

EUROPEAN OUTLOOK CONFERENCE

LONDON

European Insurance: Grandfathering Lottery

Martina Seydoux: Senior Analyst, Insurance, *CreditSights*

CreditSights

a FitchSolutions Company

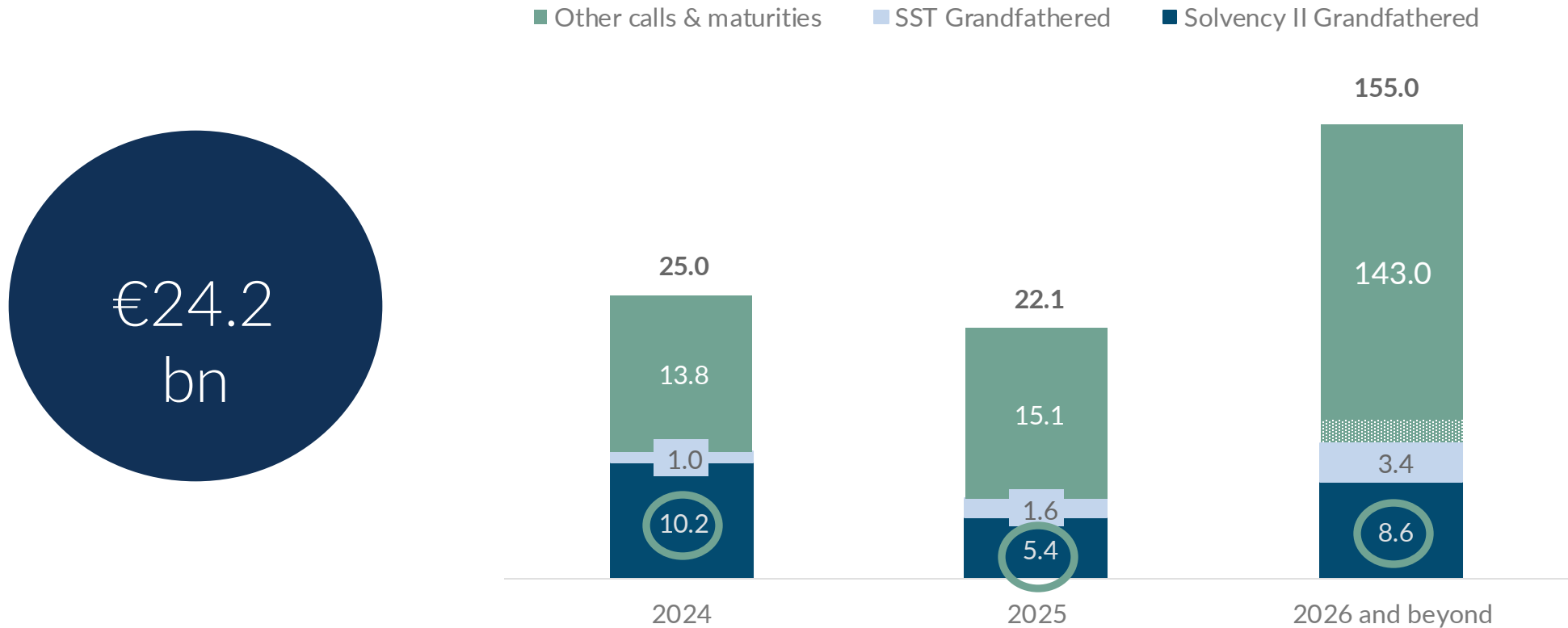
Research

CovenantReview

LevFinInsights

European Insurance: Grandfathering Lottery

Opportunity: €24.2 bn of insurance bonds in our coverage will lose regulatory capital from 1 January 2026



