

DANMARKS NATIONALBANK

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INSURANCE AND PENSIONS, 3RD QUARTER 2019

Large returns in the first three quarters of 2019

In the three first quarters of 2019, the insurance and pension sector (I&P) returns totaled kr. 479 billion. This corresponds to a year-to-date, return on investment of just below 13 per cent. These figures are available in Danmarks Nationalbank's newly published quarterly statistics on insurance and pension ([link](#)).

Returns primarily due to fixed income

Returns are primarily driven by fixed income instruments, i.e. bonds and interest rate derivatives, where the returns amount to kr. 266 billion. Interest rate derivatives consist largely of interest rate swaps, where a floating rate is swapped to a fixed

rate. These contracts have increased significantly in value in 2019 due to falling interest rates, as is the case for fixed rate bonds. The I&P sector uses fixed income instruments to hedge the guarantees in their pension liabilities. When interest rates fall, the companies need to put more aside in order to meet future guaranteed benefits. Hence, the increased value of fixed income instruments hedges the need for larger provisions.

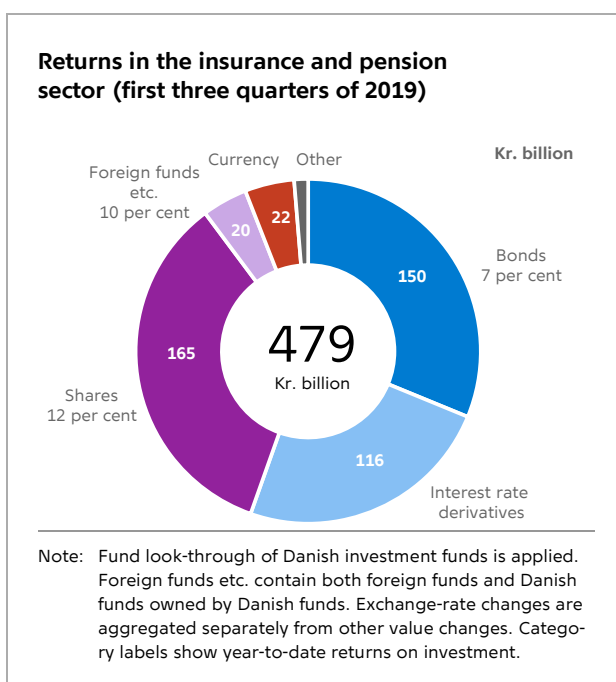
Also large returns on shares

Returns on shares, both listed and unlisted, amount to kr. 165 billion in the first three quarters of 2019 (year-to-date 12 per cent). Listed shares have yielded a return of kr. 121 billion (year-to-date 19 per cent), and unlisted shares kr. 44 billion (year-to-date 6 per cent). Unlisted shares include alternative investments such as infrastructure, wind farms, solar cells, private equity etc.

Returns on the I&P sector's investments in foreign funds amount to kr. 20 billion (year-to-date 10 per cent).

Currency positions are largely hedged

The I&P sector hedges a large part of their currency positions with derivatives, so there are neither large gains nor losses on currency fluctuations. Since dollar positions are not fully hedged, the positive return on currency is partly due to the strengthening of the US dollar against the Danish krone during the period.



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