



# Nordic Marine Insurance Day 2023: Insurance Credit Trends in the Nordics

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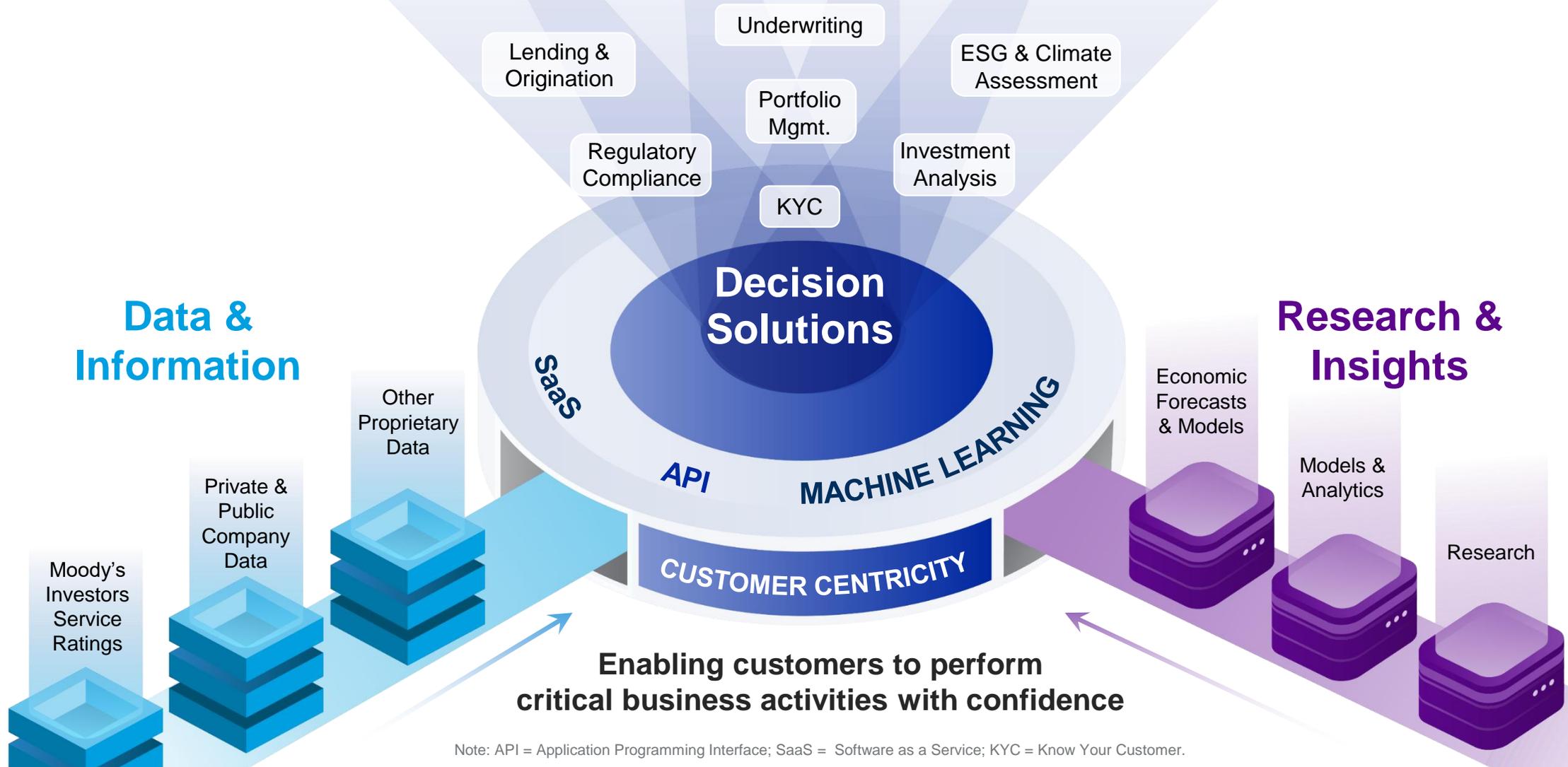
# Agenda

1. Moody's Investors Service Introduction
2. Stable Nordic Insurance Market Outlook
3. Favorable Macro and Competitive Environment
4. P&C Earnings expected to remain largely stable
5. Strong Capital Adequacy despite risky Investments

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Moody's Investors Service  
Introduction

# Moody's: Assembling and Integrating Capabilities



FACTS & FIGURES

# Full Year 2022

**33,900+**

Rated Organizations and Structured Deals

**5,100+**

Non-Financial  
Corporates



**3,400+**

Financial  
Institutions



**15,100+**

US Public  
Finance Issuers



**8,600+**

Structured  
Finance Deals



**1,000+**

Infrastructure &  
Project Finance Issuers



**340+**

Sub-Sovereigns



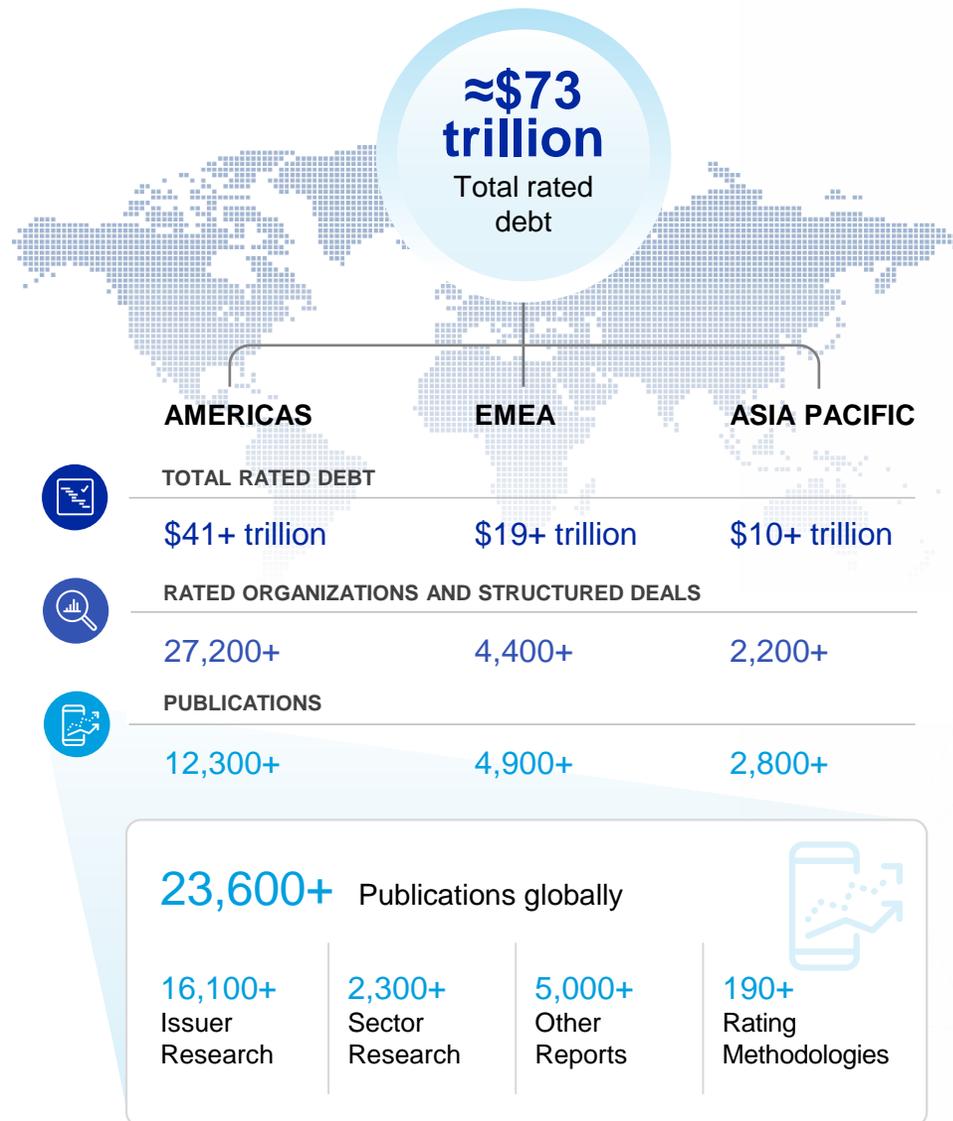
**144**

Sovereigns\*



**46**

Supranational  
Institutions\*



Source: Moody's Investors Service as of 01 January 2023  
Research and Events data covers the period 01 January 2022 to 31 December 2022  
All numbers are rounded other than those marked \*



PEOPLE

**12,800+**

MCO employees

**1,700+**

Analysts

**40+**

Countries/Regions



EVENTS

**610+**

Global events

**51,000+**

Global participants



AWARDS &  
RECOGNITION

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# Moody's rated Nordic Insurers

## Current ratings

Issuer	Methodology	Rating Action	Date
Sampo Plc	Composite insurance	▲ A1 rating affirmed Outlook to positive from stable	16-Jun-22
Lansforsakringar Alliance	P&C Insurance	○ A2/stable affirmed	03-Mar-23
Pohjola Insurance Ltd.	P&C Insurance	○ A2/stable affirmed	27-Sep-22
Tryg Forsikring A/S	P&C Insurance	○ A1/stable affirmed	21-Apr-22
Kommunal Landspensjonskasse	Life insurance	○ A2/stable affirmed	15-Dec-22
Storebrand Livforsikring	Life insurance	○ A3/stable affirmed	10-Mar-22
Livfoersaekringsbolaget Skandia, oemesidigt	Life insurance	○ A2/stable affirmed	10-Mar-20

Ratings current as of 12.05.2023

- ▲ Upgrade, positive change in outlook or review for upgrade in the last year
- Downgrade, negative change in outlook or review for downgrade in the last year

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



# Selected recent insurance focused research

Timely and topical research

- » Sector in-depth - [Banking contagion risk is limited for European insurers](#) (25 April 2023)
- » Sector in-depth - [Risk of mass lapse is low overall, but picture varies by country and firm](#) (20 April 2023)
- » Issuer in-depth - [Hannover Re, Munich Re, SCOR, Swiss Re - 2022 was another challenging year, but 2023 earnings prospects are brighter](#) (22 March 2023)
- » Sector comment - [Nordic P&C insurers sustain strong underwriting performance](#) (6 March 2023)
- » Sector in-depth - [Inflation remains a key concern for European insurance CFOs](#) (2 March 2023)
- » Outlook Europe - [Inflation underpins negative P&C outlook, life stable on higher interest rates](#) (30 Jan 2023)
- » Outlook Nordics - [Insurers – Nordics: Outlook stable for P&C and life](#) (1 November 2022)

# 2

## Stable Nordic Insurance Market Outlook

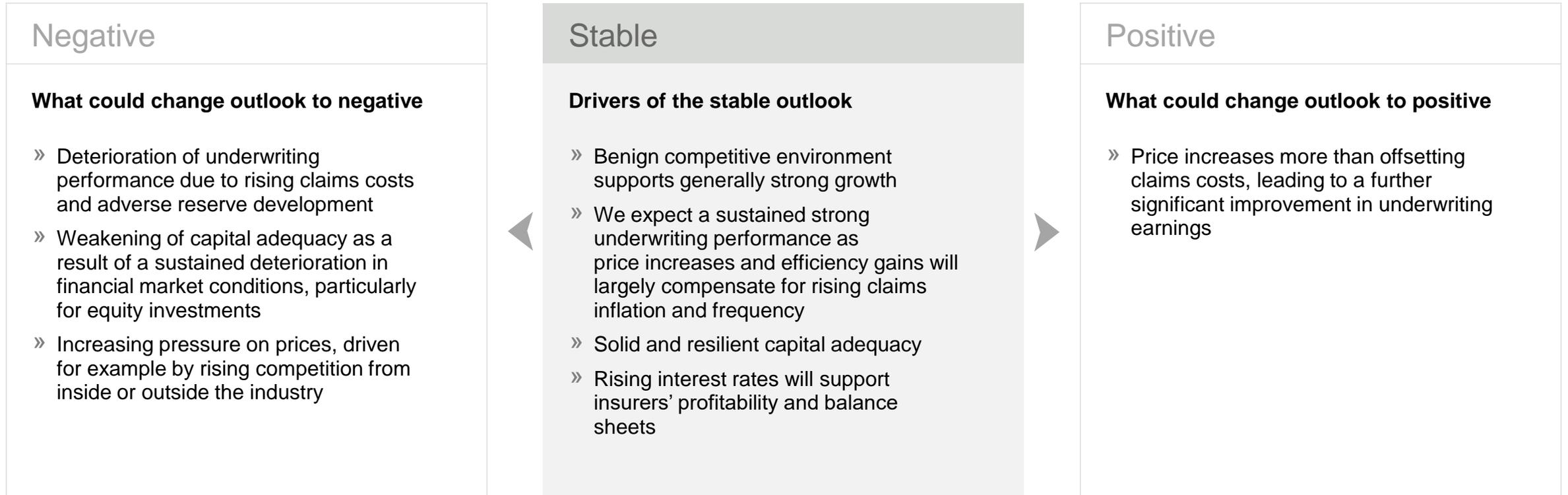
# P&C and Life insurance outlooks by country

