MOODY'S
INVESTORS SERVICE

Announcement: Moody's: Regulatory risk and market volatility are insurers' biggest concerns, survey shows

24 May 2018

London, 24 May 2018 -- Regulatory risk and market volatility have replaced low interest rates as European insurers' biggest concern, according to a survey carried out by Moody's Investors Service. Low interest rates has moved to the bottom of CFO's top worries, from top position in each of the last two years.

The report, "Insurance -- Europe; Regulatory risk and market volatility displace low rates as CFOs' main concern," is now available on www.moodys.com. Moody's subscribers can access this report via the link at the end of this press release. The research is an update to the markets and does not constitute a rating action.

In Moody's annual survey of European insurers' Chief Financial Officers, 27% of respondents cited regulatory and political risk as their number one concern, up from 17% a year earlier. Market volatility was the second biggest concern, with 18% of respondents. The survey is based on responses from 22 insurers, including many of the largest European multinationals.

"The rise of regulatory risk to the top of insurer's worry list from fourth position last year reflects a recent proliferation of regulatory initiatives affecting the European insurance industry," said Charles Isselin-Pontet, an Associate Analyst at Moody's. "These include the MIFID II regime for asset managers, which also impacts insurers' asset management units, the IFRS17 accounting standard, and the General Data Protection Regulation (GDPR)."

Concern about low interest rates have receded due to expectations that interest rates are set rise, as well as the industry's efforts to adapt to a climate of low investment yields. Just 14% of respondents cited persistently low interest rates as their main worry, compared with 33% last year.

The survey also shows that, with profit expectations improving and broadly healthy Solvency II ratios, channeling excess capital into M&A is still on the agenda for European insurers.

European insurers do not expect to issue large amounts of debt in the next 12 months. Around 60% of respondents said that they plan no issuance at all, either because they don't have refinancing needs, or because they plan to repay debt without refinancing. Nonetheless, 9% of respondents said they planned to issue new debt in excess of their refinancing needs, up from 7% in 2017, reflecting still favourable financing conditions, with interest rates still low by historical standard. Moody's expects leverage to increase overall due to a combination redeployment of surplus capital, which will reduce their shareholders' equity, and new borrowing to finance M&A operations.

Subscribers can access the report at http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1122559

NOTE TO JOURNALISTS ONLY: For more information, please call one of our global press information hotlines: New York +1-212-553-0376, London +44-20-7772-5456, Tokyo +813-5408-4110, Hong Kong +852-3758-1350, Sydney +61-2-9270-8141, Mexico City 001-888-779-5833, São Paulo 0800-891-2518, or Buenos Aires 0800-666-3506. You can also email us at mediarelations@moodys.com or visit our web site at www.moodys.com.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Charles Isselin-Pontet
Associate Analyst
Financial Institutions Group
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf

London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Antonello Aquino
Associate Managing Director
Financial Institutions Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

of Moody's Group Japan G.K., which is wholly-owned by Moody’s Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody’s SF Japan K.K. (“MSFJ”) is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization (“NRSRO”). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.