Fundamental 2024 Outlook for European Insurance

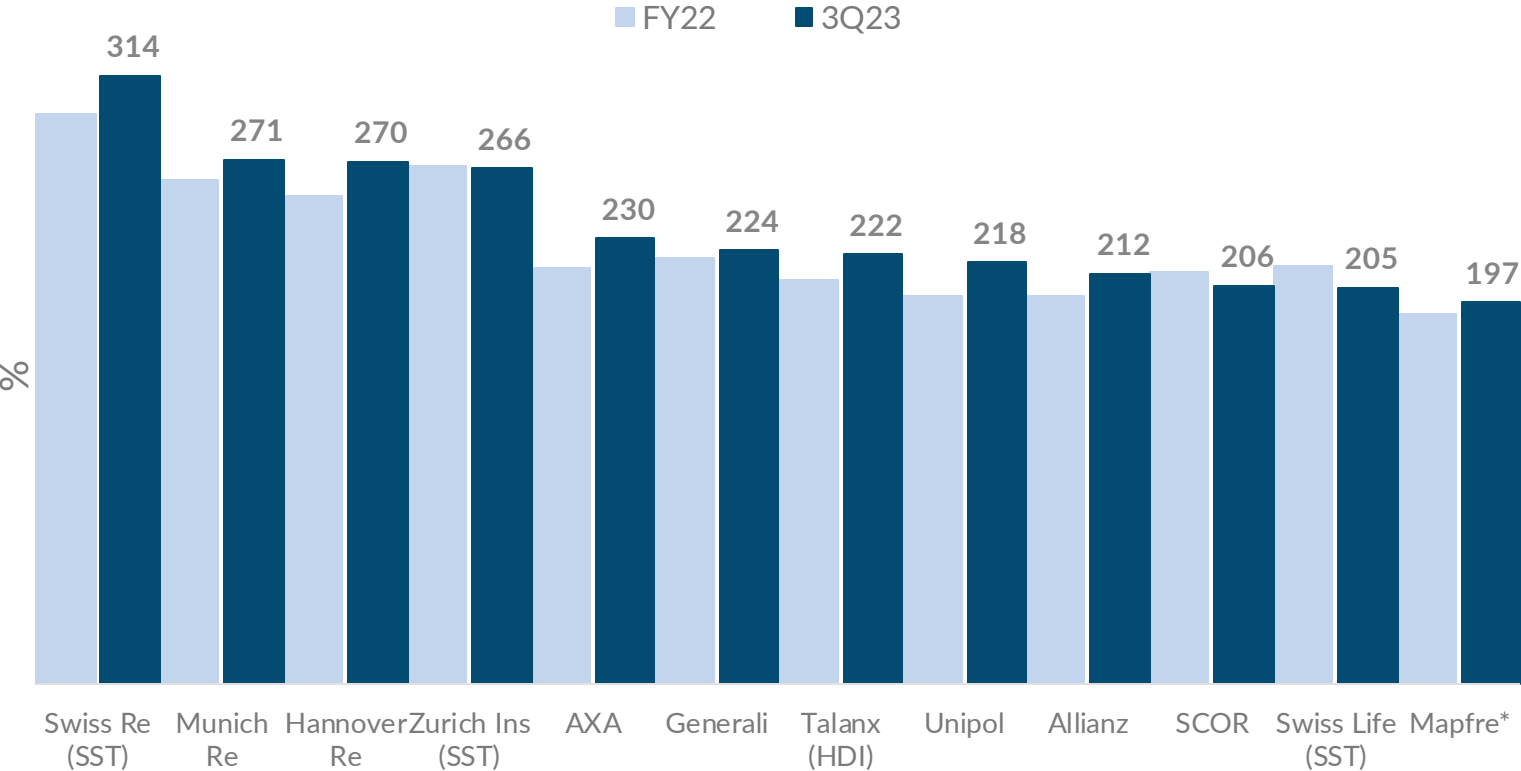
- Reinsurance
- Non-Life Insurance
- Life Insurance

