

IAIS Global Insurance Market Report 2022 highlights key risks and trends facing the global insurance sector

- The 2022 Global Insurance Market Report (GIMAR) presents outcomes of the Global Monitoring Exercise (GME), the IAIS' framework for monitoring risks and trends in the global insurance sector and assessing the possible build-up of systemic risk.
- Systemic risk in the insurance sector on aggregate remains moderate. However, there is an upward trend in insurers' total systemic risk scores, in particular driven by increased exposures to illiquid, difficult-to-value assets, over-the-counter derivatives, short-term funding and intra-financial assets.
- Insurers' solvency and profitability positions improved in 2021, supported by strong performance of financial markets. Since 2022, geopolitical conflicts, inflation, tightening monetary policy and the deteriorating economic outlook have led to an increase in market, credit and liquidity risks.
- Key macroprudential themes identified this year for in-depth analysis were (1) lower macroeconomic outlook, high inflation and rising interest rates; (2) structural shifts in the life insurance sector, including the involvement of private equity; and (3) climate-related risks.

Basel, Switzerland – The International Association of Insurance Supervisors (IAIS) today published its 2022 Global Insurance Market Report (GIMAR), outlining the key outcomes of its 2022 Global Monitoring Exercise (GME). The GME builds on data collected from approximately 60 of the largest international insurance groups and aggregate sector-wide data from supervisors across the globe, covering over 90% of global written premiums.

“Through the GME, the IAIS monitors global insurance market trends and developments, detects the possible build-up of systemic risk and facilitates a collective discussion on the appropriate supervisory response at the sectoral and individual insurer level,” said Vicky Saporta, IAIS Executive Committee Chair. “Our analysis concludes that systemic risk in the insurance sector is moderate on aggregate and low relative to that of the banking sector, however insurers' total systemic risk scores are trending upward.”

The trend toward higher total systemic risk scores is driven by increased exposures to illiquid, difficult-to-value assets (level 3 assets), over-the-counter derivatives, short-term funding (in particular repurchase transactions) and intra-financial assets (including reinsurance). This contributes to potential vulnerabilities for the insurance sector, notably in the face of rapidly increasing interest rates.

The 2022 GME found that insurers' solvency and profitability positions improved on aggregate in the global insurance sector over the course of 2021, supported by strong performance in financial markets. The overall credit quality of insurers' assets is high; however, the exposure to below investment grade assets has increased. In terms of solvency measures, several insurers continued to buy back shares and/or redeem subordinated debt. Others issued capital and/or subordinated debt to strengthen capital and liquidity positions. Measures taken by insurers to preserve or improve profitability included optimising capital allocation and asset-liability management, realising gains on investments, digital transformation, diversifying product offerings and revenue sources, and optimising underwriting and pricing policies. Since 2022, several macroprudential factors have

created uncertainty, including geopolitical conflicts, inflation, tightening monetary policy and the deteriorating economic outlook leading to increased market, credit and liquidity risks.

The 2022 GME covers three sector-wide macroprudential themes identified as supervisory areas of priority:

- (1) **Lower macroeconomic outlook, high inflation and rising interest rates.** For life insurers, rising interest rates can have positive effects on solvency positions, but rapid increases in interest rates may also expose insurers to liquidity risks, such as those arising from margin calls on interest rate hedges or mass policy surrenders. For non-life insurers, higher inflation increases expenses and claims severity, in addition to revaluations of reserves. Globally, supervisors have increased their monitoring and surveillance of the risks to the insurance sector arising from the current environment, including credit risk and liquidity risk.
- (2) **Structural shifts in the life insurance sector, including the involvement of private equity firms.** Private equity firms engage in the insurance sector through investments, acquisitions, partnerships, reinsurance and other arrangements. In certain jurisdictions, insurers involved with private equity firms have been associated with higher exposure to activities such as cross-border reinsurance and asset allocation to complex and illiquid assets – noting that these activities are not new or exclusive to private equity-involved insurers.
- (3) **Climate-related risks.** The lack of progress in reducing global fossil fuel emissions is contributing to heightened transition and physical risks from climate change in the insurance sector. The IAIS supports supervisors to strengthen their understanding of the type and magnitude of climate-related exposures in the insurance sector in order to inform effective supervisory responses. Gaps in protection against climate-related risks are, in many cases, significant and supervisors anticipate that they will continue to increase, hence the role that supervisors can play in helping to address climate-related protection gaps will be an area of focus for the IAIS going forward.

The IAIS will continue to actively monitor these global insurance market risks and refine its systemic risk assessment, including through the regular triannual review of the GME that will be finalised in 2023. Early next year, the IAIS will also publish a deep-dive GIMAR special topic report on cyber risk.

Read the 2022 GIMAR [here](#).

About the IAIS

The IAIS is a global standard-setting body whose objectives are to promote effective and globally consistent supervision of the insurance industry to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders and to contribute to the maintenance of global financial stability. Its membership includes insurance supervisors from more than 200 jurisdictions. Learn more at www.iaisweb.org. Follow us on LinkedIn: [IAIS – International Association of Insurance Supervisors](#).

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