

# Sector Report Summary

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GOBIERNO  
DE ESPAÑA

VICEPRESIDENCIA  
PRIMERA DEL GOBIERNO

MINISTERIO  
DE ASUNTOS ECONÓMICOS  
Y TRANSFORMACIÓN DIGITAL

SECRETARÍA DE ESTADO  
DE ECONOMÍA  
Y APOYO A LA EMPRESA

DIRECCIÓN GENERAL  
DE SEGUROS  
Y FONDOS DE PENSIONES



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The 2021 Insurance and Pension Funds Report analyses the key data of the insurance and private pensions market gleaned from the information which is mainly provided by the supervisory bodies. Along with this, a reference to the activities carried out by the Directorate-General for Insurance and Pension Funds (“DGSFP” in Spanish) in its capacity as supervisory authority is included. The report also includes a brief description of the regulatory framework as well as the international environment in which the insurance and supplementary pensions markets operate.

This summary provides details of the key figures for the industry and the most notable supervisory activities which the DGSFP (Directorate-General for Insurance and Pension Funds) undertook over 2021.

## I. Insurance activity

### I.I Administrative registry

At 31 December 2021 there were 212 firms registered in the Administrative Registry of Insurance Companies. The comparison of this figure with the 216 and 219 of the 2020 and 2019 financial years shows a continuation of the trend towards a concentration in the insurance market.

| Institutions  | Number     |
|---|------------|
| Institutions registered at 31/12/2020               | 216        |
| New institutions registered in 2021                 | 2          |
| Institutions de-registered in 2021                  | 6          |
| <b>Institutions registered at 31/12/2021</b>        | <b>212</b> |
| Institutions undergoing liquidation                 | 13         |
| <b>Total institutions operational at 31/12/2021</b> | <b>199</b> |

### Activity of Spanish firms in the EEA:

1. Right of Establishment: at 31 December 2021, there were 45 branches in Member States of the European Economic Area (EEA) corresponding to 14 Spanish insurers.
2. FPS: at 31 December 2021, there were 57 Spanish firms operating under the Freedom to Provide Services system.

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## Activity of European and third country firms:

1. Right of Establishment: at 31 December 2021, 66 branches of EEA firms and 2 branches of third country companies were on the registry.
2. FPS: at 31 December 2021, there were 796 EEA firms that were authorised to operate in Spain under the Freedom to Provide Services system.

## I.II Review of activity

### Overall figures of the insurance industry

The share of GDP which the insurance industry accounted for, at year-end 2021, was 5.2% returning to levels close to those reached in 2019, thanks to the GDP's recovery in 2021. This amounted to 1,202,994 million euros, or 7.2% more than in 2020 at current prices.

The figure of Gross Earned Premium rose by 3.1% in 2021 on the back of the gradual economic recovery at all levels, although business did not restore to 2019 levels.

The recovery was nevertheless uneven across all the various different lines of business. The Life insurance showed a significant growth in 2021, following its plunge of 2020, albeit without regaining the pre-pandemic levels. On the other hand, the Non-Life insurance took its turnover figure up to 38,333 million euros with a growth of 3.6% in 2021, meaning that it topped 2019 levels.

### Gross earned premium and change (industry total - life & non-life) (Million euros. Change in %)

|                                       | 2020             | 2021             |
|---------------------------------------|------------------|------------------|
| Industry total                        | 60,162           | 62,000           |
| Life line of business                 | 23,146           | 23,667           |
| Non-Life line of business             | 37,017           | 38,333           |
| <b>GDP at mkt prices*</b>             | <b>1,121,948</b> | <b>1,202,994</b> |
| Total Industry Change                 | -6.4%            | 3.1%             |
| <b>Ch. Life lines of business</b>     | <b>-15.8%</b>    | <b>2.3%</b>      |
| <b>Ch. Non-Life lines of business</b> | <b>0.7%</b>      | <b>3.6%</b>      |
| <b>Ch. in GDP at mkt prices</b>       | <b>-9.9%</b>     | <b>7.2%</b>      |

