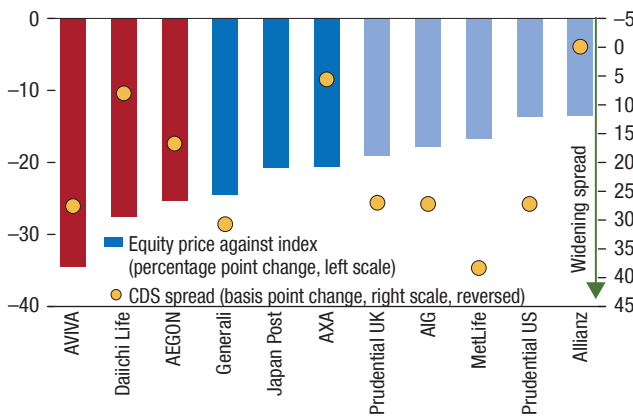


Figure 1.19. Low Interest Rates and Insurance Companies

Equity prices and CDS spreads show insurers under pressure ...

1. Equity Price Declines and CDS Spreads, 2016

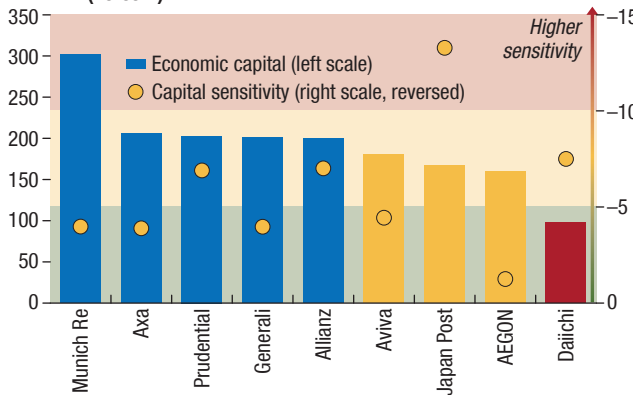


Source: Bloomberg L.P.

Note: Insurers are those designated global systemically important insurers (G-SIIs) by the Financial Stability Board in 2014 or 2015 plus two large Japanese insurers. Colors denote severity of the shortfall in equity prices. Red = decline of more than 25 percent; dark blue = decline of between 20 and 25 percent; light blue = decline up to 20 percent. The relative declines are calculated by comparing the decline in equity prices of an individual insurer with the indices of the Standard and Poor's 500, Euro Stoxx 50, and Nikkei 225. CDS = credit default swap.

Lower rates are taking a toll on the solvency of insurers ...

3. Impact of Rate Decline on Economic Capital Position of Selected Insurers (Percent)

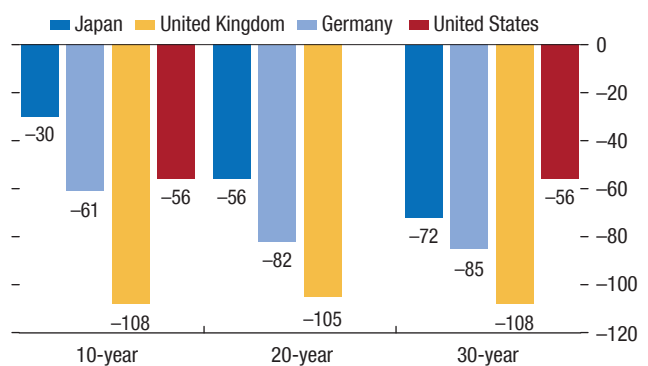


Sources: Company disclosures; and IMF staff estimates.

Note: Bars show the level of economic capital of selected groups; the Solvency II SCR coverage ratio is used for European groups and the Economic Solvency Ratio is used for Japanese groups. The color of the bars indicates the level of the solvency ratio: red, below 100 percent; yellow, below 200 percent; and blue, 200 percent and over. Dots show the sensitivity of economic capital under a risk-free rate that is 50 basis points lower; the Solvency II coverage ratio is used for European groups, and the Embedded Value is used for Japanese groups. For the companies that disclose a sensitivity of either a 100 basis point or 25 basis point change, the sensitivity has been adjusted by dividing or multiplying by 2, respectively. Light yellow and pink zones indicate that the sensitivity is higher than 5 and 10 percent, respectively. Data are as of December 2015 for European insurers and March 2016 for Japanese insurers.

... as long-term rates continue to plummet.

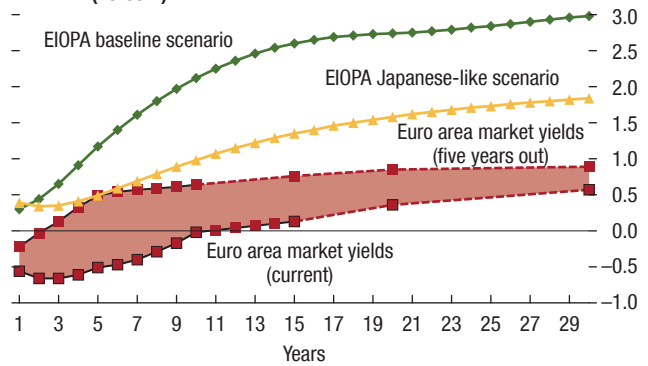
2. Changes in Long-Term Rates, 2016 (Basis points)



Source: Bloomberg L.P.

... with the outlook far more negative than previously thought.

4. EIOPA Stress Test Results for European Insurers (2014) and Evolution in Yield Curve (Percent)



Source: Bloomberg L.P.; and the European Insurance and Occupational Pension Authority (EIOPA).