The new ESCB insurance statistics – integrated reporting flow and initial results

The ESCB statistics on the assets and liabilities of insurance corporations were harmonised at the European level at the beginning of 2016. At the same time, a new reporting flow was introduced. For the first time, data are now collected jointly for both supervisory and statistical purposes to avoid burdening insurers with multiple data surveys.

The statistics are used in various contexts, such as analyses relating to financial stability policy and monetary policy. In addition, the fact that all definitions and classifications in the statistics are based on the European System of Accounts (ESA 2010) means that the data can be used as a building block in the financial accounts.

These innovations have expanded the insurance statistics in several ways. Balance sheet items are now reported on a quarterly basis and assets and liabilities are recorded consistently at market value and broken down further by country and economic sector of the debtors or creditors. Furthermore, the results can be made available earlier than before and are also more comparable within the euro area.

The aggregate total assets of insurance corporations resident in Germany came to €2,178 billion at mid-2017. The insurance technical reserves amounted to €1,505 billion, thus accounting for just under 70% of liabilities. Life insurers made up more than half (€1,173 billion) of aggregate total assets. Combined with those of non-life insurers, the assets of primary insurers came to €1,776 billion; reinsurance corporations contributed €402 billion to the sector's aggregate total assets.

Integrated statistical reporting with a broad scope of application

Harmonised reporting eases burden on insurers

The harmonised ESCB insurance statistics first published in 2016 have broken new ground in data collection. Based on the reporting of granular data, an innovative approach was used to combine the data required for supervisory and statistical purposes into a single reporting standard and coordinate the reporting dates. This enables insurance corporations to meet the reporting requirements of various institutions in Germany and Europe by submitting a single report.

Information for financial stability analysis, …

A number of policy areas require reliable and timely data on the insurance sector that can be analysed in different ways. In financial stability analysis, granular data can play an important role in identifying transmission and feedback mechanisms between insurers, other financial sectors and the real economy. The expanded insurance statistics open up new avenues for analysing these types of issues. As the data are broken down further than before, investment shifts and their effects on individual sectors can be examined more closely. In addition, the new dataset allows analysts to better assess interdependencies within the financial system. For example, the statistics capture insurers' investment fund holdings, making it possible to perform network analyses. Harmonised data collection at the European level allows consistent analyses and comparisons to be carried out across national borders.

… monetary policy …

In the sphere of monetary policy, the harmonised statistics can help to forge a deeper understanding of transmission channels. For example, the investment behaviour of insurance corporations will probably be affected by monetary policy measures, such as policy rate changes and purchases or sales of financial assets. In turn, this behaviour has an impact on the financial markets and thus on macroeconomic funding conditions, which means that findings on how insurers respond to such measures are relevant to monetary policy decision-making.

… and the financial accounts

As the definitions used in the ESCB insurance statistics are fully harmonised with the ESA 2010 guidelines, the statistics can also be used as a building block in the financial accounts.

The new reporting flow

Harmonised data collection for statistics and supervision …

The new harmonised ESCB statistics on insurance corporations fulfil the stated aim of central bank statisticians to make a paradigm shift away from solely providing aggregated statistics towards gathering granular microdata that have multidimensional uses.[1] That is why the statistics are closely based on the supervisory reporting introduced at the same time for insurers in the European Economic Area (EEA), known as Pillar III, which is an integral part of the Solvency II supervisory regime.

… requires close cooperation among stakeholders

The development of a harmonised data collection system requires intensive cooperation between the institutions involved – both at the national level, between the Bundesbank and the Federal Financial Supervisory Authority (BaFin), and at the European level, between the ECB and the European Insurance and Occupational Pensions Authority (EIOPA). For the ESCB insurance statistics, this cooperation began at an early stage in the planning process.[2] This made it possible to integrate the additional information needed for the statistics into the Solvency II templates.[3]

1 See Deutsche Bundesbank, Microdata – paradigm shift in central banks' statistics, Annual Report 2015, pp 47 ff.
2 The amendment to Council Regulation (EC) No 2533/98 created the legal basis for the new ESCB insurance statistics: Council Regulation (EC) No 2533/98 of 23 November 1998 concerning the collection of statistical information by the European Central Bank, amended by Council Regulation (EC) No 951/2009 of 9 October 2009. In the wake of the financial crisis, this amendment enabled the ECB to commission statistical surveys of insurance corporations and pension funds as well from autumn 2009 onwards.
3 The unofficial Solvency II templates are available on the Bundesbank's website (www.bundesbank.de/en) under "Statistics/Banks and other financial institutions/Insurance corporations and pension funds".

This fulfilled a key prerequisite for implementing a single reporting flow for supervision and statistics. In addition, the same submission deadlines were set for the statistical reports as for Solvency II, meaning that reporting agents have only a single report to submit. They send the data to BaFin, which forwards them directly to the Bundesbank.

