afme/
Finance for Europe

15 May 2018

European Commission
DG FISMA, Rue de Spa 2
Brussels

Dear Sir or Madam,

Revised calibrations for securitisation investments by insurance and reinsurance undertakings under Solvency II

AFME welcomes certain aspects of the proposed new draft delegated regulation amending Delegated Regulation (EU) 2015/35 (the "New Solvency II Regime") as regards the calculation of regulatory capital requirements for securitisations and simple, transparent and standardised ("STS") securitisations held by insurance and reinsurance undertakings (the "Proposals").

AFME has consistently supported the European Commission's proposals for a new framework for STS securitisations as well as a new common framework for all securitisations. We strongly support the Commission's efforts to harmonise existing legislation with the newly-established framework for both STS securitisation (the "STS Framework") and all securitisations whether STS or not (the "Common Framework").

We are confident that the long-term impact of the new regime can be positive. However, this will only be the case if critical related EU legislation, including these Proposals, are calibrated to create the right conditions and incentives to support the recovery of safe and well-regulated securitisation in Europe as a key pillar of the Capital Markets Union.

Unfortunately, while there are positive aspects to the Proposals we believe that overall they do not go far enough in correcting the harsh and disproportionate treatment of securitisation investments under Solvency II.

Aspects of the Proposals which we welcome

We welcome the integration into Delegated Regulation (EU) 2015/35 of the new requirements for risk retention and due diligence, as well as the new criteria for STS securitisation and the replacement of the existing classification of securitisation positions as either 'Type 1' or 'Type 2' with one that will specifically refer to STS and non-STS. Achieving such consistency across regulations is sensible and helpful.

Association for Financial Markets in Europe
London Office: 39th Floor, 25 Canada Square, London E14 5LQ, United Kingdom T: +44 (0)20 3828 2700
Brussels Office: Rue de la Loi 82, 1040 Brussels, Belgium T: +32 (0)2 788 3971
Frankfurt Office: Skyper Villa, Taunusanlage 1, 60329 Frankfurt am Main, Germany T: +49 (0)69 5050 60590
www.afme.eu

Company Registration No: 6996678 Registered Office: 39th Floor, 25 Canada Square, London E14 5LQ
AFME is registered on the EU Transparency Register, registration number 65110063986-76

We welcome the proposed date of application of 1 January 2019, which is consistent with the date of application of the Common Framework.

We welcome the reduction of the calibrations for senior STS tranches to levels which are comparable to those applying to corporates.

Aspects of the Proposals which disappoint

We view the following aspects of the proposals as falling short of what is required to support the recovery of safe and well-regulated securitisation in Europe as a key pillar of the Capital Markets Union.

The treatment of non-senior STS tranches

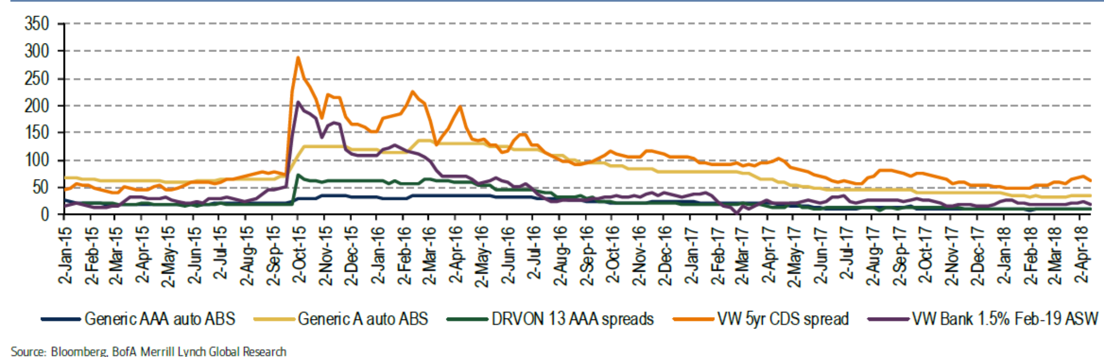
While we welcome the proposed reduction of the calibrations compared with their treatment as Type 2 securitisations today, the calibrations remain disproportionately high in both absolute and relative terms, in some cases between three and four times the equivalent charges for corporate bonds.

Practically speaking, yields in ABS are nothing like three or four times those in corporate bonds. The current Euro BBB corporate bond index (Barclays Euro BBB Corporate Bond Index) has a yield of around 1%. Over the last two years, average BBB securitisation yields have been around 0.5% to 0.75% higher than corporates – nowhere near enough of a pick-up to attract investors who will suffer a three to four times higher capital charge.

A further example is the capital charges for a single-A non-senior STS tranche with a duration up to 5 years (4.6% - 23%) which is comparable with a BB-rated corporate of similar duration (4.5% - 22.5%). But the spreads for, say, Volkswagen corporate risk (BBB+) compared with Volkswagen auto ABS (AAA, A) tell a very different story which is not reflected in the proposed calibrations. This is even more difficult to justify given the zero default rate in investment grade auto ABS and the non-zero default rate in investment-grade corporate bonds.[1]

[1] Bank of America Merrill Lynch European SF and CB Weekly, 20th April 2018, page 7.

