Insurers are important investors in sovereign and bank debt. Their holdings of lower-rated bonds have increased but vary significantly across countries. Insurers’ sensitivity to shocks differs and could be particularly problematic for insurers with lower solvency ratios. Sources: Arslanalp and Tsuda 2014, update; European Central Bank; European Insurance and Occupational Pension Authority (EIOPA); Haver Analytics; SNL Financial; and IMF staff estimates.

Note: Panel 1 uses EIOPA data for insurers’ holdings, Arslanalp and Tsuda (2014, update) for total sovereign debt, and European Central Bank data for bank bonds outstanding. Panel 2 includes non-euro area European countries and includes bottom-up estimates using data from SNL Financial on selected European life insurance companies between 2008 and 2014 and EIOPA in 2017 for European life and non-life insurance companies. Panel 3 includes financial and nonfinancial corporate bonds. Panel 4 uses data included in EIOPA’s Financial Stability Report, December 2018. In panels 5 and 6, shocks are applied to aggregate sector balance sheets of insurers as of 2018:Q2. The horizontal axis in panel 6 shows median solvency capital ratios for each country. See Online Annex 1.1 for a detailed explanation. Data labels in the figure use International Organization for Standardization (ISO) country codes.