The Nordics stand out positively, particularly in P&C



# Nordic P&C insurance: stable outlook

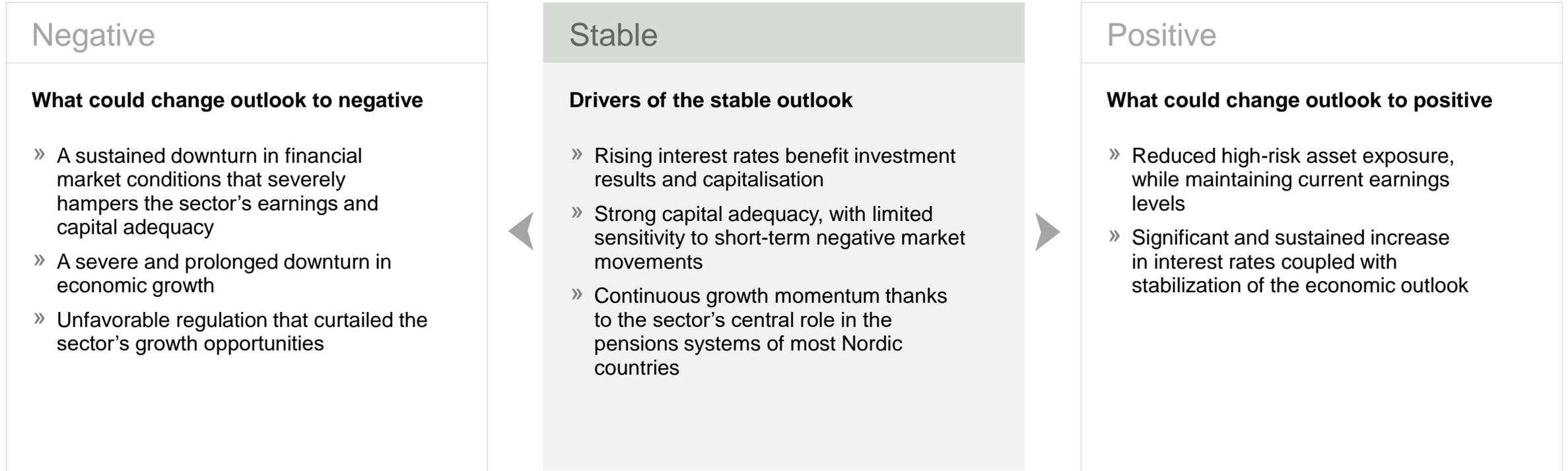
We expect the sector's underwriting profitability to remain strong



The stable sector outlook reflects our view of credit fundamentals in the Nordic P&C sector over the next 12 to 18 months. Sector outlooks are distinct from rating outlooks, which, in addition to sector dynamics, also reflect issuer's specific characteristics and actions. A sector outlook does not represent a sum of upgrades, downgrades or ratings under review, or an average of rating outlooks.

# Nordic Life insurance: stable outlook

Strong capital adequacy, rising rates offset investment result pressures



The stable sector outlook reflects our view of credit fundamentals in the Nordic P&C sector over the next 12 to 18 months. Sector outlooks are distinct from rating outlooks, which, in addition to sector dynamics, also reflect issuer's specific characteristics and actions. A sector outlook does not represent a sum of upgrades, downgrades or ratings under review, or an average of rating outlooks.

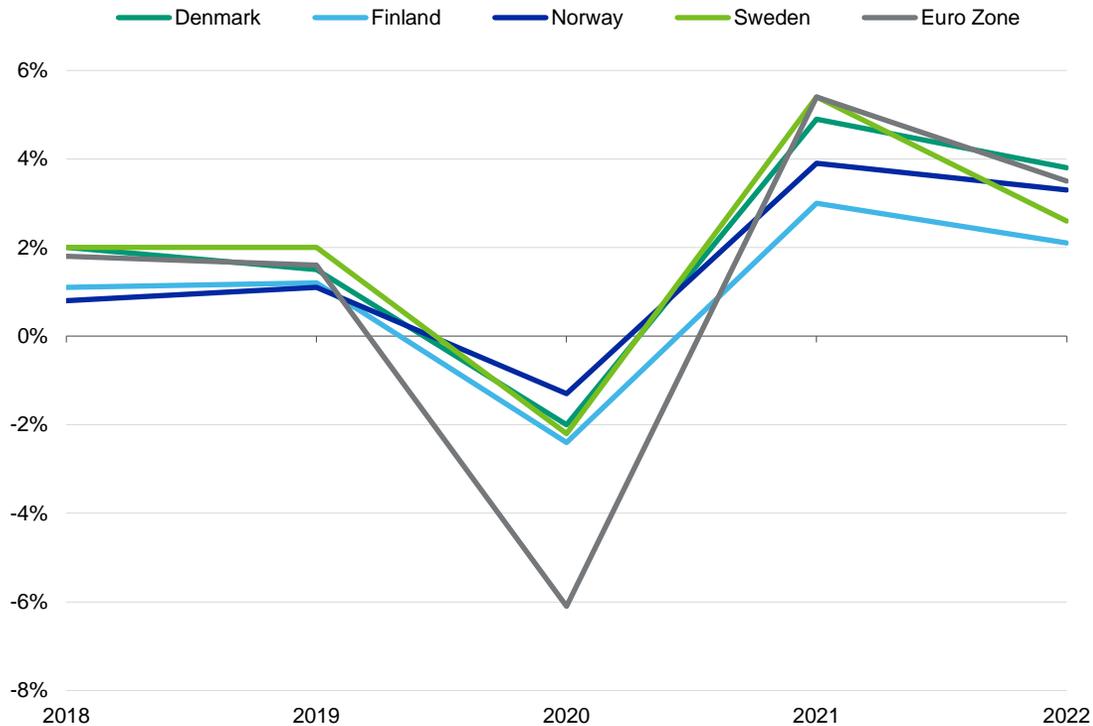
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## Favorable Macro and Competitive Environment

# Economic growth has decelerated as headwinds intensify

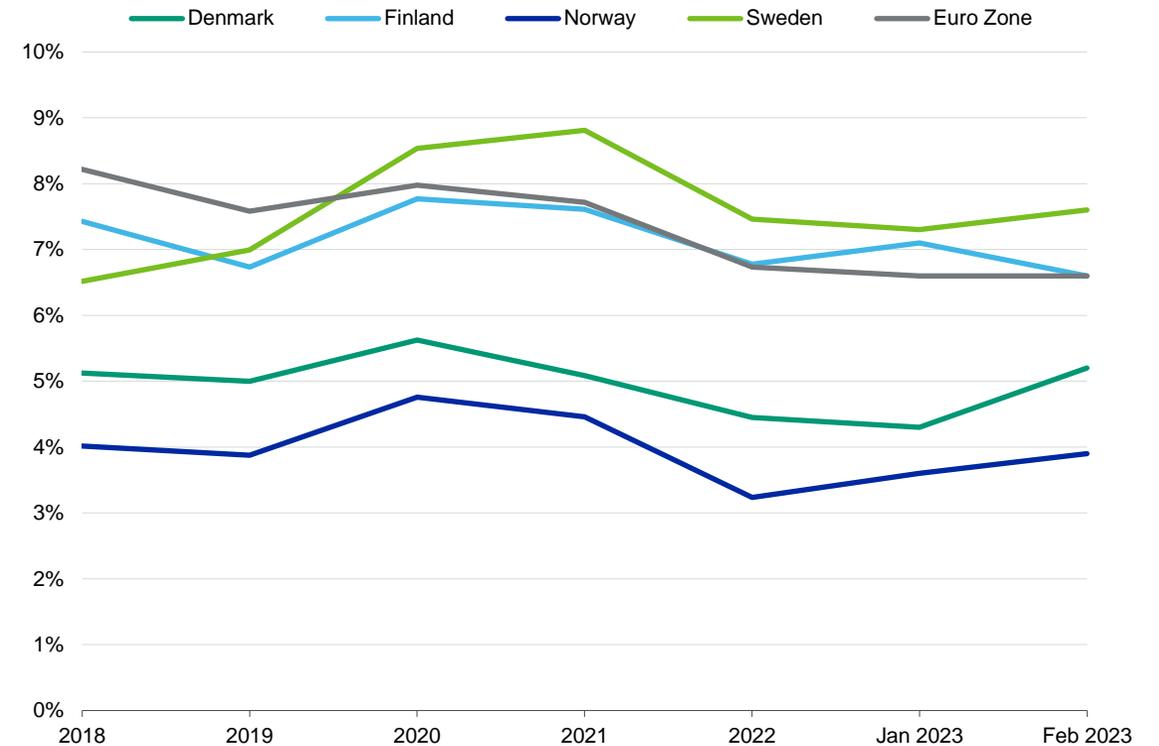
We expect slower economic growth to put pressure on premium growth in the months ahead. However, strong labor markets will support insurers' sales, with unemployment rates expected to remain relatively low

Economic activity in the Nordic countries has declined in 2022 (annual change in GDP)



Source: Eurostat, Moody's Investors Service

Unemployment rates will slightly increase in most countries, but will remain at relatively low levels (yearly average)

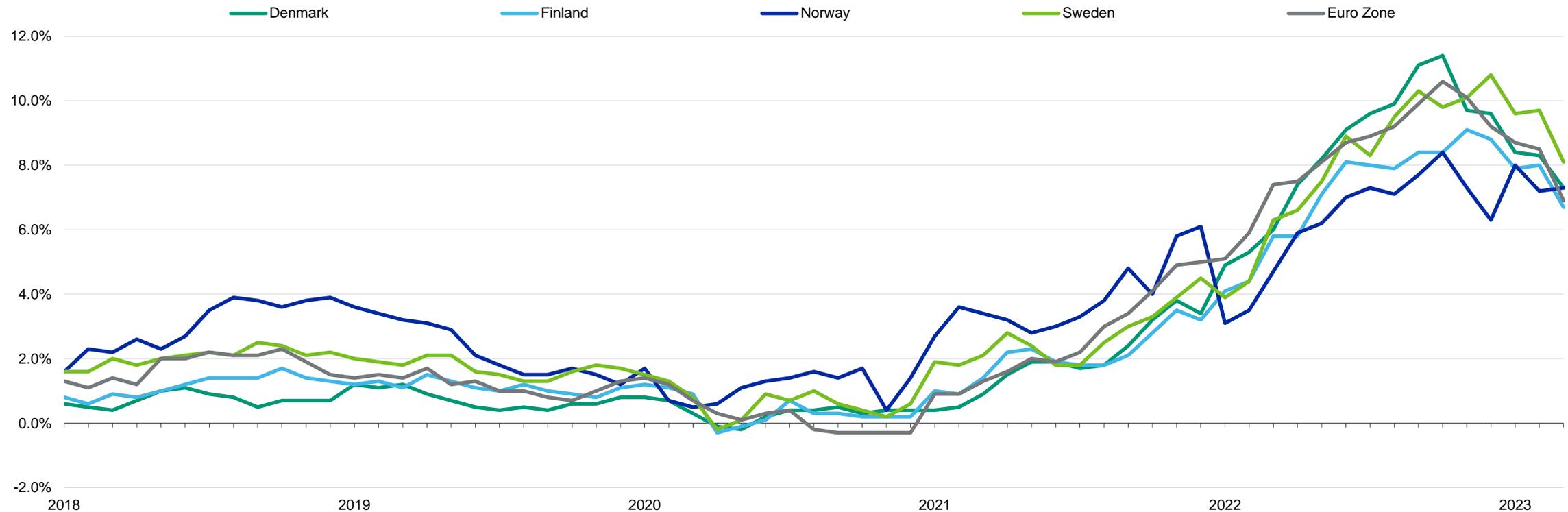


Source: Eurostat, Moody's Investors Service

# Consumer price inflation started to decline

Price inflation pushes up claims expenses and increases reserving volatility for P&C insurers. It could also reduce household income, curbing demand for P&C cover and discretionary life and savings products