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Looking at the industry's structure, long-lasting low interest rates continued to hold life insurance back, to which must be added the impact of the inflation in the last few months of the year. In this context, the industry structure numbers continue to tilt in favour of Non-Life insurance (general insurance), which managed a market share of business as a whole of 61.8%.

|                           | 2020  | 2021  |
|---------------------------|-------|-------|
| Life line of business     | 38.5% | 38.2% |
| Non-Life line of business | 61.5% | 61.8% |

## Margin and returns

In 2021 the profit margin on premiums fell relatively in comparison to the previous year. This drop was due to the steady recovery of loss ratio levels in non-life lines of business combined with a rebound effect for the cumulative loss ratio of 2020 which was passed on to the opening months of 2021 for certain lines of business.

The same diminishing trend was observed with respect to the key ratios of return on equity (ROE) and return on assets (ROA):

### Margin, ROE and ROA

| Years | Profit/premium | ROE    | ROA   |
|-------|----------------|--------|-------|
| 2020  | 9.17%          | 12.03% | 1.59% |
| 2021  | 7.96%          | 10.33% | 1.42% |

## Solvency

- Solvency Capital Requirement (SCR) Coverage.

During the 2021 financial year, the solvency ratio for the Spanish insurance industry climbed to 240%. The improved industry-wide solvency ratio stemmed from trends in the solvency ratio for Life Insurance companies.

### SCR coverage

| Years | Available own funds to cover SCR | Eligible own funds to cover SCR | SCR    | Solvency ratio |
|-------|----------------------------------|---------------------------------|--------|----------------|
| 2021  | 62,094                           | 62,052                          | 25,865 | 240%           |
| 2020  | 59,107                           | 59,068                          | 25,138 | 235%           |



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The insurance industry's own funds increased significantly over the 2021 financial year. This increase wholly relates to Tier 1 own funds.

As regards the quality of own funds for the purpose of covering the SCR, the capital rated as tier 1 basic own funds (i.e. that of the highest quality) represents 99.4% of overall own funds.

## Minimum Capital Requirement (MCR) coverage

The MCR coverage ratio has also risen over the course of the year, reaching 667.1% at the end of 2021

### MCR coverage

| Years | Available own funds to cover MCR | Eligible own funds to cover MCR | MCR   | Solvency ratio |
|-------|----------------------------------|---------------------------------|-------|----------------|
| 2021  | 61,842                           | 61,701                          | 9,249 | 667.1%         |
| 2020  | 58,852                           | 58,718                          | 9,212 | 637.4%         |

## **Solvency balance sheet**

### • Assets

The value of total assets for the insurance industry at the end of 2021 subject to solvency valuation criteria was 364,669 million euros. There was a dip in assets for both Life and Non-Life companies in comparison to 2020.

### Total assets (million euros)

|                        | 2020    | 2021    |
|------------------------|---------|---------|
| Life                   | 269,725 | 265,528 |
| Non-Life               | 96,224  | 88,506  |
| Re-insurance companies | 9,764   | 10,635  |
| Total                  | 375,713 | 364,669 |

The most significant item among assets **was investments**. This accounted for 77.3% of total assets at year-end 2021 and dropped by 2.1% with respect to the close of the previous financial year.

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## Total Investments (million euros)

|                        | 2020    | 2021    |
|------------------------|---------|---------|
| Life                   | 238,199 | 237,534 |
| Non-Life               | 80,941  | 73,897  |
| Re-insurance companies | 6,579   | 7,167   |
| Total                  | 325,719 | 318,598 |

There was no observable significant change to the structure of the **industry's investment portfolio** over the 2021 financial year. Even so, there was a gentle dip in the share of government bonds in conjunction with an increase in investment in Collective Investment Undertakings.

The investment in government bonds by insurers was essentially domestic. Across the industry Spanish government bonds accounted for 40% of investments (including derivatives). Investment in non-domestic government bonds held at levels very much on a par with those of the previous year at the close of 2021.

