

Sector Report Summary

20
23



GOBIERNO
DE ESPAÑA

MINISTERIO
DE ECONOMÍA, COMERCIO
Y EMPRESA

SECRETARÍA DE ESTADO
DE ECONOMÍA Y
APOYO A LA EMPRESA

DIRECCIÓN GENERAL
DE SEGUROS Y FONDOS
DE PENSIONES

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The 2023 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 (abbreviated “DGSFP” in Spanish) performs in its capacity as supervisory authority. The report also analyses 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 2023.

I. Insurance activity

I.I. Administrative registry

At 31 December 2023, there were 193 firms on the Administrative Registry of Insurance Companies. When comparing it with the figures for 2022 and 2021 where there were 211 and 213 companies respectively, it can be confirmed how the concentration trend in the sector is consolidated.

Institutions	Number
INSTITUTIONS REGISTERED AS AT 31/12/2022	211
Institutions registering in 2023	1
Institutions de-registered in 2023	18
INSTITUTIONS REGISTERED AS AT 31/12/2023	193
Institutions undergoing liquidation	18
TOTAL INSTITUTIONS OPERATIONAL AS AT 31/12/2023	176*

(*) 176 direct insurers and 3 reinsurers.

Activity of Spanish firms in the EEA:

1. Right of Establishment: at 31 December 2023 there were 40 branches in Member States of the European Economic Area (EEA) corresponding to 13 Spanish insurers.
2. FPS: at 31 December 2023 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 2023 71 branches of EEA firms and 3 branches of third country companies were on the registry.
2. FPS: at 31 December 2023 815 EEA firms had authorisation 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 2023 increased slightly over the year, from 4.8% at year-end 2022 up to 5.2% at the close of 2023. GDP was 1,461,889 million euros, 8.6% more than in 2022.

The figure for Gross Earned Premium rose by 18.1% in 2023 due to the economic recovery consolidation on all levels. This recovery took place in all lines of insurance, especially life, where turnover grew by 36.4%, climbing to 33,240 million euros.

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

	2022	2023
Industry total	64,861	76,586
Life line of business	24,375	33,240
Non-Life line of business	40,486	43,346
GDP at mkt prices*	1,346,377	1,461,889
Total Change	4.6%	18.1%
Ch. Life business line	3.0%	36.4%
Ch. Non-Life business lines	5.6%	7.1%
Ch. in GDP at mkt prices	10.2%	8.6%

* Source: INE (National Statistical Institute)

There was a material change at the industry's structure in 2023. The statistics on the configuration of the sector still show the non-life (general) lines to be the primary segment, at 56.6% of overall turnover, dropping however from the previous year. By contrast, the life insurance line rose from 37.6% in 2022 to 43.4% in 2023.

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	2022	2023
Life line of business	37.6%	43.4%
Non-Life line of business	62.4%	56.6%

Margin and returns

The profit margin on premiums in 2023 fell to 7.1%, while return on equity (ROE) grew slightly to 12.9% and return on assets (ROA) was unchanged.

Margin, ROE and ROA

Years	Profit/premium	ROE	ROA
2022	8.3%	12.2%	1.7%
2023	7.1%	12.9%	1.7%

Solvency

- Solvency Capital Requirement (SCR) coverage

The insurance sector in Spain remained financially sound and solvent in 2023.

The solvency ratio of Spain's insurance sector for the year increased from 232% to 241%.

SCR Coverage

Years	Available own funds to cover SCR	Eligible own funds to cover SCR	SCR	Solvency ratio
2022	55,903	55,819	24,078	232%
2023	60,466	60,369	25,091	241%

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Own funds in the insurance sector rose during 2023. Own funds available and eligible to cover the SCR both increased.

- Minimum Capital Requirement (MCR) coverage

The MCR coverage ratio also increased in 2023, to 653% at year's end.

MCR Coverage

Years	Available own funds to cover MCR	Eligible own funds to cover MCR	MCR	Solvency ratio
2022	55,555	55,401	8,643	641.0%
2023	60,142	59,983	9,186	653.0%

Solvency Balance Sheet

- Assets

In solvency valuation terms, total assets in the insurance sector at the close of 2023 came to 338,167 million euros. Assets held by both life and non-life insurers rose from 2022 levels, at a slower pace however for non-life insurers than for life insurers.

