

Methodological notes to the time series based on the data supply by insurers for supervisory purposes and to the Information release

General conclusions

1. The insurers' time series were prepared on the basis of the MNB's regular data supply tables for supervisory purposes. Due to changes by possible amending reports, the data may occasionally deviate from those published previously.
2. The sources of annual data are usually the annual reports of the insurers; the other data come from quarterly reports. The Q4 data are not audited; they can be considered preliminary annual data if they contain cumulated values.
3. The data were rounded individually, therefore, partial data do not necessarily sum to the total figures.
4. For mergers during the year, in case of cumulated flow data presented in the time series (premium income, single premium income, claim expenses, expenses, reinsurance), the merging insurers' cumulated data from the previous quarter will be included by applying statistical methods in the flow data reported by the acquiring insurer in the quarter when the merger took place. This ensures that data in the time series reflect the actual performance of the sector in the reference period. The statistical correction for merging insurers is completed by the MNB on every occasion.

Conclusions related to the individual tables

1. In the Major P&L figures (3_MAJOR P&LFIGURES), under Changes in reserves the consolidated data of changes in the mathematical, the premium refunding, the damage fluctuation and the other reserves are displayed. Changes in the reserves of unit-linked life insurance are indicated in a separate row.
2. The capital adequacy of insurers as a whole (10_CAP_REQ_TOTAL_UNTIL_2015) compares the available solvency capital to the total capital requirement of the insurers (capital requirement = the larger of the minimum solvency capital requirement or the minimum security capital). Capital adequacy (%) = solvency capital / capital requirement
3. The capital adequacy by insurance sectors (11_CAP_REQ_B_LINES_UNTIL_2015) compares the solvency capital only to the minimum solvency capital requirements (taking into account only the capital requirement proportionate to the insurance activity). Capital adequacy (%) = solvency capital / minimum solvency capital requirement
4. Due to the seasonality of insurers' P&L figures, the Information release does not address the evaluation of P&L figures; this will only occur when the time series is updated to include the Q4 figures.

Alteration of the time series from 1 January 2016

General conclusions

1. As of 1 January 2016, the single regulatory scheme Solvency II entered into force, an integral part of which is the introduction of a uniform data supply. One basic principle of the uniform European data supply is that national supervisory authorities may request further data, in addition to data ranges covered by the

uniform data supply, only in relation to their national specificities. The MNB developed the data contents requested in the framework of national data supply, taking this basic principle into consideration.

2. The source of the time series published on the MNB's website is the data supply by the insurers on a quarterly basis for supervision purposes, which until 2015 Q4 was based on the Solvency I regulatory scheme relating to insurers and applies the life and non-life sectors defined therein. The life and non-life sector categories developed within the scope of the Solvency II regulatory scheme that was introduced from 2016 deviate from those defined in Solvency I; the deviation is particularly significant in the case of the life sector categories. In the framework of the national supplementary data supply which was introduced in parallel with the uniform European data supply Solvency II, we neither retained the sector categories of the earlier Solvency I regime nor introduced the new sectors of Solvency II. Instead, we applied a breakdown by products and product groups. The reason for this is that the insurers themselves categorise their contracts in a breakdown by products and product groups.
3. The time series published up to the end of 2015 divided the groups of data suppliers to the following categories: insurance companies limited by shares, large insurance associations, and small insurance associations. Categorisation in this form will be terminated, and from 2016 two data supplier categories will be shown in the publication:
 - insurance companies (except for small mutual insurance companies): they include the insurers falling within the scope of the single European regulation Solvency II,
 - small mutual insurance companies.

From 2016, within the time series, all figures relating to small insurance associations will be published on a separate sheet.

Table changes in the time series from 2016

1. Tables to be terminated from 2016

- Key accounting balance sheet figures until 2015 (1_BALANCE_SHEET_UNTIL_2015)

Up to 2015 Q4, the source of the table was a quarterly balance sheet according to Hungarian accounting rules. From 2016, the accounting balance sheet will only be indicated in the annual data supply, and the breakdown by the previous categories of insurance companies and large associations will not be continued.

