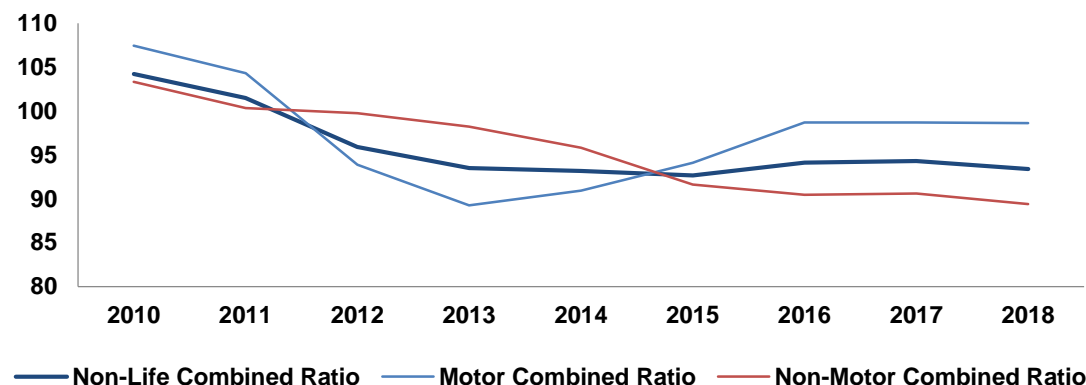
Lower premium volumes expected due to the pandemic
 Price-based competition
 Further economic slowdown
 Persistent low interest rate environment

Tailwinds

Healthy technical profitability
 Innovation and product initiatives/service
 Conservative investments
 Focus on ERM

Italy Non-Life Outlook

Non-life combined ratio (%)



Stable Outlook

The sector demonstrated resilience in a challenging macroeconomic environment, sound solvency levels and positive pricing developments.

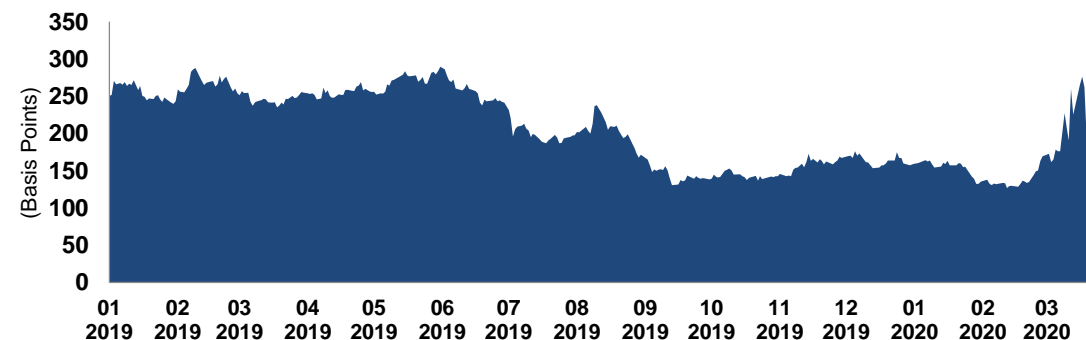
Headwinds

- Economic downturn
- Asset devaluations and volatility
- Pressure on earnings
- Recession to negatively impact premium levels