Inflation in the Nordic countries has declined from its peak but remain elevated  
Annual change in monthly consumer price index for the Nordic countries

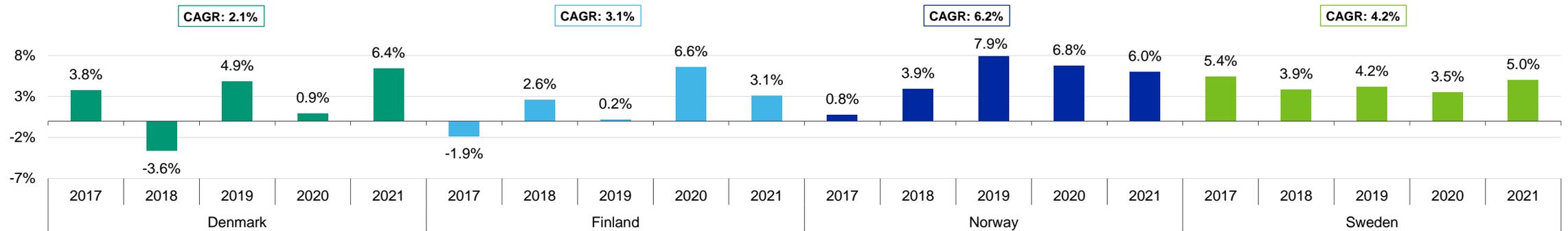


Source: Eurostat, Moody's Investors Service

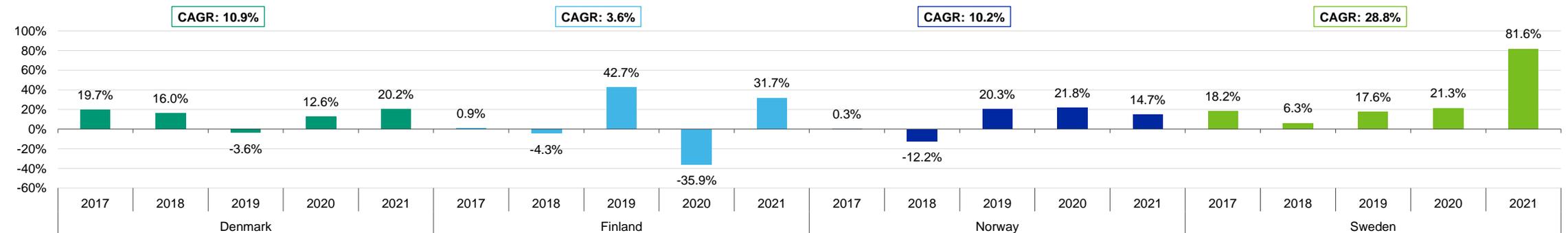
# Sound growth in business volumes

We expect growth in the Nordic life and P&C markets to remain positive thanks to strong underlying market fundamentals

P&C growth has been healthy in the last 5 years (year-on-year premium growth, in %)



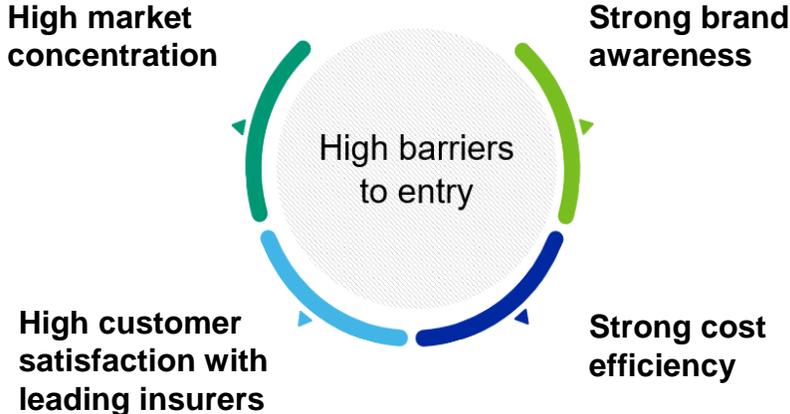
Nordic Life insurers' premiums growth will decline compared to 2021 (year-on-year premium growth, in %)



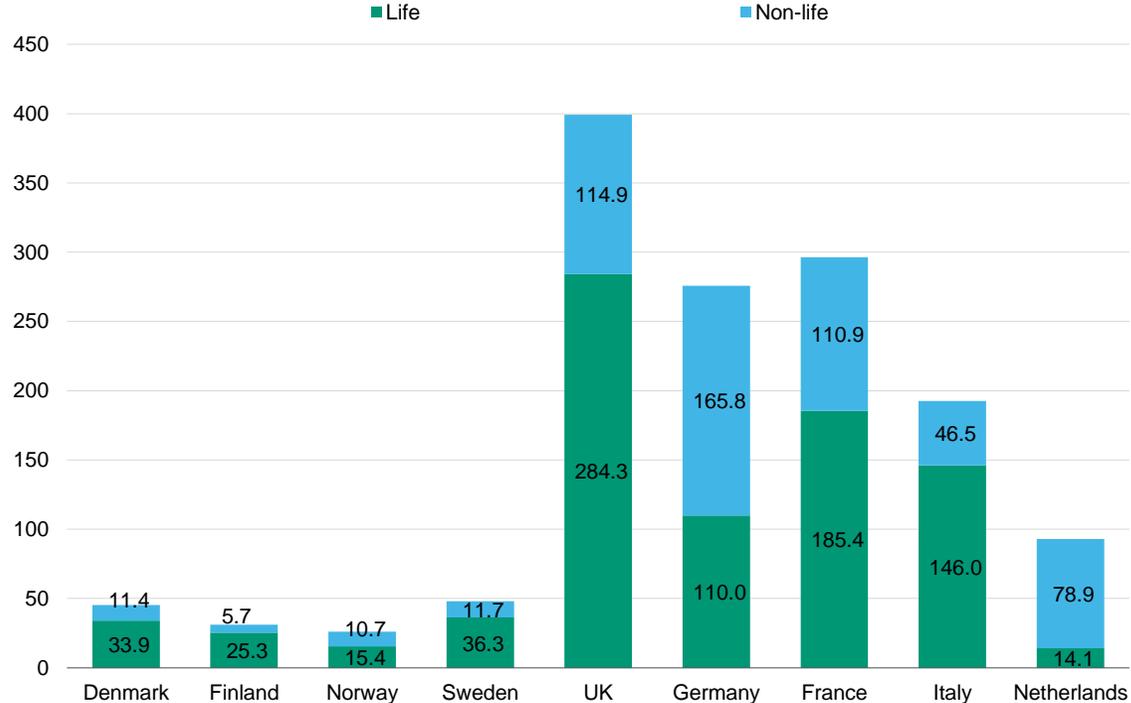
Sources: Forsikring & Pension, Finanssiala, Statistisk centralbyrå, Svensk Försäkring, Moody's Investors Service

# The Nordic insurance market is small, but highly attractive

Highly concentrated market with high barriers to entry



The Nordic insurance markets are small compared to the other main European markets, but insurance penetration and density are high  
Insurance market size in 2021, USD billion

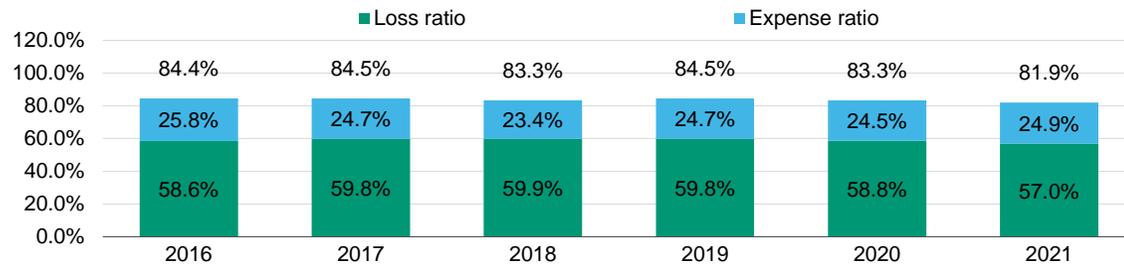


Sources: Swiss Re sigma report, Moody's Investors Service

# P&C underwriting profitability is very strong

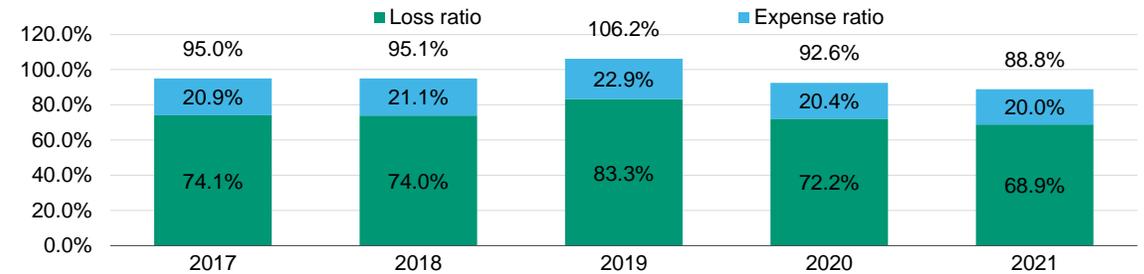
Nordic P&C insurers' claims and expense ratios are generally strong and stable

