Where, when and how many insurers fail

Issue 17 in PACICC's *Why Insurer's Fail* series

The Global
Failed Insurer Catalogue

International Forum of Insurance Guarantee Schemes Annual General Meeting

Vancouver, British Columbia, Canada

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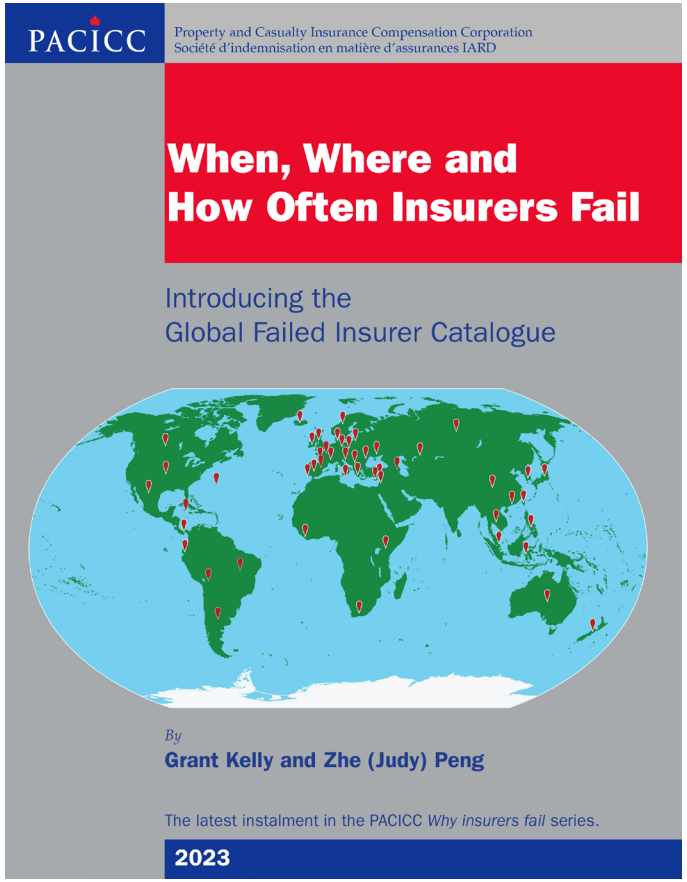
PACICC

PACICC's *Why insurers fail* Research Program

Our goals for this applied research series are to:

- Increase awareness that insurance failures can, and do, still happen
- Contribute to the global understanding of insurance failures – what are the key drivers of insolvency?
- Provide a voice for consumers on solvency issues
- Ensure that PACICC remains relevant with policymakers and regulators in Canada

2023 Paper addresses four key questions



1) Given the progressive worldwide improvements in solvency regulation, can insurers still fail?
2) If so, where is this happening? Is it possible for them to fail in countries with modern regulatory systems?
3) How often do insurers fail?
4) Are there new/evolving causes of more recent failures?

PACICC's Global Catalogue of Failed Insurers

- PACICC searched international jurisdictions for insurers that exited the Life and P&C insurance markets "involuntarily" between 2000 and 2022
- We define "involuntary" to mean that regulators made the decision to have companies exit the market
- PACICC needed to be able to find proof of insolvency
- Firms that decided to exit an insurance market voluntarily were not included in the Catalogue
- The Catalogue includes failed P&C, Life and Composite insurers

Important Caveat

PACICC recognizes that this Catalogue may contain two types of errors:

1) There may be companies included on the list in error, due to differences in legal systems in other countries, reporting errors from source or possible translation issues.

2) There may be companies that have failed between 2000 and 2022 that are not on the list.