Relative Value 2024 Outlook for European Insurance

- Our Recommendations
- Primary Market Outlook
- Our Picks and Pans

Strong Solvency Across the Board

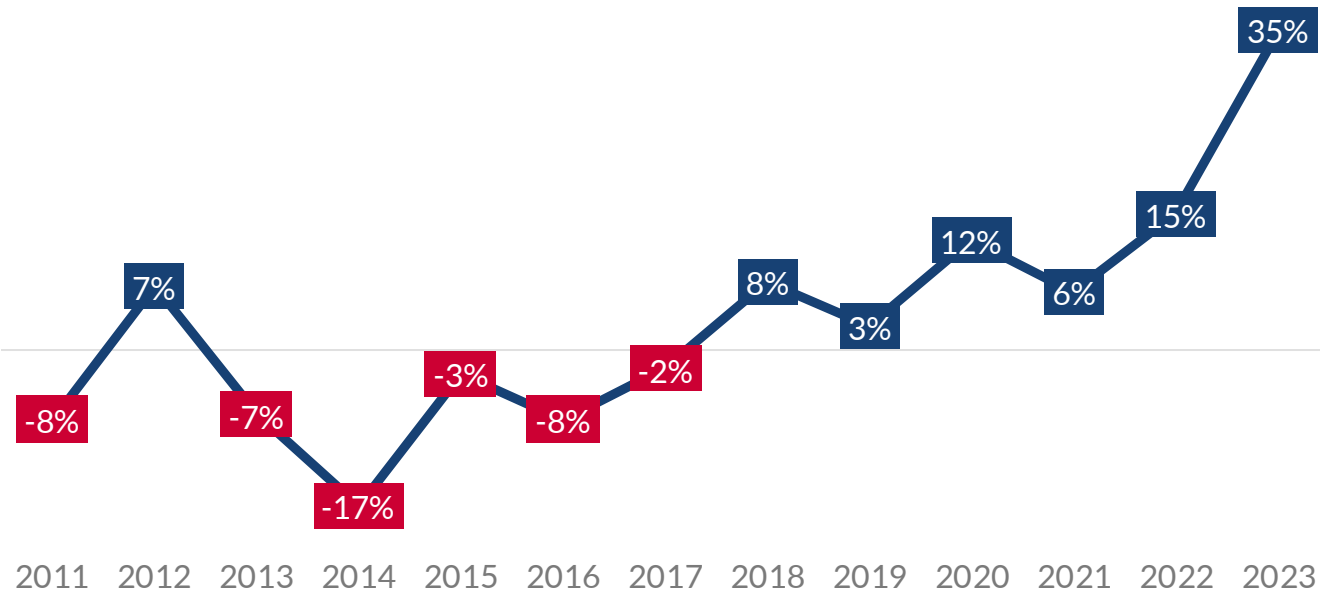
Solvency Ratios Above 200%



*Mapfre: Solvency II ratio including the benefit of the Transitional Measures on Technical Provisions (TMTP); all others: excluding TMTP
 Source: Company reports, CreditSights & (©xxx - stock.adobe.com)

