

# Economic and Finance statistics



## Financial Statistics: Insurance Corporations and Pension Funds

Rafael Quevedo

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# Overview

- 1 Background
- 2 Definition and relevance of Insurance Corporations (ICs)
- 3 ECB Regulation on ICs
- 4 ICs data
- 5 *Definition and relevance of Pension Funds (PFs)*
- 6 *ECB Regulation on PFs*
- 7 *PFs data*
- 8 *Conclusions & Annex with references*

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# 1. Background: Categories in the financial sector (1/5)

ESA 2010 subsector		Basis for data collection
<b>S.121</b>	<i>Central bank</i>	<i>Regulation</i>
<b>S.122</b>	<i>Deposit-taking corporations except the central bank</i>	<i>Regulation</i>
<b>S.123</b>	<i>Money market funds (MMFs)</i>	<i>Regulation</i>
<b>S.124</b>	Non-MMF investment funds	Regulation
<b>S.125</b>	Other financial intermediaries, except ICPFs	
	Of which: Financial vehicle corporations	Regulation
	Of which: Financial corporations engaged in lending	Guideline
	Of which: Security and derivative dealers	Guideline
	Of which: residual	Guideline
<b>S.126</b>	Financial auxiliaries	-
<b>S.127</b>	Captive financial institutions and money lenders	-
<b>S.128</b>	Insurance corporations	Regulation
<b>S.129</b>	Pension funds	Regulation



# 1. Background: structure of the euro area financial sector (2/5)

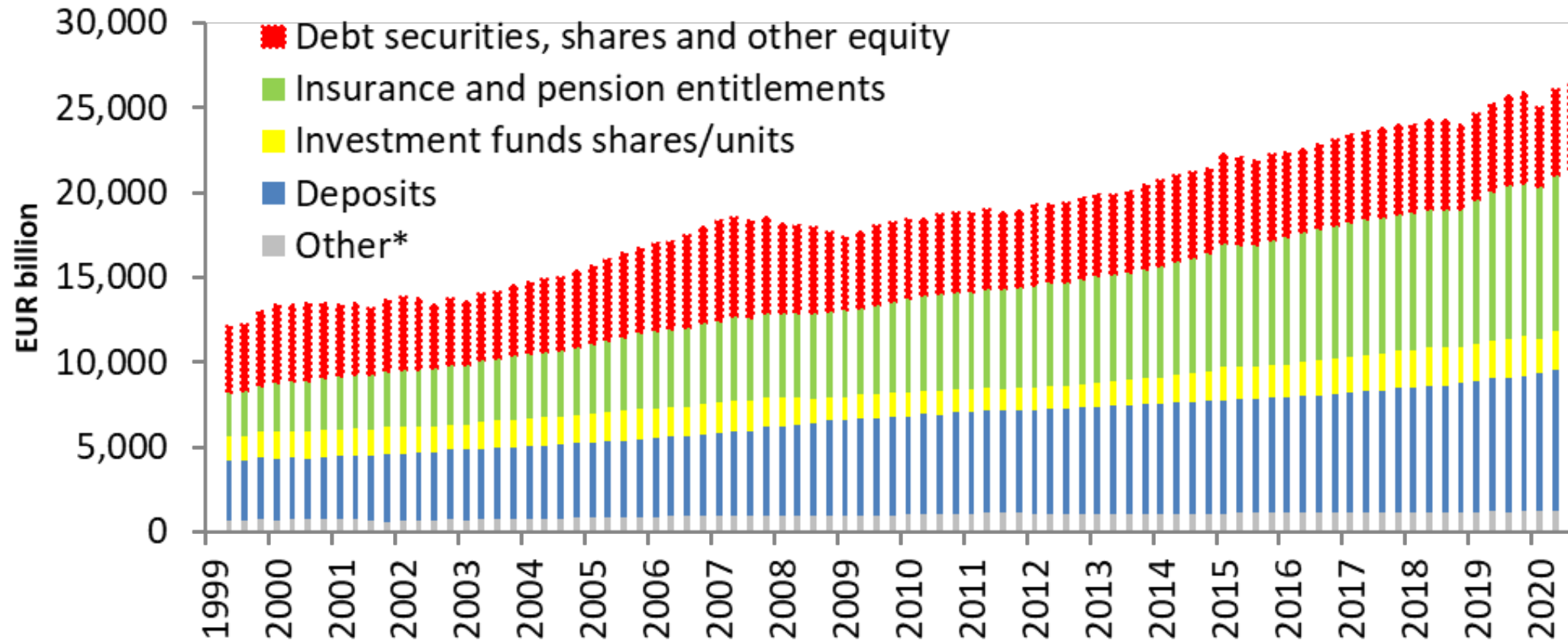
## Schematic balance sheet Insurance Corporation/Pension Fund

Assets	Liabilities
Currency and deposits	Equity
Loans	Insurance technical reserves
Equity	Debt Securities
Investment funds shares/units	Other
Debt Securities	
Other	