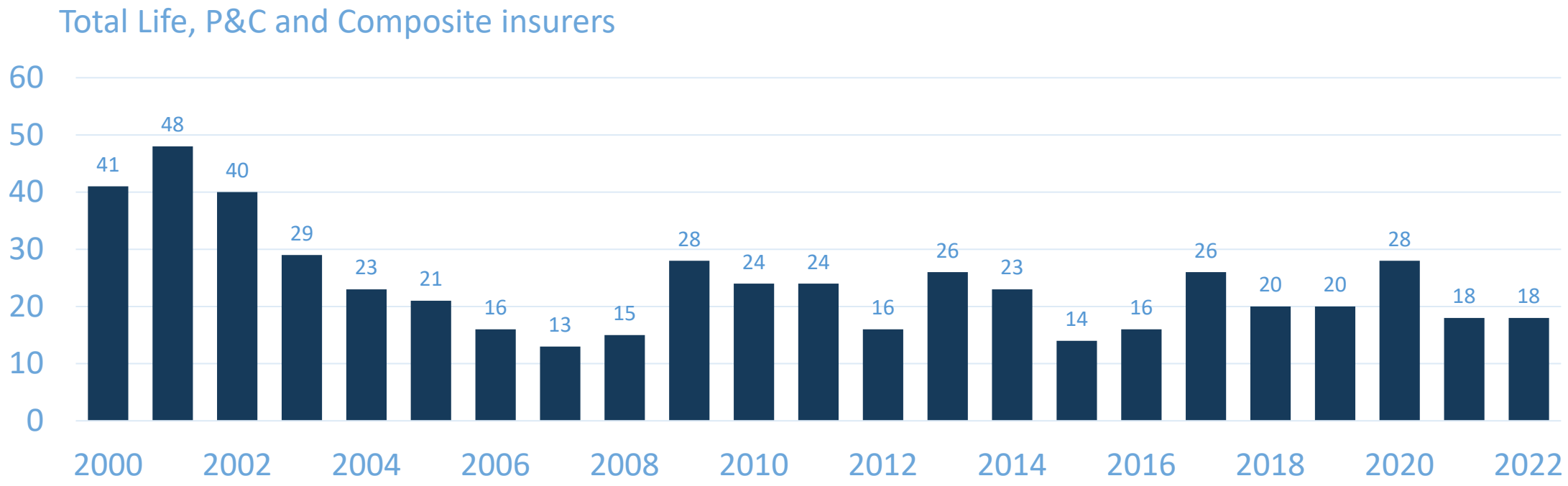
We welcome all feedback and will make the necessary adjustments to ensure that the Catalogue is as accurate and complete as possible. This will be a living and evolving data source, subject to continual updating and refinement.

If any reader has a suggestion to enhance the accuracy and completeness of the Global Failed Insurance (GFI) Catalogue, we ask that you please contact gkelly@pacicc.ca directly.

547 failed insurers were found in 55 jurisdictions

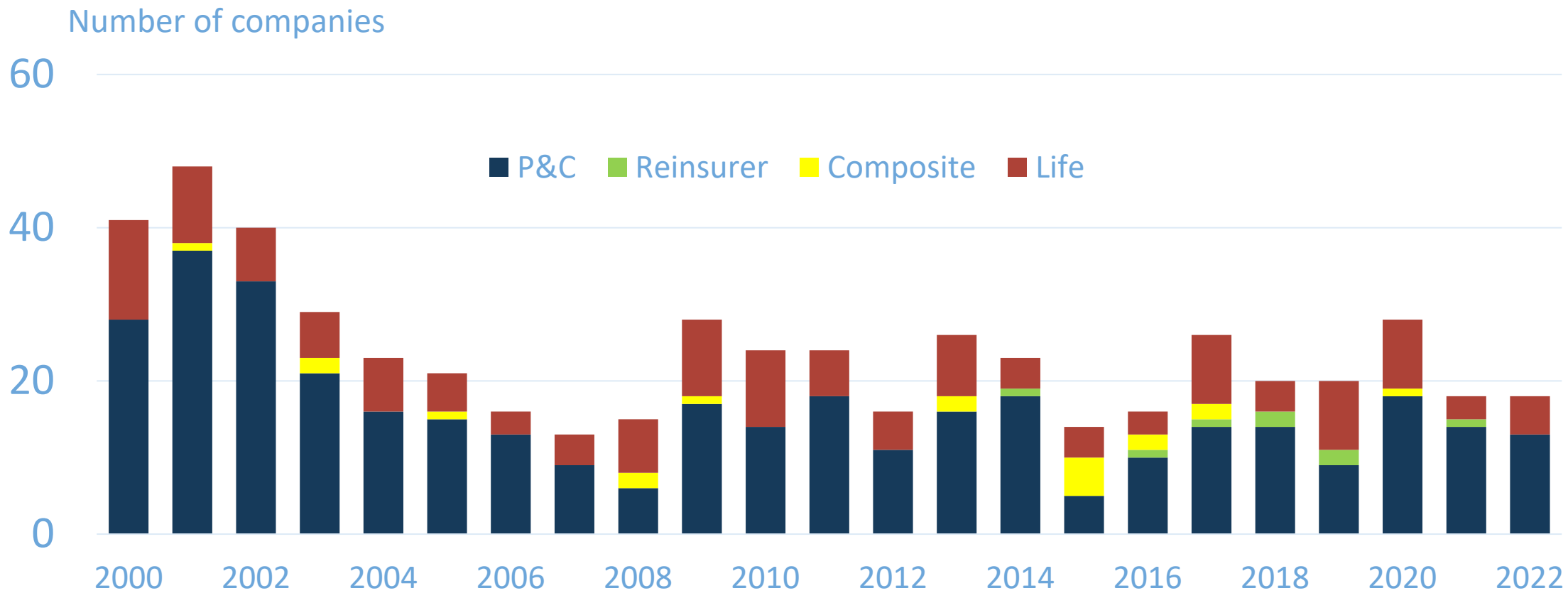
Andorra, Argentina, Australia, Azerbaijan, Belgium, Bermuda, Bolivia, Brazil, Canada, Cayman Islands, China (Mainland), China (Hong Kong), Cyprus, Denmark, Ecuador, France, Germany, Gibraltar, Greece, Hungary, Iceland, Indonesia, Ireland, Italy, Japan, Kazakhstan, Kenya, Korea, Latavia, Lebanon, Liberia, Liechtenstein, Luxembourg, Malaysia, Malta, Mexico, Netherlands, New Zealand, Norway, Panama, Philippines, Poland, Romania, Russia, Slovakia, Slovenia, South Africa, Spain, Switzerland, Taiwan, Thailand, Turkiye, Ukraine, United Kingdom & United States of America