Reinsurance Profitability: Riding the Price Wave

Reinsurance Pricing 2024: Very Strong ✓

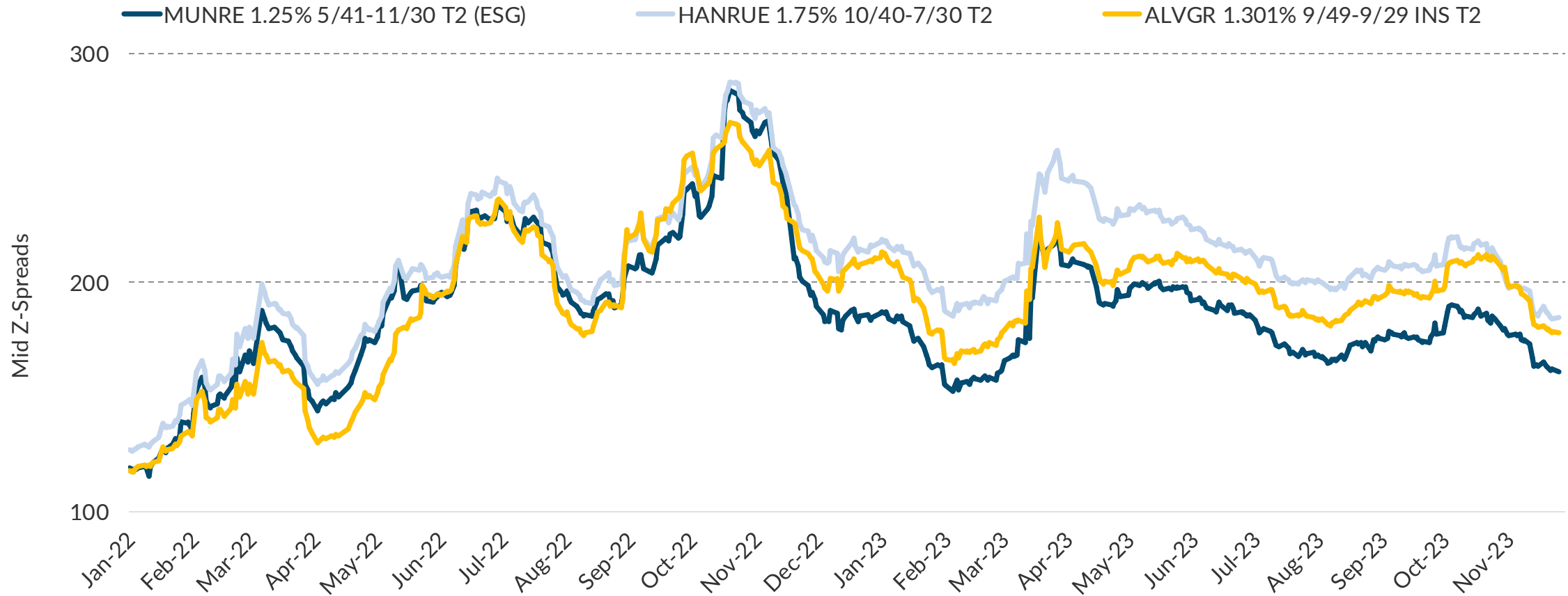


- Improved balance sheets ✓
- Better investment returns ↑
- Economic inflation easing ▬
- Social inflation (US) ↑
- New capital supply – limited?



Reinsurance Profitability: Riding the Price Wave

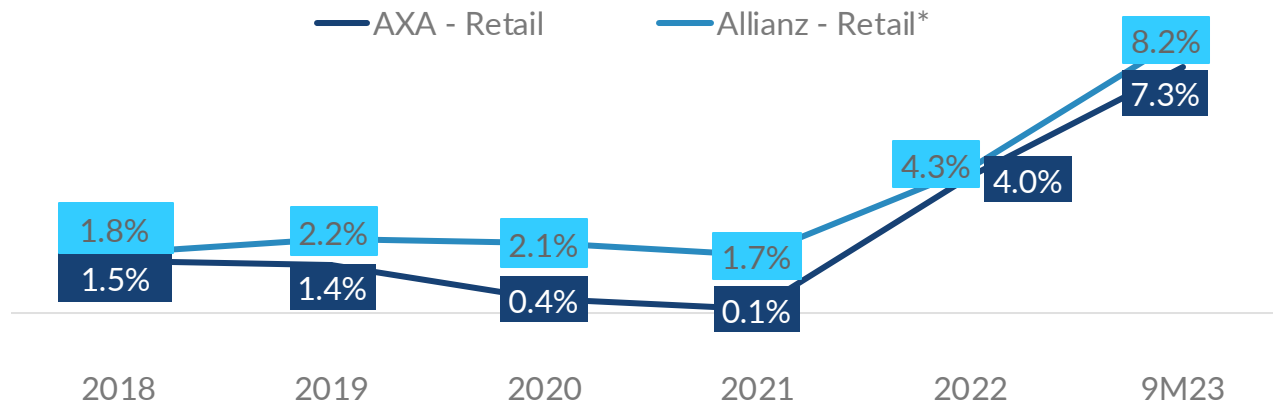
Favourable Expectations are Priced In



Non-Life Insurance: Better Pricing and Investments Returns

Pricing Now Above Inflation ✓

- Retail Pricing: Above Cost Trends ✓
- Corporate Pricing: Sufficient ✓
- Reinsurance Pricing: Very Strong ✓



Higher Share of Natural Catastrophe Losses ↓

Better Investment Returns ↑



Life Insurance: Stable Earnings

Back Books to Continue Earning Stable Profits ✓

Investment yield	Running yield 9M22	Reinvestment yield 3Q23	Running yield 9M23
Munich Re – Reinsurance L&H – Primary L&H (Ergo)	2.7% 3.1%	4.3-4.5% (Munich Re - total)	3.4% 3.3%
Swiss Re – Reinsurance L&H	3.1%	4.9%	4.0%
CNP	n.a.	3.4% (1H23)	1.8% (1H23)