## Denmark: Sustained very strong underwriting profitability



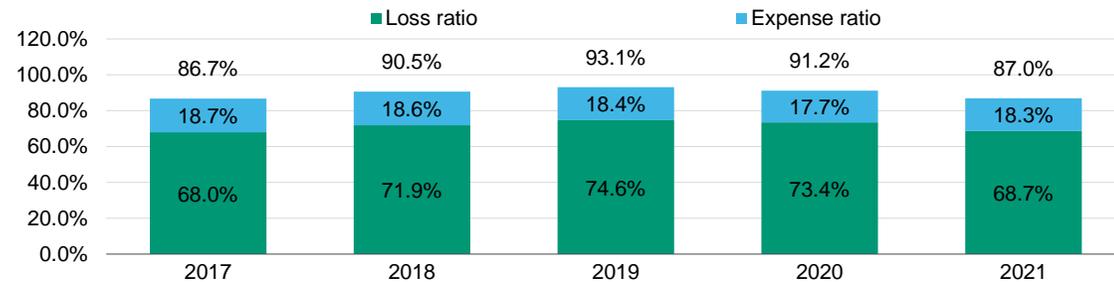
Source: Finanstilsynet

## Finland: Combined ratio declined to record low levels in 2021



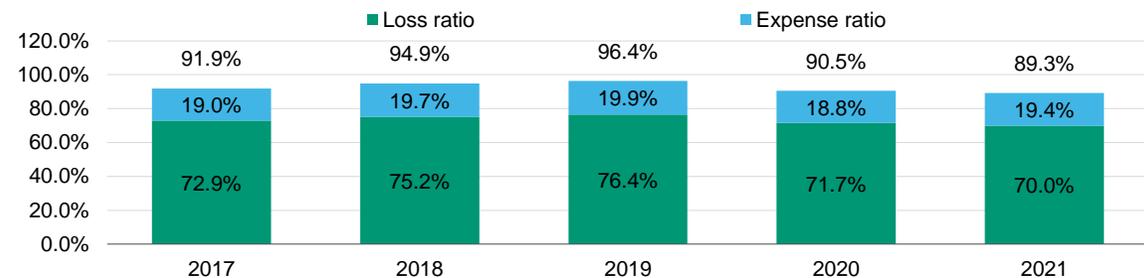
Source: Finanssiala

## Norway: Underwriting profitability supported by superior cost efficiency



Source: Statistisk sentralbyrå

## Sweden: Claims ratio improved further



Sources: Svensk Försäkring

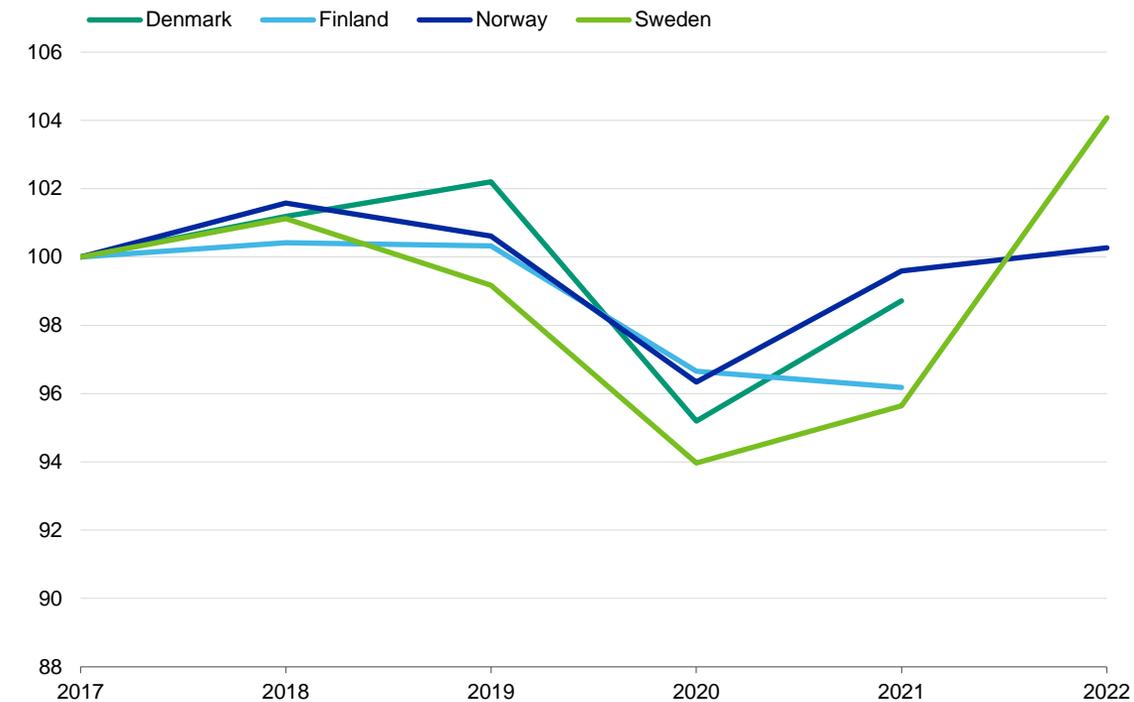
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P&C Earnings expected to remain largely stable

# Claims frequencies normalised after pandemic-related decline

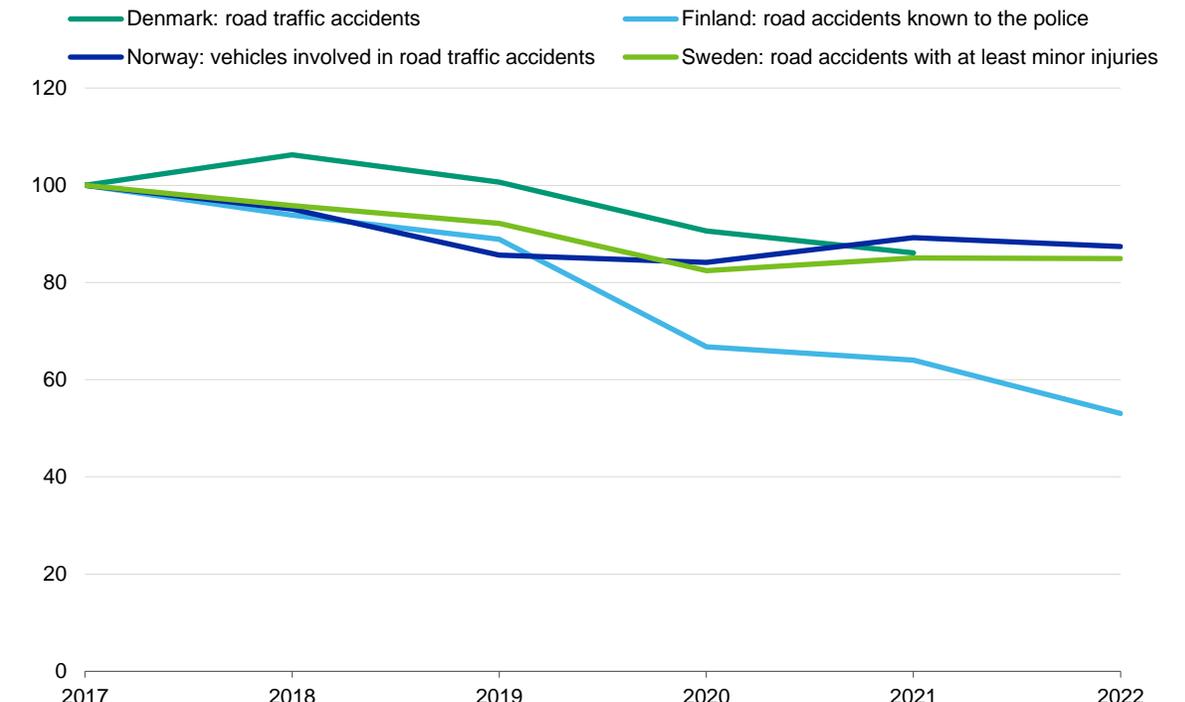
Motor claims losses are on the rise, but will likely remain below pre-pandemic levels

Traffic volumes will likely remain below pre-pandemic levels  
Road traffic volumes index (all vehicles) in Denmark, Finland, Norway, Sweden (2017 = 100)



Sources: Statistics Finland, Statistisk sentralbyrå, Trafikanalys, Vejdirektoratet, Moody's Investors Service

Road traffic accidents show a long-term downward trend  
Selected data for road traffic accidents index in Denmark, Finland, Norway and Sweden (2017 = 100)

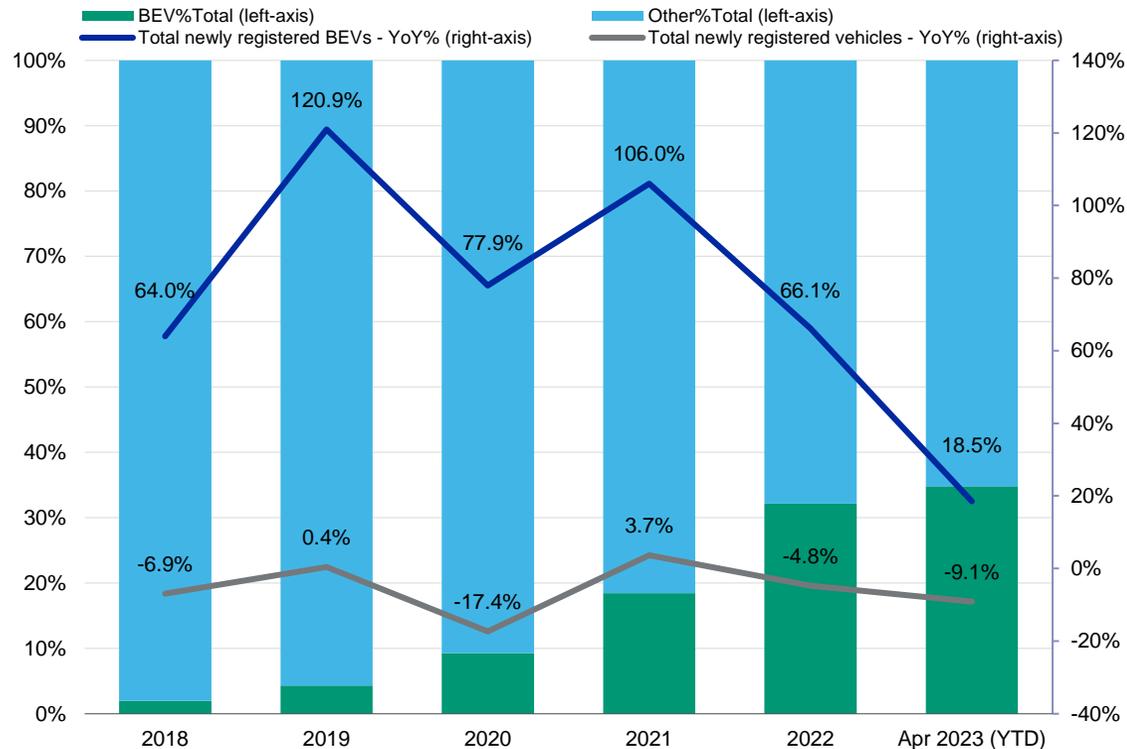


Sources: Statistics Denmark, Statistics Finland, Statistisk sentralbyrå, Trafik Analys, Moody's Investors Service

# Motor market is changing

Lower claims frequencies, higher severity, long-term impact remains to be seen

Newly registered vehicles in Sweden  
Percentage of type of fuel from newly registered vehicle and year-on-year growth



Note: BEV – Battery Electric Vehicle; ICE – Internal Combustion Engine  
Sources: Statistics Sweden, Moody's Investors Service

BEVs typically are significantly more expensive to repair than similarly priced ICE vehicles, for a variety of reasons

Batteries are expensive to replace if damaged in a collision. Hence higher incidence of total losses even in minor accidents.

BEVs are heavier than similar ICE vehicles because of battery weights, so they can cause more damage in a collision.

Many body shops do not work on BEVs because they lack necessary specialized knowledge, perceived fire risk, and liability concerns if a BEV catches fire following a repair.

To help offset battery weight, BEVs are often made of aluminum or other lightweight materials which are more expensive to repair.

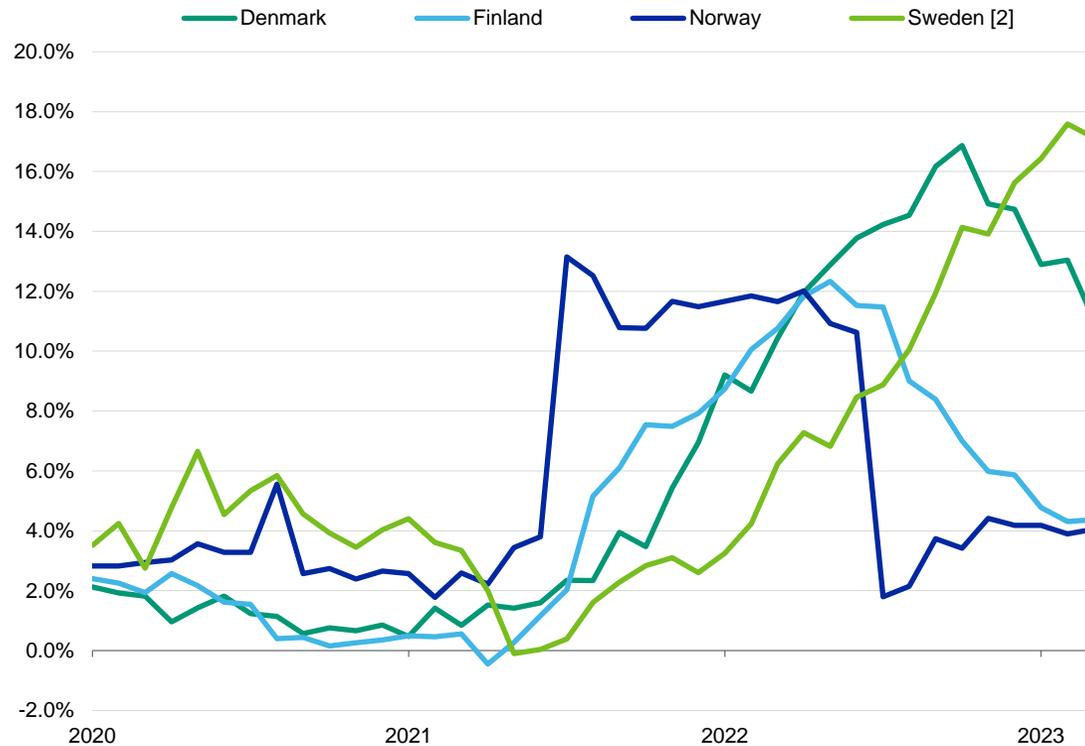
BEVs often come with advanced safety features such as automatic cruise control (level 2 autonomy) which add camera sensors near the bumpers and fenders, increasing repair costs.

