

Sector Report Summary

20
22



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 2022 Insurance and Pension Funds Report sets out to analyse the key data on the insurance and private pensions market gleaned from the information which the supervisory bodies mainly provide. Along with this, we include mention of the activities which the Directorate-General for Insurance and Pension Funds (“DGSFP” for the Spanish) performs in its capacity supervisory authority. The report also includes examination of the regulatory framework as well as the international environment in which the insurance and supplementary as 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 2022.

I. Insurance activity

I.I Administrative registry

At 31 December 2022, there were 211 firms on the Administrative Registry of Insurance Companies. This compares with like figures of 213 and 216 respectively for the 2021 and 2020 financial years, which speaks to a continuation of the trend towards concentration.

Institutions	Number
Institutions registered as at 31/12/2021	213
Institutions registering in 2022	1
Institutions de-registered in 2022	3
Institutions registered as at 31/12/2022	211
Institutions undergoing liquidation	16
Total institutions operational as at 31/12/2022	195

Activity of Spanish firms in the EEA:

1. Right of Establishment: at 31 December 2022, there were 39 branches in Member States of the European Economic Area (EEA) corresponding to 13 Spanish insurers.
2. FPS: at 31 December 2022, there were 59 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 2022, some 65 branches of EEA firms and 2 branches of third country companies were on the registry.
2. FPS: at 31 December 2022, 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 for the insurance industry

The insurance industry's share of GDP at year-end 2022 dipped slightly over the year, from 5.1% at year-end 2021 down to 4.9% at the close of 2022. GDP was 1,327,108 million euros, or 10% more than in 2021 at current prices.

The figure for Gross Earned Premium rose by 4.6% in 2022 on the back of the gradual economic recovery on all levels. The recovery was nevertheless uneven across all the various different lines of business. Life insurance saw significant growth in 2022, albeit without regaining pre-pandemic levels. On the other hand, Non-Life took its turnover figure up to 40,486 million euros with growth of 5.6% in 2022.

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

	2021	2022
Industry total	62,004	64,861
Life line of business	23,667	24,375
Non-Life line of business	38,337	40,486
GDP at mkt prices*	1,206,842	1,327,108
Total Change	3.1%	4.6%
Ch. Life business lines	2.3%	3.0%
Ch. Non-Life business lines	3.6%	5.6%
Ch. in GDP at mkt prices	7.9%	10.0%

*Source: INE (National Statistical Institute)

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 inflation. The industry structure

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numbers continue to tilt in favour of Non-Life insurance (general insurance), which managed a market share of business as a whole of 62.4%.

	2021	2022
Life line of business	38.2%	37.6%
Non-Life line of business	61.8%	62.4%

Margin and returns

In 2022 the profit margin on premiums and return on assets (ROA) increased slightly over the previous year. However, the largest rise was in return on equity (ROE).

Margin, ROE and ROA

Years	Profit/premium	ROE	ROA
2021	8.0%	10.3%	1.4%
2022	8.3%	12.2%	1.7%

Solvency

- Solvency Capital Requirement (SCR) Coverage.

During the 2022 financial year, the solvency ratio for the Spanish insurance industry dropped from 240% to 232%. The main reason for this was the impact of declines in the value of the industry's fixed-income investments on valuations of own funds produced by rising interest rates.

SCR coverage

Years	Available own funds to cover SCR	Eligible own funds to cover SCR	SCR	Solvency ratio
2022	55,899	55,816	24,077	232%
2021	62,099	62,057	25,864	240%

The insurance industry's own funds fell over the 2022 financial year. This reduction wholly relates to Tier 1 own funds, which represent 99.1% of overall own funds.

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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 fell over the course of financial 2022, reaching 641.1% at year-end.

MCR coverage

Years	Available own funds to cover MCR	Eligible own funds to cover MCR	MCR	Solvency ratio
2022	55,551	55,398	8,640	641.1%
2021	61,847	61,706	9,251	667.0%

Solvency balance sheet

- Assets

The value of total assets for the insurance industry at year-end 2022 subject to solvency valuation criteria was 317,537 million euros. There was a dip in assets for both Life and Non-Life companies relative to 2021.