Tailwinds

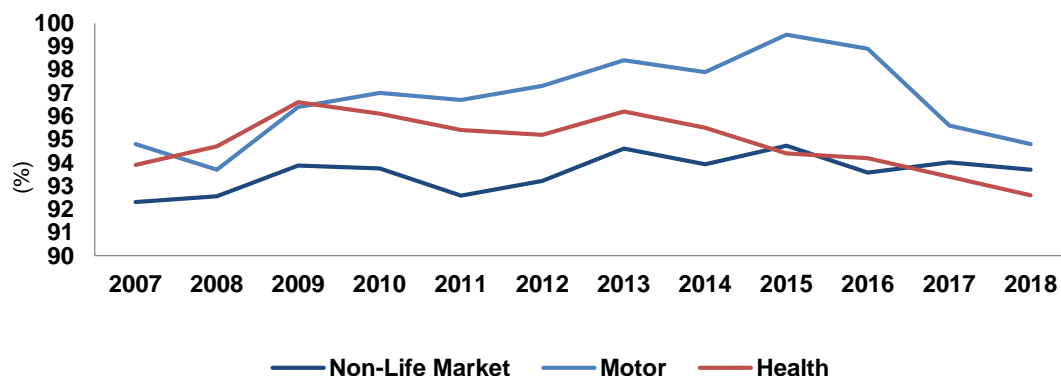
- Strong underwriting profitability
- Price increases in line with claims inflation
- Solvency buffer to absorb a degree of financial market volatility

Italy-Germany 10-year Bond Spread (bps)

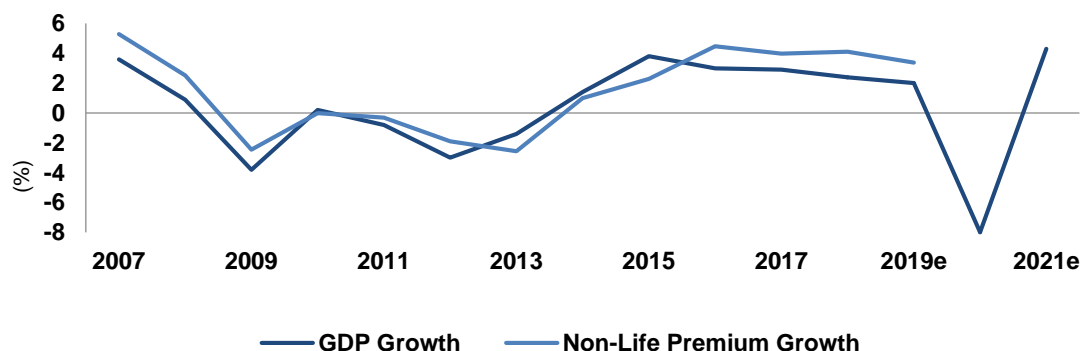


Spanish Non-Life Outlook

Non-life combined ratio (%)



GDP and Non-Life Premium Growth (%)



Stable Outlook

Resilient performance despite political turbulence, well capitalised market and stable technical profitability.

Headwinds

- Political turbulence
- Lower premium volumes expected
- Slowing economic growth
- Persistent low interest rate environment

Tailwinds

- Conservative investment portfolios
- Strong and stable technical profitability

Key things to watch...

**Political
Environment**

**Global
Recession**

**Renewals/
Hardening Markets**

Contract Language

**Resurgence of
Pandemic**

Q&A

Session Chair



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Managing Director
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Speakers:



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Senior Director
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Panel Discussion:

Insurance and Reinsurance Markets

Issues relating to the impact of COVID-19

Session Chair



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**Mathilde
Jakobsen**
Director
Analytics

Upcoming Events

Environmental, Social, and Governance in the (Re)Insurance Market - What's Considered?

Tuesday, November 17, 2020 at 2 PM GMT



Richard Banks
Director,
Industry Research



Jessica Botelho-Young
Associate Director,
Analytics



Ghislain Le Cam
Director,
Analytics



Maura McGuigan
Director,
Credit Rating Criteria

Please join senior AM Best analysts as they discuss key takeaways from the results of our recently conducted Environmental Social & Governance (ESG) survey, modifications to the Best Credit Rating Methodology relating to ESG factors, and key implications of ESG adoption for the insurance industry.

REGISTER [HERE](#)



Wednesday 20 October 2021

AM Best's Insurance Market Briefing – Europe

Venue: etc.venues, St. Paul's

Insurance Market Briefing: 08:30-13:00 GMT

Methodology Review Seminar: 14:00-16:00 GMT

More information to follow: www.ambest.com/conferences

Insurance Market Briefing - Europe

