

# Metadata – Insurance companies

## 1. General

### Title

Accounts of insurance companies.

### Supervisor of statistics

Central Bank of Iceland, Statistics

### Purpose

Data are compiled to make it possible to follow the evolution and size of insurance companies and to publish summarised information on them. The data are also part of domestic credit market accounting and economic accounts, which are prepared in co-operation with Statistics Iceland. In addition, the Central Bank uses the data in its operations.

### References

Monthly balance sheet summaries are prepared from monthly reports submitted by operating insurance companies.

### Statutory authority

Data compilation is carried out on the basis of Article 29 of the Act on the Central Bank of Iceland, no. 36/2001. In accordance with Article 35 of the Act, the Financial Supervisory Authority and Statistics Iceland also have access to the data compiled by the Central Bank, based on a cooperation agreement between the institutions.

## 2. Methodology

The methodology used by the Central Bank in statistical reporting on the domestic financial system is based on the International Monetary Fund (IMF) standards for monetary and financial statistics, the *Monetary and Financial Statistics Manual* (MFSM). Also consulted are the international standards for national accounts, SNA2008, and the European standards, ESA2010.

According to the above-mentioned standards, the economy is divided into five sectors, plus a separate sector labelled rest of the world. Included in the domestic economy are all institutional units that are resident in Iceland. In order to be considered an institutional unit, an economic entity must fulfil the following conditions:

- It must be entitled to own goods and assets in its own right.
- It must be entitled to incur liabilities on its own behalf.
- It must be able to take economic decisions and engage in economic activities.
- It must be able to draw up a balance sheet (if there is economic significance in preparing it).

There are two types of institutional units:

- Households
- Legal or social units

## Classification system

Institutional units are grouped together in sectors within the economy on the basis of their activities, economic behaviour, and objectives.

Sector	Series	Description
<b>S.1</b>	<b>Residents</b>	Legal entities and individuals with legal domicile in Iceland, irrespective of nationality; cf. the definition in Act no. 87/1992.
<b>S.11</b>	<b>Non-financial corporations</b>	Institutional units that produce goods and services for sale in the market.
<b>S.12</b>	<b>Financial corporations</b>	Institutional units that provide financial services and act as financial intermediaries.
S.121	Central bank	An institutional unit whose principal function is to issue currency, to maintain the internal and external value of the currency, maintain and invest the country's foreign exchange reserves, and provide loan facilities to deposit-taking corporations.
S.122	Deposit-taking corporations	Institutional units that are principally engaged in financial intermediation: Receiving deposits (and/or close substitutes), issuing bonds and bills, granting loans, and investing in securities on their own account; e.g., commercial banks and savings banks
S.123	Money market funds (MMF)	Funds for collective investment. Miffs invest on their own behalf, primarily in deposits, MMF shares/units, and short-term securities whose returns are determined by money market instruments.
S.124	Non-MMF investment funds	Collective investment schemes other than those classified as Miffs.
S.125	Other financial intermediaries	Financial corporations that are principally engaged in financial intermediation by incurring liabilities other than deposits, investment fund shares, for the purpose of acquiring financial assets; e.g., credit institutions, investment banks, asset financing corporations, securities corporations, and payment card corporations
S.125X	Financial corporations in winding-up proceedings	Financial corporations that have been subjected to winding-up or composition negotiations and whose operating licences have been revoked.
S.126	Financial auxiliaries	Institutional units that are principally engaged in activities closely related to financial intermediation of assets and liabilities, but do not acquire the assets and liabilities for which they act as intermediaries; e.g., securities and insurance brokers, management companies, securities exchanges, and payment system operators.
S.127	Captive financial institutions and money lenders	Institutional units engaged in financial intermediation where their assets and liabilities are seldom traded in the open market. This applies to corporations engaged in transactions within a clearly delineated group (for instance, with subsidiaries or fellow enterprises); e.g., holding