Total assets (million euros)

	2021	2022
Life	265,504	224,263
Non-Life	88,570	81,483
Re-insurance companies	10,635	11,791
Total	364,710	317,537

The most significant item among assets was **investments**. This accounted for 75.3% of total assets at year-end 2022 and dropped with respect to the close of the previous financial year as a result of the new interest rate situation.

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Total Investments (million euros)

	2021	2022
Life	237,527	198,455
Non-Life	73,930	66,091
Re-insurance companies	7,167	7,626
Total	318,625	272,172

There was no observable significant change to the structure of the **industry's investment portfolio** over the 2022 financial year. Even so, there was a gentle dip in the share of government bonds in conjunction with an increase in corporate debt.

The investment in government bonds by insurers was essentially domestic. Across the industry Spanish government bonds accounted for 36.9% of total investments (including derivatives).

Government bonds by country
(Percentages)

	2021	2022
Spain	40.0%	36.9%
Italy	6.1%	6.0%
France	0.6%	1.1%
Germany	0.4%	0.9%

The average **credit quality** at 31 December 2022 was CQS 2.27, which was a very similar value to that achieved at 31 December 2021.

- Investments allocated to the Life and Non-Life sectors:

The total portfolio for life firms remains stable in structure over the years. Within the portfolio investment in government bonds is very substantial, at 58.2% of the total. Over 2022 there was nevertheless an increase in the weight of investment in corporate debt and in Collective Investment Undertakings and a slight decline in the share for 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 2022 accounted for 15.7% of total Life insurer investments and 11.5% of total industry-wide investments.

	2021	2022
Total unit linked investment	32,248	31,207
Total Life investment	237,527	198,455
Total industry investment	318,625	272,172
Percentage of unit linked investment out of total Life investment	13.6%	15.7%
Percentage of unit linked investment out of total investment	10.1%	11.5%

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 investment in equities, Collective Investment Undertakings and property.

- Liabilities

At the end of the fourth quarter of 2022, the value of liabilities under Solvency II valuation criteria for the insurance industry was 259,055 million euros. The largest item was **underwriting reserves**, which represent 80.9% of total liabilities. This was down by 35,999 million euros. Technical provisions for insurance lines where liability for interest rate risk on investments does not fall on the policyholder decreased in 2022 as a result of the trend in interest rates.

Earnings

- Life line of business

Over 2022, Life premiums experienced an increase of nearly 3%.

The underwriting and financial performance for 2022 rose 0.4 percentage points regarding the previous year. The improvement was due to stronger underwriting income.

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Years	Net underwriting result/ Mathematical provision	Net financial income or loss/Mathematical provision	Underwriting and financial performance/ Mathematical provision
2022	-0.5%	2.0%	1.6%
2021	-2.6%	3.9%	1.2%

With respect to **business distribution**, the rise in earned premium from Life insurance over 2022 was highly disparate between traditional and unit-linked business. Rising interest rates enabled insurers to offer better terms for their life insurance products, resulting in a 6.6% increase in gross earned premiums from traditional life insurance lines. By contrast, gross earned premiums from policies where the policyholder is liable for investment risk dropped by 6.4% in 2022.

	2021	2022
Earned premium from traditional business	17,458	18,618
Earned premium from unit-linked business	6,100	5,711
Mathematical provision for traditional business	168,160	165,674
Unit-linked provisioning	25,454	25,282
Change in traditional business premiums	3.3%	6.6%
Change in unit-linked premiums	24.6%	-6.4%
Change in traditional business provisioning	-2.9%	-1.5%
Change in unit-linked provisioning	25.4%	-0.7%

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- Non-Life lines of business

Non-Life lines of business (general insurance) grew 4.3% in terms of gross earned premium, achieving a volume of 39,589 million euros.

Chief among these was the health insurance line, which experienced continued growth to a 26.2% share. Car insurance accounted for 28.7% of business but has been losing ground in recent years. The multi-risk homeowners insurance and funeral plan lines held steady compared to the previous year at 12.2% and 6.6%, respectively.

Analysing the key technical numbers, overall, the Non-Life lines of business, figures are back to the levels prior to the pandemic. 2022 ended with a combined ratio figure of 90.5%, returning to the levels prior to the pandemic.