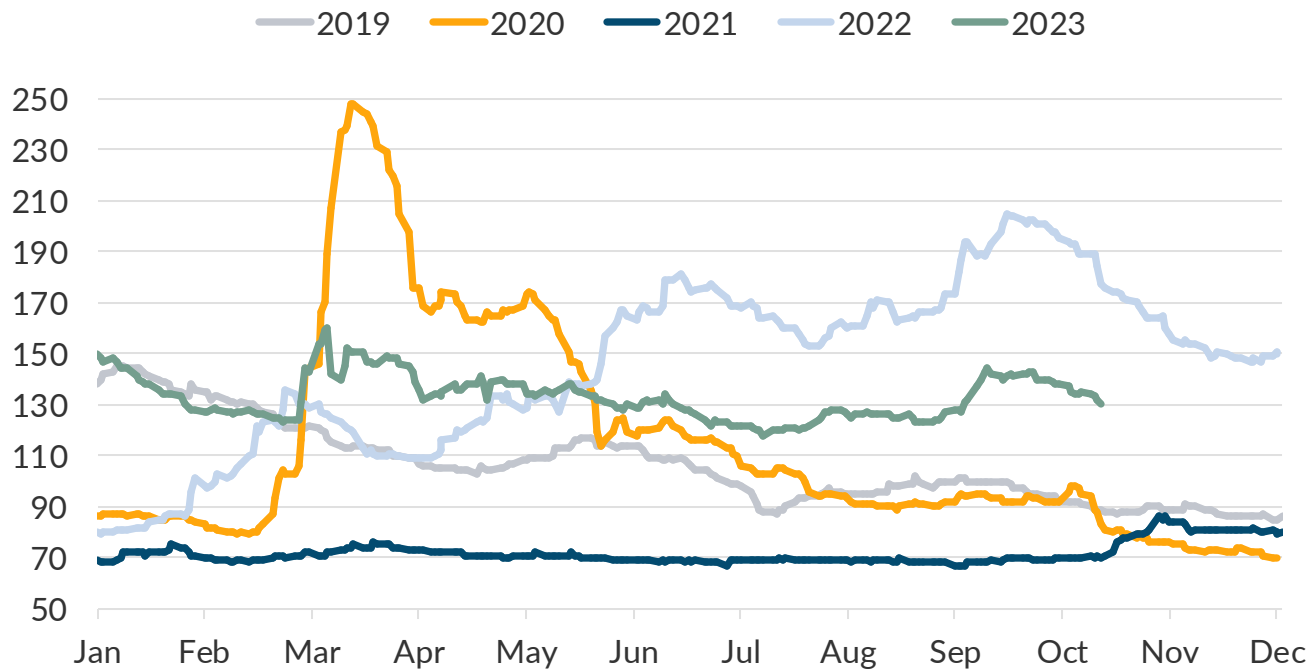
Lapse Risk – Currently Contained 🟡

- Investment strategies: improved quality of fixed income
- Main headwind linked to macroeconomic development

Pressure on New Business from Competing Saving Products ↓

Strong Fundamentals, Wide Spreads: Negative Outlook Price In

IG Euro Insurance Senior OAS History: 2019-2023

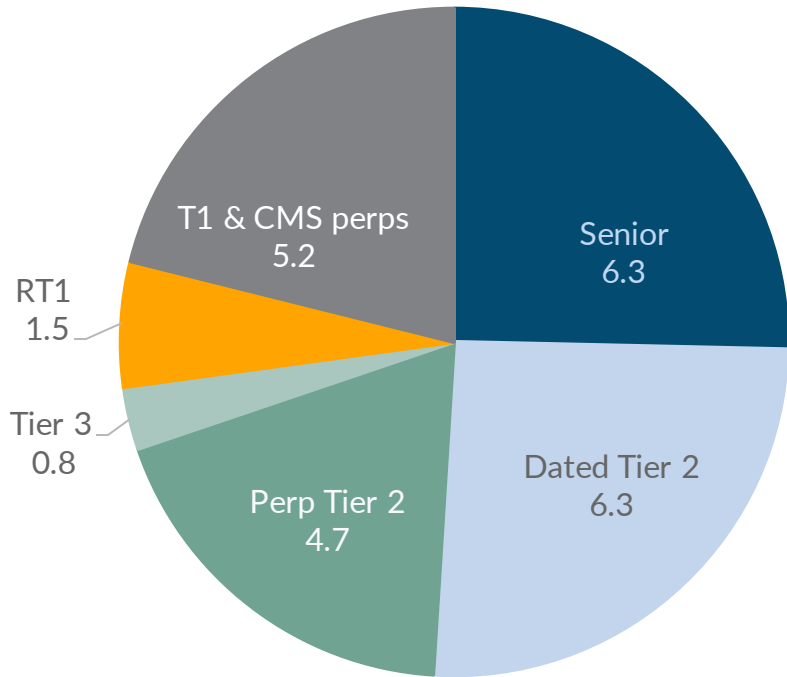


IG European Insurance: Excess Return Heatmap by Asset Class

	FY22	YTD23
EUR Senior	-0.59%	2.46%
GBP Senior	-1.68%	3.82%
EUR Tier 2	-2.26%	4.20%
GBP Tier 2	-1.20%	4.63%
EUR RT1	-3.76%	0.83%
GBP RT1	-6.08%	0.57%
EUR Tier 3	-2.09%	3.65%