# 1. Background: euro area households' financial assets (3/5)

## Household assets by financial instrument



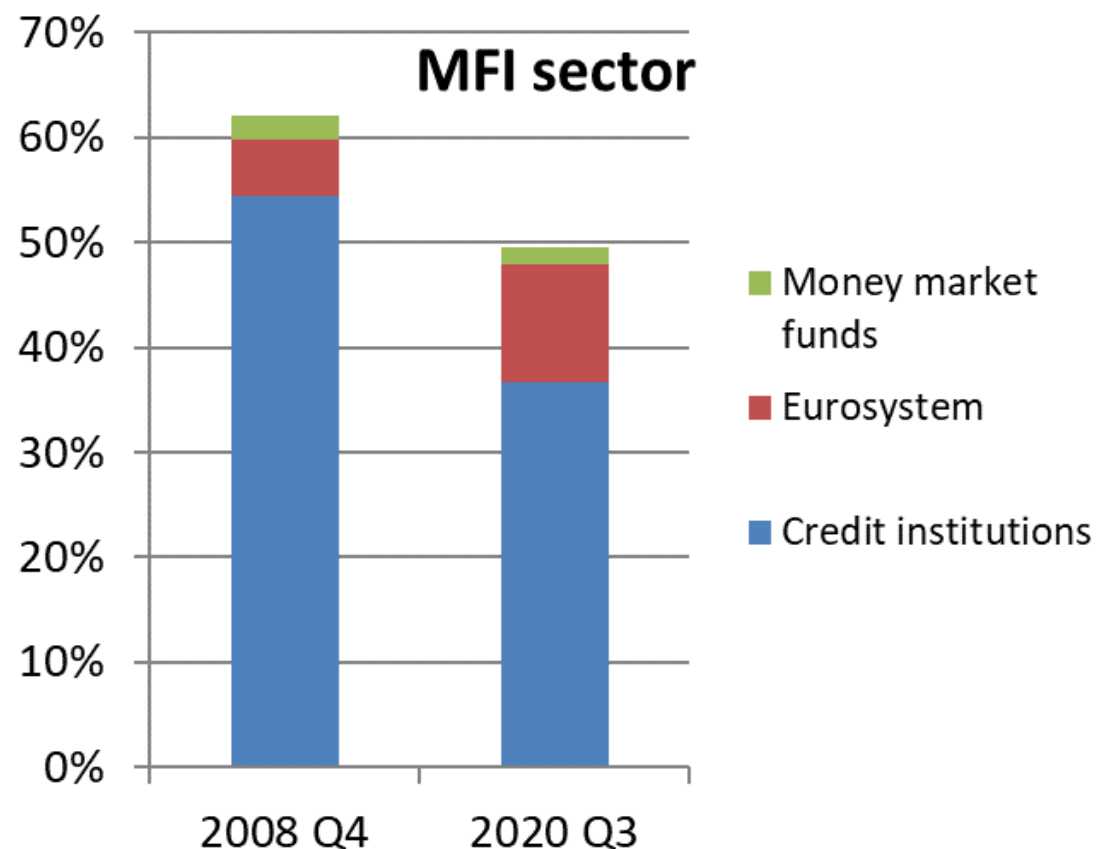
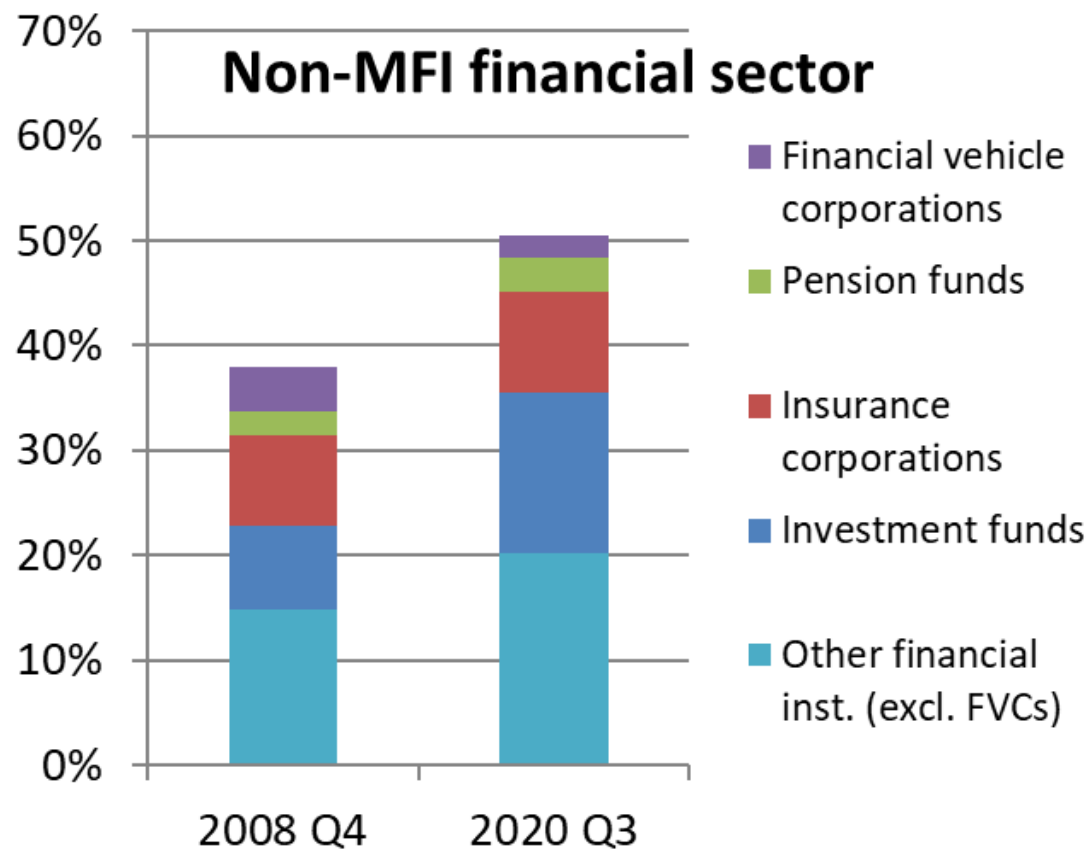
\* Currency, other accounts receivable and loans granted

Source: Euro area accounts



# 1. Background: structure of the euro area financial sector (4/5)

*(percentage of total assets of the financial sector)*

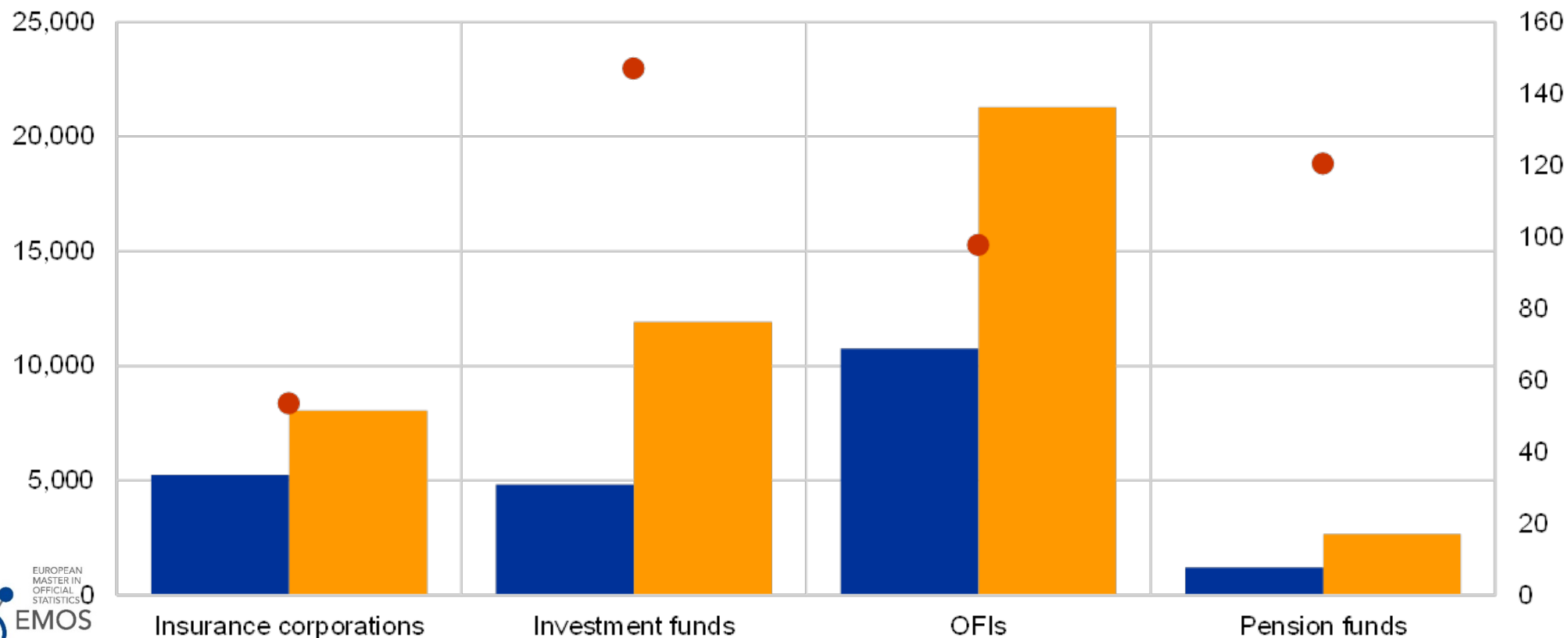


# 1. Background: structure of the euro area financial sector (5/5)

## Total assets and growth of selected non-MFI financial sectors

(left-hand scale: total assets, log of EUR billions; right-hand scale: percentage growth between Q1 2008 and Q1 2020)

- Q1 2008
- Q1 2020
- Growth





# Part 1: Insurance Corporations



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## 2. Definition and relevance of ICs (ESA 2010) (1/3)



(§ 2.100) **The subsector insurance corporations (S.128)** consists of all financial corporations and quasi-corporations which are principally engaged in financial intermediation as the consequence of the **pooling of risks** mainly in the form of direct insurance or reinsurance.