Total number of insurers that failed by year

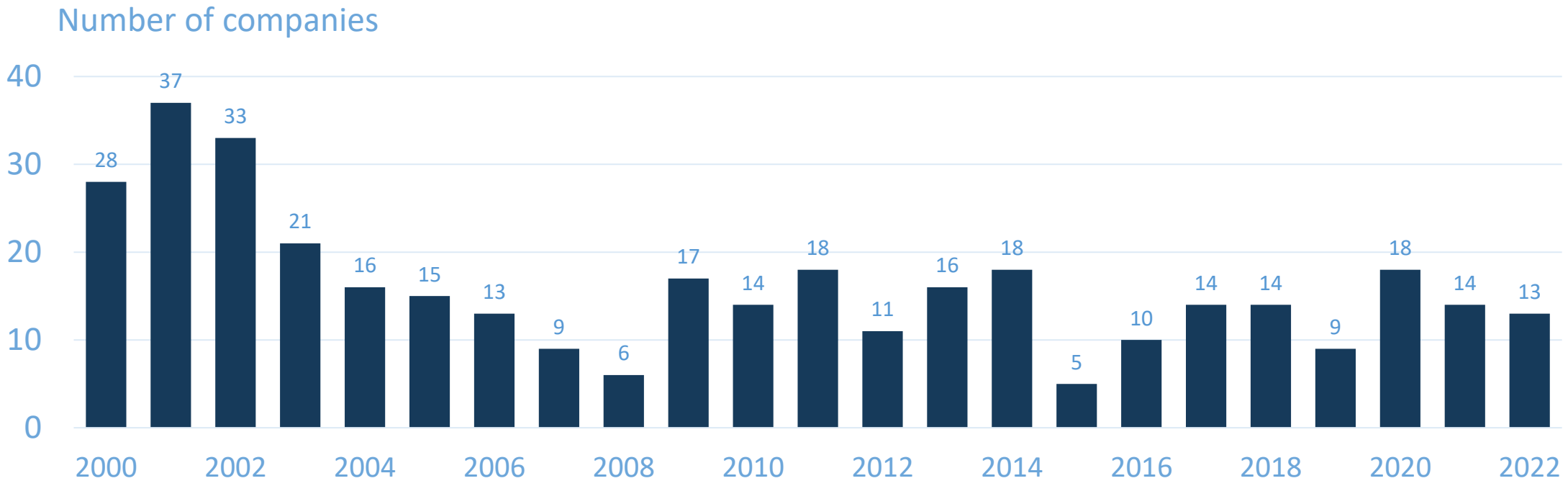


Between 2000 and 2022, PACICC identified 547 Insurers that failed around the globe.