BEV battery fires are rare but costly and difficult to put out and can do damage to homes and businesses.

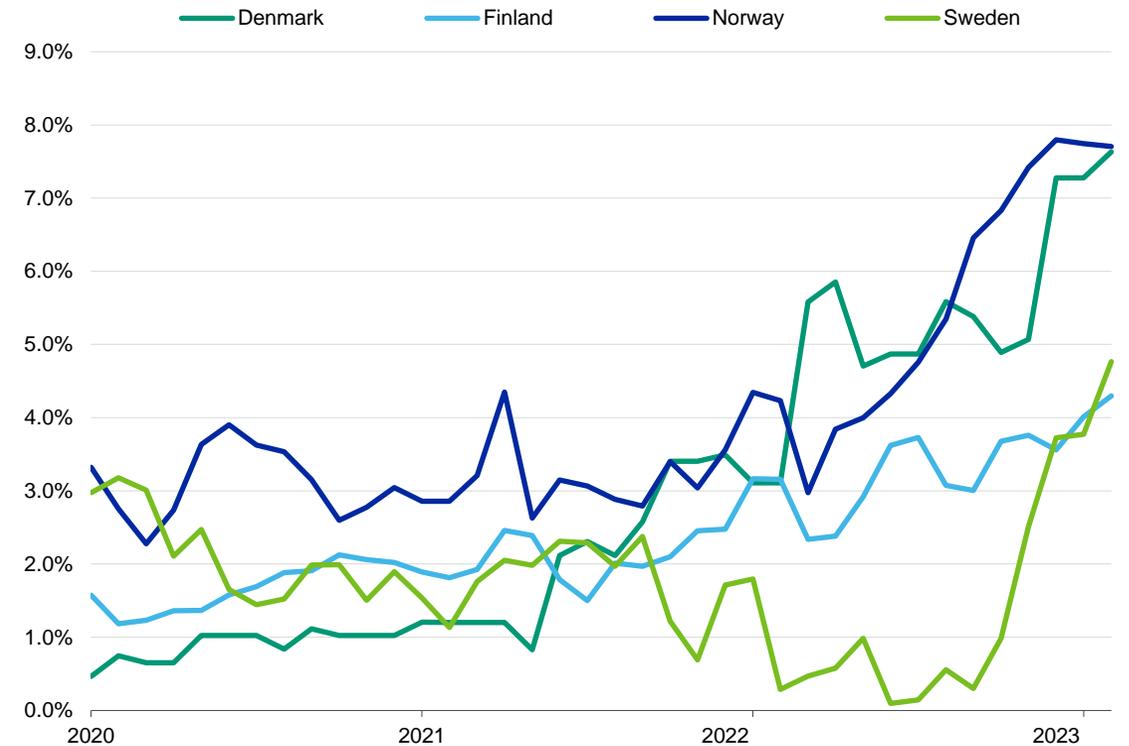
# Claims inflation weighs on insurers' results

Higher materials costs are already affecting short-tail business lines

Property maintenance cost inflation reflects increasing materials and labor costs  
Annual change of monthly CPI [1] for maintenance and repair of the dwelling



Motor maintenance and repair costs continue to increase  
Annual change of monthly CPI for maint./ repair of personal transport equipment

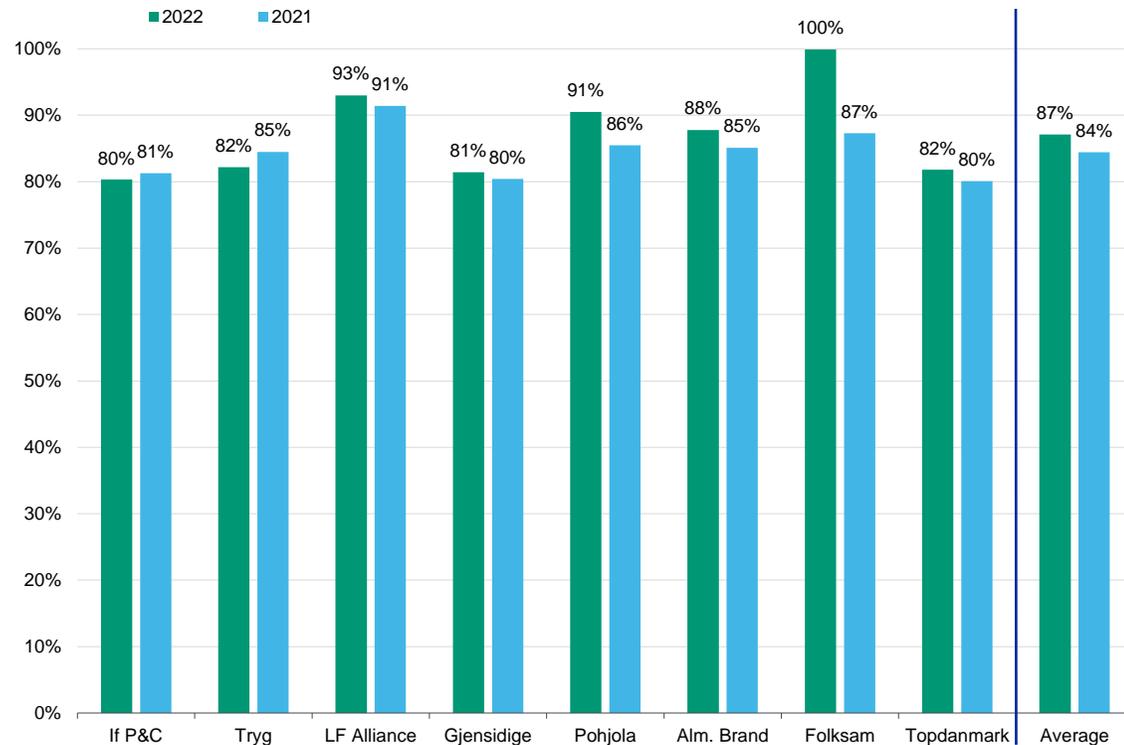


Notes: [1] Consumer Price Index, [2] Household maintenance  
Sources: Danmarks Statistik, Tilastokeskus, Statistisk sentralbyrå, Statistikmyndigheten, Moody's Investors Service

# Nordic P&C insurers with stable underwriting earnings in 2022

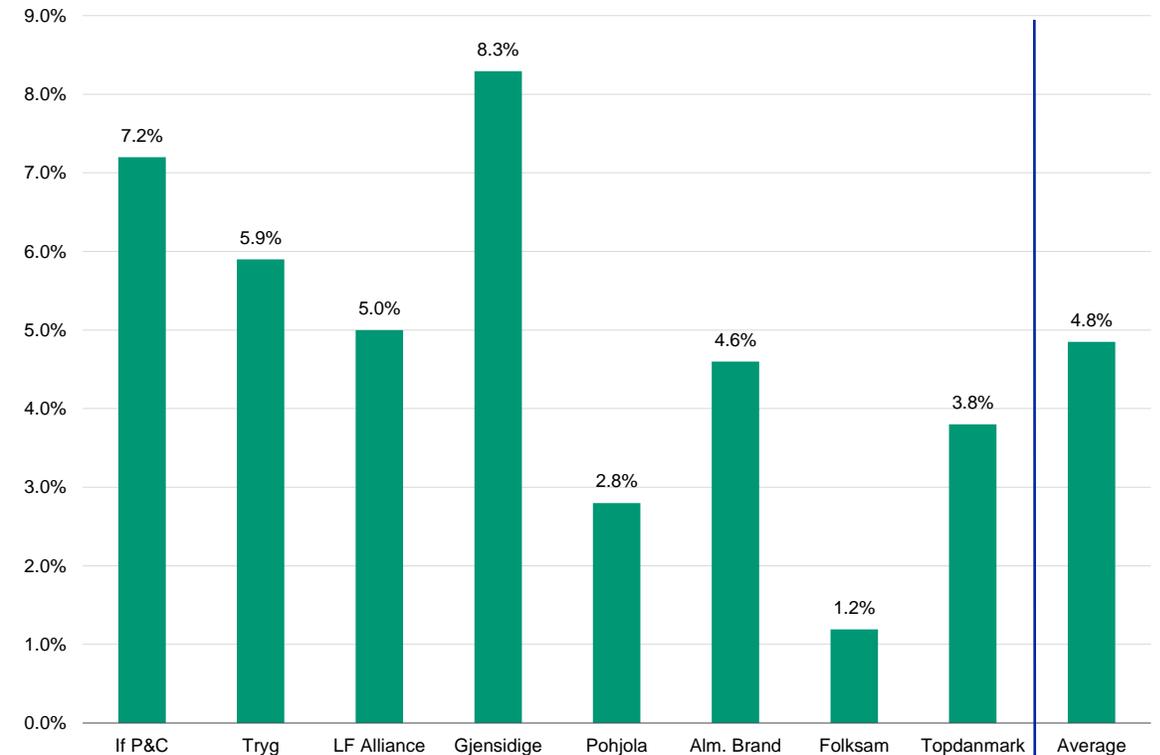
Price increases and robust new business growth largely offset an inflationary rise in claims

Most P&C insurers' underwriting performance remained strong in 2022  
Combined ratios



Note: Combined ratios as reported by the companies; Pohjola reports an operating combined ratio, which excludes the impact of the discount rate; Folksam reflects total cost ratio of Folksam General (parent company).  
Source: Company reports, Moody's Investors Service

Most P&C insurers reported robust premium growth in 2022  
Annual % change in premiums

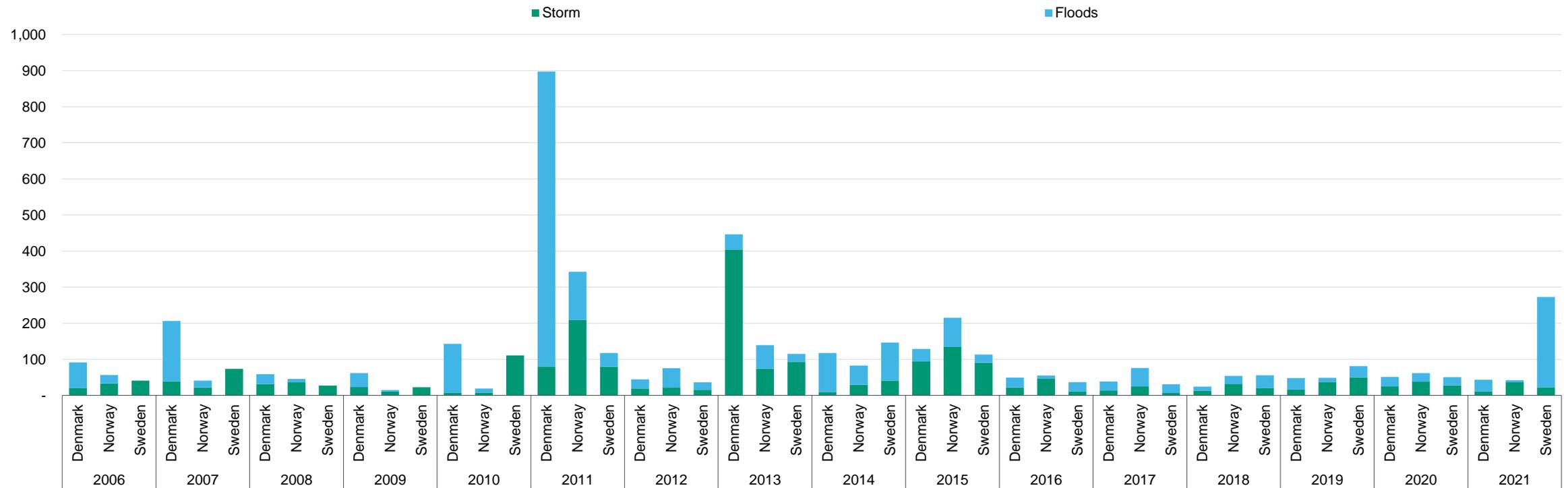


Note: Reflects earned premiums growth except for If P&C LF Alliance and Pohjola; Tryg's 2022 growth rate is based on pro-forma figures including Codan Norway and TryggHansa; Alm. Brand's 2022 growth rate is on a pro forma basis, including Codan's Danish operations  
Source: Company reports, Moody's Investors Service