Total assets (million euros)

	2022	2023
Life	224,549	244,133
Non-Life	81,483	81,788
Re-insurance companies	11,791	12,247
Total	317,823	338,167

Investments accounted for the major share of assets. At the close of 2023, investments totalled 294,074 million euros. The figure shows an increase of 7.9% compared with the amount at the end of the previous year.

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Total Investments (million euros)

	2022	2023
Life	198,861	219,800
Non-Life	66,091	66,197
Re-insurance companies	7,626	8,077
Total	272,578	294,074

There were no material changes in the composition of the portfolio held by the insurance sector in 2023. Investments in fixed-interest securities (government and corporate bonds) rose slightly and still represent the largest portion of the portfolio.

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 (percentage total investment)

	2022	2023
SPAIN	38.1%	37.7%
ITALY	6.2%	5.8%
FRANCE	1.2%	1.8%
GERMANY	0.9%	1.2%

The **average credit** quality at 31 December 2023 was CQS 2.26, a similar value to that achieved at 31 December 2022.

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 57.5% of the total, though there has been a slight dip from previous years. There was a slight uptick in investments in CISs, cash and deposits, and mortgages and other loans in 2023.

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

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2023 accounted for 16.5% of total Life insurer investments and 12.4% of total industry-wide investments.

	2022	2023
Total unit linked investment	31,207	36,354
Total Life investment	198,861	219,800
Total industry investment	272,578	294,074
Percentage of unit linked investment out of total Life investment	15.7%	16.5%
Percentage of unit linked investment out of total investment	11.4%	12.4%

Turning to the **composition of the investment portfolio of non-life insurers**, the percentage of government bonds is far less than in Life portfolios. In addition, the insurers invest more in corporate debt, equities, and real estate.

- Liabilities

At the end of the fourth quarter of 2023, the value of liabilities under Solvency II valuation criteria for the insurance industry was 275,449 million euros. The largest item was **underwriting reserves**, which represented 82.5% of total liabilities. Technical provisions for products where policyholders bear the investment risk and technical provisions generally both rose over the previous year.

Earnings

- Life line of business

Premiums for the life insurance line rose substantially in 2023, with an increment of 36.6% over the previous year.

The underwriting and financial performance for 2023 has slightly decreased (0.1 percentage points) regarding the previous year, due to poorer technical results.

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Years	Net underwriting result/Mathematical provision	Net financial income or loss/Mathematical provision	Underwriting and financial performance/Mathematical provision
2023	-1.6%	3.1%	1.5%
2022	-0.5%	2.0%	1.6%

With respect to **business distribution**, the rise in earned premium from Life insurance over 2023 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 48.3% 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 2.4% in 2023.

	2022	2023
Earned premium from traditional business	18,618	27,616
Earned premium from unit-linked business	5,711	5,572
Mathematical provision for traditional business	165,674	170,778
Unit-linked provisioning	25,282	29,379
Change in traditional business premiums	6.6%	48.3%
Change in unit-linked premiums	-6.4%	-2.4%
Change in traditional business provisioning	-1.5%	3.1%
Change in unit-linked provisioning	-0.7%	16.2%

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- Non-Life lines of business

Non-Life lines of business (general insurance) grew 6.2% in terms of gross earned premium, achieving a volume of 42,043 million euros.

The most important was the health insurance line, which continues to expand reaching a 26.4% share. Car insurance accounted for 28.1% of business but has been losing ground in recent years. The multi-risk homeowner's insurance and funeral plan lines held steady compared to the previous year at 12.2% and 6.6%, respectively.

Assessment of the **main technical parameters** showed that overall, the non-life insurance lines closed out 2023 with a combined ratio of 92.2%, the highest figure in the historical series considered.

Years	Combined ratio
2023	92.23%
2022	90.48%
2021	88.87%

As for the **other key figures**, 2023 consolidated high loss ratios and there was 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
2023	5.39%	3.31%	8.70%
2022	6.49%	2.49%	8.98%

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II. Insurance policy distribution

II.I. Administrative registry

At 31/12/2023 there were 60,014 insurance brokers on the registry, compared to 62,179 in 2022. 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.	L.P.	N.P.	L.P.	L.P.	
995	2,709	3,704	85	248	39	0	78	44,712	11,141	7	60,014*

(*) 59,936 not including reinsurance brokers.