Use of the data for two sets of ESCB statistics

By submitting this report, the reporting agents fulfil the requirements of two ESCB statistical regulations at the same time: the regulation on ESCB insurance statistics[4] and the German contribution to the ESCB statistics on holdings of securities.[5] The fact that the same data can be used for multiple purposes is due, not least, to the quarterly reporting of assets on a security-by-security basis. Like all surveys based on microdata, this approach allows flexible analyses to be carried out for various user groups and institutions.

Expanding the reference data and implementation

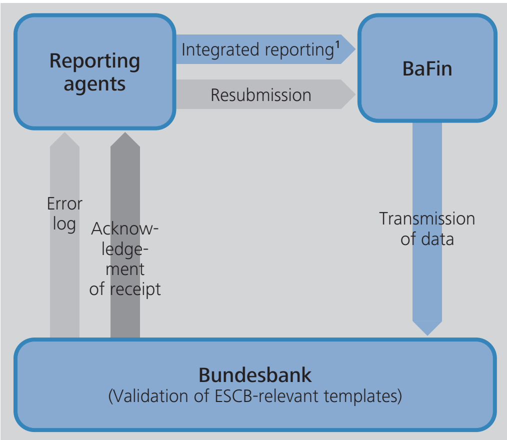
Improved valuation, breakdowns and availability

New breakdowns have been added to the statistics, including by economic sector and issuer or debtor residence. In addition, further improvements have been made over the previous non-harmonised dataset, which was essentially based on an uncoordinated body of European supervisory data dating back to 2005. Enhancements include measuring insurance technical reserves at market value and increasing the reporting frequency for liability items from annual to quarterly intervals. Furthermore, the statistical results are now being made available ever more quickly than in the past. At the starting date in 2016, the individual reporting agents were asked to submit their reports within eight weeks of the reporting date; this deadline is being shortened by one week per year until it reaches five weeks in the first quarter of 2019.

Insurance corporations submitted their first full quarterly reports for the end-March 2016 reporting period in May 2016.[6] Given the steady improvement in the quality and stability of the dataset over the course of the year, the results for the new ESCB insurance statistics were first published as early as the third quarter of 2016 and thus so far comprise four quarters worth of data. It is still too early to identify the longer-term developments because the data are not fully comparable with the previous supervisory data under Solvency I. The remainder of this article will therefore focus on the current data as at mid-2017.

Implementation at the beginning of 2016

Insurance statistics reporting flow



1 For Solvency II and statistics.
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Initial results

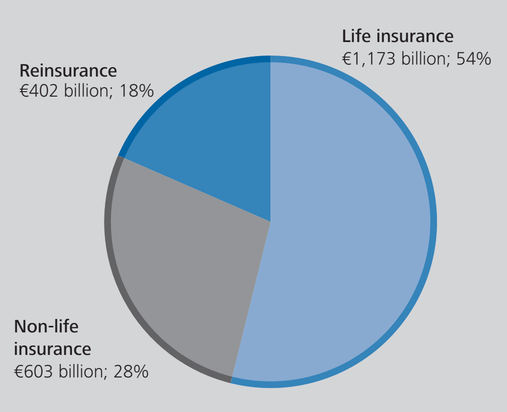
Reports from 341 insurers

As at the second quarter of 2017, 341 domestic insurance corporations submitted reports under the new insurance statistics regime. Specifically, 86 life insurers, 41 health insurers, 184 property and casualty insurers and 30 reinsurers

4 Regulation (EU) No 1374/2014 of the European Central Bank of 28 November 2014 on statistical reporting requirements for insurance corporations (ECB/2014/50).
5 Regulation (EU) No 1011/2012 of the European Central Bank of 17 October 2012 concerning statistics on holdings of securities (ECB/2012/24), Regulation (EU) 2015/730 of the European Central Bank of 16 April 2015 amending Regulation (EU) No 1011/2012 concerning statistics on holdings of securities (ECB/2012/24) (ECB/2015/18).
6 An opening balance sheet had been submitted as at 1 January 2016, but that only included a small number of balance sheet items.

Total assets of domestic insurance corporations

As at 30 June 2017



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were subject to the reporting obligation. Of these enterprises, 74 provided only aggregated data for the quarter and submitted granular data on their assets in their annual reporting (as at 31 December). The coverage of full reporters – relative to the aggregate total assets of the insurance sector – came to more than 95% as at the second quarter of 2017.[7]

Aggregate total assets of insurance corporations

At mid-2017, domestic insurers managed assets with an aggregate market value of €2,178 billion. At €1,089 billion overall, claims on banks – ie monetary financial institutions (MFIs) – together with loans and debt securities accounted for half of the total assets. Just under 30% (€642 billion) of the total assets were invested indirectly through investment fund shares.[8] Equity worth €302 billion, on the other hand, made up only 14%. More than half of the aggregate total assets could be attributed to life insurers, which is why the structure of the entire portfolio is shaped by this segment.