**What is *pooling of risks*?** A system to make large financial losses more affordable by combining the risks of many individuals and business entities and transferring them to an insurance company in return for a **premium**



# 2. Definition and relevance of ICs (ESA 2010) (2/3)

Box 2.1 — Types of insurance

Type of insurance		Sector/subsector
Direct insurance	Life insurance Policyholder makes regular or one-off payments to an insurer in return for which the insurer guarantees to provide the policyholder with an agreed sum, or an annuity, at a given date or earlier.	Insurance corporations
	Non-life insurance Insurance to cover risks like accidents, sickness, fire, credit, etc.	Insurance corporations
Reinsurance	Insurance bought by an insurer to protect himself against an unexpectedly large number of claims or exceptionally heavy claims.	Insurance corporations
Social insurance	Social security The participants are obliged by general government to insure against certain social risks.	Social security pensions
		Other social security
	Employment related social insurance other than social security Employers can make it a condition of employment that employees insure against certain social risks.	Employment related pensions
		Other employment related social insurance
		Social security funds
		Sector of employer, insurance corporations and pension funds or non-profit institutions serving households



## 2. Definition and relevance of ICs (3/3)

- Total assets of euro area ICs amounted to **€9 trillion in 20Q4**, representing around **10% of the euro area financial sector** (Euro area GDP in 2020: ca. €15 trillion)
- The **long-term nature of ICs' investment behaviour is a natural candidate for a market stabiliser** (e.g. in financial crises)
- **High interest** in the use of IC statistics not only for monetary and economic analysis but also for **financial stability purposes and euro area accounts**
- **Nine global** insurers were branded “*systemically important*” (*GSII*) by the Financial Stability Board, a global watchdog, in 2016. Three of them are headquartered in the euro area (**Allianz, AXA and AEGON**).



# 3. ECB Regulation on ICs (1/3)

**Regulation ECB/2014/50** on statistical reporting requirements for insurance corporations (“IC Regulation”)

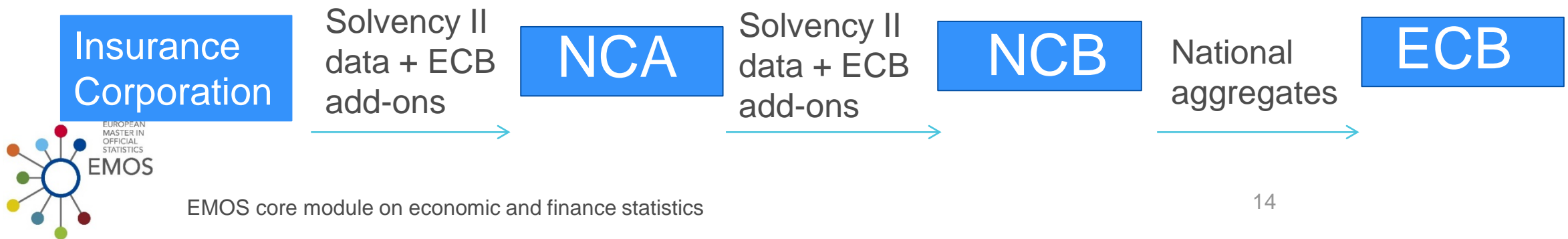
- **Main features:**

- **Solo** reporting (not consolidated group data)
- Possibility to use supervisory reports to **minimize reporting burden**
- Information collected: **balance sheets** (mainly quarterly) and **premiums, claims** and **commissions** (annual)
- End-of-period **stock** data and **revaluation adjustments/transactions, security-by-security reporting**
- Deadlines: reporting to the NCB reduced sequentially from 8 weeks in 2016 to **5 weeks in 2019** (annual reporting from 20 weeks to **14 weeks**)



### 3. ECB Regulation on ICs: integrated reporting (2/3)

- Paragraph 5 of the IC regulation
  - *“in order to minimise the reporting burden on insurance corporations, NCBs may derive the data required from data collected under Directive 2009/138/EC (Solvency II)”*
- Majority of NCBs using supervisory data for deriving IC statistics (**16 out of 19 euro area NCBs**). Close cooperation with European Insurance and Occupational Pensions Authority (**EIOPA**)
- Inclusion of ECB statistical requirements in Solvency II via **ECB Add-ons**. The single data flow in most euro area countries,



# 3. ECB Regulation on ICs: integrated reporting (3/3)

Lessons learned so far about integrated reporting

- **Advantages**
  - Single data flow – efficiency and cost reduction for reporting agents
  - Granularity
  - Comparability: statistical and supervisory data across countries
  - Benefits of looking at requirements from different perspectives
- **Disadvantages**
  - Technical framework – implementing changes, validations
  - Revisions – low priority for supervisors