- Contract portfolio until 2015 (2_POLICIES_UNTIL_2015)

The table displays the contract portfolios of the insurers in a breakdown by life and non-life sectors according to Solvency I on a quarterly basis. The table will be closed at the end of 2015, since the national supplementary data supply requested from 2016 contains the contract number details in a new structure, broken down by products and product groups, and the previous breakdown by insurance companies and large associations will also not be continued.

- Premium income until 2015 (3_PREMIUM_UNTIL_2015)

The table displays the premium incomes of the insurers in breakdown by life and non-life sectors according to Solvency I on a quarterly basis. The table will be closed at the end of 2015, since the national supplementary data supply contains the premium income details in a new structure, broken down by products and product groups, and the previous breakdown by insurance companies and large associations will also not be continued.

- Single premium income until 2015 (4_SINGLE_PREMIUM_UNTIL_2015)

The table displays the single premium revenues of the insurers in a breakdown by life and non-life sectors according to Solvency I on a quarterly basis. The table will be closed at the end of 2015, since the national supplementary data supply contains the premium revenue details in a new structure, broken down by products and product groups, and the previous breakdown by insurance companies and large associations will also not be continued.

- Claim payment and service until 2015 (5_CLAIMS_UNTIL_2015)

The table contains the claim payment figures, broken down by life and non-life sectors according to Solvency I. Because the Solvency II data supply and (in relation to this) the national supplementary data supply basically contains the quarterly claim expense figures, the table will be closed at the end of 2015, and the breakdown by insurance companies and large associations will also not be continued.

- Expenses until 2015 (6_EXPENSES_UNTIL_2015)

The table displays the expenses of the insurers on a quarterly basis according to different cost categories. The table will be closed at the end of 2015, since the cost figures are available as part of the Solvency II data supply. The cost categories used here deviate from those used earlier, and the breakdown by insurance companies and large associations will also not be continued.

- Reinsurance until 2015 (7_REINSURANCE_UNTIL_2015)

The source of data for reinsurance activity will be the Solvency II data supply from 2016, which — in contrast to the past — requires the premium schedule. Furthermore, the previous breakdown by insurance companies and large associations will also not be continued, and thus the table will be closed at the end of 2015.

- Investments until 2015 (8_INVESTMENTS_UNTIL_2015)

The investment table which was part of the earlier data supply will not be requested from 2016, and the table will be closed. From 2016, the investment figures will be published from the balance sheet complying with the Solvency II evaluation principles, as part of the balance sheet.

- Local GAAP insurance technical provisions until 2015 (9_LOCAL_GAAP_PROV_UNTIL_2015)

The local GAAP insurance technical provisions figures can be obtained and updated from the balance sheet requested annually — as opposed to the earlier quarterly frequency — according to the national requirements. The previous breakdown by insurance companies and large associations will not be continued and thus the table will be closed at the end of 2015.

- Capital adequacy total until 2015 (10_CAP_REQ_TOTAL_UNTIL_2015)

The solvency capital calculation according to the Solvency I principles is based on taking into consideration the premiums, the claims and the reserves; the Solvency II scheme stipulates a different solvency capital calculation; the table will be closed at the end of 2015.

- Capital adequacy by sectors until 2015 (11_CAP_REQ_B_LINES_UNTIL_2015)

The Solvency II capital adequacy calculation does not contain any solvency capital calculated for life and non-life sectors; thus, the table will be closed at the end of 2015.

Closed tables are placed on the website of MNB Supervision \ Time series \ III. The insurance sector \ Time series of insurance companies \ Archive \ Time series

<https://www.mnb.hu/en/supervision/time-series/iii-the-insurance-sector/archive>

2. New tables in the time series from 2016

- Balance sheet according to the Solvency II valuation principles (2_Q_SII_BALANCE_SHEET)

From 2016, the balance sheet complying with the Solvency II valuation principles will be published on a quarterly basis on a separate sheet in the time series, for which the balance sheet in the Day1 reporting is set as the opening position. Compliance between the Solvency II balance sheet and the earlier balance sheet according to national accounting standards is not possible, due to the different structure and the valuation principles.

- Contract portfolio from 2016 (4_Q_POLICIES_FROM_2016)

The table contains the contract portfolio data in a breakdown by products and product groups (without a breakdown by insurance companies limited by shares and large associations). The summary lines of life sectors and non-life sectors will be produced for each quarter of 2015 and retrospectively to end-2014, end-2013, end-2012 and end-2011.