## Government bonds by country (Percentages)

|            | 2020  | 2021 |
|------------|-------|------|
| Spain      | 42.8% | 40%  |
| Italy      | 6.1%  | 6.1% |
| France     | 0.7%  | 0.6% |
| Luxembourg | 0.1%  | 0%   |

The average **credit quality** at 31 December 2021 was CQS 2.31, which was a very similar value to that achieved at 31 December 2020.

Investments allocated to the Life and Non-Life sectors:

**The total portfolio of life firms** remains stable in its structure over the years. Within the portfolio, the investment in government bonds is very substantial, at 59.3% of the total. Over 2021, nevertheless, there was an increase in the weight of the investment in Collective Investment Undertakings together with a decline in the share of government bonds.

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The investment portfolio of Life insurers includes **investments allocated to unit linked products**, (policies where the holder assumes the investment risk), which at year-end 2021 accounted for 13.6% of total Life insurer investments and 10.1% of total industry-wide investments.

|   | 2020    | 2021    |
|---|---------|---------|
| Total unit linked investment                                      | 25,519  | 32,248  |
| Total Life investment   | 238,199 | 237,534 |
| Total industry investment   | 325,719 | 318,598 |
| Percentage of unit linked investment out of total Life investment | 10.7%   | 13.6%   |
| Percentage of unit linked investment out of total investment      | 7.8%    | 10.1%   |

Turning to the **composition of the investment portfolio of Non-Life insurers**, the share of government bonds is far less than in Life portfolios. On the other hand, these firms have higher investments in equities, Collective Investment Undertakings and property.

- Liabilities

The value of liabilities under Solvency II valuation criteria for the insurance industry was 299,812 million euros at the end of the fourth quarter of 2021. The largest item was **underwriting reserves**, which represent 81.9% of the total liabilities. This item went down by 10,545 million euros. The reserves of insurance policies where the holder takes on the investment risk continue the trend of gradually increasing their weight in the balance sheet shown in the previous financial years.

## Earnings

- Life line of business

Over 2021, Life premiums experienced a mild recovery in the wake of the heavy fall over the course of 2020.

The underwriting and financial performance, for 2021, was 0.2 percentage points better than the previous year. The improvement was due to a stronger financial income.

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| Years | Net underwriting result/<br>Mathematical provision | Net financial income<br>or loss/Mathematical<br>provision | Underwriting and<br>financial performance/<br>Mathematical provision |
|-------|--|---|--|
| 2021  | -2.6%  | 3.9%  | 1.2%   |
| 2020  | -2.6%  | 3.6%  | 1%   |

With respect to **business distribution**, the rise in earned premium from Life insurance over 2021 was highly disparate between traditional and unit-linked business. As a result of low interest rates Life, insurers continue to be drawn to marketing unit-linked products, which has meant that premiums from unit-linked policies have increased notably, whereas the rise for premiums earned from traditional business has been less considerable.

|   | 2020    | 2021    |
|---|---------|---------|
| Earned premium from traditional business        | 16,895  | 17,458  |
| Earned premium from unit-linked business        | 4,896   | 6,100   |
| Mathematical provision for traditional business | 173,187 | 168,160 |
| Unit-linked provisioning                        | 20,292  | 25,454  |
| Change in traditional business premiums         | -24.9%  | 3.3%    |
| Change in unit-linked premiums                  | -0.2%   | 24.6%   |
| Change in traditional business provisioning     | -1.2%   | -2.9%   |
| Change in unit-linked provisioning              | 10.9%   | 25.4%   |

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- Non-Life lines of business

Non-Life lines of business lines (general insurance) grew 2.86% in terms of gross earned premium, achieving a volume of 37,957 million euros, with notably good performances in lines such as Health, Credit, Funeral insurance and Multi-risk lines, among others, which were driven by the upturn in the economic activity in 2021. Auto insurance, however, barely managed to show growth in premium volume and remained at a standstill in 2021 without restoring the turnover accomplished in 2019.