Life insurance companies …

The aggregate total assets of life insurance corporations resident in Germany came to €1,173 billion at mid-2017. This amount was largely balanced by households' life insurance entitlements worth €989 billion on the liabilities side.

… with four-tenths of assets in investment fund shares …

Life insurers have a growing tendency to invest indirectly by purchasing investment fund shares. At mid-2017, they held shares with a market value of €466 billion, or 40% of their total assets, investing primarily in bond funds and mixed funds (36% and 38%, respectively, of the investment fund shares). Whereas directly held equity, with a market value of €39 billion, made up only 3% of the total assets, a further €86 billion was invested in this asset class by way of equity funds. Around a quarter of the volume of investment fund shares held was investments under unit-linked life insurance policies.

… and a wide dispersion of other assets

Just over half of the total investments was attributable, all in roughly equal measure, to three positions: bank (MFI) deposits (€209 billion), loans[9] (€215 billion) and debt securities (€200 billion). While the domestic share of the two first-named forms of investment, at 71% and 79%, respectively, was clearly predominant, it accounted for only 11% in the case of debt securities. Loans to central, state and local governments amounted to a total of €95 billion, of which €71 billion was granted in Germany. Claims on households[10] came to €50 billion and involved almost exclusively domestic debtors. A total of 87% of the debt securities was spread across three sectors: banks (MFIs) with holdings of €55 billion, general government with €78 billion, and other financial institutions with €41 billion. Debt securities issued by non-financial corporations accounted for 12% (€25 billion) of the position.

Classic life insurance important

At €989 billion, insurance technical reserves were responsible for 84% of the liabilities at mid-year, with the share of unit-linked life insurance contracts coming to 12% (€114 billion). Classic life insurance thus continues to be

7 In order to avoid placing additional burdens on insurers, the Bundesbank has adopted the reporting population defined by BaFin here.
8 This also includes shares in closed-end investment funds. There is therefore some deviation from the published aggregate Solvency II data.
9 In line with the ESA 2010 definitions, bank deposits also include registered securities issued by banks as well as loans against borrowers' notes. The same applies to loans.
10 Including non-profit institutions serving households (Sector 15).

Selected investments of life insurance corporations as at 30 June 2017*

€ billion

Instrument	Total	Germany	Euro area excluding Germany	Rest of world
Bank deposits	209	149	44	17
Loans	215	169	35	11
of which granted to				
General government	95	71	19	5
Other financial institutions	19	12	5	2
Non-financial corporations	29	20	6	3
Households	50	50	0	0
Debt securities	200	21	120	58
of which issued by				
Banks	55	8	27	21
General government	78	9	59	10
Other financial institutions	41	1	22	18
Non-financial corporations	25	3	12	9

* Differences are due to rounding.

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of great importance. Around 13% of the insurance technical liabilities existed in connection with pension fund entitlements. Equity capital, calculated in the insurance statistics as the residual of assets less liabilities, totalled €120 billion.

Non-life insurers …

Domestic non-life insurers managed assets worth €603 billion as at the end of June 2017. Private health insurance is also captured within this group; its share of this sub-sector's aggregate total assets stood at 53%.

… with high domestic share of credit claims …

At €114 billion, almost one-fifth of financial resources were invested in the form of deposits, registered securities and loans against borrowers' notes with domestic and foreign banks; 71% of this figure was with domestic MFIs. Credit claims on the other economic sectors amounted to €90 billion, or 15% of assets; here, too, the domestic share was dominant, at 77%. Just over half of the total amount was accounted for by claims on general government, where the domestic share stood at around 75%. Holdings of directly purchased debt securities came to €107 billion, or 18% of assets. As was the case with life insurers, the proportion of domestic issuers was low in this category, too, at only 10% of the total, while issuance from other countries of the euro area, at €56 billion, accounted for more than half of the position. Equity came to €58 billion, or 10% of assets, just under three-quarters of which were unlisted shares.

… and an almost entirely foreign stock of debt securities

Indirect investment via investment funds also plays a major role for non-life insurers, with holdings of investment fund shares at mid-2017 totalling €160 billion, or 27% of assets. Bond funds and mixed funds accounted for 83% of these holdings.