Chart 4: Volkswagen Corporates BBB+ vs auto ABS (AAA and A) spreads



Source: Bloomberg, BofA Merrill Lynch Global Research

The approach to STS non-senior tranches seems excessively conservative also because the lower credit ratings of non-senior tranches already naturally lead to higher capital charges. This effective 'double-counting' in the Proposals creates a large cliff effect between senior and non-senior tranches, which is likely to be very off-putting for potential investors as it directly affects the effective 'sweet spot' for insurers.

The treatment of non-STS securitisations

We understand that the Commission's mandate was limited in scope regarding the kinds of amendments to Delegated Regulation (EU) 2015/35 that it was able to propose. Nevertheless it is disappointing that the Proposals are silent on non-STS securitisations - which retain the very high charges they carry today, as Type 2 securitisations. Many non-STS securitisations (CLOs, CMBS) have an important role to play in funding the real economy and today's extremely high calibrations are unjustified in view of the performance of these securitisations through and since the crisis.

For example, we refer to the treatment of the AAA senior part of a CLO where around 35%-40% of the loans in a transaction could default with a 100% write-off before AAA noteholders might suffer a loss. These notes will incur a capital charge almost three times higher than a typical BB-rated constituent loan, and of course yield far less, giving insurers no incentive to invest in them.

The treatment of ABCP, both STS and non-STS

The STS Framework contemplates not only medium to long-term, but also short-term STS securitisation, in the form of STS Asset-Backed Commercial Paper ("ABCP").

Unfortunately, the STS ABCP criteria have been drawn so restrictively that very few, if any, existing ABCP programmes will qualify as STS. The inevitable result is that most ABCP Programmes will be treated as non-STS securitisations.

ABCP programmes are funding vehicles, financing multiple securitisation positions through the issuance of rated commercial paper with very short (typically 30, 60 or 90 day) maturities. They are used by sponsoring banks to fund the working capital of their clients on a much larger scale than factoring or any another traditional banking financing tool, typically using granular, real-economy underlying assets such as trade receivables or auto and consumer loans.

Commercial paper issued under an ABCP programme all ranks senior and pari-passu and is typically fully-supported by a 100% liquidity line provided by the sponsor bank. Investors in the ABCP therefore have dual recourse not just to the securitised assets but also the bank provider of the liquidity line.

Therefore, in light of:

- the high credit quality of the underlying assets;
- the strong structural protections described above; and
- the difficulty which existing ABCP programmes will have in complying with the STS Framework

we ask that fully-supported ABCP programmes (as defined in the Money Market Funds Regulation) benefit from the same regulatory treatment as term senior STS securitisations under the New Solvency II Regime.

Almost no insurers currently invest in ABCP due to the very harsh capital treatment; encouraging their participation would be in line with the Capital Markets Union and help foster real economy funding.

<u>The impact on the market and the Capital Markets Union</u>

There are aspects of the Proposals that should theoretically make investment in STS securitisation more appealing. For example, senior STS tranches and short maturity mezzanine tranches may benefit from some renewed insurer demand. However, we believe that any wider positive impact of the Proposals is likely to be subdued for the following reasons.

Insurers are unlikely to be significant buyers of senior tranches

Insurance companies are not typically significant buyers of senior, mostly AAA rated, securitisations - or indeed of covered bonds. These investments simply do not yield enough and are often too short-dated. A representative insurance company's fixed-income credit portfolio will be concentrated towards the mid-to-lower end of the investment grade spectrum, which covers most of the corporate bond market, and perhaps with a bias to longer maturities, where the yields and duration match their risk/return and asset/liability matching investment needs. The reduced calibrations for senior STS tranches are therefore unlikely to have a major impact.

Whole loan pool investment remains much more generously treated than even STS securitisation

A whole loan mortgage pool (unrated, long duration, illiquid with no credit enhancement, where investors will suffer the first and every subsequent loss made on loans in the pool) will carry a capital charge of 3% for say a 30 year life at 80% LTV. A 5 year senior AAA rated STS RMBS (rated, medium duration, liquid, credit-enhanced, which is protected from first loss) will incur a capital charge of around 5% for the senior tranche, and much higher for the non-senior tranche.

This disparity of treatment is unjustified from a prudential perspective and constitutes an unlevel playing field, to the disadvantage of STS securitisation (*a fortiori* non-STS securitisation).

The Proposals also continue other cliff-effects which will discourage investment

The cliff effect between senior and non-senior STS remains high, as does that between senior STS and equally rated non-STS securitisations. We are not aware of any market evidence to justify this, be it for default or spread volatility.