Total number of insurers that failed by year

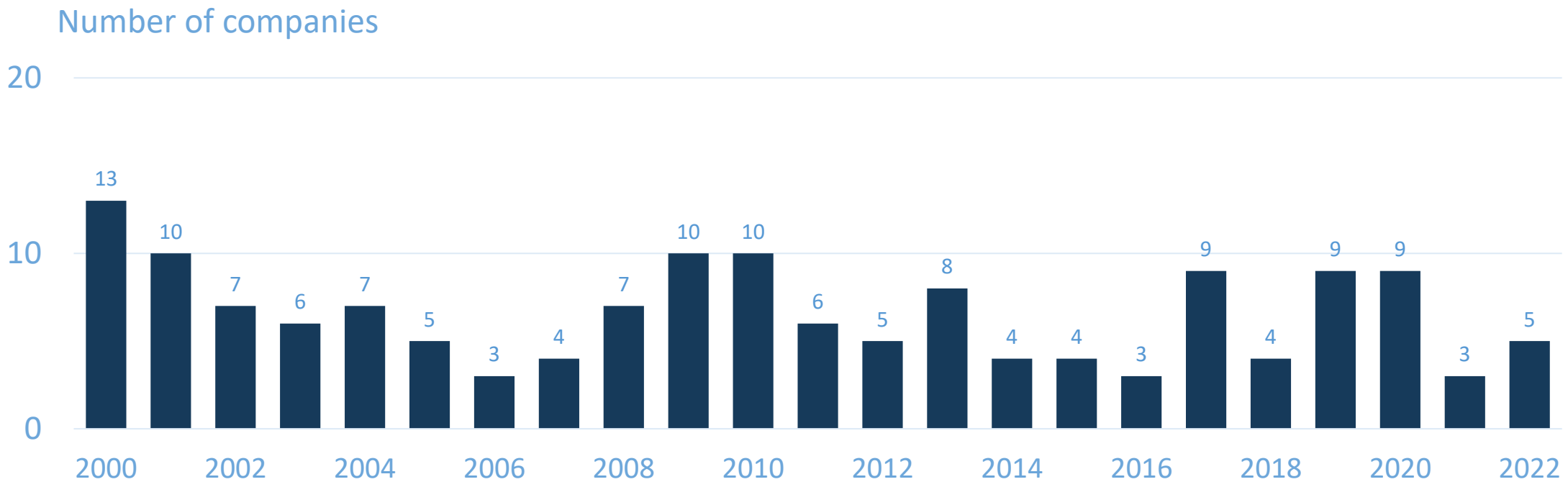


P&C Insurer failures



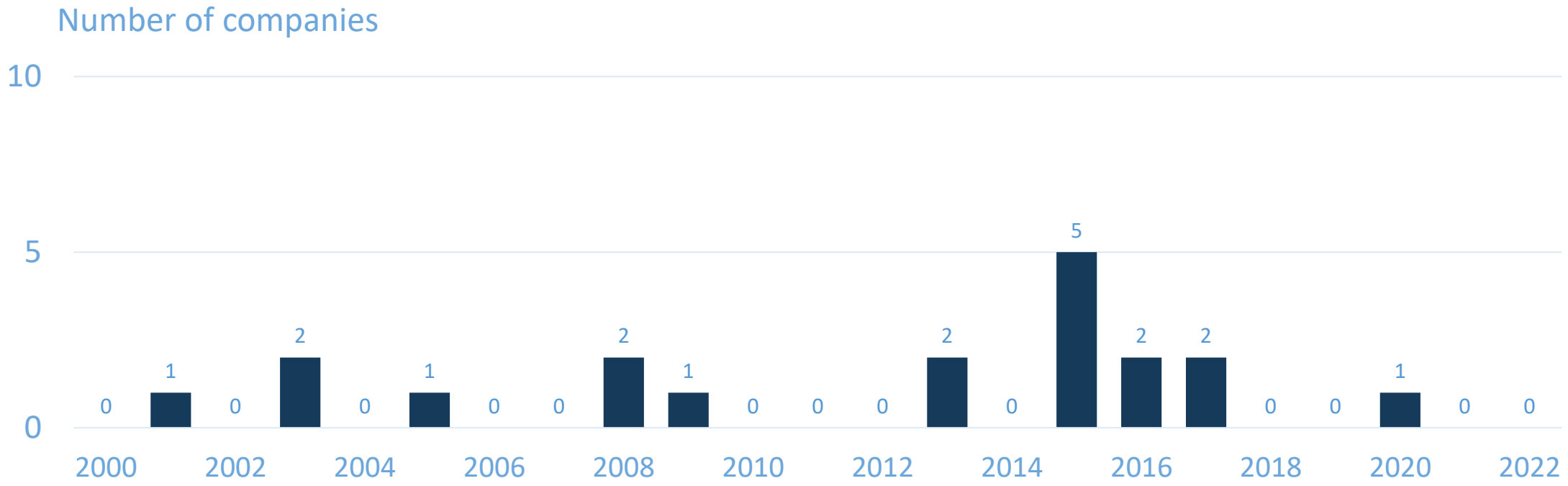
Between 2000 and 2022, PACICC identified 369 P&C insurer failures around the globe. An average of 16 P&C insurers failed each year.