		companies and special purpose entities (SPE).
S.128	Insurance corporations	Institutional units that are principally engaged in financial intermediation based on the pooling of risk, primarily in the form of direct insurance or reinsurance; e.g., life and non-life insurance corporations.
S.129	Pension funds	Institutional units that are principally engaged in financial intermediation by providing retirement income or disability benefits in accordance with pension entitlements.
<b>S.13</b>	<b>General government</b>	Institutional units with legislative, judicial, or executive authority over other institutional units. General government entities provide services at a price that does not cover the majority of expense and are financed primarily through taxes and public levies.
S.1311	Central government (excluding social security funds)	Ministries and their ancillary institutions and legislative authorities.
S.1313	Local government (excluding social security funds)	Administrative institutions at the local level.
<b>S.14</b>	<b>Households</b>	One or more individuals who share the same living accommodation and consume certain types of goods and services collectively, namely housing and food.
<b>S.15</b>	<b>Non-profit institutions serving households (NPISH)</b>	Institutional units that produce goods and services for households, either for free of charge or at a low price, and are not operated for profit; for instance, trade unions, political parties, churches or religious societies, and social, cultural, recreational and sports clubs.
<b>S.2</b>	<b>Rest of the world</b>	Institutional units residing outside Iceland.

## Valuation of assets and liabilities

Assets and liabilities are assessed at market value/fair value or nominal value with accrued interest and indexation.

- Market value: Valuation of securities in accordance with pricing in the official securities market.
- Fair value: Estimated market value of securities not listed on an official market. Assessments of equity securities are based, for instance, on cash flow analyses and comparative analyses. Assessments of other financial instruments are based, for example, on comparative analyses and the price of the most recent trade.
- Nominal value: The original nominal value without adjustments for impairment. Nominal value includes accrued interest and indexation.
- Financial instruments denominated in foreign currency are converted to Icelandic krónur at the relevant exchange rate on the last day of the financial reporting month.

Series	Valuation
Banknotes and coin	Nominal value

Deposits	Nominal value (with accrued interest and indexation)
Marketable bonds	Market value or fair value
Loan	Nominal value (with accrued interest and indexation)
Equities and investment fund unit shares	Market value or fair value (assets); nominal value (liabilities)
Insurance and pension obligations	Market value or fair value, except prepayments of insurance premiums, which are at nominal value
Derivatives and purchase options	Market value or fair value
Accounts receivable / payable	Nominal value with accrued interest

### 3. Terms and definitions

**Banknotes and coin** include currency (notes and coin) at a fixed nominal value and issued by a central bank or government authority. Banknotes and coin are the cash in hand held by insurance companies.

**Current accounts with the Central Bank** are ISK-denominated in the Central Bank of Iceland. Current accounts are also real-time gross settlement (RTGS) accounts that are used to settle a financial undertaking's transactions in payment and securities settlement systems.

**Other assets in the Central Bank:** consist of certificates of the deposit, term deposits, and foreign currency accounts.

- Certificates of deposit (CD) are short-term debt instruments issued by the Central Bank of Iceland; they are auctioned, and only financial undertakings eligible for Central Bank facilities may participate in the auctions and own the CDs.
- Term deposits with the Central Bank are deposits that are held in the Central Bank and have a predetermined maturity.
- Foreign currency accounts in the Central Bank are deposit accounts held in the Central Bank and denominated in foreign currencies.

**Deposits with domestic and foreign banks** are funds that are stored in an account with a deposit-taking corporation for short- or long-term investment. Deposits can be retail or wholesale deposits.

**Loans** is a collective term for all lending by credit undertakings, in any form. Loans are financial assets with fixed, calculable payments that are not listed on an active market and are generally not traded in the secondary market. Domestic lending is classified as follows:

- A bill of exchange is a written order, in a specific format, from the issuer to the payer, to pay a certain amount to a third party. Bills of exchange can be issued to another party or in one's own name. In the latter case, the issuer pays the amount of the bill on the due date. Most bills of exchange are non-indexed and generally used for short-term financing (4 months or less). Bills of exchange are usually not issued for periods longer than one year.
- Indexed loans are debt instruments (bonds) with a minimum maturity of 5 years, whose principal changes in line with a specified index, thus ensuring that the bond maintains its

value. A bond is a unilateral written undertaking by an issuer (debtor) to pay another party (the creditor) a specified amount, including interest, for a certain period of time and to repay the loan on its date of maturity. Bonds are commonly issued with a maturity of 5-30 years, with or without price indexation. Indexed bonds according to the Central Bank of Iceland Rules on Price Indexation of Savings and Loans, no. 492/2001, are indexed against the consumer price index.