Even with lower capital requirements, return on capital projections for insurers are poor and compare badly with what bank investors can achieve

Projected return on capital calculations, especially compared with bank investors, illustrate how unattractive it will remain for insurers to re-engage with securitisation. Table 4 from an independent J.P. Morgan's European Securitized Products research dated 20th April 2018 and set out below for ease of reference illustrates how "For STS seniors, such as Dutch RMBS or Spanish RMBS, the projected return undoubtedly increases with a lower capital requirement, but remains somewhat unappealing on an absolute basis."[2]

[2] J.P. Morgan Europe Securitized Products Research, 20th April 2018

Table 4: Comparing insurance companies' projected return on capital for holding various securitisation positions under the current Solvency II treatment, the proposed re-calibration, and the return for bank investors under the SEC-ERBA of the revised CRR

						Insurance Investors				Bank Investors		
						Proposed		Current		From 1 January 2019		
Category	Rating	WAL	Spread	STS	S2 Type	Capital	RoC	Capital	RoC	RW*	Capital	RoC
Dutch RMBS	AAA	2	9	Y	1	2.0%	*5%*	4.2%	*2%*	10%	1.2%	**8%**
	AAA	5	12	Y	1	5.0%	*2%*	10.5%	*1%*	10%	1.2%	**10%**
	A	9	105	Y	2	43.7%	*2%*	100%	*1%*	128%	14.7%	**7%**
	BBB	9	140	Y	2	81.8%	*2%*	100%	*1%*	242%	27.9%	**5%**
UK Prime RMBS	AAA	5	41	Y	1	5.0%	*8%*	10.5%	*4%*	10%	1.2%	**36%**
	AA	5	108	Y	2	17.0%	*6%*	67.0%	*2%*	67%	7.6%	**14%**
	BBB	5	153	Y	2	39.5%	*4%*	98.5%	*2%*	242%	27.9%	**5%**
UK NCF RMBS	AAA	3	66	N	2	37.5%	*2%*	37.5%	*2%*	20%	2.3%	**29%**
UK BTL RMBS	AAA	3	62	N	2	37.5%	*2%*	37.5%	*2%*	20%	2.3%	**27%**
Spanish RMBS	ECB Sr (AA)	5	33	Y	1	6.0%	*6%*	15.0%	*2%*	20%	2.3%	**14%**
	Non-ECB Sr (A)	5	102	Y	2	8.0%	*13%*	67.0%	*2%*	40%	4.6%	**22%**
	Mezz A	7	175	Y	2	39.1%	*4%*	100%	*2%*	128%	14.7%	**12%**
CLO	AAA	7	77	N	2	87.5%	*1%*	87.5%	*1%*	20%	2.3%	**33%**
	AA	9	120	N	2	100%	*1%*	100%	*1%*	114%	13.1%	**9%**
	A	9	165	N	2	100%	*2%*	100%	*2%*	171%	19.7%	**8%**
	BBB	10	250	N	2	100%	*3%*	100%	*3%*	295%	33.9%	**7%**

Source: J.P. Morgan International ABS & CB Research, European Commission. Note: We have assumed STS compliance and Solvency II Type as shown. We assume bank capital resources of 11.5% when calculating RoC, and tranche thickness of 5% for each non-senior tranche. We have assumed UK prime RMBS qualifies as STS.

The Proposals contain little that will assist in the transfer of risk from banks to insurers, which is a key component of the Capital Markets Union

Securitisation needs to be able to deliver risk transfer for European banks to build the Capital Markets Union and reduce overall reliance on banks. This requires non-banks to invest in mezzanine and junior tranches of securitisations. Insurers have a particularly important role to play, especially in STS securitisation. Such investments match insurers risk/return investment needs and enable them to provide risk management and diversification to the wider financial system, freeing up bank capital to flow back into the real economy.

The Proposals should aim to encourage insurers to buy mezzanine and junior tranches. Apart perhaps from some shorter maturity mezzanine tranches, they do not go far enough in this regard. Therefore we do not believe the Proposals will lead to a significant increase in mezzanine and subordinated tranche investment.

AFME's proposals

As previously discussed, we argue that the calibration of risk factors for securitisations should be aligned with covered bonds for senior STS securitisations and with corporate bonds for non-senior STS and, with a shift of one credit quality step, for non-STS. We believe this more appropriately reflects the true economic risk of such investments. We note that this has been partially addressed by the Proposals for senior STS tranches but we attach a further copy of our paper of October 2017.

Conclusion

The concept of STS has always been a means to an end: to restart and rebuild "a sustainable EU market for securitisation"[3] to "decontaminate" securitisation in Europe after the global financial crisis, and to ensure the lessons of the past have been learned.

This has now largely been achieved and ten years on we can see how well most of European securitisation has performed.

However, if securitisation and especially STS securitisation is not appropriately recognised in Solvency II and other regulations (including the LCR) then it will remain as no more than a niche product which is an expensive, complicated and time-consuming method of financing. Investors will be discouraged from engaging with the market and will continue to invest disproportionately in covered bonds or illiquid whole loan pools. This could lead to concentration of risk and a Capital Markets Union that does not achieve its potential in this area.

We thank you for the opportunity to comment on the Proposals and as ever remain at your disposal should you wish to discuss our comments in further detail.