If we look at the **share of gross earned premium for the various lines of business**, Health shone, continuing to develop apace and reaching 25.6% of the total Non-Life lines of business. With the largest share at 30%, Auto insurance has lost ground over the course of recent years. Accounting for 12.1%, Homeowners Multi-risk policies held steady with respect to 2020, while the Funeral insurance line of business achieved 6.8%.

**Analysing the key technical numbers**, overall the Non-Life lines of business still felt the effects of the improvements to the **combined ratio** that were observed in 2020. 2021 ended with a combined ratio figure of 88.9%, still at levels below pre-pandemic ratios.

| Years | Combined ratio |
|-------|----------------|
| 2021  | 88.88%         |
| 2020  | 87.64%         |
| 2019  | 90.50%         |

As for the other **key figures**, 2021 marked a return to loss rates similar to those of 2019, with an increase not only in frequency but also in unit costs, driven, among other reasons, by inflation with the resulting impairment of profitability.

#### Underwriting result, financial profit/loss and technical and financial performance (Percentage of net earned premium)

| Years | Net underwriting result/<br>net premium | Net financial income or<br>loss/net premium | Underwriting and<br>financial performance/<br>net premium |
|-------|---|---|---|
| 2021  | 7.37%                                   | 2.47%                                       | 9.84%   |
| 2020  | 9.72%                                   | 2.65%                                       | 12.37%  |

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## II. Insurance policy distribution

### II.I Administrative registry

At the end of 2021, there were 68,910 insurance brokers on the registry, compared to 67,921 in 2020. The table below shows the distribution of intermediaries by category:

| Insurance brokers |                 |       | Tied agents |      | Tied banc-<br>assurance<br>operators | Re-insurance<br>brokers |                 | Captive agents    |        | Captive<br>banc-<br>assurance<br>operators | Total<br>DGSFP<br>Registry |
|-------------------|-----------------|-------|-------------|------|--------------------------------------|-------------------------|-----------------|-------------------|--------|--|----------------------------|
| Natural<br>Person | Legal<br>Person | Total | N.P.        | L.P. | L.P.                                 | N.P.                    | Legal<br>Person | Natural<br>Person | L.P.   | L.P.                                       |                            |
| 1,014             | 2,641           | 3,655 | 79          | 182  | 39                                   | 0                       | 79              | 53,368            | 11,498 | 10   | 68,910                     |

### II.II Volume of premiums handled by distributors in 2020 (due to the specific periods for sending in figures to the DGSFP)

By each of the channels, both as regards the portfolio total and the new business, the bank channel produces the highest turnover for new business although, from the standpoint of total portfolio volume, the agent and broker channels predominate.

|  | PORTFOLIO     |            |               |            | NEW BUSINESS  |            |               |            |
|--|---------------|------------|---------------|------------|---------------|------------|---------------|------------|
|  | 2019          |            | 2020          |            | 2019          |            | 2020          |            |
|  | Premiums      | %          | Premiums      | %          | Premiums      | %          | Premiums      | %          |
| <b>Total</b>   | <b>61,803</b> | <b>100</b> | <b>56,523</b> | <b>100</b> | <b>23,676</b> | <b>100</b> | <b>18,718</b> | <b>100</b> |
| Insurance agents + Brokers                             | 27,648        | 44.74      | 26,543        | 46.96      | 8,554         | 36.13      | 6,848         | 36.58      |
| Banc-<br>assurance<br>operators<br>(captive +<br>tied) | 20,693        | 33.48      | 16,961        | 30.01      | 10,940        | 46.21      | 9,106         | 48.65      |

If we examine the percentage distribution for premiums, it is notable that the bank channel has a greater presence in Life business, whereas Life business is predominantly handled by captive agents and brokers.

