

## Common definitions and notes

### Notes on data sources

All the data in the statistical tables of each country have been reported by the relevant national insurance authorities. Regarding comparative tables of indicators, the data are mainly drawn from the tables by country. The economic data on exchange rates, population and GDP are taken from the OECD publication *Main Economic Indicators*.

*To achieve greater clarity, the number of variables selected and displayed in this publication has been limited. Data have been extracted from the Global Insurance Statistics database. The complete database can be accessed online at the following link:*

**OECD Insurance Statistics**, <http://dx.doi.org/10.1787/ins-data-en>.

A significant effort has been made to achieve comparability among countries. Definitions, classifications, calculation methods, and units have been standardised as far as possible.

### General notes

- a) Life and non-life categories follow the definitions used in national law. However, the premiums for accident and sickness insurance underwritten by life companies should be included in non-life figures.
- b) Up until 2008, the insurance business is broken down between life and non-life business. As of 2009, the insurance business is broken down between the business of pure life, pure non-life and composite undertakings and composite undertakings' business is further broken down between life and non-life business. Some countries do not allow for insurance undertakings to be active in both life and non-life insurance business and therefore composite insurance undertakings do not exist in these countries. In other countries (e.g., Austria, Belgium, Hungary, Italy, Mexico, Portugal, Spain) however, the share of employment in composite insurance undertakings accounts for more than half of the whole domestic insurance sector. Therefore, to have comparable data across years for life business data (respectively non-life), one has to sum up the life (respectively non-life) business of pure life (respectively non-life) undertakings and the life (respectively non-life) business of composite undertakings as of 2009.
- c) Figures provided for the number of companies and for insurance premiums should include all insurance companies licensed or authorised in the reporting country, including professional reinsurers, whether or not these are controlled, but excluding any statutory system of social security administered by the State.

- d) *Domestic companies* means those companies incorporated under national law, together with those companies in the reporting country which are unincorporated, but excluding the branches and agencies of foreign companies.
- e) *Foreign-controlled companies* means those domestic companies controlled by foreign interests, such “control” being defined according to national law (see the definition of foreign controlled companies in notes by country). The data of *foreign-controlled companies* are part of those of *Domestic companies*.
- f) *Foreign companies* means companies incorporated outside the reporting country.

## Insurance Market Trends

### Notes on country data

This chapter is based on the responses provided by countries on results from the 2014 Global Insurance Statistics (GIS) exercise, including qualitative information supplied by countries or sourced from national administrative sources.

Given possible divergences in national reporting standards, different methods for compiling data for the GIS exercise, and recent amendments to the OECD statistical framework, caution needs to be exercised in interpreting the data. For this reason, countries are regularly requested to provide methodological information relevant for developing a thorough understanding of their submissions to the Global Insurance Statistics (GIS) exercise. The methodological notes below provide some explanations in this respect.

- Economic data on exchanges rates and the Consumer Price Index (CPI) in countries come from the IMF International Financial Statistics (IFS) and the OECD Main Economic Indicators (MEI) databases.
- As per the OECD GIS framework, data normally refer to direct business and include domestically incorporated undertakings (i.e., incorporated under national law) and, where data are available, the branches and agencies of foreign undertakings operating in the country. However, data in the tables and figures about the asset allocation of insurers and investment rates of return in this chapter only refer to domestic direct insurers. Some countries, particularly within the EU member states (such as Estonia, Italy and Portugal), in submitting data, may not be able to exclude the foreign branches of domestic undertakings. Therefore, data for those countries may include these foreign branches (particularly branches established within the EU).
- Composite undertakings operate in a number of countries, as shown in Annex C.
- Data for *Estonia* refer to the whole direct business of Estonian companies, and include business written by branches of Estonian insurers.
- Data for *Indonesia* are unaudited.
- The statistical data for *Israel* are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.
- Data on composite insurers from *Italy* and *Portugal* include life insurers operating also in accident and sickness line of business.

- Data from *Japan* reflect fiscal year instead of calendar year. Non-life insurance statistics for 2013 will be available in 2015.
- Data from *Malaysia* cover global business (within and outside Malaysia) including Takaful insurance.
- Data for 2013 for the *Netherlands* are preliminary.
- Data supplied for *New Zealand* come from Statistic New Zealand's Annual Enterprise Survey. This is a financial survey of organisations from across the economy, compiling information at the latest balance date for each organisation. Data refer to the end of December for most undertakings operating in life insurance, and to the end of June in most cases for health and general insurance.