Yours sincerely,

Richard Hopkin
Managing Director and Head of Fixed Income
richard.hopkin@afme.eu
+ 44 203 828 2698

[3] http://eur-lex.europa.eu/legal-content/EN/TXT/?uri= CELEX:52015PC0472 (explanatory memorandum).

Briefing Paper

AFME Securitisation: Solvency II

October 2017

AFME welcomes the progress now being made to revisit the current Solvency II calibrations for the risk factors for investment by insurance companies in securitisations. This is particularly timely now that the regulations setting out a revised Securitisation Framework are being finalised. These harmonise existing sectoral legislation and create a new framework for "simple transparent and standardised" or "STS" securitisation, and adjust bank capital requirements to reflect these changes.

Reviving Europe's securitisation markets is a key pillar of Capital Markets Union ("CMU"). It has been widely acknowledged that if securitisation is to play a meaningful role in CMU, by reducing reliance on Europe's banks and increasing reliance on Europe's capital markets, it must provide not just direct funding but also risk transfer, particularly for bank originators.

It is therefore essential for non-bank investors, such as insurance companies or asset managers investing on their behalf, to return to the securitisation market – particularly for investment in mezzanine and subordinated tranches. Many insurers left when the current – heavily prohibitive - calibrations came into effect. A revived securitisation market that relies only on bank investors, without participation by non-banks, will not deliver the full benefits of CMU and will be less financially stable.

Key components for rebuilding the market

There is now much evidence which shows that the credit and liquidity performance of most European securitisation through and since the crisis has been excellent: this can be seen from the data collected over the last ten years since the financial crisis. In addition, considerable additional regulation has been put in place over this period addressing *inter alia* alignment of interest, ensuring "skin in the game" and comprehensive disclosure, and reducing reliance on credit ratings - culminating in the new securitisation framework described above.

Prudential safeguards around European securitisation are already stronger than they ever have been and will be stronger still with the implementation of the STS framework. The key policy objective today must therefore be to make it attractive for insurers to return to the European securitisation market.

For this to happen the following adjustments to the existing regime are key:

- **Relative, as well as absolute, risk factors are critical:** insurance company investors have a choice of different asset classes in which they can invest. If they are to return to the European securitisation market, then the applicable risk factors should be set no higher than either those for bonds that have displayed similar levels of performance during the stress period of the sovereign crisis (such as covered or corporate bonds), or (where relevant, for example for residential mortgages) investment in "whole loan pools".

- **Any "non-neutrality" premium should be reasonable, and deliver the above policy objective:** the concept of a "non-neutrality" premium on capital for investment in the same assets after securitisation (compared with before) is present in the bank regulatory capital regime. To the extent it also forms part of the Solvency II regime, it should be set at a level which is lower than for banks: otherwise insurance companies simply will not return to the market.

- **The current calibrations are much too high**: this has been widely acknowledged. However, it is key that reductions in risk factors are made not just for senior tranches but also for subordinated tranches**.** Indeed, insurance company investors have a particularly important role to play at the mezzanine and junior level – this is where they can perform the function of absorbing risk from the banking system. It is therefore key that risk factors for subordinated tranches, particularly at the A / BBB rating level, are set at realistic levels. These are the most common ratings for subordinated tranches in European securitisation and if securitisation is to recover its function as a risk transfer tool it must be competitive for insurance companies to invest at these ratings. Current risk factor proposals for subordinated tranches remain extremely high in both absolute and relative terms.

- **Cliff effects should be avoided:** overly conservative calibrations can create significant cliff effects between:
    - senior and non-senior
    - different credit ratings, with progression down the credit spectrum
    - between securitisation and "whole loan pool" investment, and
    - between STS and non-STS

The table below illustrates how significant the cliff effects are in the current Solvency II regime:

	AAA	AA	A	BBB	BB	B and below
Credit quality step	0	1	2	3	4	5 and 6
Corporate Bonds	0.9%	1.1%	1.4%	2.5%	4.5%	7.5%
Covered Bonds	0.7%	0.9%	-	-	-	-
Residential mortgage loans			e.g. 3% for life at LTV=80%			
Current Securitisation Type1	2.1%	3%	3%	3%	-	-
Cliff Securitisation Type1 vs Corporate Bonds	1.2%	1.9%	1.6%	0.5%	-	-
Cliff Securitisation Type1 vs Covered Bonds	1.4%	2.1%	-	-	-	-
Current non-senior securitisations Type 1	12.5%	13.4%	16.6%	19.7%	82%	100%
Cliff Non-senior Securitisation vs. Corporate Bonds	11.6%	12.3%	15.2%	17.2%	77.5%	92.5%
Current SII Type2	12.5%	13.4%	16.6%	19.7%	82%	100%
Cliff Type2 Securitisation vs. Corporate Bonds	11.6%	12.3%	15.2%	17.2%	77.5%	92.5%
Cliff Type2 vs Type1 Securitisation	10.4%	10.4%	13.6%	16.7%	-	-
Recalibrated SII Type1 (Perraudin, Kutas, Qiu)	0.91%	1.14%	1.42%	5.10%	-	-

Source: BofA Merrill Lynch Global Research

- **Non-STS securitisations are also key:** risk factors for non-STS securitisations should also be revised. Non-STS securitisation products such as commercial mortgage-backed securities ("CMBS") and collateralised loan obligations ("CLOs") remain important and useful contributors to European economic growth; it is vital that investment in non-STS transactions remains viable. It is not under the current risk factor framework.