- Premium income from 2016 (5_Q_PREMIUM_FROM_2016)

The table contains the premium income figures in a breakdown by products and product groups (without a breakdown by insurance companies limited by shares and large associations). The summary lines of life sectors and non-life sectors will be produced for each quarter of 2015 and retrospectively to end-2014, end-2013, end-2012 and end-2011.

- Single premium income from 2016 (6_Q_SINGLE_PREMIUM_FROM_2016)

The table contains the single premium income figures in a breakdown by products and product groups (without a breakdown by insurance companies limited by shares and large associations). The summary lines of life sectors and non-life sectors will be produced for each quarter of 2015 and retrospectively to end-2014, end-2013, end-2012 and end-2011.

- Claim expenses (7_CLAIMS_INCURRED_FROM_2016)

Since, starting from 2016, both the uniform European data supply Solvency II and the national supplementary data supply use the claims incurred data supply category, which is wider than the earlier claim payment and service category, we will therefore publish this in a separate table, without a breakdown by insurance companies limited by shares and large associations.

From 2019, the additional need arose to calculate certain indicators describing insurers' activities using time series data. As a result, the set of data published has been revised and publication of claim expenses data in a breakdown by products and product groups has been discontinued. Therefore, these claim expenses data have been transferred to the data archive (timeseries_insurance_until2018) under the title 12_CLAIMS_INCURRED_2016-2018.

- Expenses from 2016 (9_Q_EXPENSES_FROM_2016)

The figures for expenses are available from the Solvency II data supply, in which the expenses categories deviate from those used earlier. Only the breakdowns of expenses incurred - other expenses - total expenses are available on a quarterly basis. The summary line of life and non-life sectors are produced

retrospectively for each quarter of 2015. Publication will take place in a separate table, without a breakdown by insurance companies limited by shares and large associations.

- Reinsurance from 2016 (10_Q_REINSURANCE_FROM 2016)

Figures based on the Solvency II data supply in relation to the premium schedule regarding the share of reinsurance/reinsurers, without a breakdown by insurance companies limited by shares and large associations.

- Technical provisions according to Solvency II valuation principles from 2016 (11_Q_SII_PROVISIONS_FROM 2016)

The technical provisions based on the Solvency II data supply will be published in a new table from 2016, since provisioning deviates completely from the previous Solvency I provisioning methodology.

- Own funds, SCR, MCR from 2016 (12_Q_OWN FUNDS_SCR_MCR_FROM 2016)

The owns funds, SCR, MCR calculation applied in Solvency II is risk-oriented; it can be calculated by summarising the values calculated for each individual risk, with a standard formula as well as on the basis of a partial or full internal model. Accordingly, it entirely deviates from the calculation method of Solvency I, and therefore, starting from 2016, the data will be published in a new table.

- Data on small mutual insurance companies from 2016 (16_Y_SMALL_MUT_INS_COMP_FROM_2016)

Starting from 2016, all figures relating to small mutual insurance companies will be published in a separate table. The use of a separate sheet is justified by the fact that the scope of the Solvency II regulatory scheme does not cover small mutual insurance companies; this group of data suppliers continues to supply the earlier data based on Solvency I on an annual basis.

3. Tables retained in an unchanged form in the time series from 2016

- Major P&L figures (3_Q_PROFIT_AND_LOSS_ACCOUNT)

Since the uniform European data supply does not contain any profit and loss statement, we request it in the national supplementary data supply and publish it in the time series in unchanged form.

From 2018 the main rows in the profit and loss account include data reported by insurers that changed over to IFRS from 1 January 2018, meanwhile a new row named "Correction" had to be introduced due to the different structure of the IFRS and the national GAAP reporting.

4. Extension of time series from 2018

- Exposures (2A_Q_EXPOSURES)

From 2018, insurers' assets under the evaluation principles of Solvency II are shown in this table in a breakdown by assets held for index-linked or unit-linked contracts and neither index-linked nor unit-linked contracts and by CIC (Complementary Identification Code) asset categories classification, as defined in Annex VI of Implementation Regulation (EU) 2015/2450. Publication is based on the detailed asset table S.06.02 of insurance companies subject to the Solvency II regulatory framework. As an opening stock, the stock of assets in 2017 Q4 is also shown on the page. Data for Q4 are not updated with annual data, as insurers are not obliged to provide annual data with such data content.