### Notes on indicators

- a) The combined ratio is calculated in this chapter as the sum of gross claims payments, changes in outstanding claims provision, gross operating expenses, and gross commissions divided by gross written premiums. i.e., *Combined ratio* = “*Loss ratio*” + “*Expense ratio*”, where:
- *Loss ratio*:  $(\text{Gross claims paid} + \text{changes in outstanding claims provision}) / \text{gross written premiums}$  (the latter used as a proxy for gross earned premiums); and,
  - *Expense ratio* =  $(\text{Gross operating expenses} + \text{commissions}) / \text{Gross written premiums}$ .
- The combined ratio is used in analysing the underwriting performance of insurance companies, especially for non-life insurance where the risk exposure is short-term – generally one year. The use of the combined ratio for long-term business such as life insurance is of limited use only.
- Due to limitations in OECD data, it is not possible to calculate the combined ratio using earned premiums and claims incurred data, which would provide a more accurate depiction of underwriting performance.
- b) Asset allocations refer to direct business and domestically incorporated undertakings only. Data exclude assets linked to unit-linked products.

## Part I

This part consists of tables by key figures and indicators, which reflect the most significant characteristics of the OECD insurance market. In most cases, the tables contain data of all OECD countries as well as aggregated “OECD”, “European Union (15 countries)” (the 15 member countries of the European Union in 1995) and “NAFTA” data from 2006 to 2013, for the following categories: life insurance, non-life insurance and total. Unless otherwise specified, figures given in this part for the life (respectively non-life) sector include the life (respectively non-life) business of composite undertakings. The premiums amounts are converted from national currencies into US dollar. Exchange rates used are end-of-period exchange rates for all variables valued at the end of the year, and period-average for variables representing a flow during the year. Some of these indicators are also shown in the graphs.

### 1. Balance sheet and income (Tables 1 to 3)

The balance sheet and income table gathers key items in the direct insurance business, such as “Gross claims paid”, “Outstanding claims provision”, “Gross operating expenses” and “Commissions” in 2013.

2. Portfolio allocation (Tables 4 to 6)

This item shows the breakdown of investments of direct insurers into main asset classes (real estate, mortgage loans, shares, bonds, loans other than mortgage loans, other investments) in 2013, excluding assets linked to unit-linked products sold to policyholders. These data include only outstanding investment by all direct insurance companies (domestic and foreign undertakings) in the reporting country; investments by reinsurance companies are not included.

The evaluation method for investment is defined by each country.

3. Total Gross Premiums (Tables 7 to 9)

Gross premium, which represents total insurance premium written in the reporting country, is a major indicator of the importance of insurance industry in the economy of each country.

4. Market Share in the OECD (Total Gross Premiums Basis) (Tables 10 to 12)

This indicator measures the importance of the national insurance market of each OECD country as compared to the whole OECD insurance market.

5. Density of Insurance Industry (Tables 13 to 15)

This indicator is calculated by dividing direct gross premiums by the population and represents the average insurance spending per capita in a given country.

6. Penetration of Insurance Industry (Tables 16 to 18)

This is the ratio of direct gross premiums to Gross Domestic Product (GDP), which represents the relative importance of the insurance industry in the domestic economy.

7. Life Insurance Share (Table 19)

This is the ratio of gross life insurance premium to total gross premium, which measures the relative importance of life insurance as compared to non-life insurance.

8. Premiums per Employee (Table 20)

This indicator of the relative efficiency of a national insurance industry is calculated by dividing the direct gross premiums by the number of employees in insurance companies.

9. Retention Ratio (Tables 21 to 23)

This is the ratio of net written premiums to total gross premiums. This ratio represents the proportion of retained business and thus, indirectly, the importance of reinsurance for insurance companies.

10. Ratio of Reinsurance Accepted (Tables 24 to 26)

This is calculated by dividing reinsurance accepted by total gross premiums and provides an indication of the significance of reinsurance accepted in the national insurance market.

11. Foreign Companies' Market Share in the Domestic Market (Tables 27 to 30)

This figure describes the importance of foreign companies in the domestic insurance market and is measured through the following indicators:

- a) Market share of “foreign-controlled companies” and “branches and agencies of foreign companies” in “total gross premiums”.
- b) Market share of “branches and agencies of foreign companies” in “total gross premiums”.