- Other loans and claims are non-indexed bonds and claims, other than accounts receivable. A claim is one party's legal authorisation to demand payment from another party; i.e., the debtor. Included are interbank loans and claims against subsidiaries.
- Asset financing agreements is a blanket term for asset financing and lease-purchase agreements. These forms of financing differ from direct loans in that the lender purchases the asset requested by the customer and subsequently rents it to him for a pre-negotiated term. Ownership is therefore the main collateral for the lender.

**Provisions** are precautionary entries made by lenders in connection with recoveries on loans. They are divided into two categories: general provisions and special provisions. General provisions are made based on the assessment of the effects of the overall economic situation on expected loan recoveries. Special provisions are made based on the assessment of expected loan losses due to specific customers.

**Marketable securities** are transferable securities (bonds, equities or mutual fund units) offered for sale to individuals and/or legal entities in an offering in which all the main features of the instruments in each class are the same, including the name of the issuer (debtor), first interest date, and provisions concerning prepayment, interest rate, and calling, as appropriate. Examples of marketable securities are Treasury savings bonds, Treasury bonds, Treasury bills, Housing Bonds, Housing Authority Bonds, Housing Financing Fund (HFF) bonds, and equities listed on the Nasdaq Iceland Exchange.

- Marketable bonds are transferable bonds offered for sale to individuals and/or legal entities in an offering in which all the main features of the instruments in each class are the same, including the name of the issuer (debtor), first interest date, and provisions concerning prepayment, interest rate, and calling, as appropriate. Marketable bonds can be indexed (i.e., their principal changes in accordance with a specified index value), non-indexed (nominal), or foreign-denominated. Marketable bills also fall into this category.
- Equity securities are a shareholder's claim on a given shareholding in a public limited company. The undertaking issues a document (share certificate) confirming that the owner of the certificate (shareholder) holds a share in the company's assets and annual profit. Equity securities are generally negotiable instruments; i.e., they may be bought and sold as is specified in the company's Articles of Association.
- Unit shares are financial instruments that confirm the right of all persons with a holding in a fund for collective investment, or individual division of it, to the fund's securities assets. All owners of unit shares shall have the same right to the fund's income and assets, or those of the division concerned, in proportion to their share of total issued unit share certificates.

**Associated undertaking:** A company where the direct and indirect ownership share amounts to 10-50% of its equity or voting rights.

**Affiliated undertaking:** A subsidiary of a company, its parent, or a co-subsiary (i.e., a company under the same parent company). The ownership share must be >50%.

**A derivative** is an agreement whose settlement depends on developments in some variable, such as interest, currency exchange rates, share prices, share price indices, or commodity prices. The value of such an agreement is based on developments in these underlying variables from the date of the agreement until the settlement date, and no payment is demanded at the beginning of the agreement. An agreement of this sort is settled in the future.

**Insurance and pension entitlements** are assets that insurance companies and pension funds own as a result of insurance and pension fund activities.

- The share of reinsurance in technical provisions consists of claims on reinsurers according to insurance contracts and the share in provisions for unearned premiums.
- Claims for unpaid premiums are unpaid premiums owed by policyholders and parties that pay premiums to pension funds. Prepaid premiums due to insurance companies' reinsurance are also included here.
- Investments for the benefit of life insurance policyholders who bear the investment risk. Investment plan life insurance comprises a life insurance portion and a savings portion. Investments for the savings portion are entered under this item. The policyholder bears the investment risk; that is, his rights in the fund in which investments are made are based on the returns on the fund.

**Other assets** consist of fixed assets, intangible assets, accounts receivable, tax credits, and other assets not recorded elsewhere.

**Debt to the Central Bank** consists primarily of overnight loans and collateralised loans but can also include derivatives or other debts to the Bank.

- Overnight loans are loans granted by the Central Bank for one night to deposit-taking corporations and other credit undertakings that engage in transactions with the Central Bank, when the undertakings concerned have overdrawn their current accounts with the Bank. Not applicable for insurance corporations.
- Collateralised loans are a type of loan secured by collateral in securities. This is a common format in central bank transactions with banks and financial institutions. Collateralised loans to credit undertakings are currently granted for periods of seven days at a time. Not applicable for insurance corporations.
- Other debt with the Central Bank: Other claims or debts to the Central Bank than those deriving from overnight loans or collateralised loans; for example, those due to settlement of debt related to the financial crisis of 2008.