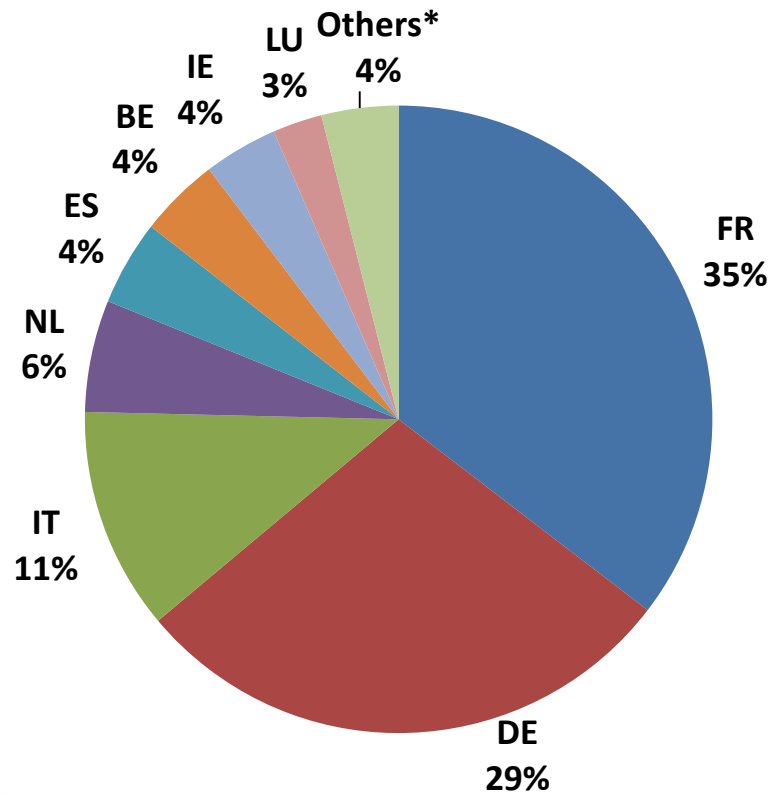
➔ Impact on quality



## 4. ICs data (1/3)

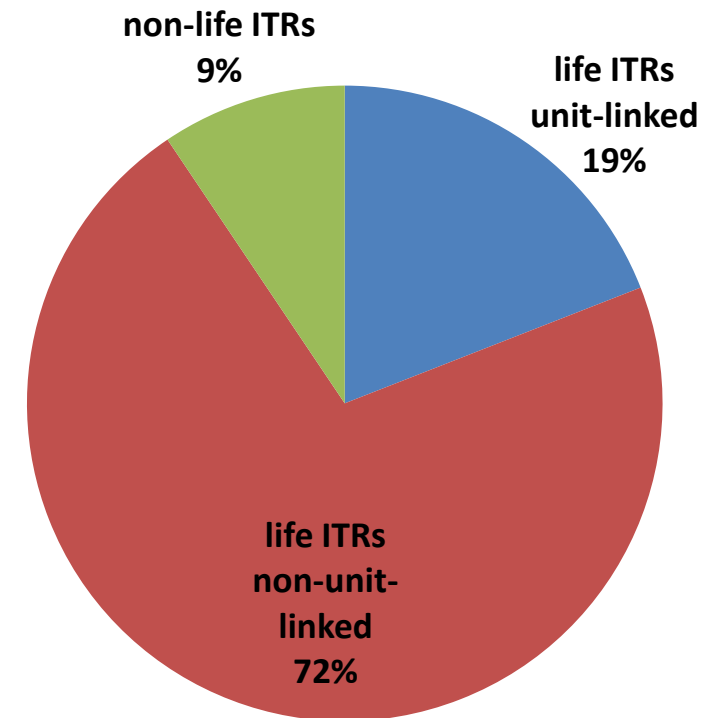
### Country shares in total assets of euro area ICs - 2019 Q1

(percentages of euro area totals)



### Insurance technical reserves, breakdown by type - 2019 Q1

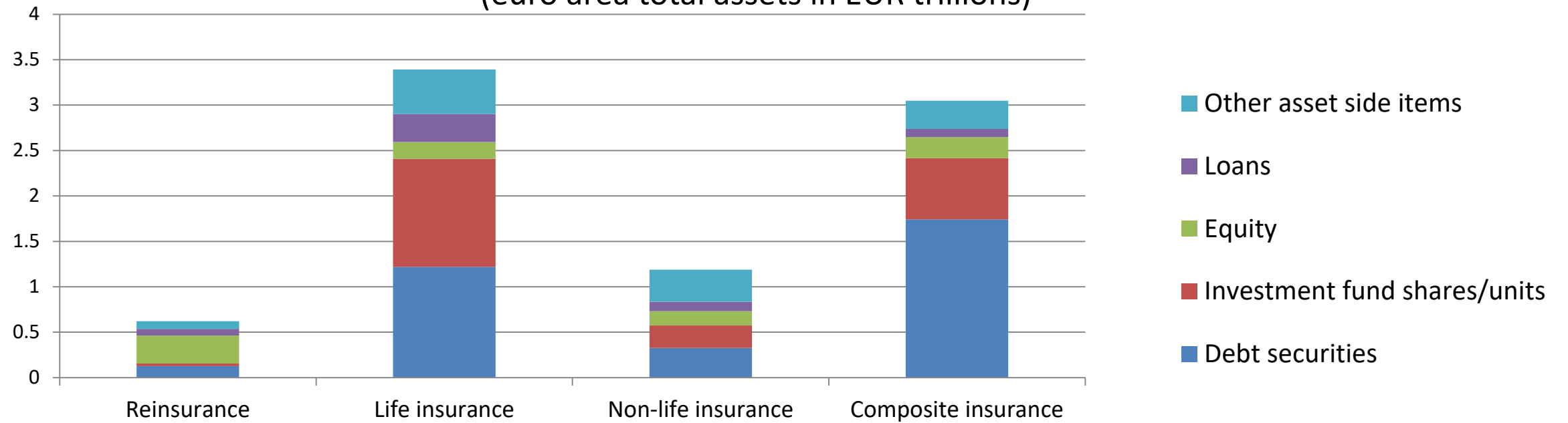
(percentages of euro area totals)





## 4. ICs data (2/3)

**Euro area holdings by category and type of IC - 2019 Q1**  
(euro area total assets in EUR trillions)



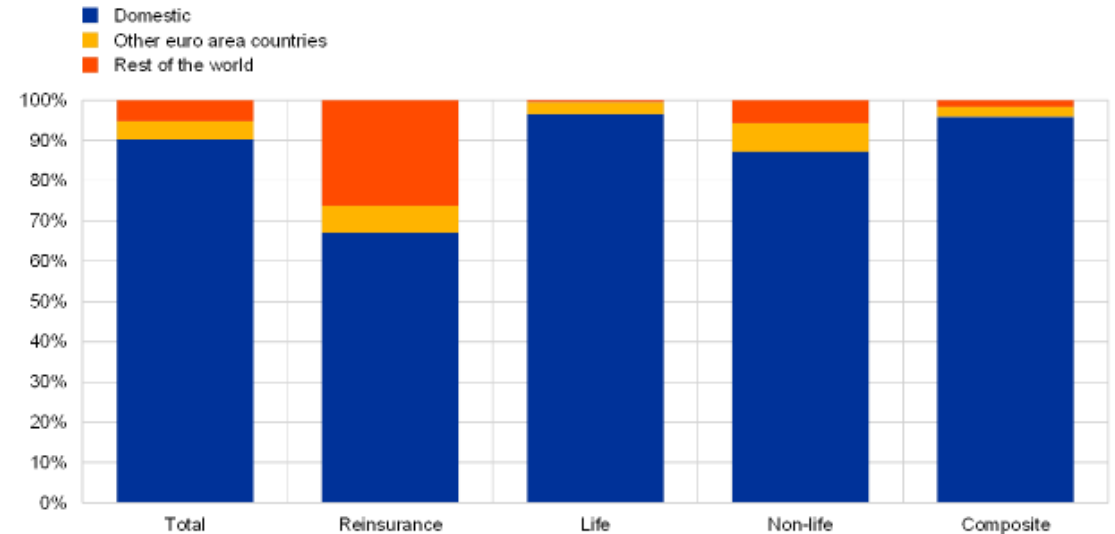
## 4. ICs data (3/3)

- Insurance corporations
  - Integrated reporting with supervisory data (Solvency II, currently under review) – close cooperation with EIOPA
  - New data published recently on premiums, claims and commissions
  - Merits and costs exercise for revisions not before 2021H2

Chart C

Premiums written by location of underwriting

(percentages of total premiums written, 2019)



# Overview

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# Part 2: Pension Funds



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# 5. Definition and relevance of PFs (ESA 2010) (1/3)

- **Pension funds** defined as financial corporations and quasi-corporations that are principally **engaged in financial intermediation as the consequence of the pooling of social risks and needs of the insured persons** (social insurance)
- Pension funds as social insurance schemes provide income in retirement, and often benefits for death and disability (ESA 2010, paragraphs 2.105 to 2.110)
- ECB statistics on **autonomous Pension Funds**