Figures for the life (respectively non-life) business include the pure life (respectively non-life) undertakings and the life (respectively non-life) business of composite undertakings for all the tables in Part 1, except for the balance sheet and income of insurance undertakings (Tables 2 and 3) and their portfolio allocation (Tables 5 and 6) where the composite sector is excluded, as the split between life and non-life business in composite undertakings is not always available.

In Tables 7, 10, 13, 16, 21 and 24, the total (life and non-life) may not be equal to the sum of the life and non-life figures if the split for the composite sector is not provided. In this case, no assumption is made about each branch of the composite sector (life and non-life) and the composite part is not included. However, in the total, the aggregate for composites is included.

The figures for the three zones ("European Union", "NAFTA", and "OECD") displayed at the bottom of some tables are calculated for the countries for which information is available.

## Part II

In this part, the main insurance statistics are presented through separate tables for each country. Figures refer to the calendar year. The premiums and other amounts are described in millions of the national currency unit. Premiums are defined as follows:

- a) "*Gross premiums*" are total premiums written, excluding any premium taxes or other charges, but before deduction of commission or reinsurance outwards. It is acknowledged that the inclusion of reinsurance will mean that there is some element of double-counting in the figures provided.

"*Gross premiums*" are the sum of "*premiums of direct business*" and "*premiums of reinsurance accepted*".

- b) *Premiums ceded* include all premiums (reinsurance and retrocessions) ceded.
- c) Normally "*Net written premiums*" should equal total "*Gross premiums*" less "*Premiums ceded*". If there are special problems in the reporting country which prevent this relationship an appropriate compensatory element should be then included under "*Premiums ceded*".

The tables of each country contain the following parts:

- 1.1 Business written in the reporting country on a gross, ceded and net premium basis in all insurance undertakings. The gross written premiums are then shown in terms of foreign risks, and broken by main life and non-life classification. The life classification is based on the type of contracts: unit-linked, annuities and other life insurance contracts. The precise definitions used for the non-life insurance classification can be found out in Annex B: Definitions of classes of non-life insurance. In this classification, the category "Treaty Reinsurance" is used by countries having difficulty in breaking down "Reinsurance Accepted" by classes.
- 1.2, 1.3, 1.4 Gross claims payments, commissions and gross operating expenses in the reporting country, containing a breakdown between domestic companies, foreign-controlled companies and branches and agencies of foreign companies, and by type of sector ("pure" life, "pure" non-life, composite and the split into the life and non-life parts). "*Gross claims payments*", covering all

gross payments on claims made during the financial year, are to be used in the calculation of gross claims incurred. Commissions refer to direct business only. “Gross operating expenses” should normally mean the sum of acquisition costs, change in deferred acquisition costs and administrative expenses.

- 1.5 Gross premiums written abroad classified by subsidiaries, branches and agencies of domestic companies, and by sector (“pure” life, “pure” non-life, composite and the split into the life and non-life parts). *Business written abroad* should include all business written outside the reporting country (in both OECD and non-OECD countries) by subsidiaries, branches and agencies established abroad of domestic companies.
- 2.1, 2.2 General information on number of insurance companies and employees within the sector:
- a) This part provides information about the number of companies and employees in the reporting country.
  - b) *Composite*: Company which deals with both life and non-life business.
  - c) *Insurance companies*: Staff (full-time or part-time) employed in the insurance industry.
  - d) *Intermediaries*: Number of persons (brokers or agents and their staffs), excluding intermediaries who may sell insurance but are not directly involved in the insurance industry (e.g. bank managers, solicitors, garage owners) or those included under c) above.

### Additional information

In Annexes, complementary information is presented:

- A) Table: Business written abroad by EU/EEA insurers through Branches and Agencies, 2013
- B) Definitions of Classes of Non-life Insurance  
This includes definitions of categories of non-life insurance, which detail the content of classes listed in the section “1.1.4 Non-life insurance payments, by class, gross premiums” of the tables by country.
- C) Composite undertakings  
This table specifies in which countries composite undertakings operate.
- D) List of administrative sources  
This table gives the lists of the national insurance authorities that provided the data displayed in this publication.



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