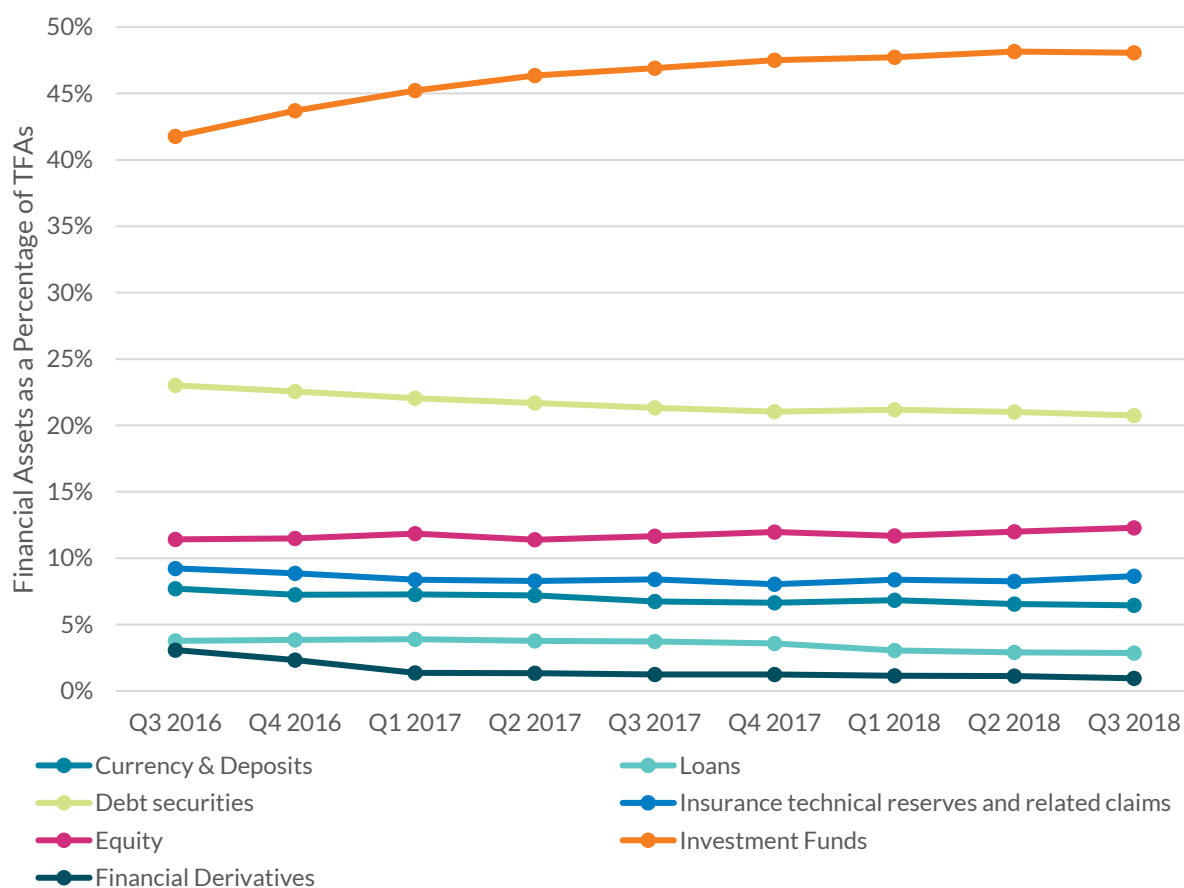




Insurance Corporations Statistics Q3 2018

2 Year Change in the Insurance Sector's Asset Composition



- ❖ Total Financial Assets (TFAs) of Irish Insurance Corporations (ICs) increased by €14 billion over the past two years, to stand at €304 billion at end September 2018.
- ❖ Investment Funds (IFs) are the largest asset class held by the insurance sector, with Irish IC's holdings as a percentage of TFAs increasing by 6 percentage points, over the past two years.
- ❖ Holdings of debt securities declined over the past two years, accounting for 2 percentage points less of TFAs at end September 2018.
- ❖ Irish ICs holdings of the remaining financial asset classes have either remained relatively stable, or declined slightly.

Assets of Irish Insurance Companies

Investment Fund Shares are the largest single asset class held by ICs, representing 48 per cent of TFAs at end September 2018. Debt Securities and Equity are the next most prominent asset classes, accounting for 21 per cent and 12 per cent of the sector's total holdings respectively.

Over the past two years, there has been a 6 percentage points increase in the holdings of Investment fund shares as a percentage of TFAs. This is primarily driven by an increase in the holdings of Equity Fund Shares of 4 percentage points (Table 1). The holdings of debt securities have fallen across the same two year period, by 2 percentage points.

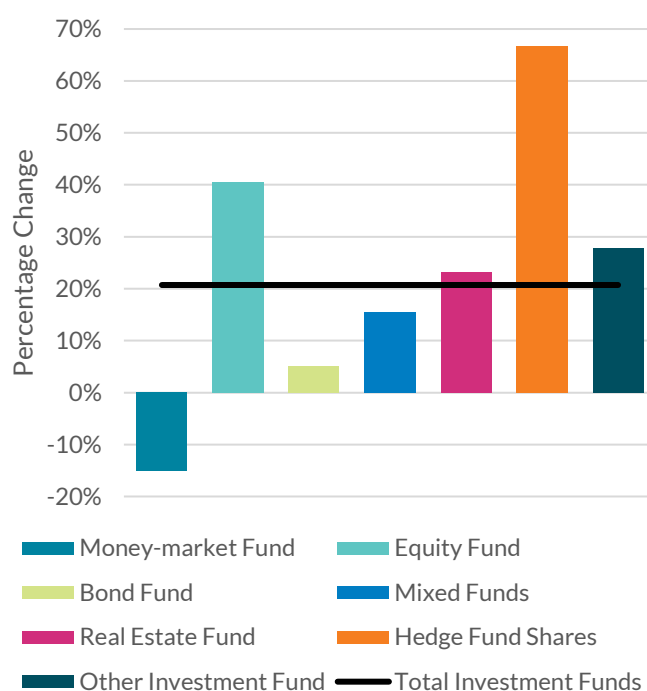
Unit-linked assets account for 77 per cent of the insurance sector's TFAs.¹ The majority of unit-linked assets are held in investment fund shares (67 per cent), followed by equity and debt securities, representing 16 per cent and 9 per cent respectively, at end September 2018.