Life Insurer failures



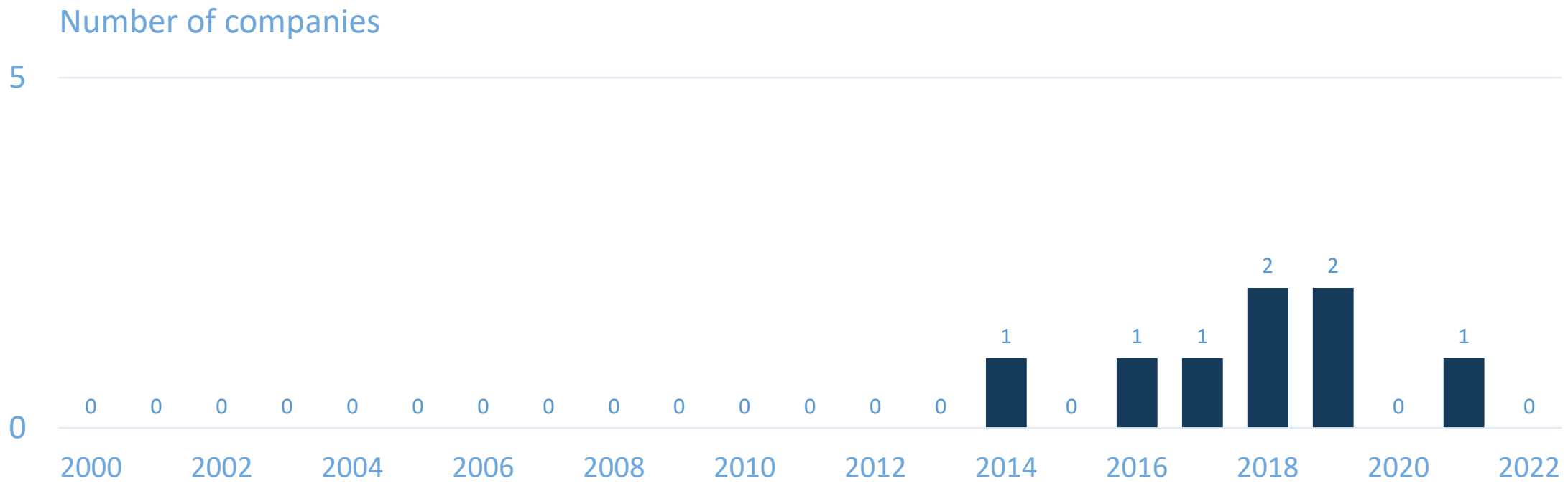
Between 2000 and 2022, PACICC identified 151 Life insurer failures across the globe. An average of 6.8 Life insurers failed each year.

Composite Insurance failures



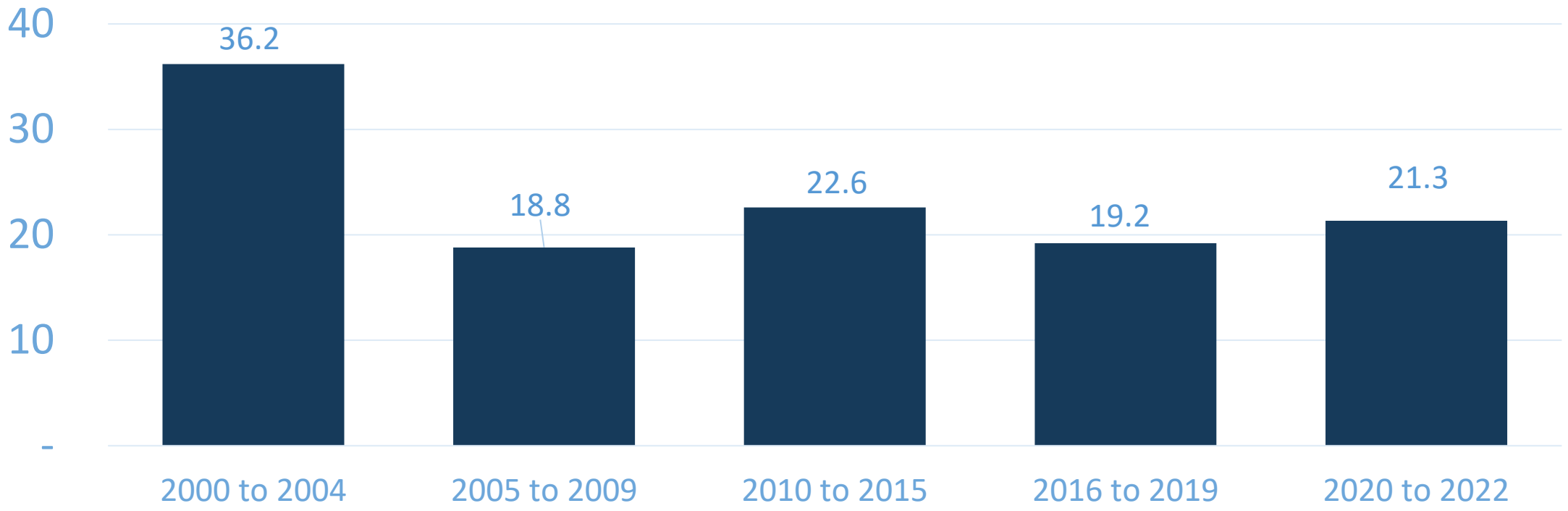
Between 2000 and 2022, PACICC identified 19 Composite insurer failure around the globe. An average of 1 Composite insurer failed each year.