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|   | PORTFOLIO     |            |               |            | NEW BUSINESS  |            |               |            |
|---|---------------|------------|---------------|------------|---------------|------------|---------------|------------|
|   | 2019          |            | 2020          |            | 2019          |            | 2020          |            |
|   | Premiums      | %          | Premiums      | %          | Premiums      | %          | Premiums      | %          |
| <b>Total</b>                              | <b>61,803</b> | <b>100</b> | <b>56,523</b> | <b>100</b> | <b>23,676</b> | <b>100</b> | <b>18,718</b> | <b>100</b> |
| Insurance agents + Brokers                | 27,648        | 44.74      | 26,543        | 46.96      | 8,554         | 36.13      | 6,848         | 36.58      |
| Banc-assurance operators (captive + tied) | 20,693        | 33.48      | 16,961        | 30.01      | 10,940        | 46.21      | 9,106         | 48.65      |

### III. Supplementary social insurance

#### III.I Administrative registry

The trends for registration of pension plans and funds, management companies and depository institutions in 2021 are shown in the table below, where the reference to the previous year is included:

#### Number of plans and funds as well as management companies and depository institutions

|                         | 31/12/2020 | 31/12/2021 | Absolute | Solvency ratio |
|-------------------------|------------|------------|----------|----------------|
| Pension plans           | 2,527      | 2,415      | -112     | -4.43          |
| Pension funds           | 1,438      | 1,409      | -29      | -2.01          |
| Management companies    | 71         | 69         | -2       | -2.82          |
| Depository institutions | 35         | 34         | -1       | -2.86          |

In 2021 there was a sharp drop in the number of plans on the register in absolute figures as these plunged by 112, while they had fallen by 20 the previous year. Pension funds diminished by a figure very much akin to that suffered in 2020, while management companies and depository institutions did not see major changes in the number of operators in the market.

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## III.II. Breakdown of activity for supplementary social insurance systems

The following tables show some of the key figures for the various different social insurance systems over 2021, with their comparable values for the previous year.

### Key figures for corporate social insurance systems (second pillar)

|  | Occupational Pension Schemes | 31/12/2021 | Absolute | Solvency ratio |
|--|------------------------------|------------|----------|----------------|
| Participating recipient/insured accounts                           | 2,038,340                    | 8,916,164  | 81,076   | 11,035,580     |
| Contributions/Premiums (million euros)                             | 1,250                        | 2,318      | 106      | 3,674          |
| Benefits, including exceptional cases of liquidity (million euros) | 1,438                        | 2,422      | 14       | 3,874          |
| Savings under management (million euros)                           | 38,027                       | 25,894     | 656      | 64,577         |
| Average savings (in euros)   | 18,656                       | 2,904      | 8,091    | 5,852          |

For the purposes of this report, it should be noted that the figures for group insurance include policies arranged with corporate social insurance mutual companies. This item embraces those mutual companies where three requirements are met:

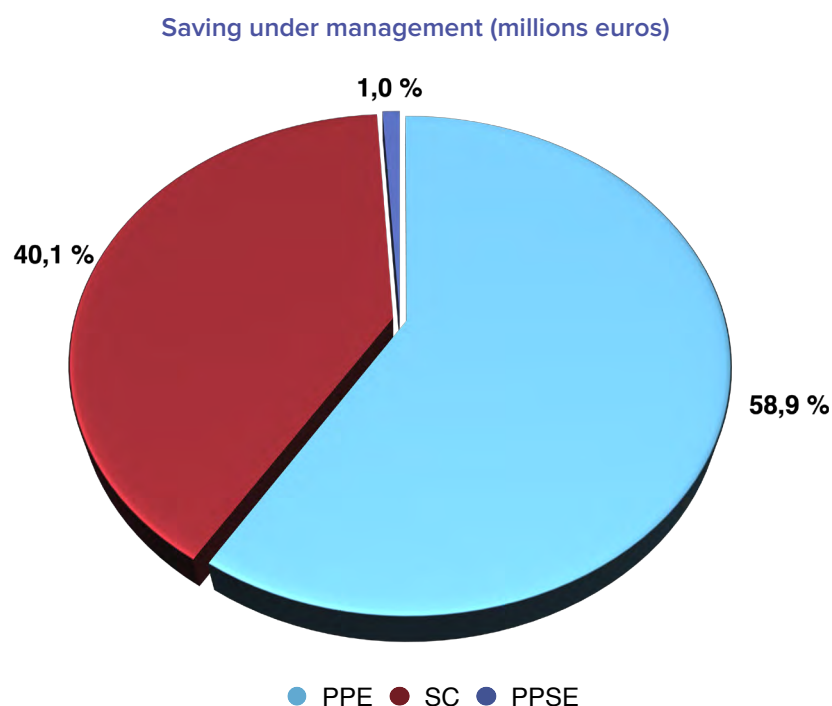
- all their members are employees
- their guardians or sponsors are the companies, institutions or individual owners of enterprises where they provide their services
- the benefits granted are solely due to agreements on welfare arrangements between the latter and the former

