

Joint ECB-EIOPA workshop on insurance reporting

The use of insurance statistics for financial stability purposes

20 October 2021

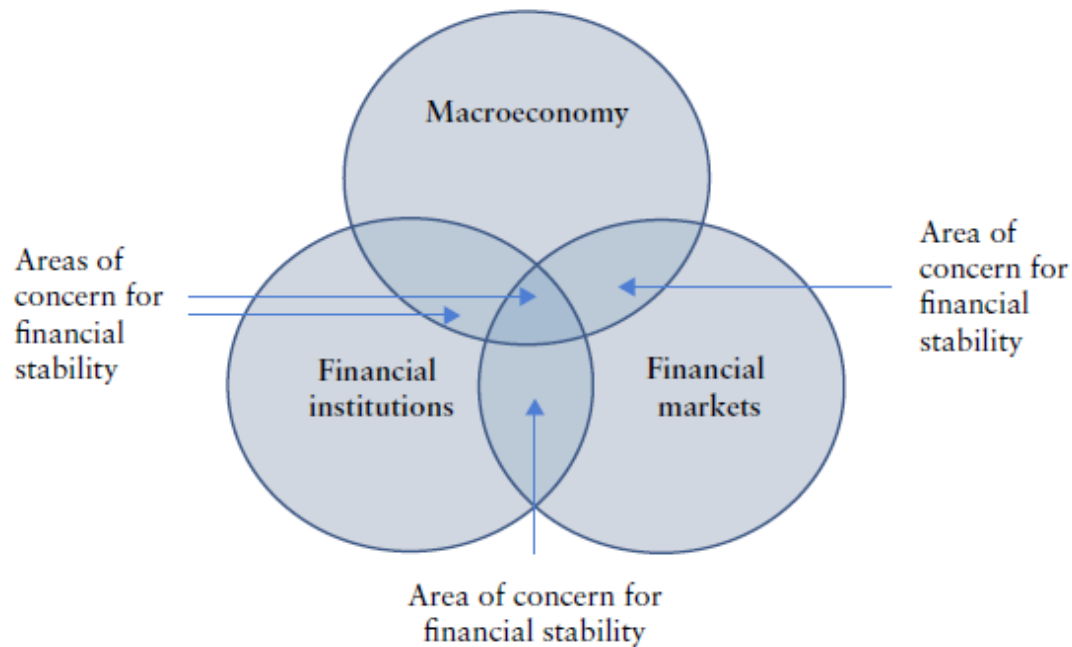
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Outline

- 1. Introduction: IC and financial stability**
2. Key facts about the euro area IC sector
3. IC assets
4. IC liabilities
5. Conclusions

Financial stability: why are insurance companies important in the financial system?

- Important investors in the capital markets
- Increase interconnectedness with the banking sector...
-and within the non-bank financial sector
- Saving vehicle for households



Source: Moenjak (2014)

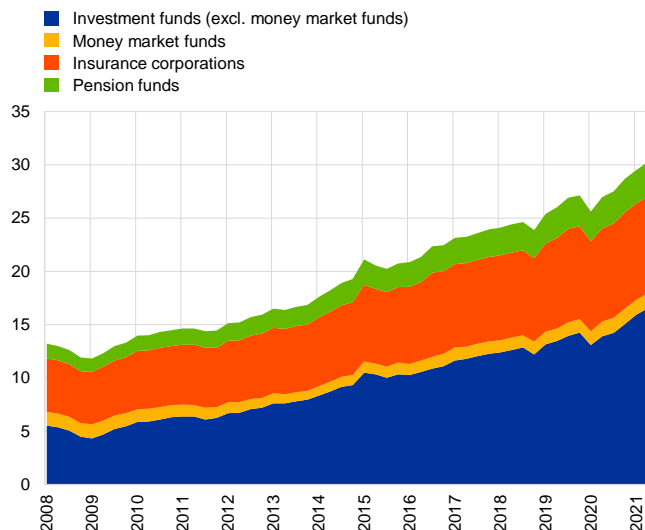
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Non-bank financials and ICs have grown significantly since 2008