A more balanced possible approach

One example of a more balanced approach to the calibration of the risk factors is presented in the table below, adjusted for the various securitisation categories under Solvency II where Type 1 is equivalent to STS and Type 2 is equivalent to non-STS. The example calibration is based on the existing risk factors for both covered bonds (for senior STS) and corporate bonds (for non-senior STS and, with a shift of one credit quality step, for non-STS).

	AAA	AA	A	BBB	BB	B and below
Corporate Bonds	0.9%	1.1%	1.4%	2.5%	4.5%	7.5%
Recalibrated SII Type1 Senior	0.7%	0.9%	1.1%	1.4%	3.0%	4.5%
Recalibrated SII Type1 Non-Senior	0.9%	1.1%	1.4%	3.0%	5.5%	7.5%
Recalibrated SII Type2	1.1%	1.4%	2.5%	4.5%	6.0%	8.5%

Source: BofA Merrill Lynch Global Research

Transitional and grandfathering measures

Clearly, the new calibrations will derive from the new STS regime but simply referring across to bank regulation may be problematic. For example, a link to the requirements set out in Article 243 of the revised CRR could suggest that the *same* additional criteria will be required of insurers as they are of banks.

The requirements under Article 243 (such as, inter alia, determination of risk weights of the underlying exposures) are derived from, and closely linked to, broader CRR concepts and matters that insurers are unlikely to be familiar with. Insurance companies, with their own regulatory regime, may have a difficulty integrating requirements designed for banks into their systems.

Rather than adopting a copy-paste approach from the CRR, appropriate additional metrics that are directly relevant for insurance undertakings should be used for Solvency II purposes.

Next steps

AFME has also undertaken a survey of insurance company investors to ascertain the factors which influence their decisions to invest, and the results of this are attached.

AFME Contacts

Richard Hopkin	Anna Bak
richard.hopkin@afme.eu	anna.bak@afme.eu
+44 20 3828 2716	+ 44 20 3828 8673

Published
October 2017

Solvency II Investor Survey Results – survey undertaken in September 2017

As the EU Securitisation Regulation and amendments to the CRR are being finalised, and given the acknowledgement that the insurance regulatory framework for securitisation should be compatible with the Securitisation Regulation, attention is turning to the revision of the current Solvency II calibrations for the risk factors for investment by insurance companies in securitisation. AFME welcomes the progress being made in this respect. In order to provide the views of the insurance investor community on the current treatment under Solvency II and the basis upon which investors would be prepared to invest in securitisation going forward, AFME conducted a survey of 33 buy side firms. The largest number of the respondents comprised insurance companies (49%), with a significant number of asset managers[1] (39%) and a small proportion classified as 'Other' (12%). A large majority of the insurance company respondents were based in the EU27 (80%), with a smaller proportion based in the UK (20%). The asset managers were mainly operating globally (56%) and in the EU excluding the UK (39%), with a small number operating in the EU including the UK (5%).

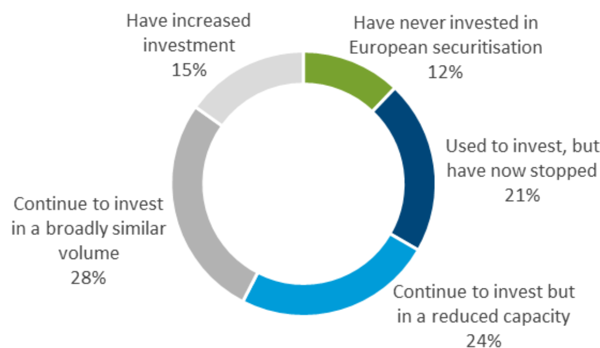
The key findings of the survey are:

- **45% of respondents have either stopped investment or reduced investment in European securitisation, whereas only 15% have increased investment.**
- **Of those respondents that have stopped or reduced investment, by far the largest number say that this decision was due to the high Solvency II capital charges for securitisation.**
- **79% of respondents not planning to invest in STS transactions with the current charges, would invest if the charges were reduced to equivalence with corporate bonds.**

Summary of survey results

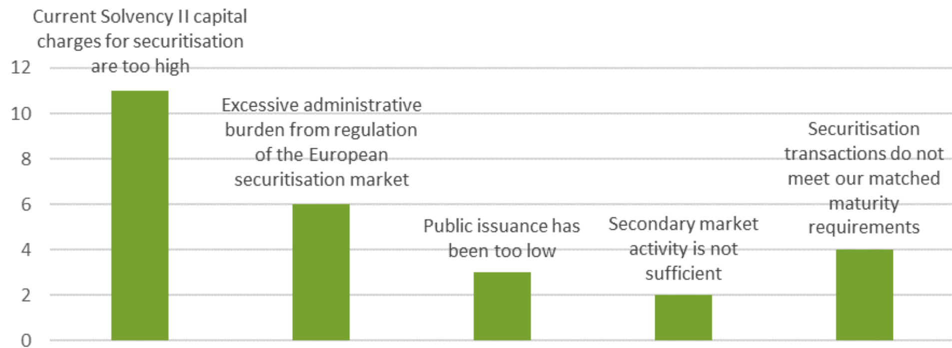
- **45% of respondents have either stopped investment or reduced investment in European securitisation**, whereas only 15% have increased investment. This supports evidence from BAML (see Annex 1), that insurance companies have reduced their investment allocation to European securitisation in recent years.