The total value of assets held for index-linked or unit-linked contracts in the table is not necessarily equivalent to the value in the row of the same name of the sheet 2_SII_BALANCE_SHEET, because

derivatives related to index-linked or unit-linked contracts are not reported in table S.06.02, and additional asset components are also part of total assets.

5. Expansion of time series from 2019

As a result of the consultations with the insurance sector, the time series were expanded with the following tables from 2019 Q1:

- 4_Q_POLICIES_FROM_2016 and 5_Q_PREMIUM_FROM_2016

From 2019 Q1, data on apartment block insurances and agricultural risks are published in the breakdowns in these tables, as these breakdowns contain useful information on the whole insurance sector. Data will be published going back to 2016 Q1.

- 7_Q_PREMIUM_EARNED_FROM_2019

The insurance sector indicated that it deems necessary that in addition to the premium income published earlier, the premiums earned data should also be shown for the calculation of several measures describing the activities of insurers. The data is currently available from Solvency II data supply, therefore, from 2019 Q1, time series have been expanded with the premiums earned data in a breakdown by Solvency II Line of Business, going back to 2016 Q1.

- 8_Q_CLAIMS_INCURRED_FROM_2019

The claims incurred data were published earlier on sheet 8A_CLAIMS_INCURRED_2016-2018, in a breakdown by products, product groups; however, to ensure the measures describing the activities of insurers and the efficiency of the sector can be calculated, claims incurred data in a breakdown by Solvency II Line of Business are needed in addition to premiums earned data currently available in a breakdown by Solvency II Line of Business.

From 2019 Q1, net and gross claims incurred data will be published in a breakdown by Solvency II Line of Business going back to 2016 Q1, while claims incurred data broken down by products and product groups 8A_CLAIMS_INCURRED_2016-2018 will no longer be updated.

- 9_Q_EXPENSES_FROM_2016

From 2019 Q1, the previous Expenses sheet was expanded by the breakdown of Solvency II Line of Business, to show the level of expenses of each Line of Business.

Accordingly:

- the rows of the sheet are now shown in the columns, the breakdown Expenses incurred - Other expenses - Total expenses is recorded every quarter. When annual data are published, the Expenses incurred are further broken down into the following categories only available in annual reporting:

- administrative expenses,
- investment management expenses,
- claims management expenses,
- acquisition expenses,
- overhead expenses,

- the rows in the publication contain data broken down into Solvency II business sectors.

Data supply was completed in the modified structure going back to 2016 Q1.

As a second step, the following annual tables below were developed and published in the time series from 2019 Q2:

- 13_A_NEW_AQUIS_CONTRACTS

The table presents the number of insurance contracts classified as new acquisitions in a breakdown by products and product groups broken down into the individual channels of the distribution mix. Publication of data presenting the distribution mix of insurance companies has been justified by the changing market environment and the appearance and rapid expansion of new distribution channels. The extension of data has been made going back to 2016.

Annual data refreshing is taking place at the same time than Q2 data refreshing, after submission of the national supplementary data supply.

- 14_A_NEW_AQUIS_EXP_PREM_PREM_INC

The table presents the expected volume of premium in case of the new contracts with regular premium and the premium income in case of the new contracts with single premium by products and product groups broken down into the individual channels of the distribution mix. Publication of data presenting the distribution mix of insurance companies has been justified by the changing market environment and the appearance and rapid expansion of new distribution channels. The extension of data has been made going back to 2016.

Annual data refreshing is taking place at the same time than Q2 data refreshing, after submission of the national supplementary data supply.

- 15_A_LIFE_CLAIMS_BY_CAUSES

In order to better understand market processes, market participants raised the need for the regular publication of life insurance claim payments in a breakdown by causes of damage (death, maturity, repurchase, other), which the MNB has carried out from 2019 Q2 going back to 2016.

Annual data refreshing is taking place at the same time than Q2 data refreshing, after submission of the national supplementary data supply.