**Securities issuance** is the issuance of bonds and bills for procurement of credit financing.

- Domestic securities issuance: Issuance of bonds in the domestic market, irrespective of the currency in which the securities are denominated. Bond purchasers may be residents or non-residents.
- Indexed securities issuance: Issuance of bonds that are indexed pursuant to the Central Bank of Iceland Rules on Indexation of Savings and Loans, no. 492/2001.
- Non-indexed securities issuance: Issuance of bonds in Icelandic krónur without indexation, or issuance of bonds denominated in foreign currency.

- Foreign securities issuance: Issuance of bonds in the foreign market, irrespective of the currency in which the securities are denominated. Bond purchasers may be residents or non-residents.
- Term of loan: The original term of the loan. Short-term loans are loans taken for a term of one year or less. Long-term loans are those with a maturity longer than one year. Because the original term of the loan is used as the reference for loan maturity, a loan taken for more than one year is always considered a long-term loan even though the actual residual maturity may be one year or less.

**Subordinated loans** refers to loans that, in the event of insolvency or winding-up on the part of the borrower, will be repaid in accordance with negotiated terms, but only after all other claims against the borrower have been met.

- Domestic subordinated loans: Subordinated loans taken from a resident, irrespective of the currency in which the loan is denominated.
- Subordinated foreign loans: Subordinated loans taken from a non-resident, irrespective of the currency in which the loan is denominated.
- Term of loan: The original term of the loan. Short-term loans are loans taken for a term of one year or less. Long-term loans are those with a maturity longer than one year. Because the original term of the loan is used as the reference for loan maturity, a loan taken for more than one year is always considered a long-term loan even though the actual residual maturity may be one year or less.

**Direct borrowing** is a formal agreement between two parties (without the intermediation of a third party), whereby one of the parties (the lender) lends the other party (the borrower) a specific amount in return for the borrower's written pledge to repay the loan according to specified terms and conditions. Deposits and issuance of marketable securities are not included in this category. Direct borrowing is further specified according to whether the loan is index-linked or another type of loan (non-indexed or foreign-denominated).

- Domestic borrowings: Loans taken from a resident, irrespective of the currency in which the loan is denominated. These could be either long-term or short-term borrowings.
- Foreign borrowings: Loans taken from a resident, irrespective of the currency in which the loan is denominated. These could be either long-term or short-term borrowings.
- Term of loan: The original term of the loan. Short-term loans are loans taken for a term of one year or less. Long-term loans are those with a maturity longer than one year. Because the original term of the loan is used as the reference for loan maturity, a loan taken for more than one year is always considered a long-term loan even though the actual residual maturity may be one year or less.

**Insurance and pension entitlements** are insurance companies' and pension funds' liabilities in connection with insurance and pension fund activities.

- Provisions for unearned premiums consist of policyholders' premiums and pension fund payers' prepaid contributions. Insurance companies' provisions for unearned premiums to other insurance companies are also included here.
- Provisions for outstanding claims are approved and unpaid or partially paid pension and insurance benefits. Insurance companies' outstanding claims are entered here. Outstanding

claims reflects the amount that an insurance company estimates for unsettled claims (both those that have been reported and not settled and those still unreported).

- Other technical provisions are insurance companies' profit reserves and equalization provision.
- Pension fund liabilities where fund members bear the investment risk. Investment plan life insurance comprises a life insurance portion and a savings portion. This item includes the insurance company's debt to the policyholder, which is equal to the value of the investment for the savings portion, entered by the insurance company on the assets side.

Pension rights. A pension fund's debt to current and future pensioners. In the case of pension funds with an employer guarantee, only the portion that is financed by the fund.

**Equity** is all holdings owned by the owners of a company. Equity is equal to the difference between assets and liabilities.

#### **4. Data integrity**

Insurance companies submit monthly balance sheets to the Central Bank on the 10th day of the month. The balance sheet contain data on assets and liabilities, broken down by type of financial instrument, counterparty, and currency. Amounts are as of the month-end.

Data processing takes place in the Central Bank. The most recent figures are always preliminary. Corrections are made to data after publication if there is a substantial deviation from published figures.

#### **5. Revision of data**

After insurance companies prepare their annual accounts, the December statistics for the year in question are updated based on revised data from the insurance corporations. This update takes place in March-April of each year.