Reinsurer failures



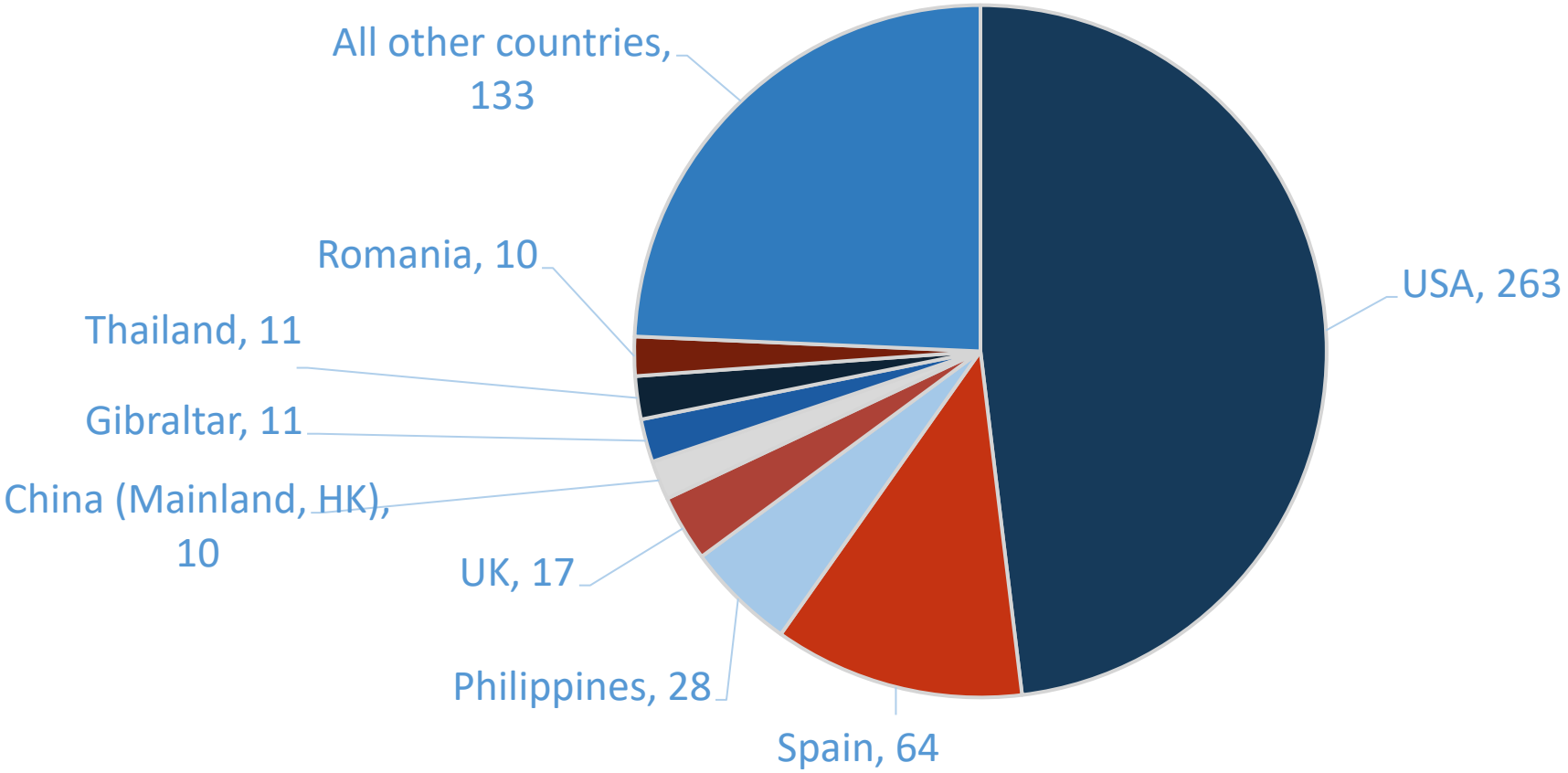
Between 2000 and 2022, PACICC identified eight Reinsurer failures around the globe. A Reinsurer failed, on average, once every three years.

Average number of failed insurers



The average number of insurers that failed each year has been quite consistent – approximately 20 per year – since 2005

Where insurers failed 2000-2022



Two observations about the insurance failures

1) Insurers failed in clusters. A cluster is defined to be three or more insurers failing within a three-year period. There were 28 jurisdictions that reported a “cluster.”

2) Many countries reported long periods of calm between failures.