Years	Combined ratio
2022	90.48%
2021	88.87%
2020	87.64%

As for the other **key figures**, 2022 consolidates the return to loss rates similar to those of 2019 and there is an increase in frequency and unit costs driven by inflation, with the impairment of combined ratios and profitability in some lines of business.

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

Years	Net underwriting result/ net premium	Net financial income or loss/net premium	Underwriting and financial performance/ net premium
2022	6.49%	2.49%	8.98%
2021	7.37%	2.47%	9.84%

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II. Insurance policy distribution

II.I Administrative registry

At 31/12/2022 there were 62,174 insurance brokers on the registry, compared to 68,910 in 2021. The table below shows the distribution of distributors by category:

Insurance brokers			Tied agents		Tied banc-assurance operators	Re-insurance brokers		Captive agents		Captive banc-assurance operators	Total DGSFP Registry
Natural Person	Legal Person	Total	N.P.	L.P.	L.P.	N.P.	Legal Person	Natural Person	L.P.	L.P.	
1,014	2,696	3,710	81	221	37	0	78	46,645	11,394	8	62,174

II.II volume of premiums handled by distributors in 2021 (due to the specific periods for sending in figures to the DGSFP)

By each of the channels, both as regards the portfolio total and 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			
	2020		2021		2020		2021	
	Premiums	%	Premiums	%	Premiums	%	Premiums	%
Total	56,523	100	58,301	100	18,718	100	19,815	100
Insurance agents + Brokers	26,543	46.96	26,980	46.28	6,848	36.58	7,133	35.99
Banc-assurance operators (captive + tied)	16,961	30.01	16,940	29.06	9,106	48.65	8,206	41.41

If we examine the bank channel, it has a greater presence in Life business, whereas Non Life business is predominantly handled by captive agents and brokers.

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III. Supplementary social insurance

III.I Administrative registry

The trends for registration of pension plans and funds, management companies and depository institutions in 2022 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

	31/12/2021	31/12/2022	Absolute change	Change (%)
Pension plans	2,437	2,356	-81	-3.32
Pension funds	1,442	1,301	-141	-9.78
Management companies	70	67	-3	-4.29
Depository institutions	33	34	+1	+3.03

In 2022, the number of plans on the register in absolute figures dropped again, with a decrease of 81 compared to 112 in the previous year. Pension funds diminished by a much higher figure than that suffered in 2021, 141 in 2022 compared to 29 in 2021. 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 2022, with their comparable values for the previous year.

Key figures for corporate social insurance systems (second pillar)

	Occupational Pension Schemes	Group Insurance	Corporate Social Insurance Plans	TOTAL
Participating recipient/insured accounts	2,053,054	8,881,420	90,980	11,025,454
Contributions/Premiums (million euros)	1,170	1,689	117	2,976
Benefits, including exceptional cases of liquidity (million euros)	1,427	2,066	7	3,500
Savings under management (million euros)	34,764	25,235	734	60,733
Average savings (in euros)	16,933	2,841	8,067	5,508

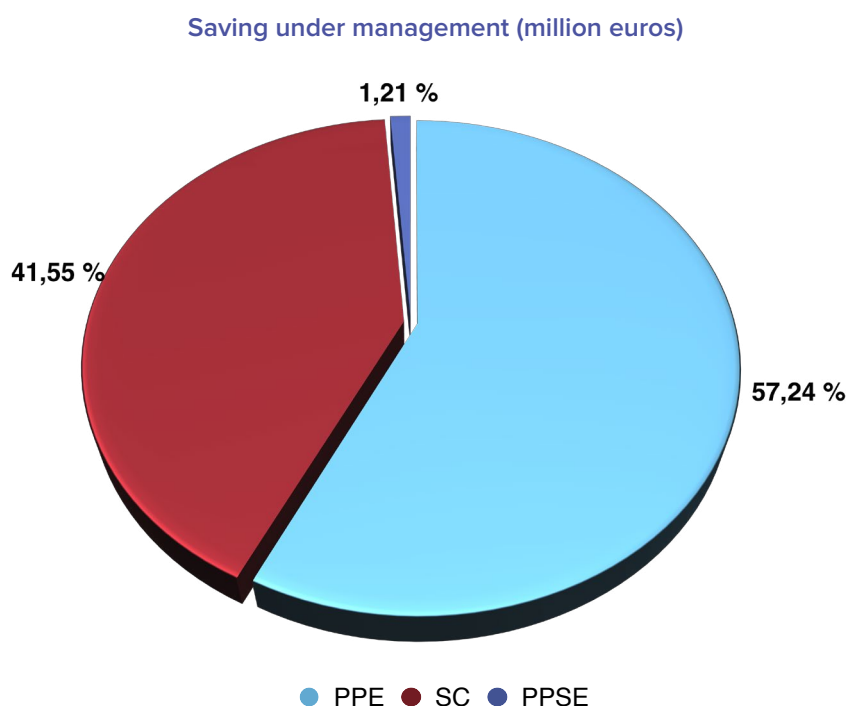
For the purposes of this report, it should be noted that the figures for group insurance include those for policies arranged with corporate social insurance mutual companies. This item embraces those mutual companies where three requirements are met:

- 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 by reason of agreements on welfare arrangements between the latter and the former.

The following chart depicts the weight which the various different systems had in savings under management via the Pillar 2 in 2022.

Occupational pension plans are the system most used by enterprises to outsource pension commitments assumed with their employees (57.2%), followed by group insurance policies (41.6%).

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The table below offers a comparative analysis of the key figures for Pillar 2 systems against 2021:

	2022	2021	Absolute change	Change (%)
Participating recipient/ insured accounts	11,025,454	11,035,580	-10,126	-0.09%
Contributions/Premiums (million euros)	2,976	3,674	-698	-19.00%
Benefits, including exceptional cases of liquidity (million euros)	3,500	3,874	-374	-9.65%
Savings under management (million euros)	60,733	64,577	-3,844	-5.95%
Average savings (in euros)	5,508	5,852	-344	-5.88%

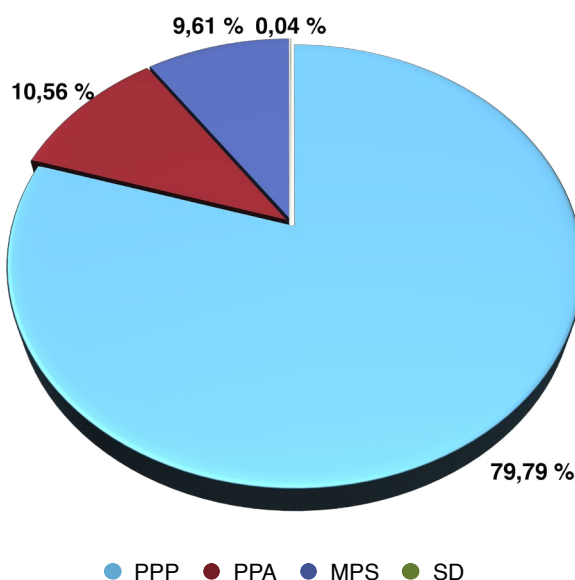
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Key figures for private social insurance systems (Pillar 3)

	Private Pension Plan	Insured/ Guaranteed Pension Plan	Social Insurance Mutual Company	Long-Term Care Insurance	TOTAL
Participating recipient/ insured accounts	7,285,894	861,405	289,402	163,752	8,600,453
Contributions/ Premiums (million euros)	1,698	642	534	12	2,886
Benefits, including exceptional cases of liquidity (million euros)	2,402	427	318	2	3,149
Savings under management (million euros)	79,427	10,518	9,572	44	99,561
Average savings (in euros)	10,901	12,210	33,075	269	11,576

The following chart depicts the weight which the various different systems had in savings under management via the Pillar 3 in 2022.