#### **6. Publication**

Data are published monthly on the Statistics page of the Central Bank of Iceland website. They are published on a monthly basis from June 2000 onwards. Data for December 1999 are also available.

The publication is based on the so-called S sectoral classification, which is used in national accounts preparation but has been included in other financial and financial accounts standards. See the section entitled: Methodology.

#### **7. Other**

##### **Changes in sectoral/industry classification**

Data on insurance companies extend back to December 1999. Older data have been reclassified to accord with the current system in an attempt to maximise the consistency of the data over time. Data from previous years are not as detailed as more recent data. During reclassification, errors and



mismatches in the data were adjusted as needed. Consequently, the results could differ slightly from those in printed sources from previous years. The difference is insignificant.

Continuous sectoral classification of loans and marketable bonds began in December 2001.

Sectoral classification according to the ÍSAT standards (ÍSAT95) issued by Statistics Iceland was adopted in October 2003. This was accompanied by changes in some of the categories, which could cause breaks in some time series.

- According to ÍSAT95, the fishing industry is classified under fishing, marine product processing is classified under industry, and sale of marine products falls under trade. Prior to the adoption of ÍSAT95, processing and sales were also included under fishing.
- According to ÍSAT95, agriculture is classified under agriculture, processing of agricultural products is classified under industry, and sales of agricultural products falls under trade. Prior to the adoption of ÍSAT95, processing and sales were also included under agriculture.
- According to ÍSAT95, electrical energy was included with utilities. Prior to the adoption of ÍSAT95, municipality-owned heating utilities were classified under municipalities, but since the adoption of ÍSAT95 they have been included with utilities.
- In the construction sector, the separation of residential housing contractors and other contractors was discontinued.
- Household mortgage loans are no longer distinguished from other household borrowing. This change took effect after 2007, however.
- Commercial activities operated by sole proprietors under their own national ID numbers are classified under households.

The sectoral classification according to ÍSAT2008 was adopted in 2007.

- The most important changes taking place then were that holding companies were segregated from the services item under the non-financial corporations sector. It was decided to put holding companies in a separate category, apart from the financial sector and the non-financial corporations sector.
- The changed ÍSAT standards also classified information and electronic communications with services within the non-financial corporations sector, whereas a portion of this group had been previously classified with industry and transport/communications.
- The separation of household loans into household mortgage loans and other household borrowing was resumed.

Several changes were made to sectoral classification upon the adoption of new national accounts standards and monetary and financial statistics standards in March 2016.

- Non-financial corporations: Services within the non-financial corporations sector have been transferred to new sectors: *S.15 Non-profit institutions serving households (NPISH)* and *S.126 Financial auxiliaries*.
- Holding companies: The estates of the old banks were transferred from holding companies to a new sector: *Financial intermediaries in winding-up proceedings*.

- Mutual and investment funds: Money market funds were transferred to a separate sector: *S.123 Money market funds (MMF)*.
- Financial corporations: In older data there were component items in the financial sector (often labelled "of which ..."), which meant that the sum of the items did not equal the total amount. With the adoption of the new standards, this was changed, so that the sum of the underlying items always equals the total amount. Where a discrepancy existed in older data, it was included under the item "other financial intermediaries".
- Financial corporations: Holding companies were transferred to the financial sector, in: *S.127 Captive financial institutions and money lenders*.

### List of insurance companies

<b>Life insurance companies</b>	<b>In operation/Inactive</b>
Líftryggingafélag Íslands hf.	In operation
Líftryggingamiðstöðin hf.	In operation
Okkar líftryggingar hf.	In operation
Sjóvá Almennar líftryggingar hf.	In operation
Vörður líftryggingar hf.	In operation
Alþjóða líftryggingafélagið	Inactive
Sameinaða líftryggingafélagið	Inactive

<b>Non-life insurance companies</b>	<b>In operation/Inactive</b>
Íslensk endurtrygging hf.	In operation
Sjóvá Almennar tryggingar hf.	In operation
Tryggingamiðstöðin hf.	In operation
Vátryggingafélag Íslands hf.	In operation
Viðlagatrygging Íslands	In operation
Vörður tryggingar hf.	In operation
European Risk Insurance Company	Inactive
Samábyrgð Íslands í fiskiskipum	Inactive
Sjóvá Almennar tryggingar hf.	Inactive