24 jurisdictions reported clusters of failures in a three-year period

- **Argentina** – three failures between 2016 and 2019
- **Brazil** – five failures between 2013 and 2016
- **Canada** – five P&C failures between 2000 and 2003
- **Denmark** – three failures between 2018 and 2021
- **Gibraltar** – four failures between 2016 and 2019
- **Ireland** – four failures between 2018 and 2021
- **Italy** – four failures between 2008 and 2011
- **Japan** – six failures between 2000 and 2001
- **Korea** – four failures between 2001 and 2004
- **Luxembourg** – four failures between 2018 and 2021
- **Netherlands** – four failures between 2006 and 2008
- **Philippines** – 11 failures between 2000 and 2004
- **Philippines** – seven failures between 2014 and 2016
- **Romania** – three failures between 2003 and 2005
- **Romania** – three failures between 2009 and 2011
- **Romania** – three failures between 2015 and 2017
- **Romania** – three failures between 2020 and 2021
- **Russia** – six failures between 2013 and 2016
- **Thailand** – four failures between 2021 and 2022
- **United Kingdom** – 12 failures between 2000 and 2001
- **California, USA** – 10 failures between 2001 and 2003
- **New Jersey, USA** – five failures in 2007 and 2008
- **Oklahoma, USA** – three failures in 2009 and 2010
- **Texas, USA** – five failures between 2006 and 2008
- **Texas, USA** – three failures between 2019 and 2021
- **Louisiana, USA – four** failures in 2022
- **Florida, USA** --12 failures in 2009 and 2011
- **Florida USA –** seven failures in 2021 and 2022
- **Illinois, USA** – eight failures in 2001 and 2002
- **Illinois, USA** – three failures in 2012
- **Illinois, USA** – three failures in 2020
- **New York, USA** – three failures in 2010

13 jurisdictions reported seven or more years between failures

1. Australia – 11 years (last failure was in 2011)
2. Belgium – nine years (failures in 2008 and 2017)
3. Canada – 10 years (last failure was in 2012)
4. China (Mainland) – nine years (no failures between 2009 and 2018)
5. Denmark – 14 years (no reported failures between 2003 and 2017)
6. France – 14 years (no reported failures between 2001 and 2015)
7. Japan – 13 years (no failures since 2009)
8. Kenya – eight years (no failures between 2013 and 2022)
9. Korea – nine years (no failures between 2009 and 2022)
10. Malaysia – 14 years (no failures since 2009)
11. Netherlands – nine years (no failures between 2009 and 2017)
12. Thailand -- eight years (no failures between 2005 and 2013)
13. Ukraine – seven years (no failures between 2012 and 2020)

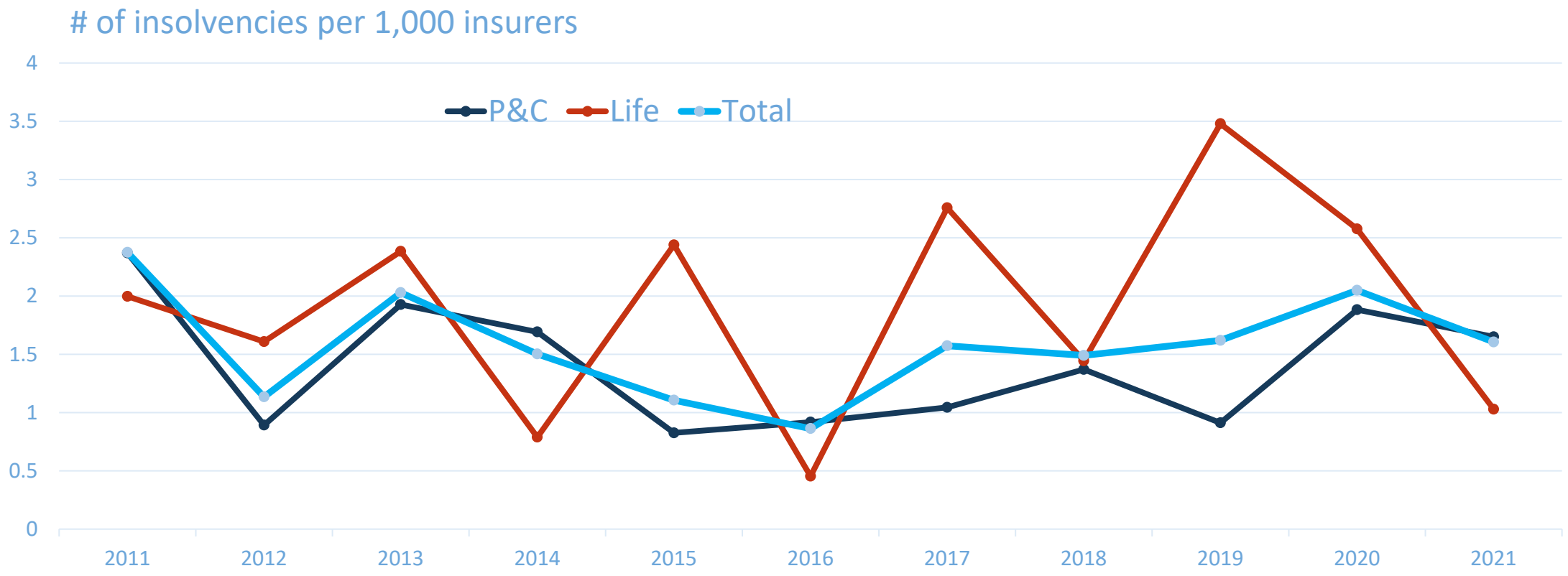
Insolvency rate for insurers in OECD countries (2012-2021)

Insurer insolvency rates for OECD countries

P&C Failures per 1,000 insurers	Life Failures per 1,000 insurers	Total Failures per 1,000 insurers
1.18	1.80	1.33

There were 1.33 failures for every 1,000 P&C and Life insurers operating in the 38 OECD countries. The failure rate was higher for Life insurers over this period.