Which of the following options most accurately describes your company's current investment position with regards to European securitisation?

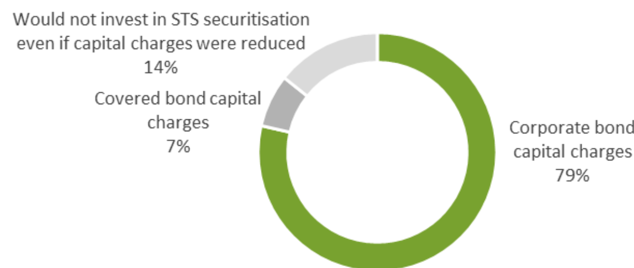


[1] Asset managers were asked to respond to the questionnaire on behalf of their insurance sector clients.

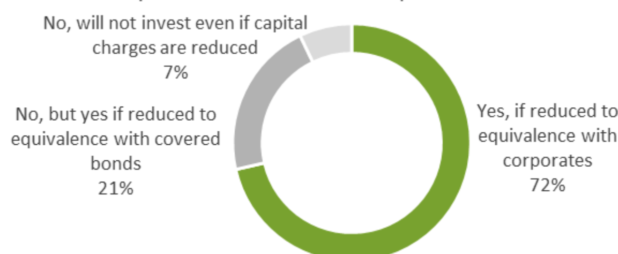
- Of those respondents that have **stopped or reduced investment**, by far the largest number say that this decision was **due to the high Solvency II capital charges for securitisation**. The administrative burden of investing in securitisation has also played a significant role in the reduction of insurer investment in the asset class.



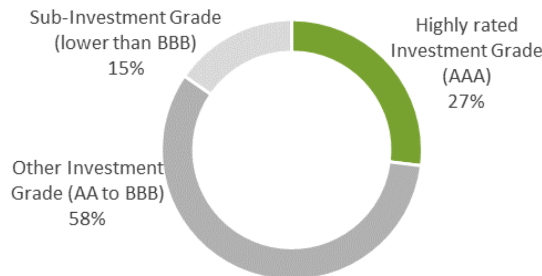
- Of those respondents **not currently planning to invest in STS transactions** with the current capital charges, **79% would invest if the charges were reduced to equivalence with corporate bonds**. A further 7% would invest if the capital charges were reduced to the level of covered bonds.



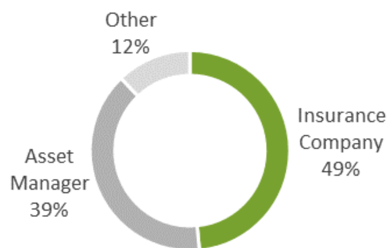
- Of those **investors that have withdrawn from the European securitisation market**, or have never invested in it, **72% of respondents said that they would invest if the STS capital charges were equivalent with corporate bonds,** and a further 21% if equivalent with covered bonds.

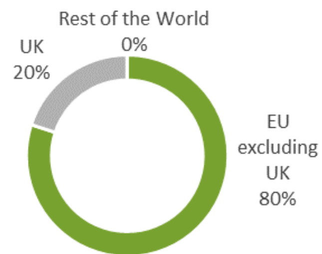


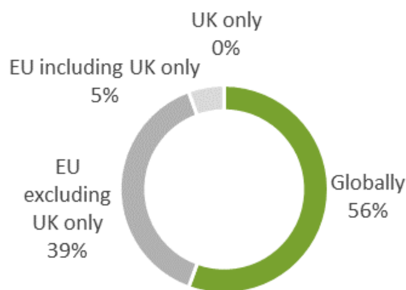
- Of the respondents currently investing in securitisation, the majority are **most likely to purchase tranches rated AA-BBB**. This indicates that investor interest will be focused outside the senior STS category in the Solvency II regulations, as tranches rated AA-BBB are highly likely to be either non-senior STS or part of non-STS transactions.

