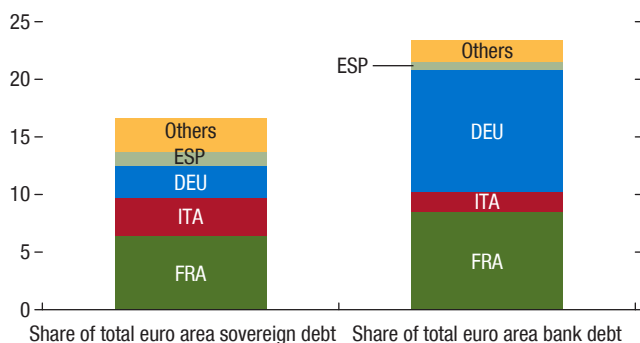


Figure 1.18. Selected Euro Area Countries: Insurers' Exposures to Sovereign, Bank, and Corporate Bonds

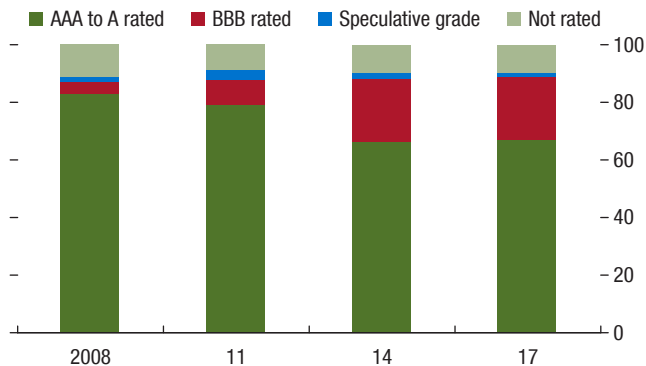
Insurers are important investors in sovereign and bank debt.

**1. Holdings of Euro Area Sovereign and Bank Debt by Issuer, 2018:Q2
(Percent of total debt stock)**



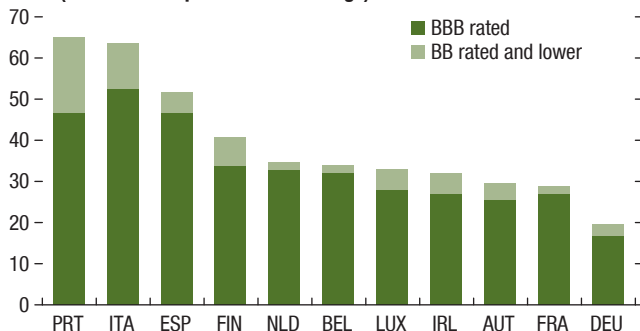
Their holdings of lower-rated bonds have increased ...

**2. Sovereign and Corporate Bond Holdings by Ratings
(Percent of total bond holdings)**



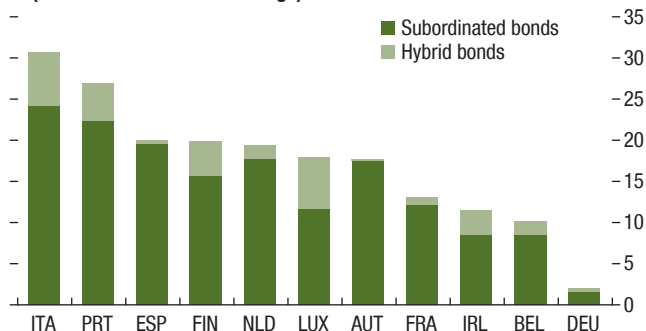
... but vary significantly across countries ...

**3. Asset Allocation to Low-Rated Credit, 2018:Q2
(Percent of corporate bond holdings)**



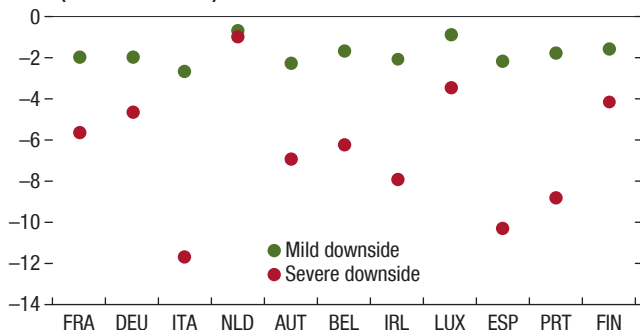
... while some also have significant holdings of riskier bank bonds.

**4. Asset Allocation to Bank Subordinated and Hybrid Debt, 2018:Q2
(Percent of bank bond holdings)**



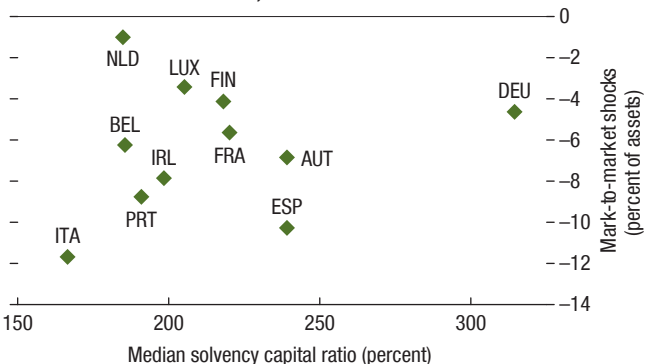
Insurers' sensitivity to shocks differs ...

**5. Simulated Mark-to-Market Shocks to Assets, 2018:Q2
(Percent of assets)**



... and could be particularly problematic for insurers with lower solvency ratios.

6. Solvency Ratios and Simulated Mark-to-Market Shocks to Assets in a Severe Downside Scenario, 2018:Q2



Sources: Arslanalp and Tsuda 2014, update; European Central Bank; European Insurance and Occupational Pension Authority (EIOPA); Haver Analytics; SNL Financial; and IMF staff estimates.

Note: Panel 1 uses EIOPA data for insurers' holdings, Arslanalp and Tsuda (2014, update) for total sovereign debt, and European Central Bank data for bank bonds outstanding. Panel 2 includes non-euro area European countries and includes bottom-up estimates using data from SNL Financial on selected European life insurance companies between 2008 and 2014 and EIOPA in 2017 for European life and non-life insurance companies. Panel 3 includes financial and nonfinancial corporate bonds. Panel 4 uses data included in EIOPA's Financial Stability Report, December 2018. In panels 5 and 6, shocks are applied to aggregate sector balance sheets of insurers as of 2018:Q2. The horizontal axis in panel 6 shows median solvency capital ratios for each country. See Online Annex 1.1 for a detailed explanation. Data labels in the figure use International Organization for Standardization (ISO) country codes.