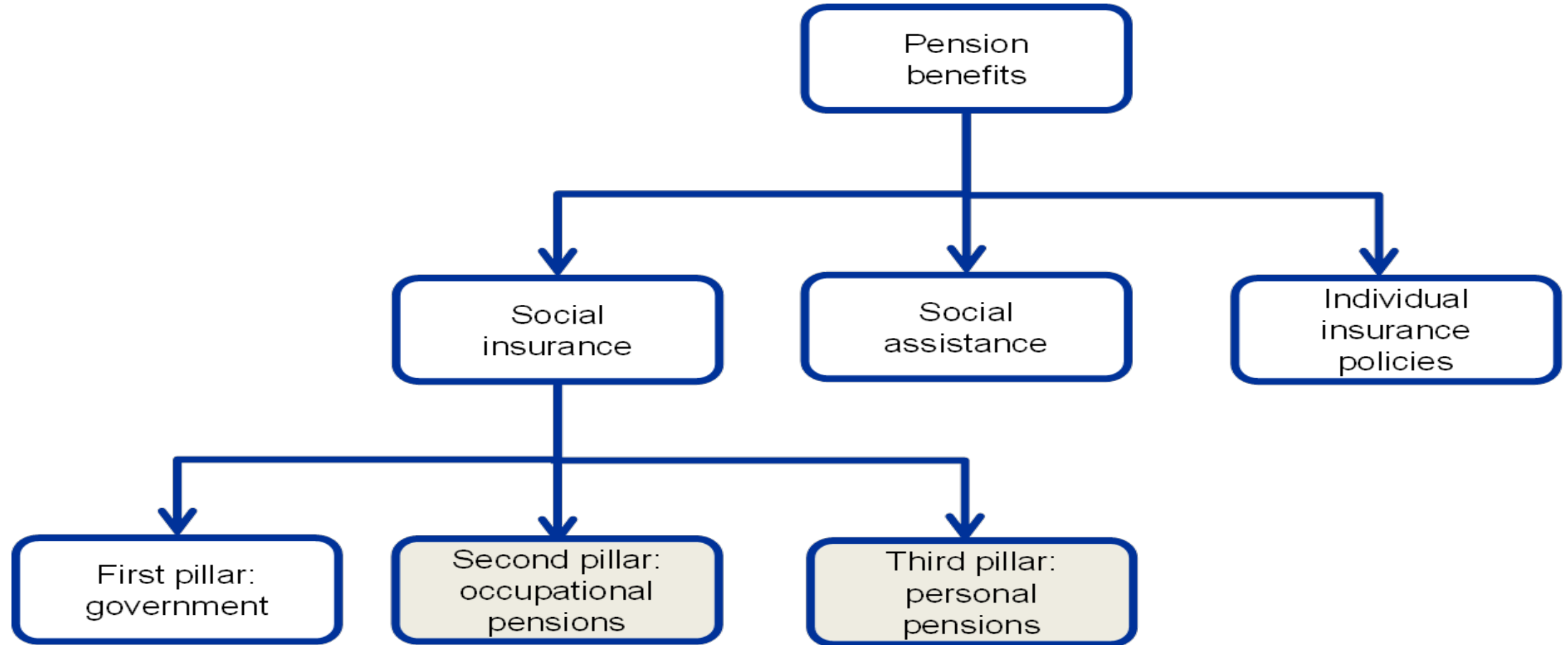
## Definition:

**Autonomous pension funds are separate funds (i.e., separate institutional units) established for purposes of providing incomes on retirement for specific groups of employees which are organised, and directed, by private or public employers or jointly by the employers and their employees. These funds engage in financial transactions on their own account on financial markets and make investments by acquiring financial and non- financial assets. They do not include social security schemes organised for large sections of the community which are imposed, controlled or financed by general government.**



# 5. Definition and relevance of PFs (ESA 2010) (2/3)

## Pillars of pension schemes



# 5. Definition and relevance of PFs (3/3)

- **Pension funds play an important role in the euro area economy**, opportunity for households to save for retirement (20% of euro area households' net financial wealth) and help the efficient allocation of long-term capital
- Total assets of euro area PFs amounted to **€3 trillion in 20Q4**, representing around **3% of the euro area financial sector** (Euro area GDP in 2020: ca. € 15 trillion)
- **Euro area pension funds obtain capital from resident members**. More than 99% of pension entitlements, the main liability item, are from the Member State where the pension fund is located
- **Pension funds invest in a geographically broader area**. Euro area pension funds' assets are more widely geographically distributed than their liabilities → only 55% assets are domestic
- **High interest** in the use of PF statistics not only for monetary and economic analysis but also for **financial stability purposes and euro area accounts → high interconnectedness with investment funds**



# 6. ECB Regulation on PFs (1/2)

**Regulation ECB/2018/2** on statistical reporting requirements for pension funds (“PF Regulation”)

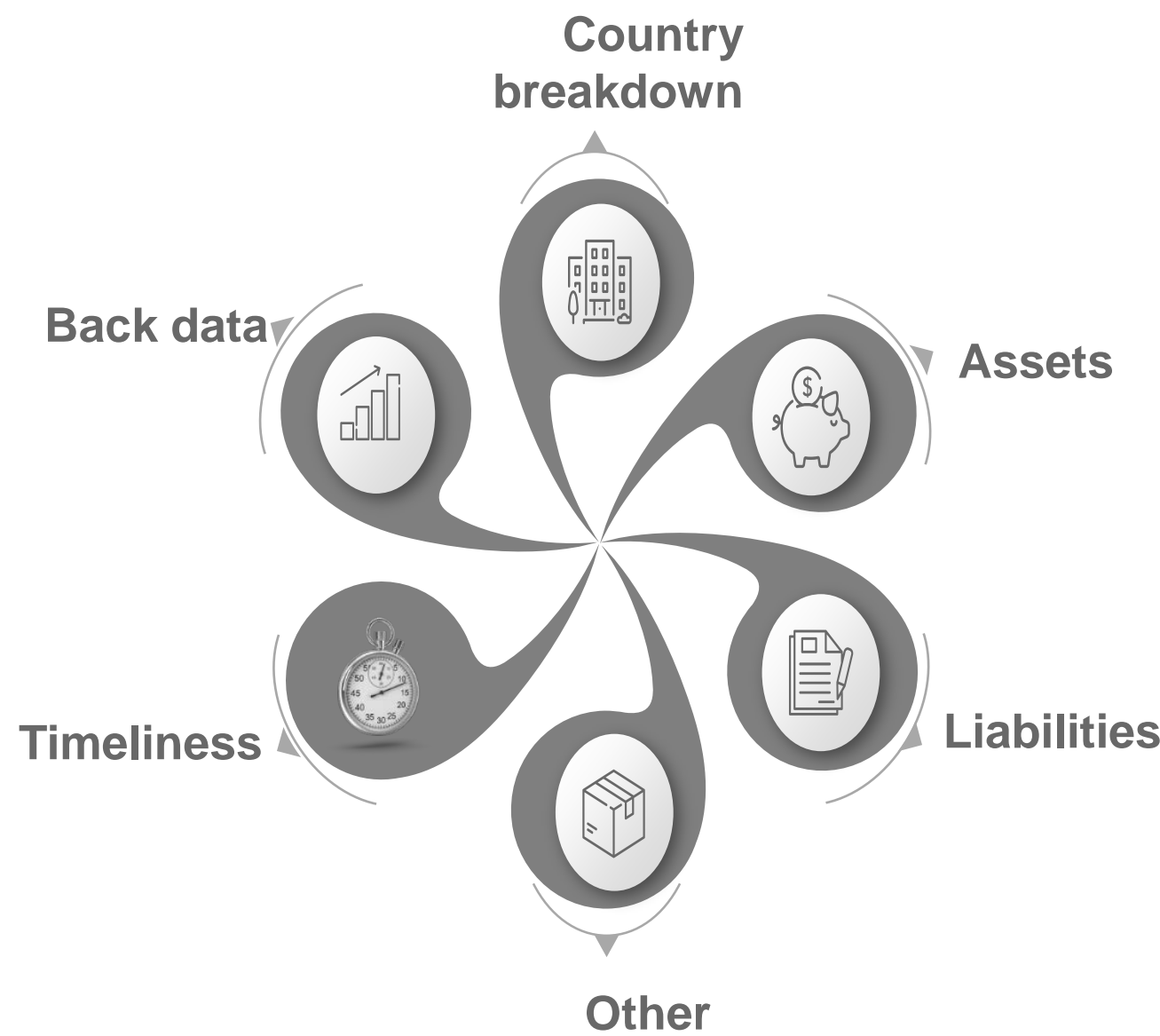
- **Main features:**

- **Solo** reporting (not consolidated group data)
- Possibility to use supervisory reports to **minimize reporting burden**
- Information collected: **balance sheets** (mainly quarterly) and **members** (annual); some NCBs only collecting annual data for liabilities → quarterly estimates derived;
- End-of-period **stock** data and **revaluation adjustments/transactions, security-by-security reporting**
- Deadlines: reporting to the NCB reduced sequentially from 10 weeks in 2020 to **7 weeks in 2022** (annual reporting from 20 weeks to **14 weeks**)