Insurer insolvency rates across OECD countries varied annually



Insolvency rates differed across OECD jurisdictions

More total insurer insolvencies than the OECD average	Iceland	7.14
	Spain	4.84
	Slovenia	4.76
	Hungary	2.22
	Greece	2.08
	Denmark	1.94
	Belgium	1.85
	Korea	1.79
	Ireland	1.71
	United States of America	1.64
	Switzerland	1.56
	Netherlands	1.53
	Luxembourg	1.41
Less total insurer insolvencies than the OECD average	Norway	1.00
	Mexico	0.95
	New Zealand	0.85

Less total insurer insolvencies than the OECD average	United Kingdom	0.57
	Germany	0.53
	Italy	0.45
	Canada	0.40
	France	0.15
	Australia	0.00
	Austria	0.00
	Chile	0.00
	Colombia	0.00
	Costa Rica	0.00
	Czech Republic	0.00
	Estonia	0.00
	Finland	0.00
	Israel	0.00
	Japan	0.00
	Latvia	0.00
	Lithuania	0.00
	Poland	0.00
	Portugal	0.00

Conclusions (I)

1. **Despite improvements in the business environment, P&C insurers still fail.** PACICC identified 547 P&C, Life, Composite and Reinsurers that failed since 2000
2. **55 different jurisdictions reported a failure of at least one insurance company since 2000**
3. **Many jurisdictions experience a longer period of calm lasting 10 years or more, with zero insolvencies**. That does not mean that their insurers will never fail

Conclusions (II)

4. **When insolvencies do occur, they often happen in clusters.** PACICC identified 27 jurisdictions where 3 or more insurers failed over a two-to-three-year period
5. **The rate of insurer insolvency varies by country and by year.**
6. **Over the 10-year period between 2011 and 2021, 1.33 insurers failed for every 1,000 insurers competing**
7. **Natural catastrophe appears to be an increasingly significant driver of solvency risk**

PACICC – *Why Insurers Fail* series

All of PACICC's *Why Insurers Fail* papers are available

(in English) at www.pacicc.ca

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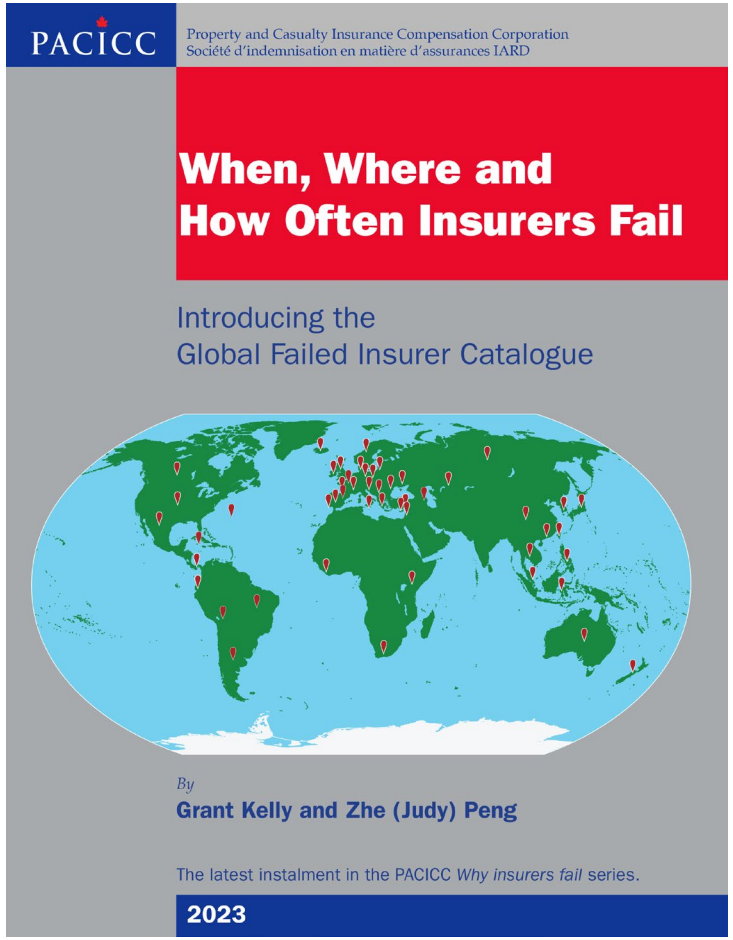
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