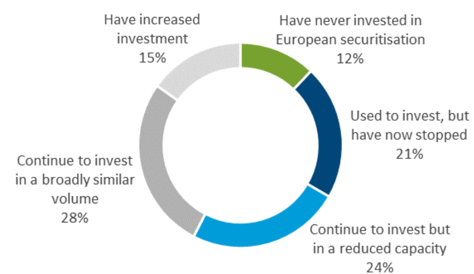


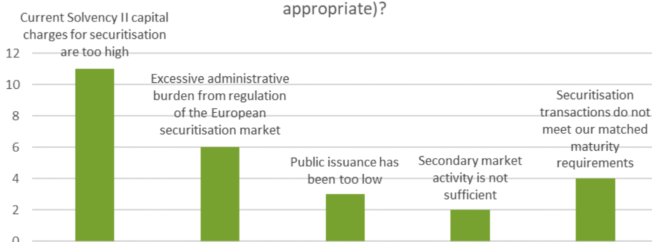
All Survey responses

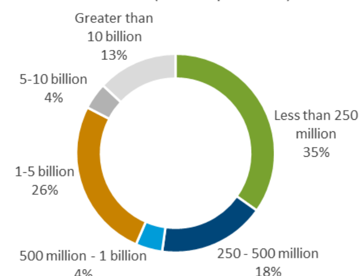




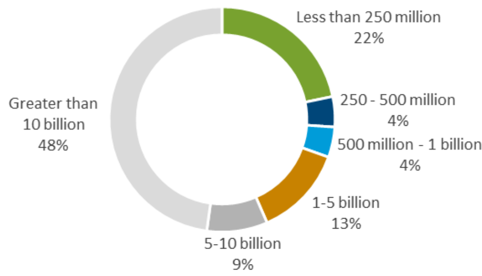




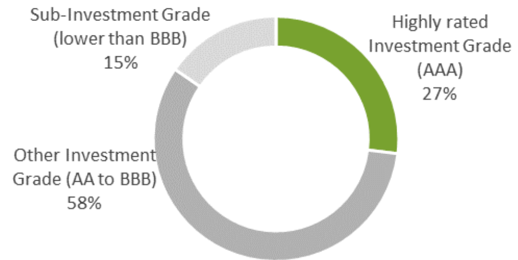




Q7 - In what range is the size of your overall investment portfolio? For asset managers please state the size of the portfolio invested on behalf of insurance clients. (Euro equivalent)

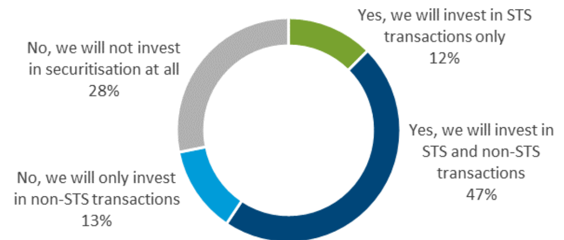


Q8 - If you invest in securitisation transactions, what is the current seniority/rating of the tranche that you are most likely to purchase?

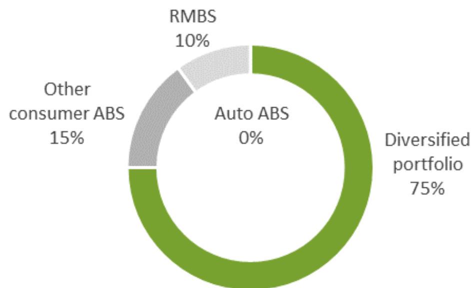


Q9 - If you invest in securitisation transactions, which of the following options, in the context of an asset/liability management strategy, best represents the risk that insurers are exposed to in terms of losses?

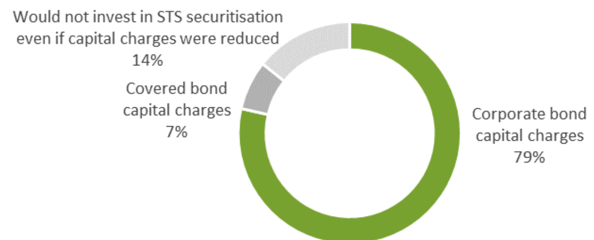
Q10 - Are you planning to invest in STS transactions if the current Solvency II capital charges are maintained?



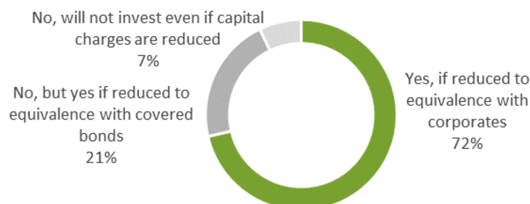
Q11 - If you are planning to invest in STS transactions with the Solvency II capital charges maintained at their current level, which classes of STS securitisations would you look to invest in?



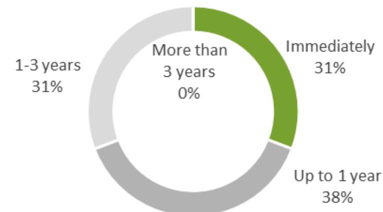
Q12 - If you are NOT planning to invest in STS transactions with the current Solvency II capital charges, would you invest in STS securitisation if the capital charges were reduced to equivalence with any of the following options?



Q13 - If you have withdrawn from the European securitisation market, or have never invested in it, do you believe that you would invest in STS transactions if the Solvency II capital charges are reduced to levels equivalent to those of corporate or covered bonds?