The following chart depicts the weight that the various different systems had in the savings under management via the Pillar 2 in 2021.

Occupational pension plans are the system most used by enterprises to outsource pension commitments assumed with their employees (58.9%), followed by group insurance policies (40.1%).



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The table below offers a comparative analysis of the key figures for Pillar 2 systems against 2020:

|  | 2021       | 2020       | Absolute change | Change (%) |
|--|------------|------------|-----------------|------------|
| Participating recipient/<br>insured accounts                             | 11,035,580 | 10,944,547 | 91,033          | 0.83%      |
| Contributions/Premiums<br>(million euros)                                | 3,674      | 3,159      | 515             | 16.30%     |
| Benefits, including<br>exceptional cases of liquidity<br>(million euros) | 3,874      | 3,726      | 148             | 3.97%      |
| Savings under management<br>(million euros)                              | 64,577     | 62,656     | 1,921           | 3.07%      |
| Average savings (in euros)   | 5,852      | 5,724      | 128             | 2.24%      |

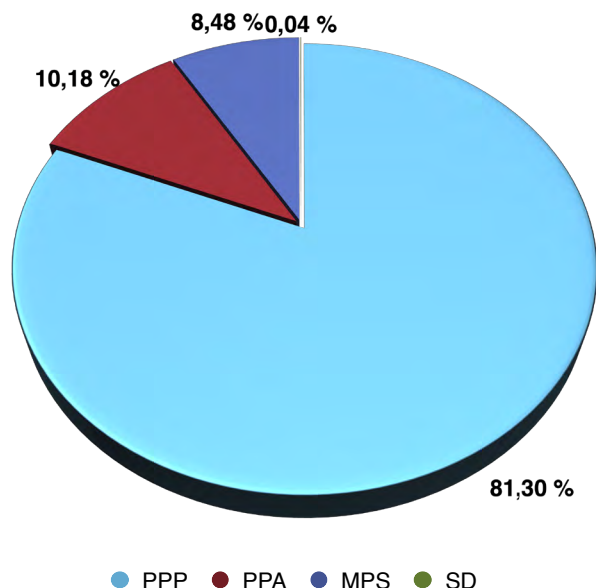
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## Key figures for private social insurance systems (Pillar 3)

|  | Private Pension Plan | Insured/ Guaranteed Pension Plan | Social Insurance Mutual Company | Long-Term Care Insurance | TOTAL     |
|--|----------------------|----------------------------------|---------------------------------|--------------------------|-----------|
| Participating recipient/ insured accounts                          | 7,350,437            | 767,231                          | 292,079                         | 183,080                  | 8,592,827 |
| Contributions/ Premiums (million euros)                            | 2,161                | 483                              | 527                             | 14                       | 3,185     |
| Benefits, including exceptional cases of liquidity (million euros) | 2,468                | 620                              | 324                             | 1                        | 3,413     |
| Savings under management (million euros)                           | 88,512               | 11,084                           | 9,227                           | 41                       | 108,864   |
| Average savings (in euros)   | 12,042               | 14,447                           | 31,592                          | 222                      | 12,669    |

The following chart depicts the weight that the various different systems had in the savings under management via the Pillar 3 in 2021.

### Saving under management (millions euros)



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Private Pension Plans are the most used system to manage voluntary savings included within Pillar 3 (81.3%). The other systems have a lower volume, with 10.2% for Insured/ Guaranteed Pension Plans, 8.5% for Social Insurance Mutual Companies and just 0.04% for Long-Term Care Insurance.