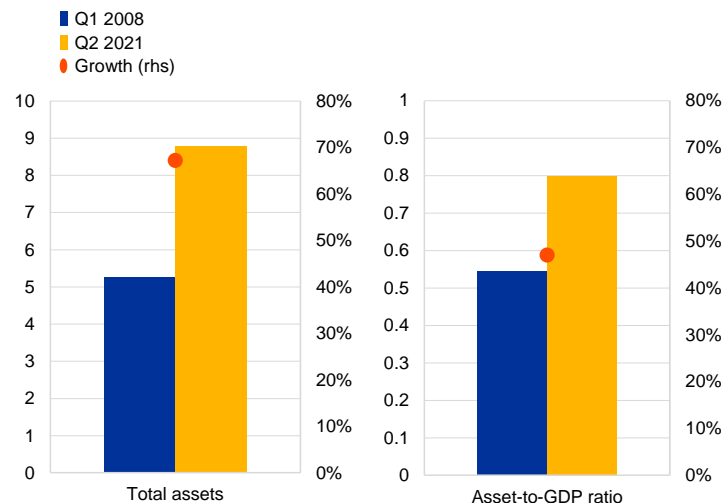
Total assets of non-bank financial sector

EUR trillions (lhs)



Growth of insurance sector since 2008

EUR trillions (left panel – lhs); ratio (right panel – lhs); growth between Q1 2008 and Q2 2021, percent (rhs)



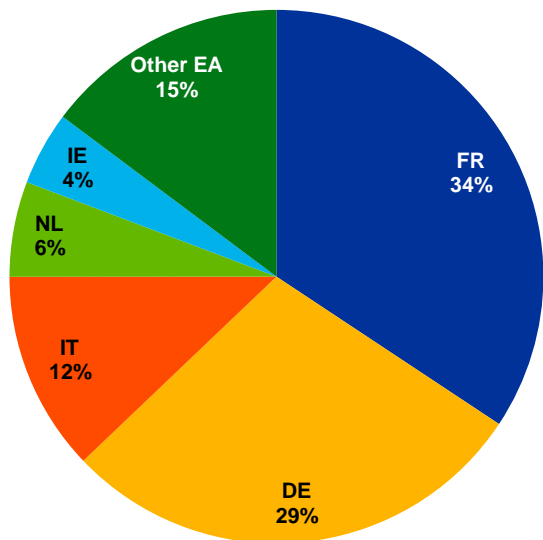
Sources: ECB balance sheet item (BSI) statistics, ECB IC balance sheet data, ECB IVF balance sheet data, ECB PF balance sheet data and ECB calculations.

Last available observation: Q2 2021.

The size of ICs significantly differs across euro area countries, resulting in high concentration in few countries

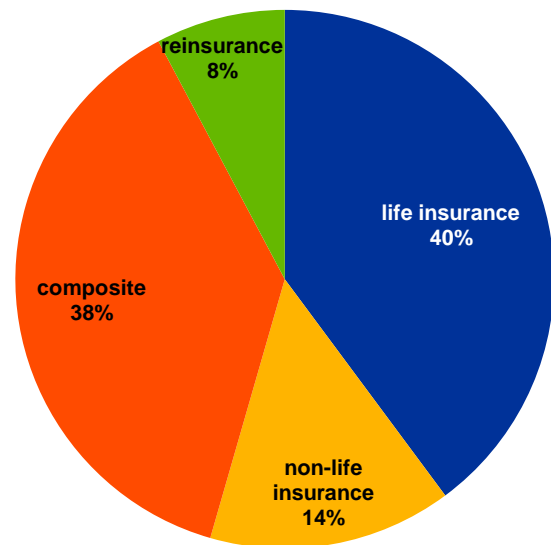
Country shares in the euro area total

Percentages, Q1 2021



Reporting sector in the euro area total

Percentages, Q1 2021



Sources: ECB Insurance corporations balance sheet data.