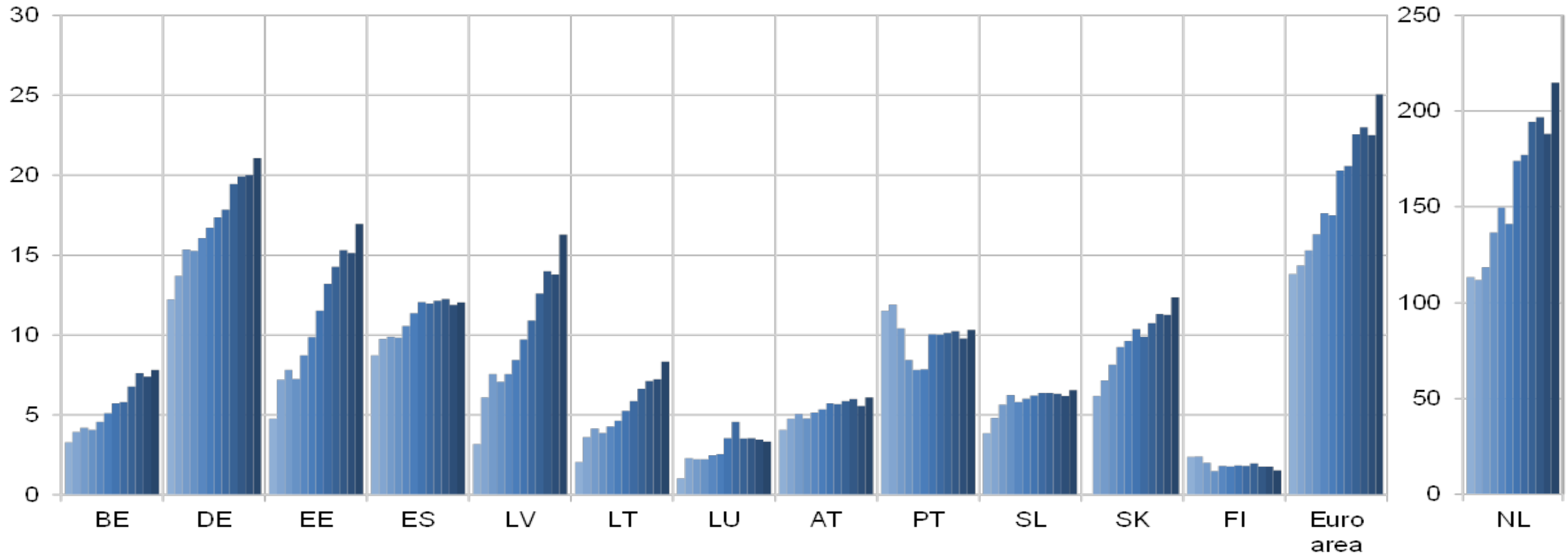
# 6. ECB Regulation on PFs (2/2)



# 7. PFs data (1/5)

## Total PF assets as percentage of country GDP

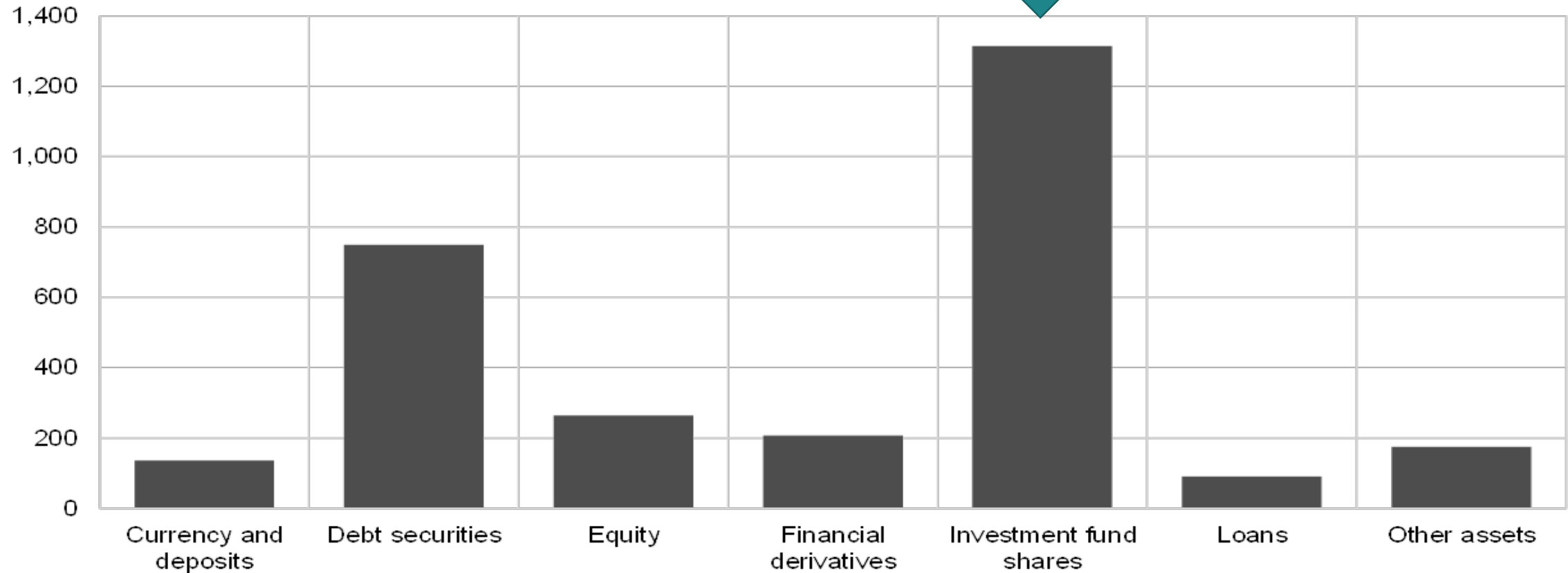
(annual data, 2008 to 2019; right-hand scale applies to NL)



# 7. PFs data (2/5)

## Assets held by euro area pension funds

(EUR billions; Q2 2020)