The table below offers a comparative analysis of the key figures against 2020:

|  | 2021       | 2020      | Absolute change | Change (%) |
|--|------------|-----------|-----------------|------------|
| Participating recipient/ insured accounts                          | 8,592,827  | 8,650,337 | -57,510         | -0.66%     |
| Contributions/Premiums (million euros)                             | 3,184.75   | 5,099     | -1,914.25       | -37.54%    |
| Benefits, including exceptional cases of liquidity (million euros) | 3,412.85   | 3,578     | -165.15         | -4.62%     |
| Savings under management (million euros)                           | 108,863.88 | 101,974   | 6,889.88        | 6.76%      |
| Consolidated average entitlement                                   | 12,669.16  | 11,788    | 881.16          | 7.48%      |

## Assets of Pension Funds

Pension plans of whatever kind must necessarily be integrated within a pension fund. All the financial contributions of the sponsors and holders in the plan must immediately and necessarily join the plan's position account in the pension fund, which shall be charged against to satisfy performance of the benefits arising from implementation of the plan.

The assets of the 1,097 active pensions funds amounted to an overall figure of 126,903 million euros as of 31 December 2021.

The table below features the situation of the various items in which the investments of the pension funds materialise both in 2021 and the previous year, without taking into account those items among assets that represent a special characteristic peculiar to pension plans, such as funds set up pending transfer or reimbursement claims deriving from insurance contracts that are the responsibility of insurers.

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|   | 2020         |                        |              | 2021         |                        |              |
|---|--------------|------------------------|--------------|--------------|------------------------|--------------|
|   | No. of Funds | Amount (million euros) | % of total * | No. of Funds | Amount (million euros) | % of total * |
| <b>PROPERTY INVESTMENTS</b>                     | <b>10</b>    | <b>152.51</b>          | <b>0.14</b>  | <b>10</b>    | <b>151.64</b>          | <b>0.13</b>  |
| <b>FINANCIAL INVESTMENTS</b>                    | <b>1,052</b> | <b>98,665.53</b>       | <b>91.11</b> | <b>1,097</b> | <b>105,875.54</b>      | <b>90.83</b> |
| Equity instruments                              | 805          | 48,600.57              | 44.88        | 789          | 58,477.12              | 50.17        |
| Debt securities                                 | 887          | 48,656.23              | 44.93        | 818          | 46,550.25              | 39.94        |
| Mortgage loans                                  | 2            | 0.26                   | 0.00         | 0            | 0                      | 0.00         |
| Loans to holders                                | 14           | 0.36                   | 0.00         | 11           | 0.27                   | 0.00         |
| Other loans                                     | 24           | 6.07                   | 0.01         | 40           | 6.06                   | 0.01         |
| Deposits and guarantees made                    | 528          | 855.64                 | 0.79         | 547          | 707.14                 | 0.61         |
| Deposits at banks and other credit institutions | 30           | 77.70                  | 0.07         | 26           | 85.95                  | 0.07         |
| Other financial investments**                   | 26           | 468.69                 | 0.43         | 23           | 48.75                  | 0.04         |
| <b>CASH ON HAND AND AT BANKS</b>                | <b>1,104</b> | <b>9,472.05</b>        | <b>8.75</b>  | <b>1,043</b> | <b>10,537.05</b>       | <b>9.04</b>  |
| Demand and savings accounts                     | 1,104        | 7,224.09               | 6.67         | 1,043        | 7,688.77               | 6.60         |
| Money Market Assets                             | 254          | 2,247.97               | 2.08         | 233          | 2,848.28               | 2.44         |
| <b>TOTAL INVESTMENTS + CASH ASSETS</b>          | <b>1,120</b> | <b>108,290.10</b>      | <b>100</b>   | <b>1,097</b> | <b>116,564.23</b>      | <b>100</b>   |

\*Percentage of TOTAL INVESTMENTS+CASH ASSETS

\*\* Among other items, the "Other financial investments" caption includes the premium paid in the case of share purchases

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## IV. Supervisory activity of the DGSFP

In 2021 supervisory developments continued to move towards a prospective focus based on risks assumed in line with the European solvency regulations.