# Natural catastrophe losses have been relatively low

Insured catastrophe claims have been more moderate in the Nordics compared to other European regions, reflecting relatively mild weather

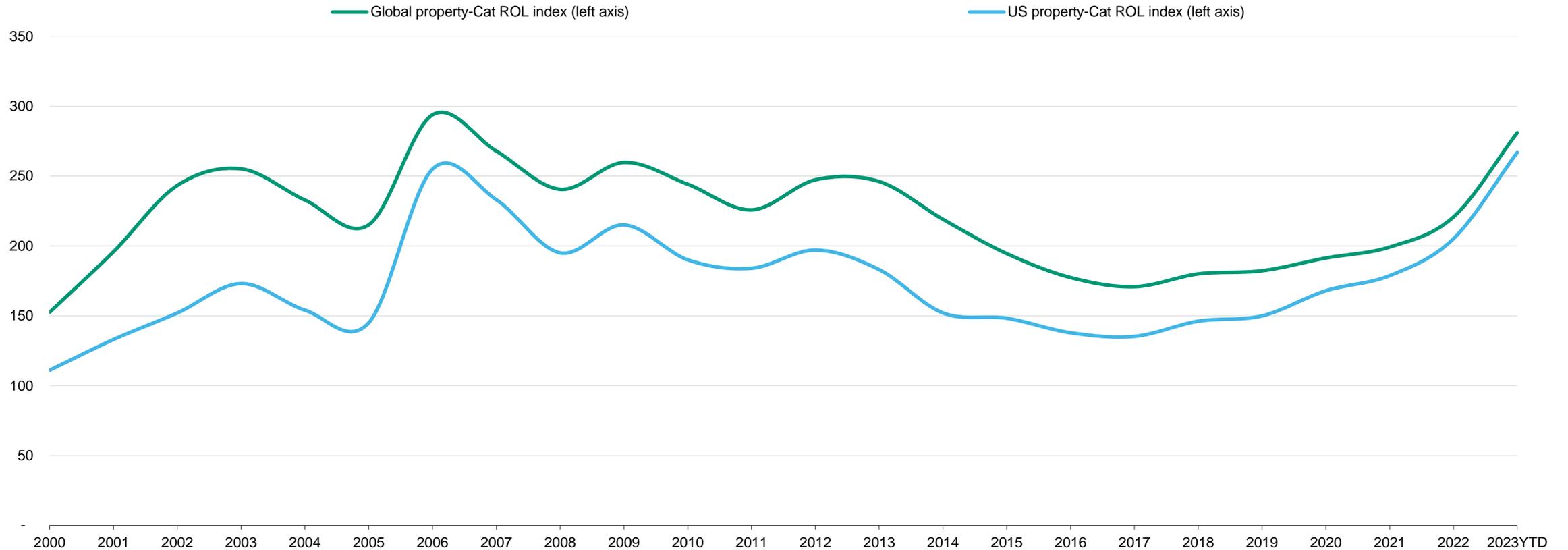
Natural catastrophe claims in the Nordic region have been more moderate compared with other European regions  
CPI adjusted claims cost for storm and flood damages in Mio USD



Sources: Forsikring & Pension, Finans Norge, Svensk Försäkring, Moody's Investors Service

# Reinsurance: lower capacity and higher prices

Higher reinsurance pricing has arrived in the Nordics, resulting in higher expenses and retention levels

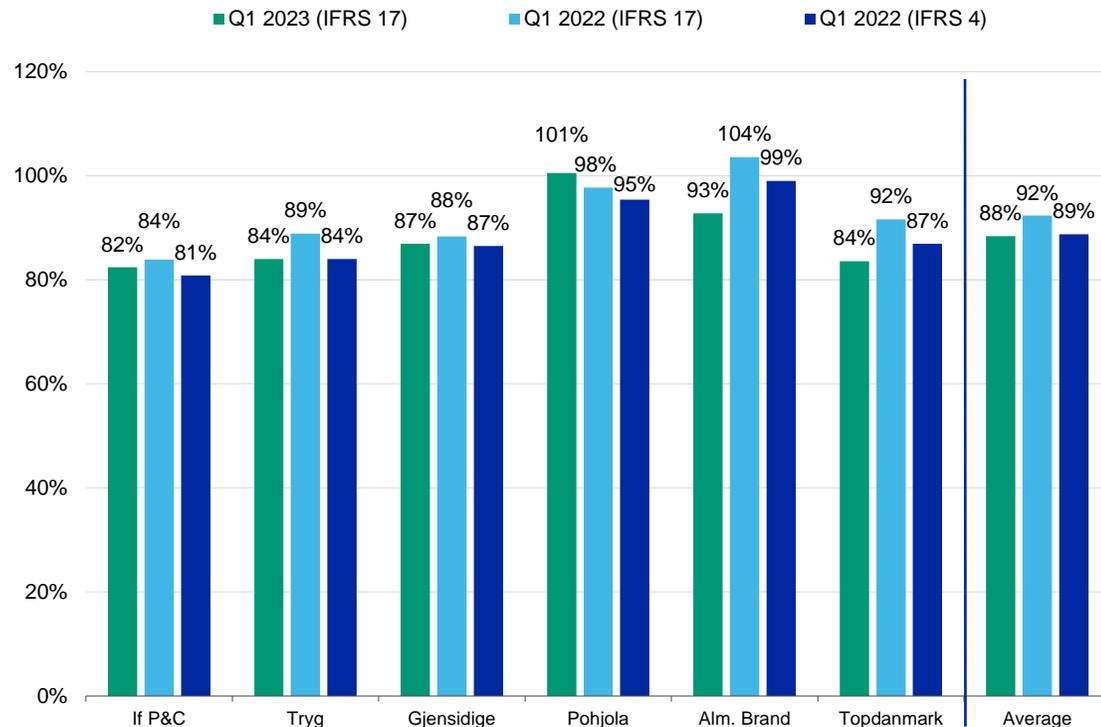


Note: ROL is a percentage calculated by dividing reinsurance premiums by reinsurance limits on a contract, for example a \$5 million catastrophe cover with a premium of \$1 million would have an ROL of 20%. Guy Carpenter's property catastrophe ROL index is a measure of the change in dollar paid for coverage, and is calculating the change in ROL year-on-year across the same renewal base.  
Source: Guy Carpenter, Artemis.bm, presented by Moody's Investors Service

# Leading Nordic P&C insurers' Q1 2023 results remain strong

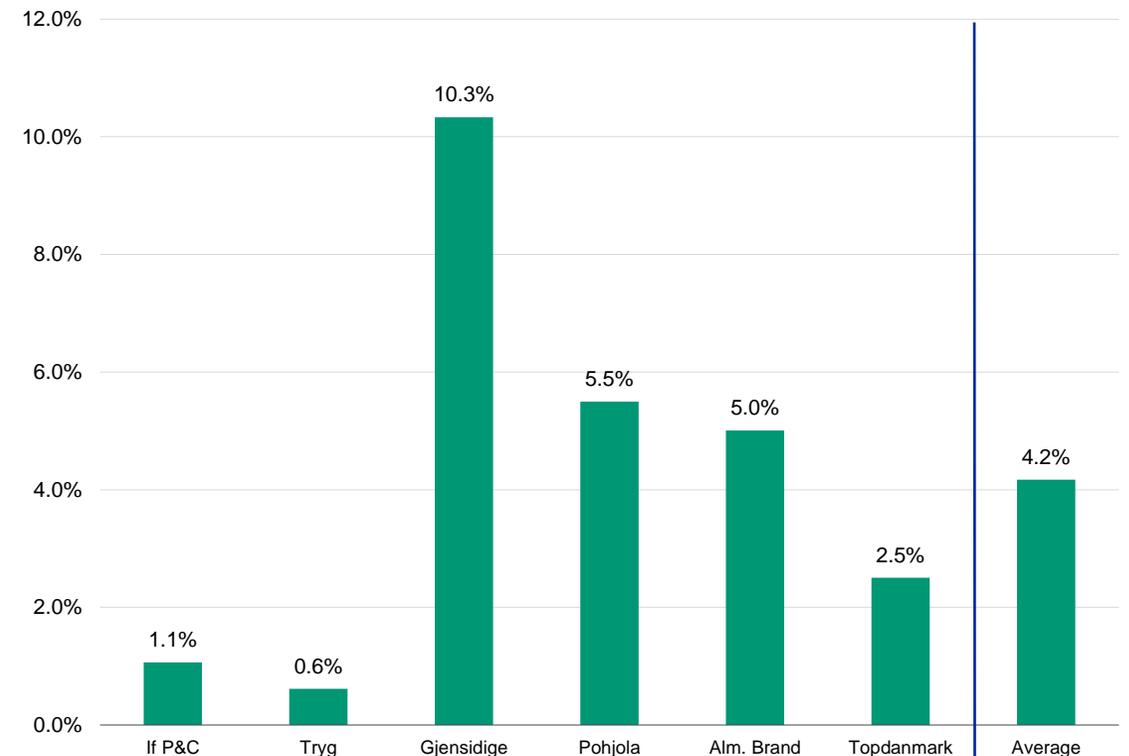
First quarter impacted by higher underlying frequencies and claims inflation, but continued price increase allow to maintain strong profitability; change to IFRS 17 has limited impact on Nordic insurers

Limited impact of accounting change on combined ratio  
Combined ratios



Note: Alm. Brand's Q1 2022 combined ratio is on a pro-forma basis, including Codan on a consolidated basis. Tryg's Q1 2022 combined ratio is on a pro-forma basis, including Codan Norway & Trygg-Hansa on a consolidated basis.  
Source: Company reports, Moody's Investors Service

Broadly good growth but impeded by weakened car sales  
Annual % change in Insurance Revenue



Note: Alm. Brand's Q1 2023 insurance revenue is compared to Q1 2022 on a pro-forma basis, including Codan on a consolidated basis. Tryg's Q1 2023 insurance revenue is compared to Q1 2022 on a pro-forma basis, including Codan Norway & Trygg-Hansa on a consolidated basis.  
Source: Company reports, Moody's Investors Service

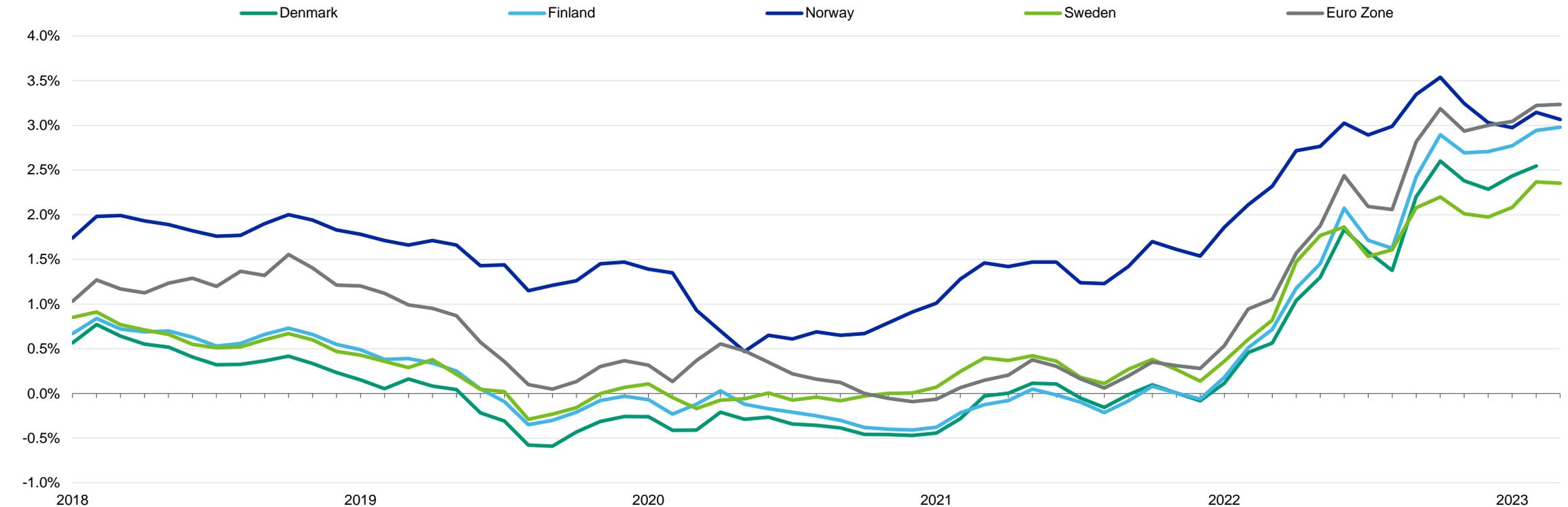
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Strong Capital Adequacy  
despite risky Investments