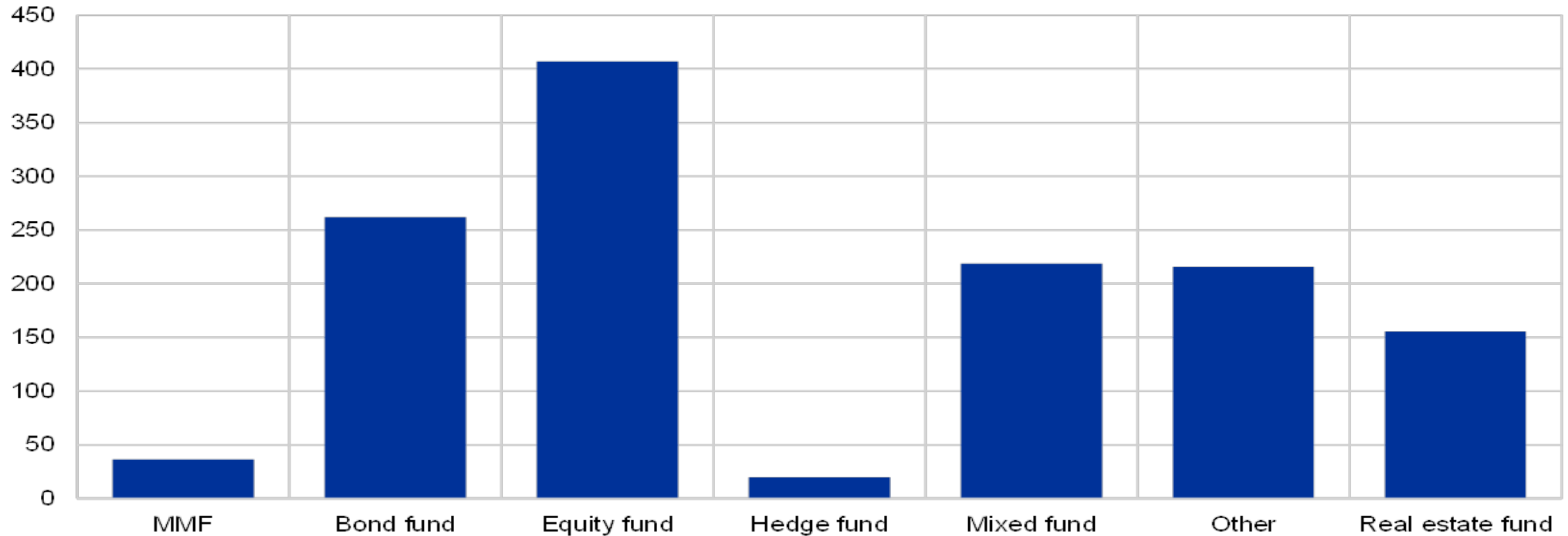


# 7. PFs data (3/5)



## PFs Investment fund shares by type

(EUR billions; Q2 2020)

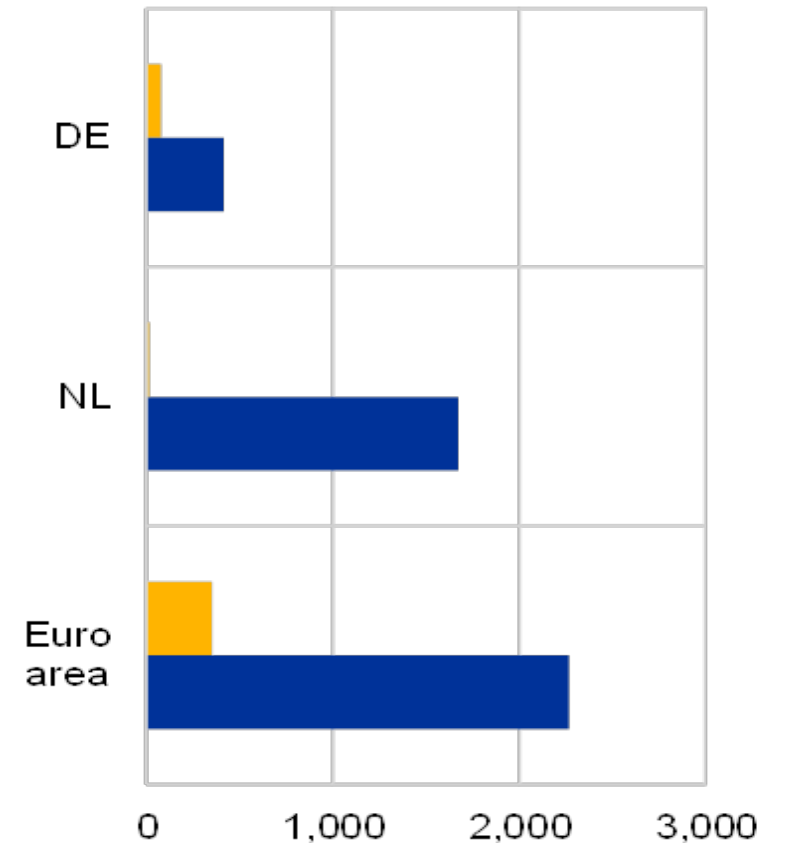
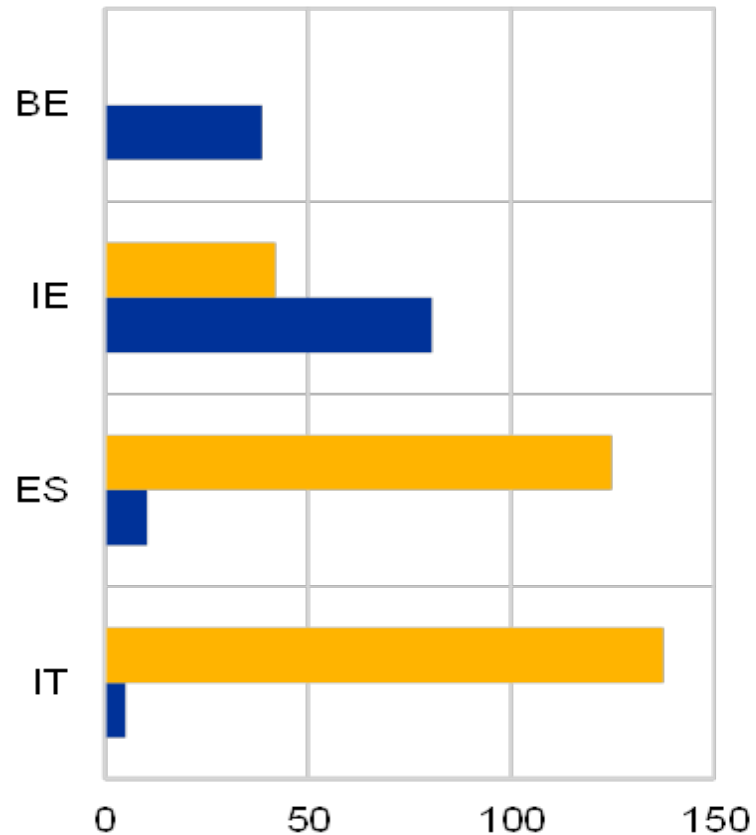
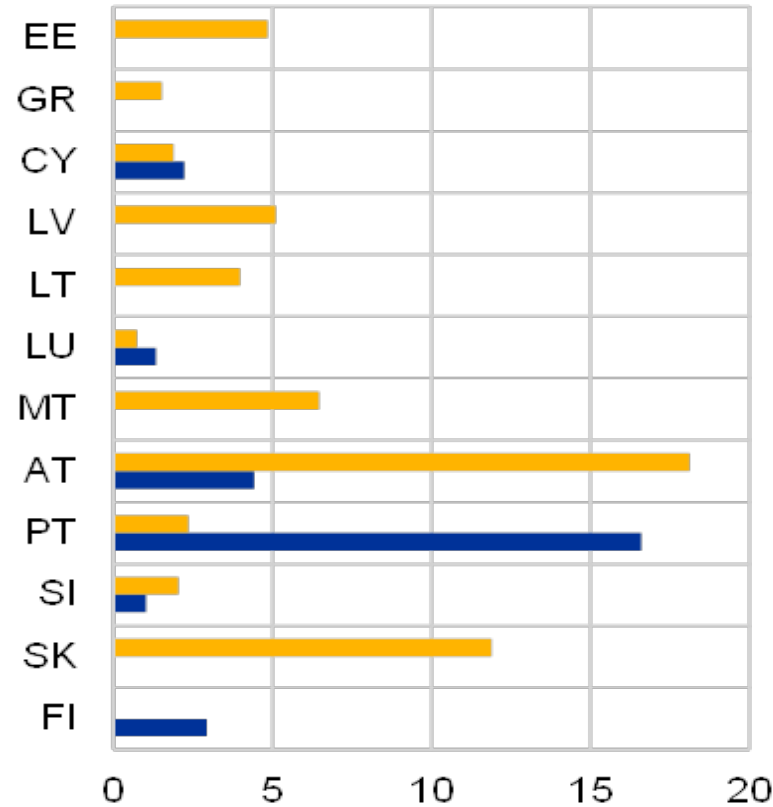