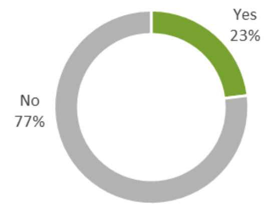


Q14 - If you answered Yes to the previous question, and lower Solvency II capital charges are adopted, how long do you think it will take you or your clients to be able to fully enter the market once the lower capital charges are implemented?

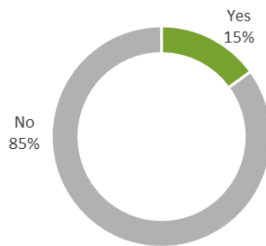


Q15 - If you invest in European securitisation, do you use internal models to calculate the capital requirements?

Q16 - If you do not currently use internal models, and assuming that Solvency II capital charges similar to corporate or covered bonds are adopted, would you develop an internal model for securitisation with the aim of reducing the capital requirements under the standard approach?



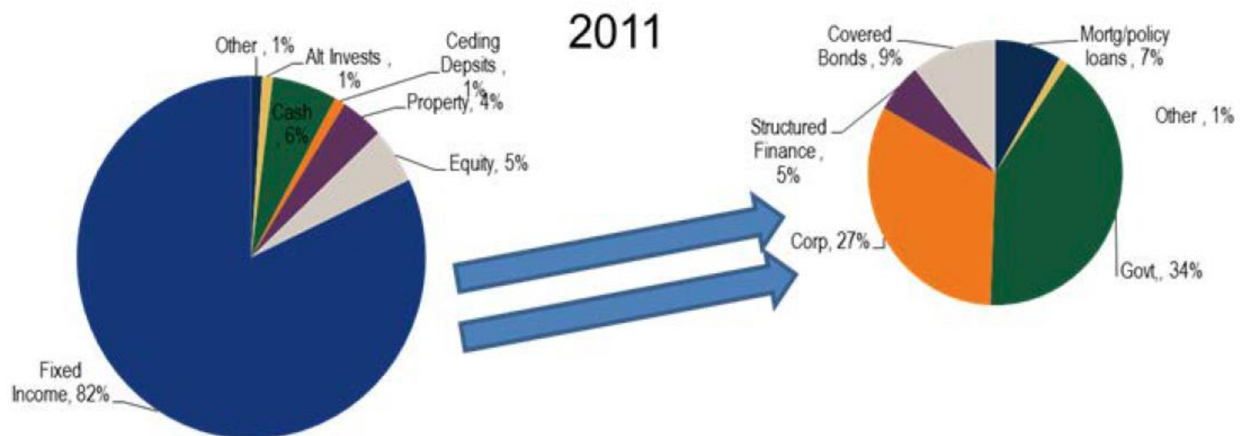
Q17 - Do you believe your local regulator would approve an internal model that significantly deviates from the standard approach?



Annex 1 – BAML data on insurance company asset allocation

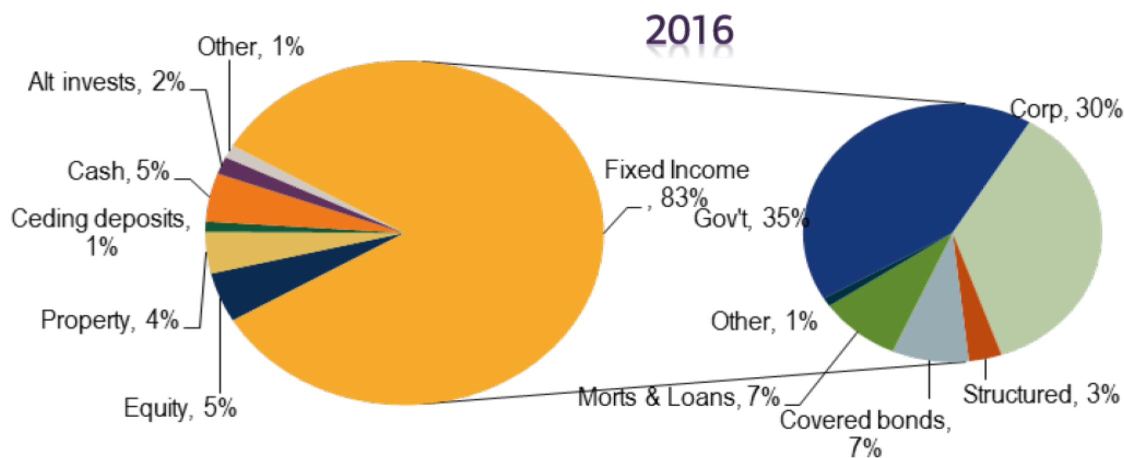
BAML's insurance equity research team provided data on the portfolios of the 27 largest listed insurers in the EU between 2011 and 2016. The data shows that in this period, the allocation of assets to securitisation ('Structured Finance' or 'Structured' in the below charts) has dropped from 5% to 3% of total fixed income holdings.

Chart 9: European insurer asset allocation (1)



Source: BofA Merrill Lynch Global Research.

Chart 11: European Insurers' investment mix, 2016



Source: BofA Merrill Lynch Global Research.