Health insurers dominating insurance technical reserves

Insurance technical reserves worth €407 billion were responsible for 67% of total assets. Just under three-quarters of this amount (€302 billion) was attributable to insurance technical re-

Selected investments of non-life insurance corporations as at 30 June 2017*

€ billion

Instrument	Total	Germany	Euro area excluding Germany	Rest of world
Bank deposits	114	81	23	10
Loans	90	70	16	4
of which granted to				
General government	46	34	10	3
Other financial institutions	12	9	2	1
Insurance corporations	11	10	1	0
Non-financial corporations	10	6	3	1
Households	8	8	0	0
Debt securities	107	11	56	39
of which issued by				
Banks	42	4	19	18
General government	31	4	20	8
Other financial institutions	19	0	10	9
Non-financial corporations	14	2	7	5

* Differences are due to rounding.

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serves for the area of life insurance. More than nine-tenths of this volume was recorded by health insurers.[11]

Reinsurers with high stocks of equity …

Domestic reinsurers reported assets worth €402 billion at mid-2017. Equity was valued at €204 billion and accounted for roughly half of these assets. This is due to the fact that some reinsurers also perform a holding function

11 This is health insurance calculated in the form of a life insurance policy.

Equity in the balance sheets of reinsurance corporations as at 30 June 2017

€ billion, geographic and sectoral breakdown

Issuer	Total	Germany	Euro area excluding Germany	Rest of world
Total equity	204	123	64	17
of which issued by				
Banks (MFIs)	2	2	0	0
Other financial institutions	117	60	56	1
Insurance corporations	73	53	6	14
Non-financial corporations	12	9	1	2

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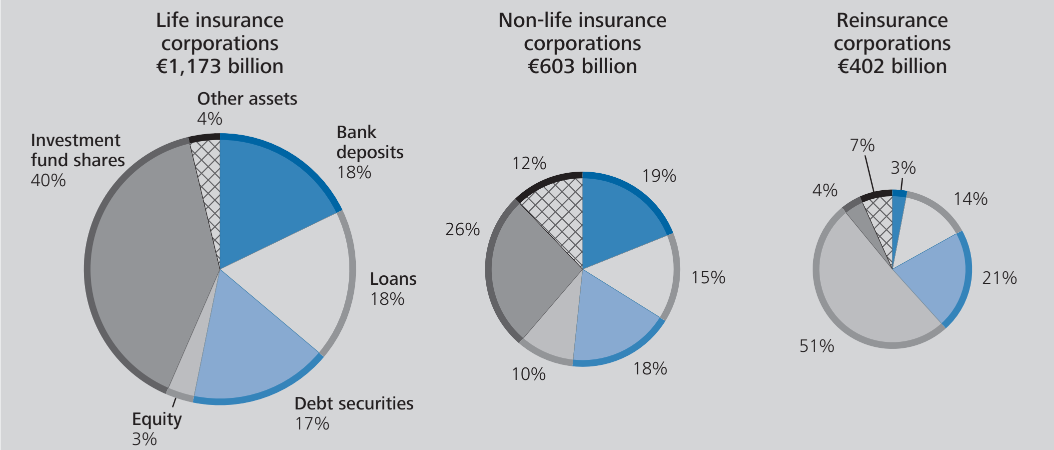
Assets of domestic insurance corporations

As at 30 June 2017



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within their insurance group. Shares in unlisted public limited companies made up 80% of this figure, with other equity accounting for a further €37 billion. Other financial institutions (€117 billion) and insurers (€73 billion) were the biggest issuers.

Apart from equity, the largest individual asset class, at just over one-fifth of total assets (€86 billion), was directly held debt securities, the main issuers of which were non-euro area residents. Loans, which totalled €56 billion, or 14% of assets, also include deposit claims on primary insurers. The latter amounted to €33 billion at the reporting date. At 44%, equity fund shares made up almost half of the €17 billion worth of investment fund shares overall.

… and large external liabilities

The liabilities side included insurance technical reserves in the amount of €109 billion. In a reflection of the international nature of these enterprises' operations, in particular those of large reinsurers, around two-thirds of these liabilities are to foreign counterparties. The vast majority of reinsured risks are in the area of non-life insurance, with the share of reinsurance in the area of life insurance coming to 15%.

Outlook

Gradual expansion of the data offering

The new data are recorded in the existing tables on the assets and liabilities of insurance corporations and pension funds in the Statistical Section of the Bundesbank's *Monthly Report*.[12] As of the third quarter of 2016, the figures shown there are based on reporting that is integrated into the Solvency II reporting system. In addition, the tables and time series on insurance corporations available on the Bundesbank's website have been extended:[13] breakdowns by economic sector and by euro area country are now also available here. The data offering is gradually being expanded.

12 See Statistical Section, VII Insurance corporations and pension funds on p 48• and p 49• of this report.
13 Results of the insurance statistics reporting can be found in tabular form and as time series data on the Bundesbank's website (www.bundesbank.de/en) under "Statistics/Banks and other financial institutions/Insurance corporations and pension funds".