# 7. PFs data (4/5)

## Pension entitlements by country and type of scheme

(EUR billions; Q2 2020)

■ Defined benefit  
■ Defined contribution



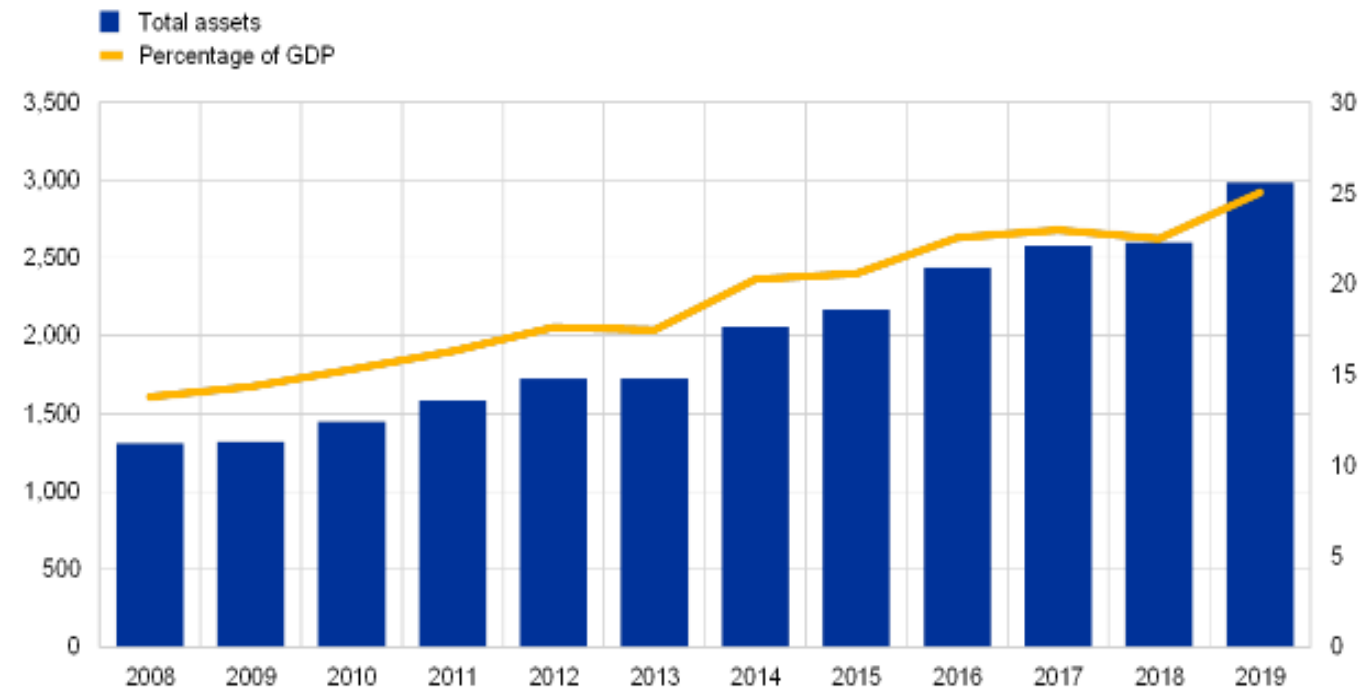
# 7. PFs data (5/5)

- Pension funds
  - Integrated reporting with supervisory data (EIOPA)
  - First publication in 2020
  - Interconnectedness: investment funds

Chart 1

Total assets of euro area pension funds

(left-hand scale: total assets, EUR billions; right-hand scale: percentage of euro area GDP)



# Conclusions: ICs and PFs



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## 8. Conclusions: statistical requirements for ICs & PFs

### Increased importance and demand

- Monetary policy – increased financing, transmission, wealth effects – strategy review workstream
- Financial stability – risks associated with each of the sectors & interconnectedness between sectors
- Input to other statistics (e.g. financial accounts)

### Periodic reviews of statistical frameworks to ensure relevance

- Stability for at least five years for reporters

### Trend of requesting more entity-level data from NCBs

### Fill the gaps in the financial sector

### ECB medium-term strategy





# Thank you



# Annex: references

## Insurance corporations:

- [https://www.ecb.europa.eu/stats/financial\\_corporations/insurance\\_corporations/html/index.en.html](https://www.ecb.europa.eu/stats/financial_corporations/insurance_corporations/html/index.en.html);
- [https://www.ecb.europa.eu/stats/financial\\_corporations/insurance\\_corporations/html/data\\_reporting.en.html](https://www.ecb.europa.eu/stats/financial_corporations/insurance_corporations/html/data_reporting.en.html)
- The legal requirements for insurance corporation (IC) statistics are laid down in [Regulation ECB/2014/50](#), which defines the statistical standards to be met by insurance corporations when reporting information on their assets and liabilities to the national authorities. This ECB Regulation is complemented by [Guideline ECB/2015/44](#), which sets out the procedures national central banks must follow when reporting insurance corporation statistics to the ECB;
- [IC Data: Statistical Data Warehouse](#);
- [ECB IC Press release](#);
- [New euro area statistics on insurance corporations' premiums, claims and expenses](#)

## Pension funds:

- [https://www.ecb.europa.eu/stats/financial\\_corporations/pension\\_funds/html/index.en.html](https://www.ecb.europa.eu/stats/financial_corporations/pension_funds/html/index.en.html);
- The legal requirements for pension fund statistics are laid down in [Regulation ECB/2018/2](#), which defines the statistical standards to be met by pension funds when reporting information on their assets and liabilities. This Regulation is complemented by [Guideline ECB/2019/18](#), which sets out the procedures national central banks must follow when reporting pension fund statistics to the ECB.
- [Pension fund statistics compilation guide](#);
- [PF Data: Statistical Data Warehouse](#);
- [ECB PF press release](#);
- [New pension fund statistics, ECB Economic Bulletin, Issue 7/2020](#)
- [ECB public consultation on ECB Regulation on PF statistics](#)