Notes: Pie charts' splits are based on total assets

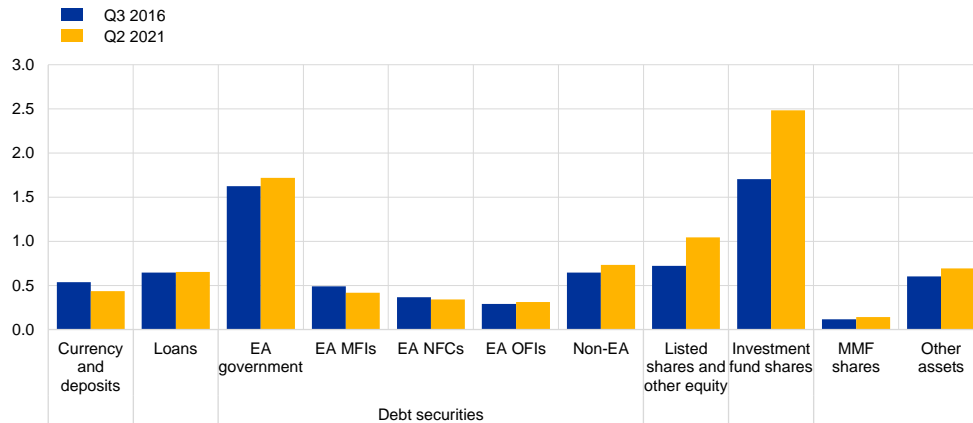
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ICs invest mainly in debt securities, followed by fund shares

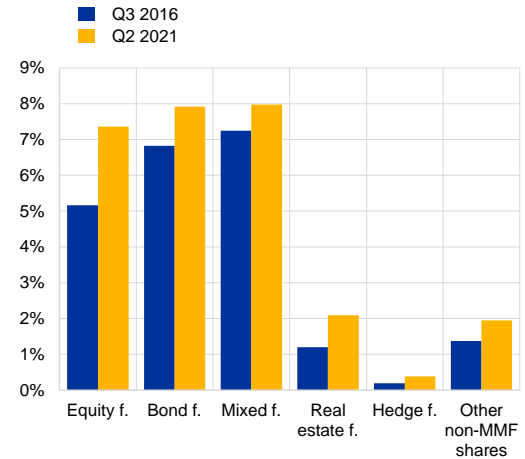
Assets held by euro area ICs by instrument and issuer