Saving under management (million euros)



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Private Pension Plans are the most used system to manage voluntary savings included within Pillar 3 (79.8%). The other systems have a lower volume, with 10.6% for Insured/Guaranteed Pension Plans, 9.6% 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 2021:

	2022	2021	Absolute change	Change (%)
Participating recipient/insured accounts	8,600,453	8,592,827	7,626	0.09%
Contributions/Premiums (million euros)	2,886	3,185	-299	-10.35%
Benefits, including exceptional cases of liquidity (million euros)	3,149	3,413	-264	-8.38%
Savings under management (million euros)	99,561	108,864	-9,303	-9.34%
Consolidated average entitlement	11,576	12,669	-1,093	-9.44%

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 which the 1,036 active pensions attained as of 31 December 2022 amounted to an overall figure of 114,724 million euros.

The table below features the situation both in 2022 and the previous year for the various items in which the investments of the pension funds materialise, 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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	2021			2022		
	No. of Funds	Amount (million euros)	% of total *	No. of Funds	Amount (million euros)	% of total *
PROPERTY INVESTMENTS	10	151.64	0.13	9	156.73	0.15
FINANCIAL INVESTMENTS	1,097	105,875.54	90.83	1,036	95,937.15	92.65
Equity instruments	789	58,477.12	50.17	794	49,166.24	47.48
Debt securities	818	46,550.25	39.94	784	45,829.50	44.26
Mortgage loans	0	0	0.00	0	0	0.00
Loans to holders	11	0.27	0.00	11	0.26	0.00
Other loans	40	6.06	0.01	33	2.55	0.00
Deposits and guarantees made	547	707.14	0.61	505	725.55	0.70
Deposits at banks and other credit institutions	26	85.95	0.07	12	34.16	0.03
Other financial investments**	23	48.75	0.04	23	178.89	0.17
CASH ON HAND AND AT BANKS	1,043	10,537.05	9.04	1,002	7,459.19	7.20
Demand and savings accounts	1,043	7,688.77	6.60	999	5,889.86	5.69
Money Market Assets	233	2,848.28	2.44	162	1,569.33	1.51
TOTAL INVESTMENTS + CASH ASSETS	1,097	116,564.23	100	1,036	103,553.07	100.00

*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 2022 supervisory developments continued to move towards a prospective focus based on risks assumed in line with the European solvency regulations.

In addition, the outbreak of war in Ukraine and the assorted repercussions ensuing from it had to be specifically addressed in the early months of the conflict. This resulted in a rapid assessment of the problems that might arise for the sector. The approaches adopted for a range of supervisory measures in 2022 were further impacted by trends in two of the most important economic indicators, inflation and interest rates.

The DGSFP continues to work in partnership with the International Association of Insurance Supervisors (IAIS) on the Global Monitoring Exercise (GME) project, as well as on the development of the Insurance Capital Standard (ICS) aimed at providing a risk-based measurement to enable comparison of groups' capital adequacy.

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 2022 some 133 supervisory procedures were completed, including those involving inspection work, financial oversight and requests for information. These may be itemised as follows:

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Breakdown of finalised supervisory procedures (*)	2021	2022
Insurers	99	113
Distributors	3	2
Money-laundering	1	3
Pension plans and funds	17	15
TOTAL	120	133

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

Supervisory action	2021	2022
Supervisory procedures	120	133
Internal modelling analysis	11	7
Group oversight via supervisory colleges	22	23
TOTAL number of check-ups	153	163

Composition by type of action:

Type of action	2021	2022
Inspection procedures	17	22
Financial supervision procedures	41	28
Requests for information (*)	62	83
TOTAL number of check-ups	120	133

If the **situations described in the standard as representative of financial impairment** or which might lead to taking special control measures become evident, the corresponding procedure shall be triggered, which may be for failure to comply with the Solvency Capital Requirement or the Minimum Capital Requirement, or else actually involve taking special control measures.

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- At 31 December 2022, four special control measure files remained open.
- In the course of 2022 one special control measure file that was in progress was concluded and two new files were opened.

With respect to the DGSFP **exercising its authority to impose sanctions**, it should be noted that over 2022 processing began on 29 disciplinary proceedings, while a total of 35 such proceedings were closed.

Finally in 2022 3 measures authorising solvency procedures were resolved, which may be broken down thus:

Settled authorising measures	2022
Authorisation for transitory measure use with respect to underwriting reserves	1
Authorisation to file a single solvency and financial condition report for groups	1
Authorisation to draw up a single ORSA for groups	1
TOTAL	3