# Interest rates remain at high levels

Higher interest rates support insurers' earnings and capitalization but drag down their investment portfolio valuations

10-year government bond yields have increased significantly (monthly average)

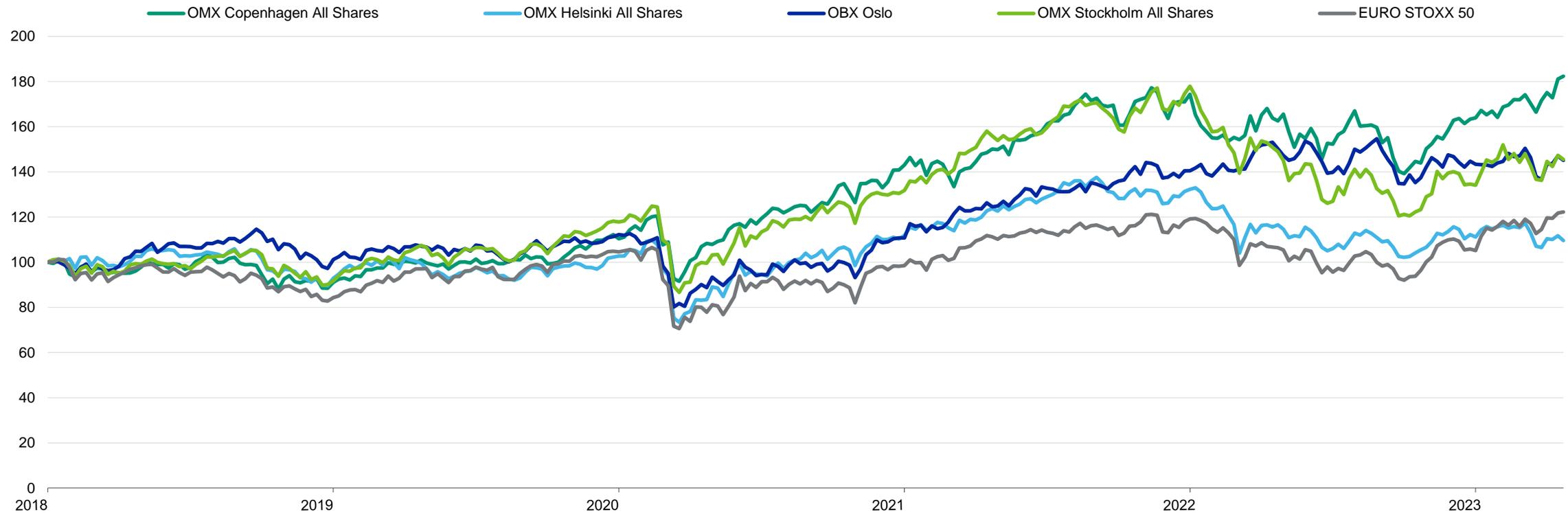


Source: OECD, Moody's Analytics

# Equity markets have recovered recently

Nordic insurers are vulnerable to stock market movements due to their significant equity exposure

Equity markets have risen from Q3 2022 lows  
Monthly change in local equity market indices plus Euro STOXX50 (January 2018 = 100)

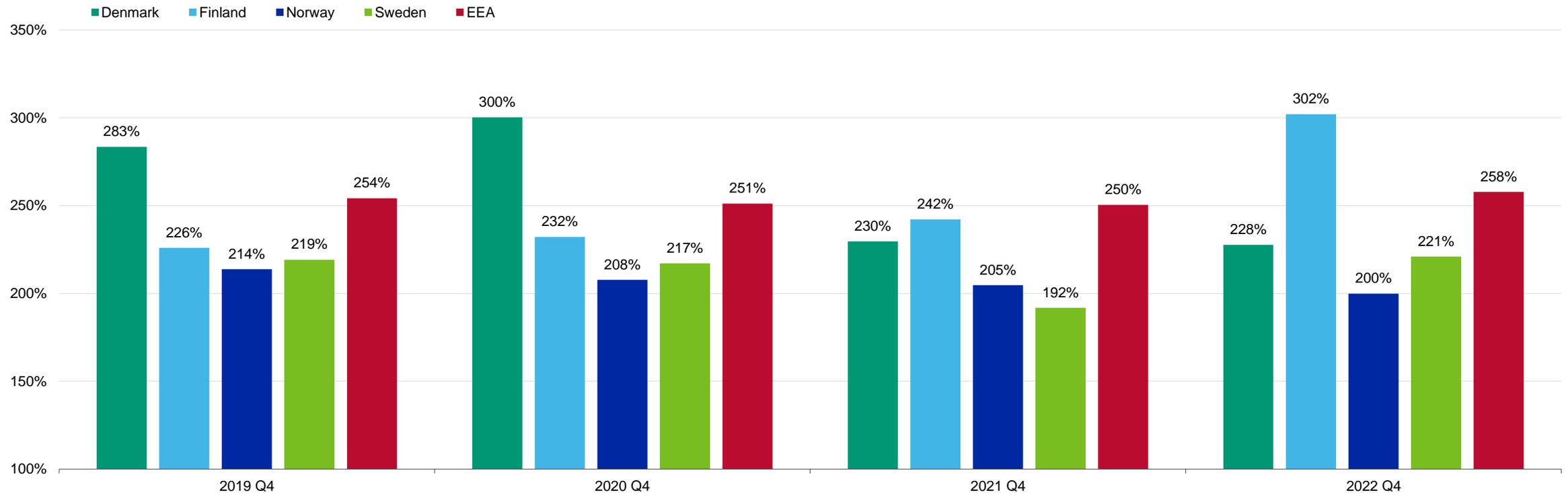


Source: FACTSET, Moody's Investors Service

# P&C insurers' capitalization is solid

Solvency II ratios for Nordic P&C insurers remain sound

Solvency II ratios increased over 2022  
Average Solvency II ratios of P&C insurers

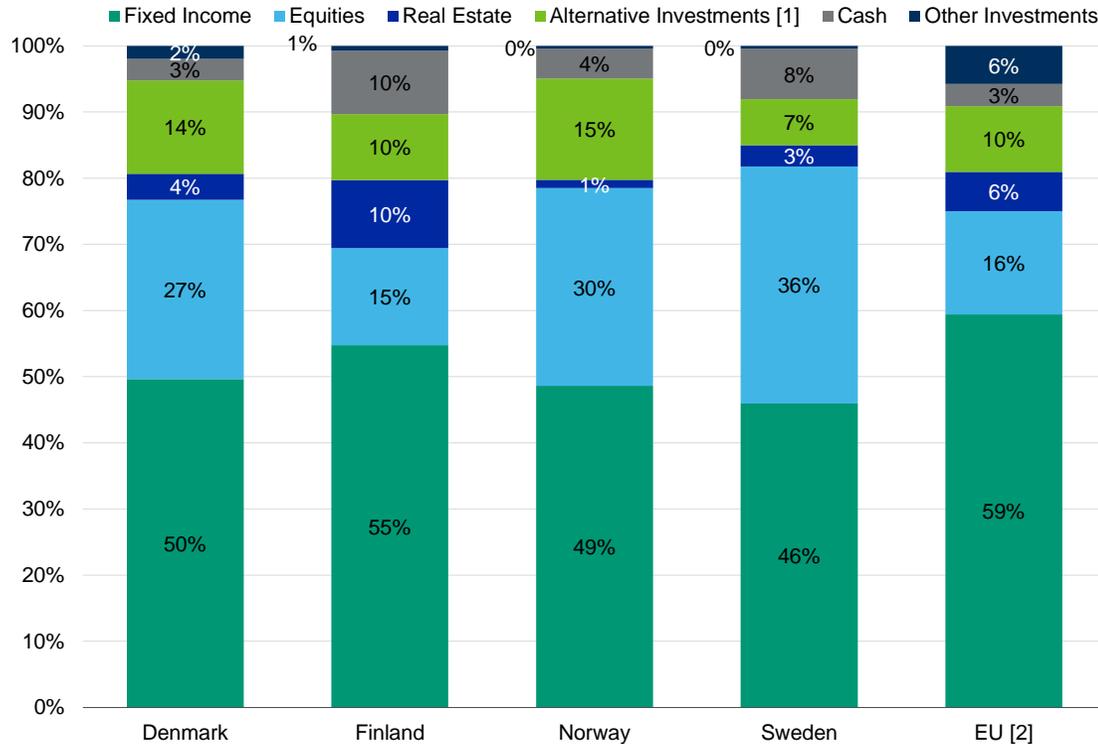


Source: European Insurance and Occupational Pensions Authority and national regulators, Moody's Investors Service

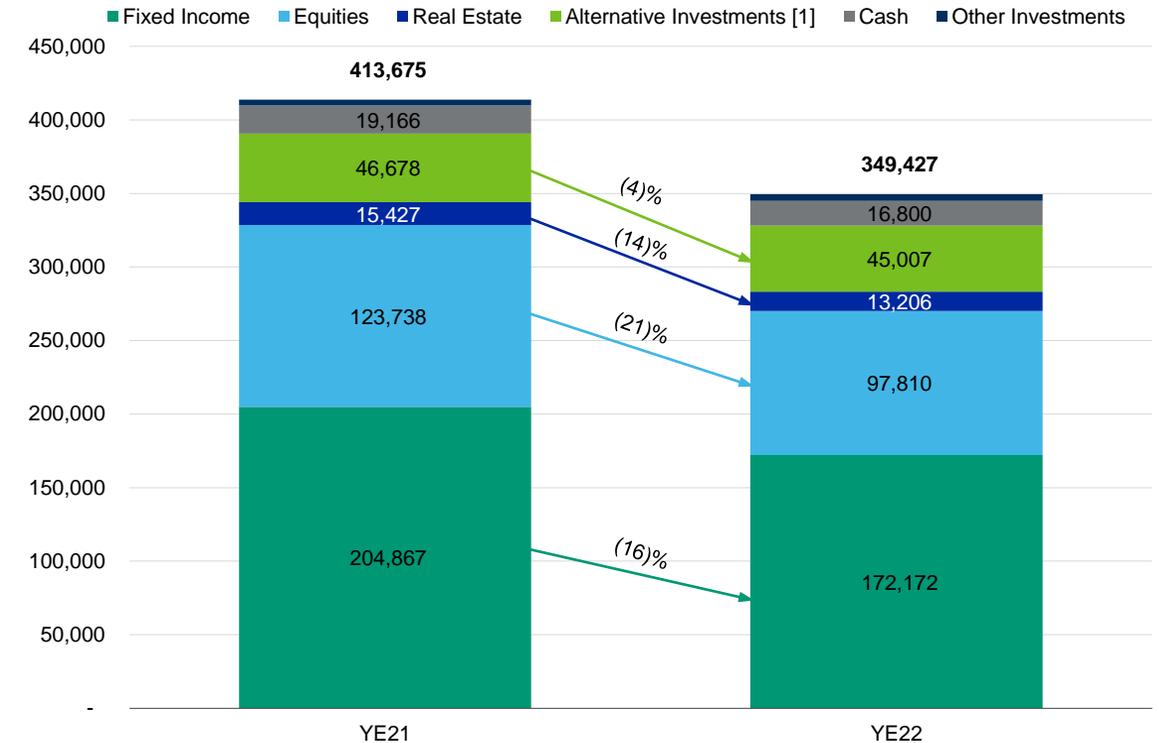
# Rising yields caused a decline in asset values

Nordic insurers continue to hold high volumes of risky assets

Nordic insurers continue to hold high share in equities and illiquid assets  
Asset allocation by country as of YE 2022



Investment portfolios fell significantly in value during FY 2022  
Nordic<sup>3</sup> asset allocation as of YE 2022

