

Country example: Germany: smoothing of insurance premiums paid/received (Chapter 14)

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14.286. **Calculation of insurance imports** In Germany, there is no administrative data for compiling imports of insurance services. Therefore, the data available from external sector statistics, which are available on a monthly basis, are used. Those data are not detailed enough, however, and must be supplemented by the following types of estimates:

- (a) Adjustments for premiums paid to premiums payable;
- (b) Estimates for premium supplements;
- (c) Estimates for changes in insurance technical reserves;
- (d) Estimates on the stock of insurance technical reserves.

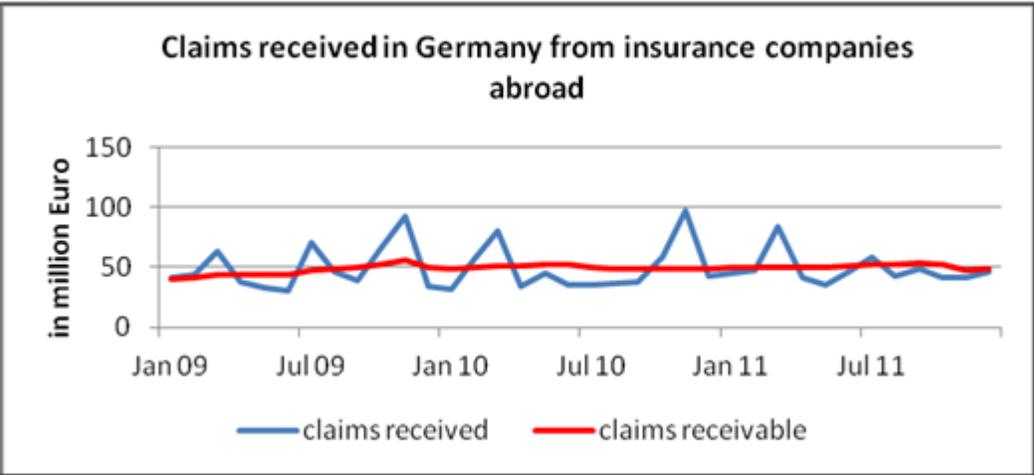
14.287. The first step is to smooth the premiums paid, which are relatively volatile, to premiums payable by using a 12 month moving average. The decision is related to the fact that premiums usually are paid in advance for one year. The second step is to apply the ratio of premiums earned to service derived from the export side to the smoothed premiums of the import side, in line with the BPM6 recommendations.

Figure 14.4 Premiums paid from Germany to insurance companies abroad



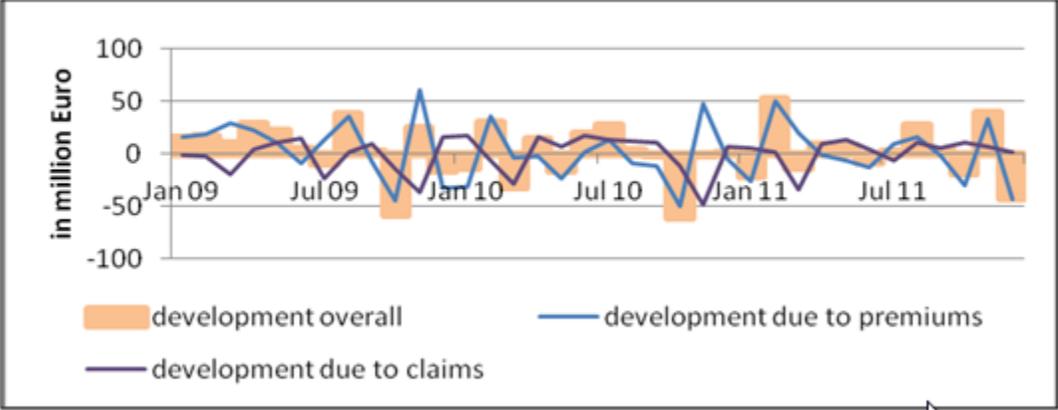
14.288. **Premiums received but not yet earned** The technical reserves represent the amounts identified by insurance companies to account for prepayments of premiums and claims submitted, but not yet paid. Germany intends to use the same approach as for smoothing premiums paid to premiums payable for the two components which contribute to the development of technical reserves, the premiums paid to insurance companies abroad and the claims received. If the premiums paid are larger than the premiums payable, the technical reserves increase; if the other way round, they decrease.

Figure 14.5 Claims received in Germany from insurance companies abroad



14.289. If the claims received are larger than the claims receivable, the technical reserves decrease; if the other way round, they increase. The sum of the changes of technical reserves must be recorded in the financial account.

Figure 14.6 Development of technical reserves in Germany



14.290. It is still necessary to estimate premium supplements as the interest on technical reserves. There are two ways to make that calculation: (a) to calculate interest on the estimated stock of technical reserves or (b) to apply a ratio to the premiums payable derived from the export side. The intention of Germany is to use the second possibility, since it is immediately available.

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