EUR trillions; Q3 2016 and Q2 2021



ICs' holdings of investment fund shares broken down by type of fund

Percentage of holdings; Q3 2016 and Q2 2021

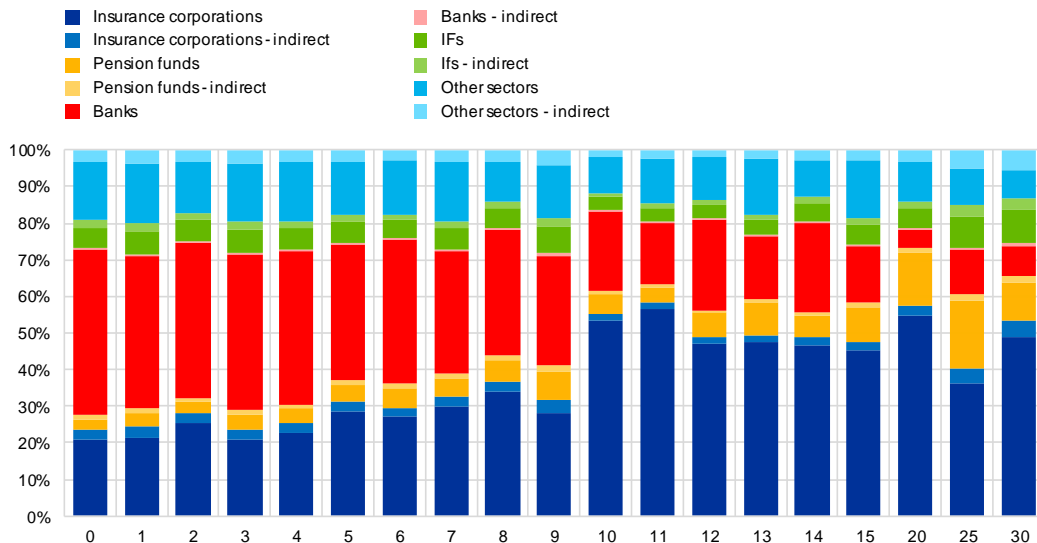


Sources: ECB Insurance corporations balance sheet data.

ICs are long-term investors and their role in financial markets increases with duration of assets

Euro area holdings of government debt securities by holder sector and maturity

(percentages; 2020 Q4)



→ Insurers and pension funds (ICPFs) directly hold more than half of total government debt securities with maturity over 10 years held by all euro area investors

→ Also indirect holdings via investment funds

Source: ECB Securities holdings statistics by Sector. L. Fache Rousová, A. Ghiselli, M. Ghio and B. Mosk, “The structural impact of the shift from defined benefits to defined contributions”, ECB Economic Bulletin, Issue 5/2021

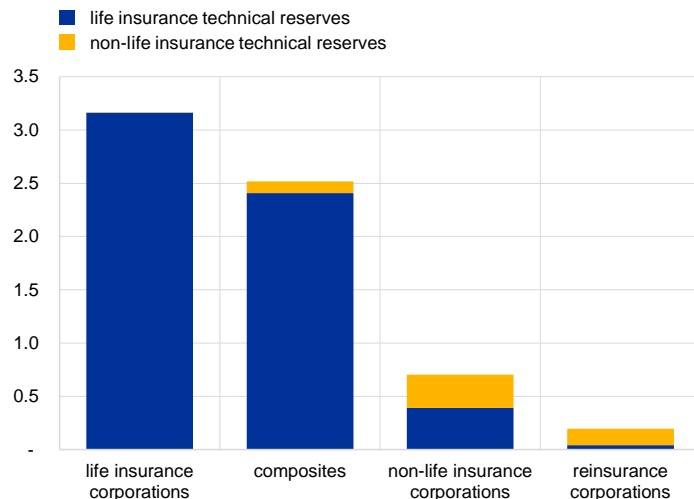
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Non-unit linked policies continue to be the dominant type of insurers' liabilities

Technical reserves by insurance business type

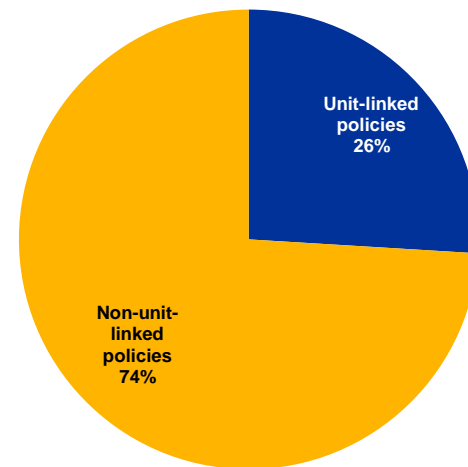
(EUR trillion; Q2 2021)



Sources: ECB Insurance corporations balance sheet data.

Insurance liabilities by type of policy

(percentages; Q2 2021)



Sources: ECB Insurance corporations balance sheet data.

Note: Only life and composite insurance corporations are considered.

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- Insurance data help understand the importance of the sector, monitor it and assess risks associated with the sector
- Our risk assessment (see e.g. ECB's Financial Stability Reviews) draws from sources beyond ECB datasets incl. EIOPA's Solvency II data and commercial data sources
- For a fuller risk assessment, (much) more data would be needed incl. data on individual companies

Thank you for your attention!