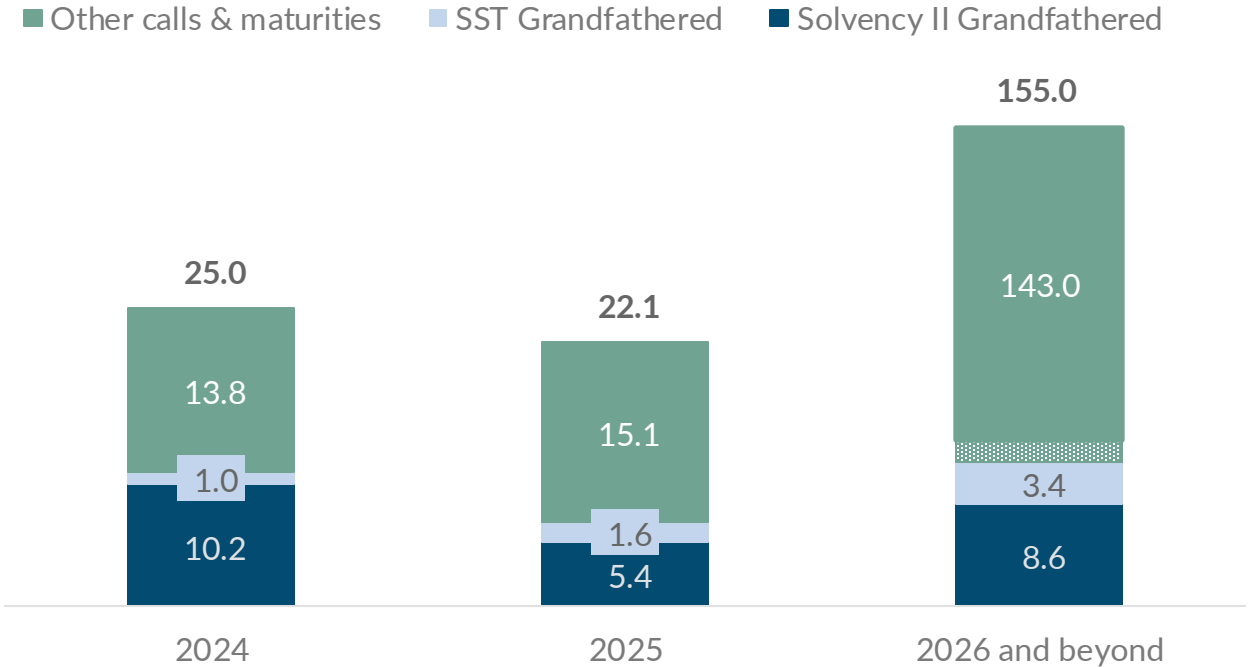
Relative Value: Primary Market Outlook

2024: 25bn Debt Maturing or Callable

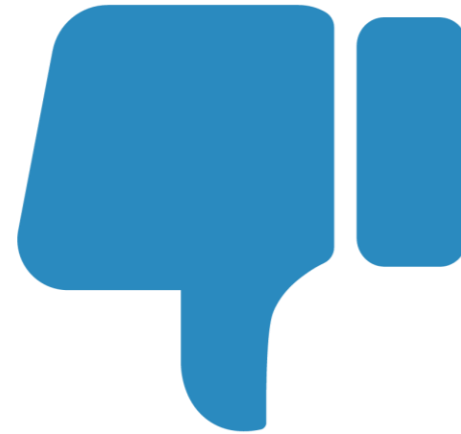


- 2024: €10 bn Solvency II grandfathered debt in our coverage
 - Of which €3 bn are extended bonds

2025 and Beyond: €14 bn Solvency II Grandfathered Bonds



Relative Value: Picks and Pans



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