Focusing specifically on investment fund shares, the largest asset class held by Irish ICs, there has been an increase in its holdings of 21 per cent, amounting to €146 billion at end September 2018. This increase was broad-based with increases in the holdings of Equity Funds (+40 per cent), Other Investment Fund Shares (+28 per cent), Mixed Funds (+15 per cent), and Hedge Fund Shares (+67 per cent) (Chart 1). The overall growth in the holdings of investment fund shares was somewhat offset by a fall in the holdings of MMFs (-15 per cent).

Table 1. Asset Composition as a percentage of TFAs, Q3 2016 to Q3 2018

	Asset Composition % TFA		2 Year % Point Change
	Q3 2016	Q3 2018	
Currency & Deposits	8%	6%	-2%
Loans	4%	3%	-1%
Debt securities	23%	21%	-2%
Insurance Technical Reserves	9%	9%	0%
Equity	11%	12%	1%
Investment Funds	42%	48%	6%
<i>Of which</i>			
<i>Money-market Fund Shares</i>	3%	2%	-1%
<i>Equity Fund Shares</i>	12%	16%	4%
<i>Bond Fund Shares</i>	12%	12%	0%
<i>Mixed Fund Shares</i>	9%	10%	1%
<i>Real Estate Fund Shares</i>	0%	0%	0%
<i>Hedge Fund Shares</i>	2%	3%	1%
<i>Other Investment Fund Shares</i>	4%	5%	1%
Financial Derivatives	3%	1%	-2%

Chart 1. Change in holdings of Investment Funds, Q3 2016 to Q3 2018



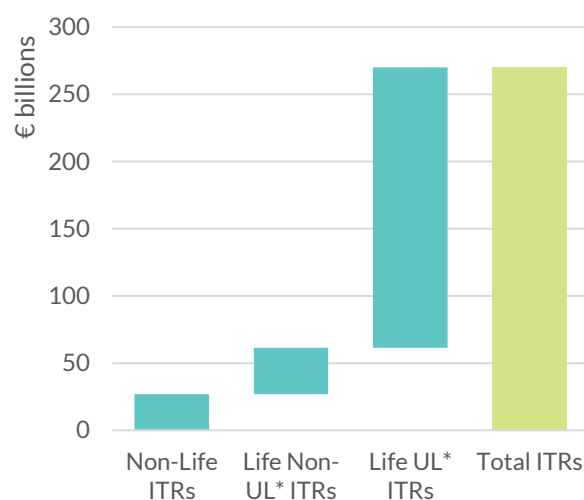
¹ A unit-linked insurance plan is an investment product offered by ICs, whereby an agreed amount of the premium paid by policyholders is invested in unit-linked bonds or funds.

Liabilities of Irish ICs

Insurance Technical Reserves (ITRs) is the largest financial instrument on the liability side of the balance sheet, representing 85 per cent of IC liabilities. The majority of ITRs represent the amount an IC sets aside to cover future estimated claims. ITRs grew 3 per cent year-on-year, to stand at €270 billion at end September 2018. This growth was due to an increase in Life unit-linked ITRs.

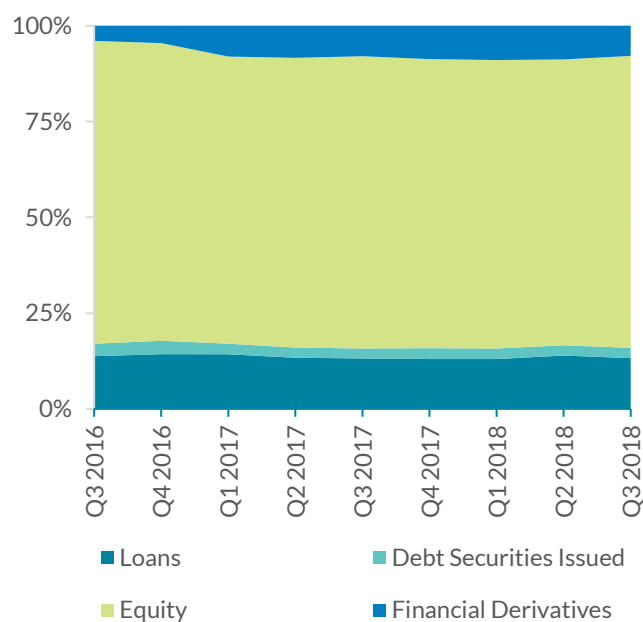
Life ITRs account for the majority (90 per cent) of the total ITRs liabilities (Chart 2), of which 86 per cent are unit-linked. This reflects the long-term obligations of Life ICs to their policyholders, matching the unit-linked assets with an equivalent amount of unit-linked reserves. Excluding ITRs (Chart 3), equity is the second largest other financial liability, accounting for 8 per cent of Irish ICs total financial liabilities.

Chart 2. Breakdown of Life and Non-Life ITRs, Q3 2018



*Unit-Linked

Chart 3. Financial Liabilities Composition (excluding ITRs) Over Time



Further information

The data and explanatory notes can be accessed [here](#).

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