II.II. Volume of premiums handled by distributors in 2022 (due to the specific periods for sending in figures to the DGSFP)

For each of the channels, regarding both the total portfolio 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			
	2021		2022		2021		2022	
	Premiums	%	Premiums	%	Premiums	%	Premiums	%
Total	58,301	100	60,345	100	19,815	100	20,865	100
Insurance agents + Brokers	26,980	46.28	28,326	46.94	7,133	36.00	7,174	34.38
Banc-Assurance Operators (captive + tied)	16,939	29.06	20,008	33.16	8,206	41.41	11,231	53.83

The bank channel 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 2023 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

	31.12.2022	31.12.2023	Absolute change	Change (%)
Pension plans	2,356	2,309	-47	-1.99
Pension funds	1,301	1,187	-114	-8.76
Management companies	67	54	-13	-19.40
Depository institutions	34	34	0	0

The number of registered plans fell again in 2023, by 47 compared to 81 the previous year. Pension funds were also down in 2023, by 114 compared to 141 in 2022. Management companies were down by 13, nearly 20%, while there was no change in the number of depository institutions operating in the market.

III.II. Breakdown of activity for supplementary social insurance system

The following tables show some of the key figures for the various social insurance systems over 2023:

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Key figures for corporate social insurance systems (second pillar)

	Occupational Pension Schemes	Group Insurance	Corporate Social Insurance Plans	Total
Participating recipient/insured accounts	2,104,210	9,359,284	100,283	11,563,777
Contributions/Premiums (million euros)	1,354	2,255	132	3,741
Benefits, including exceptional cases of liquidity (million euros)	1,493	2,094	8	3,595
Savings under management * (million euros)	36,691	25,182	839	62,712
Average savings (in euros)	17,437	2,691	8,366	5,423

(*) The savings managed under pension plans is the total sum of the position accounts of pension plans on the balance sheets of occupational pension funds.

The data on group insurance schemes set out in this report include insurance schemes arranged with employer-sponsored retirement plans. The employer-sponsored retirement plan category includes mutual societies that meet three requirements:

- all their members are employees of the sponsoring employer,
- 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 both.

The following chart depicts the weight that the various systems had in savings under management via the Pillar 2 in 2023.

The data on managed savings show that, occupational pension plans are the product most used by enterprises to outsource pension commitments assumed with their employees (58.5%), followed by group insurance policies (40.2%).

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The table below offers a comparative analysis of the key figures for Pillar 2 systems against 2022:

	2023	2022	Absolute change	Change (%)
Participating recipient/ insured accounts	11,563,777	11,025,454	583,323	4.88
Contributions/Premiums (million euros)	3,741	2,976	765	25.71
Benefits, including exceptional cases of liquidity (million euros)	3,595	3,500	95	2.71
Savings under management (million euros)	62,712	60,733	1,979	3.26
Average savings (in euros)	5,423	5,508	-85	-1.54

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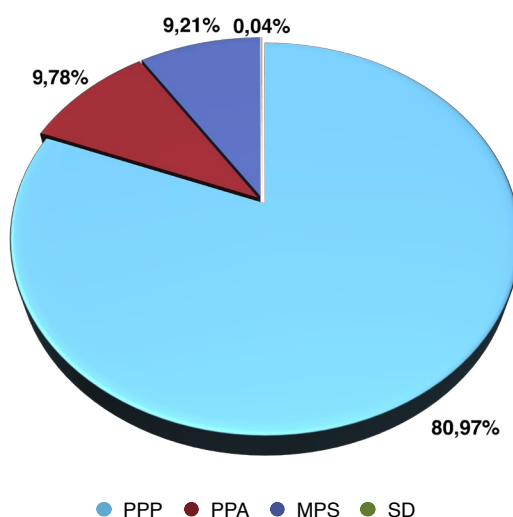
Key figures for private social insurance systems (Pillar 3)

	Private Pension Plan	Insured/ Guaranteed Pension Plan	Social Insurance Mutual Company	Long-Term Care Insurance	TOTAL
Participating recipient/ insured accounts	7,277,438	768,522	298,069	154,430	8,498,459
Contributions/ Premiums (million euros)	1,612	975	584	13	3,184
Benefits, including exceptional cases of liquidity (million euros)	2,400	510	353	2	3,265
Savings under management (million euros)	85,806	10,369	9,758	46	105,979
Average savings (in euros)	11,790	13,492	32,737	307	12,477

(*) The savings managed under pension plans is the total sum of the position accounts of pension plans on the balance sheets of private pension funds.

The following chart depicts the weight which the various systems had in savings under management via the Pillar 3 in 2023.