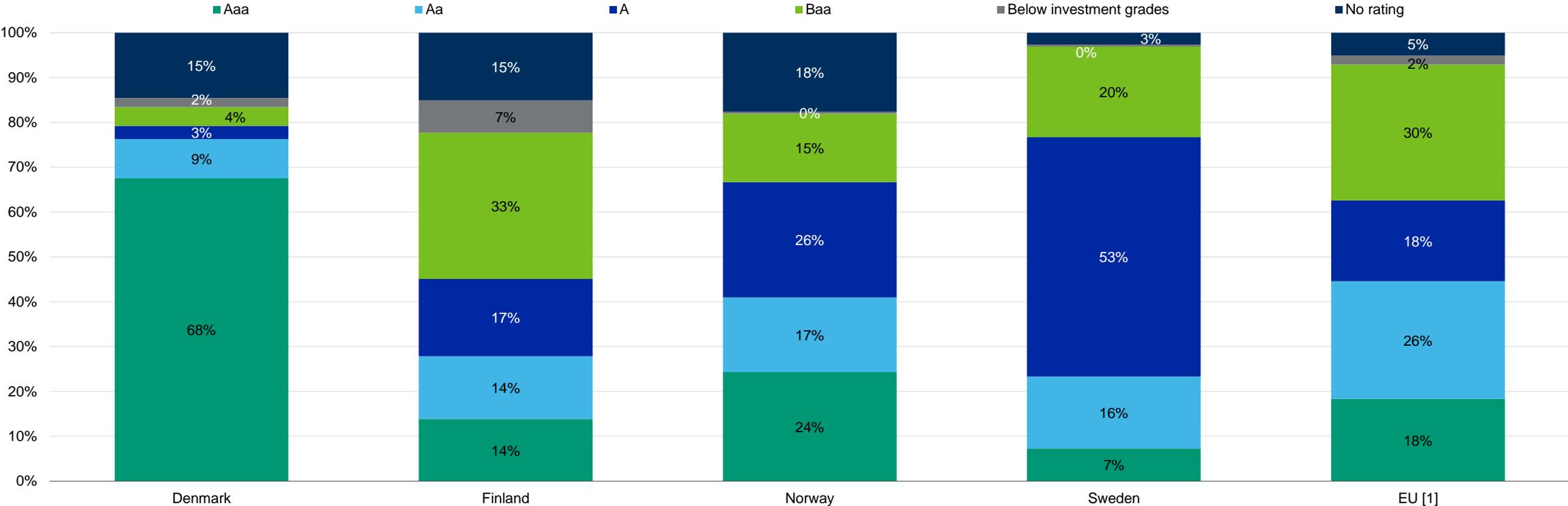


Notes: [1] Alternative Investments consist of Mortgages, loans and private equity; [2] France, Germany, Italy, The Netherlands; [3] Denmark, Finland, Norway, Sweden  
Sources: European Insurance and Occupational Pensions Authority, Moody's Investors Service

# Credit quality of fixed income portfolios remains good

Fixed income portfolios are broadly unchanged

Credit risk is moderate within Nordic insurers' fixed income portfolios, with the exception of Finland  
 Rating distribution of insurers' fixed income portfolios at year-end 2021

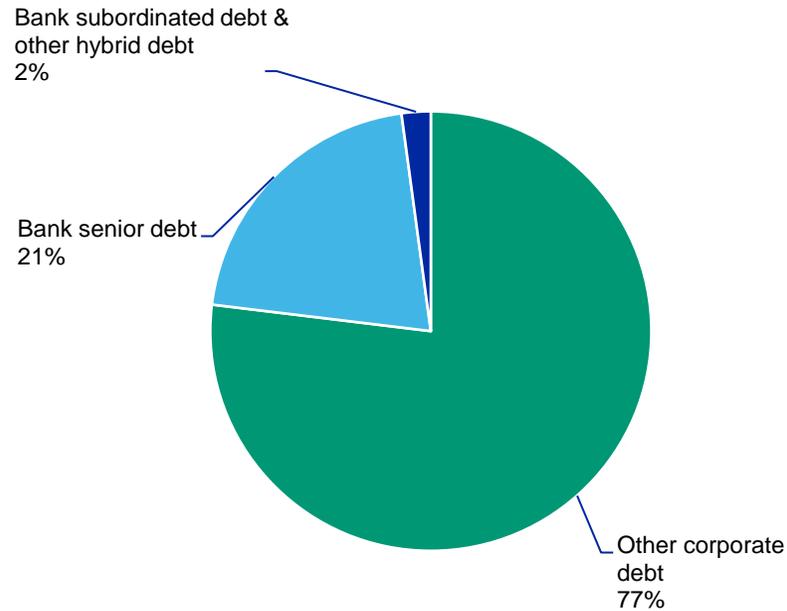


Note: Data does not include rating distribution of fixed income investments via investment funds; [1] France, Germany, Italy, The Netherlands; corresponds to unweighted average  
 Source: European Insurance and Occupational Pensions Authority, Moody's Investors Service

# Limited Banking Contagion Risk

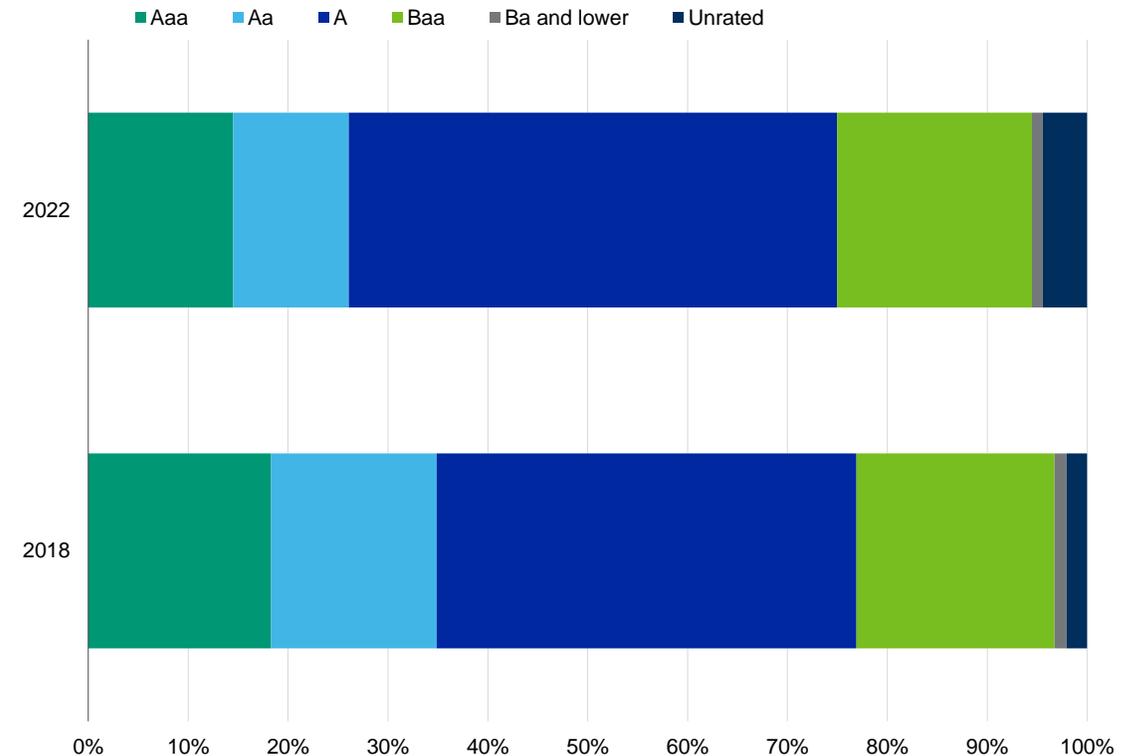
European insurers have low exposure to troubled banks

Breakdown of bank debt within the European insurance sector's corporate bond portfolio



Moody's estimate based on a sample of Moody's rated European insurers  
Source: Moody's Investors Service, Company filings

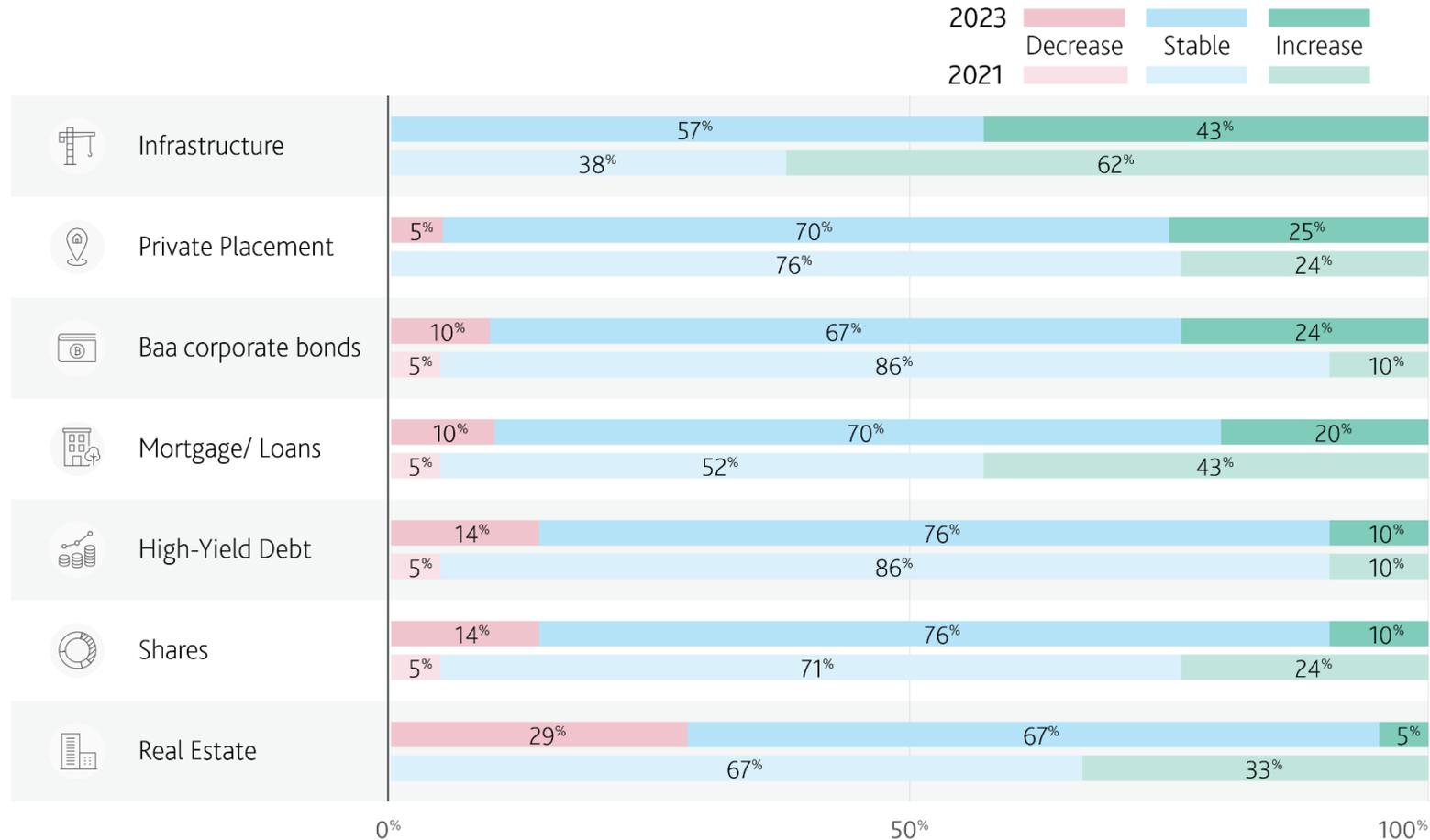
Average asset quality of European insurers' bank bonds (FY 2022)



Moody's estimate based on a sample of Moody's rated European insurers  
Source: Moody's Investors Service, Company filings

# Only minor changes in asset allocation expected

Higher interest rates as well as higher risk premiums are influencing investment decisions



Note: Question: Please indicate whether you expect significant changes in your firm's current investment allocation in the following asset classes in the next 2-3 years.

Source: Moody's Investors Service, 2023 & 2021 Insurance CFO surveys



MOODY'S  
INVESTORS SERVICE

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# Questions and Answers

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NORDIC MARINE INSURANCE DAY 2023: INSURANCE CREDIT  
TRENDS IN THE NORDICS

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