The DGSFP is working in partnership with the International Association of Insurance Supervisors (IAIS) on the Global Monitoring Exercise (GME) project. This is a project to gather data on the internationally active groups which enables assessment of insurance market trends and developments, as well as any potential build-up of systemic risk in the insurance industry worldwide. The DGSFP is also collaborating on developing the Insurance Capital Standard (ICS) for these groups aimed at providing a risk-based measurement to enable comparison of the capital adequacy of the groups.

By means of **supervising pension plans and funds** work is being performed to monitor both the functioning of management companies from an operational standpoint and analysis of the investments by the pension funds which they manage as well as the financial balance of the pension plans that are part of them, with particular attention being given to defined benefit pension plans. At the same time, the adequacy of the system's market conduct and practices is subject to review.

On the other hand, **supervising market conduct** is one of the mainstays for protecting customers of financial services and represents one of the fundamental areas of action for the insurance supervisor. The aim is to safeguard the transparency and orderly working of the insurance market.

Furthermore, in coordination with the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences (SEPBLAC for the Spanish), the DGSFP carries out **inspections of systems to combat money-laundering and prevent the financing of terrorism** and assesses the control procedures which insurers, pension fund managers and insurance brokerages have implemented to evaluate to what extent they are in harmony with the regulations and how effectively they function.

To meet these objectives, during 2021, 146 supervisory procedures were completed, including those involving inspection work, financial oversight and requests for information. These supervisory procedures may be itemised as follows:

| Breakdown of finalised supervisory procedures (*) | 2020      | 2021       |
|---|-----------|------------|
| Insurers  | 27        | 99         |
| Distributors                                      | 7         | 3          |
| Money-laundering                                  | 2         | 1          |
| Pension plans and funds                           | 33        | 43         |
| <b>TOTAL</b>                                      | <b>69</b> | <b>146</b> |

# Sector Report Summary

Trends for supervisory actions carried out in the past two years were as follows:

| Supervisory action                       | 2020      | 2021       |
|--|-----------|------------|
| Supervisory procedures                   | 69        | 146        |
| Internal modelling analysis              | 4         | 11         |
| Group oversight via supervisory colleges | 20        | 22         |
| <b>Total number of check-ups</b>         | <b>93</b> | <b>179</b> |

Composition by type of action:

| Type of action                   | 2020      | 2021       |
|----------------------------------|-----------|------------|
| Inspection procedures            | 19        | 17         |
| Financial supervision procedures | 14        | 41         |
| Requests for information         | 36        | 88         |
| <b>TOTAL number of check-ups</b> | <b>69</b> | <b>146</b> |

If the **situations described in the standard as representative of financial impairment** or possibly leading to taking special control measures come true, the corresponding procedure shall be triggered, which may be the one laid down in case of failure to comply with the Solvency Capital Requirement or the Minimum Capital Requirement, or actually involving taking special control measures.

- At 31 December 2021, three special control measure files remained open.
- In the course of 2021, two files for failure to comply with the SCR/MCR were opened, while another two that were opened the previous year were closed.

With respect to the DGSFP **exercising its authority to impose sanctions**, it should be noted that it began 28 disciplinary proceedings over 2021, while a total of 42 such proceedings were closed.

# Sector Report Summary

Finally, in 2021, 10 authorization files of solvency procedures were resolved, which may be broken down thus:

| Settled authorising measures   | 2021      |
|--|-----------|
| Authorisation to use full or partial internal modelling for an individual entity or group, as well as to alter it. | 2         |
| Authorisation to use specific parameters   | 2         |
| Authorisation for transitory measure use with respect to underwriting reserves.                                    | 2         |
| Authorisation for supplementary own funds  | 2         |
| Authorisation for reimbursement or redemption of subordinated debt   | 2         |
| <b>TOTAL</b>   | <b>10</b> |