Savings under management (million euros)



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Private Pension Plans are the most used product to manage voluntary savings included within Pillar 3 (81%). The other have a lower volume, with 9.8% for Insured/Guaranteed Pension Plans, 9.2% 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 2022:

	2023	2022	Absolute change	Change (%)
Participating recipient or insured accounts	8,498,459	8,600,453	-101,994	-1.19
Contributions/Premiums (million euros)	10,428	2,886	298	10.33
Benefits, including exceptional cases of liquidity (million euros)	4,759	3,149	116	3.68
Savings under management (million euros)	105,979	99,561	6,418	6.45
Consolidated average entitlement	12,477	11,576	901	7.78

Assets of Pension Funds

Pension plans of whatever kind must necessarily be integrated within a pension fund. All the financial contributions coming from 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 the performance of the benefits arising from the implementation of the plan.

The assets of the 1,002 active pensions plans attained as of 31 December 2023 amounted to an overall figure of 123,188 million euros.

The table below features the situation both in 2023 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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	2022			2023		
	No. of Funds	Amount (million euros)	% of total *	No. of Funds	Amount (million euros)	% of total *
PROPERTY INVESTMENTS	9	156.73	0.15	9	122.65	0.11
FINANCIAL INVESTMENTS	1,036	95,937.15	92.65	1,002	103,459.65	92.93
Equity instruments	794	49,166.24	47.48	779	54,471.18	48.93
Debt securities	784	45,829.50	44.26	770	47,486.23	42.65
Mortgage loans	0	0	0.00	0	0	0.00
Loans to holders	11	0.26	0.00	8	0.21	0.00
Other loans	33	2.55	0.00	23	0.25	0.00
Deposits and guarantees made	505	725.55	0.70	509	595	0.53
Deposits at banks and other credit institutions	12	34.16	0.03	30	186	0.17
Other financial investments**	23	178.89	0.17	12	721	0.65
CASH ON HAND AND AT BANKS	1,002	7,459.19	7.20	1,002	7,744.73	6.96
Demand and savings accounts	999	5,889.86	5.69	979	6,300.56	5.66
Money Market Assets	162	1,569.33	1.51	148	1,444.17	1.30
TOTAL INVESTMENTS + CASH ASSETS***	1,036	103,553.07	100.00	1,002	111,327.05	100

* 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 2023 supervisory developments continued to move towards a prospective focus based on risks in line with the European solvency regulations.

Last June the DGSFP published its supervisory priorities for 2023-2025. The report set forth the core strategic objectives and the main overall assessment approach for supervision of the insurance and pension fund sector for the period concerned.

Two of the most impactful economic variables in 2023, inflation and interest rates, had a major effect on the supervisory approach and action taken, specifically in the subsectors and entities monitored as most sensitive to these variables.

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 (abbreviated "SEPBLAC" in 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 its harmonization with the regulations and effectiveness.

To meet these objectives, during 2023 117 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	2022	2023
Insurers	113	85
Distributors	2	6
Money-laundering	3	3
Pension plans and funds	15	23
TOTAL	133	117

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

Supervisory action	2022	2023
Supervisory procedures	133	117
Internal modelling analysis	7	9
Group oversight via supervisory colleges	23	23
TOTAL number of check-ups	163	149

Composition by type of action:

Type of action	2022	2023
Inspection procedures	22	24
Financial supervision procedures	28	27
Requests for information (*)	83	66
TOTAL number of check-ups	133	117

If the **situations described in the regulation as representative of financial impairment** become evident, or if these situations might lead to taking special control measures, the corresponding procedure shall be triggered. This procedure may be for failure to comply with the Solvency Capital Requirement or the Minimum Capital Requirement or applying special control measures.

One proceeding involving special control measures already in progress at the beginning of 2023 was completed during the year and three new proceedings were started. In all, six proceedings of this kind were under way at the end of the year.

Action taken by the DGSFP in 2023 in its **role as the authority imposing penalties** included bringing 18 ordinary sanction proceedings and closing 13 sanction proceedings pending from previous years.

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To conclude, four solvency-related approval proceedings begun in 2023 or earlier were settled during 2023 as listed in the following table:

Settled authorizing measures	2023
Authorisation for an individual undertaking or a group to use or change a full or partial internal model	3 (*)
Authorisation of repayment or surrender of subordinated liabilities	1
TOTAL	4

(*) includes pre-applications

