

DANMARKS NATIONALBANK

4 JUNE 2020

INSURANCE AND PENSION, 1ST QUARTER 2020

Large losses on investments

In the first quarter of 2020, the insurance and pension sector lost kr. 258 billion on their investments, corresponding to 6 per cent. In March alone, the loss was kr. 293 billion (7 per cent).

The huge loss on investments should be seen in the light of the outbreak of covid-19 and the measures taken to reduce the infection.

The insurance and pension sector was widely hit, and most types of investments suffered losses. However, some investments have been hit harder than others. The shares made a loss of kr. 197 billion (12 per cent), and the loss on bonds was kr. 38 billion (1.6 per cent). The loss on equity derivatives

amounted to kr. 17 billion, while currency and commodity derivatives made a loss of kr. 13 and 5 billion. Interest rate derivatives, which are typically used to hedge pension companies' disbursement guarantees, on the other hand produced a return of kr. 45 billion. The positive return covers gains in January and February and a loss in March.

The sector is increasing its share of unlisted shares

The sector has invested kr. 23 billion in unlisted shares, while kr. 15 billion listed shares have been sold during the period. In doing so, the sector continues the trend of increasing its share of unlisted shares.

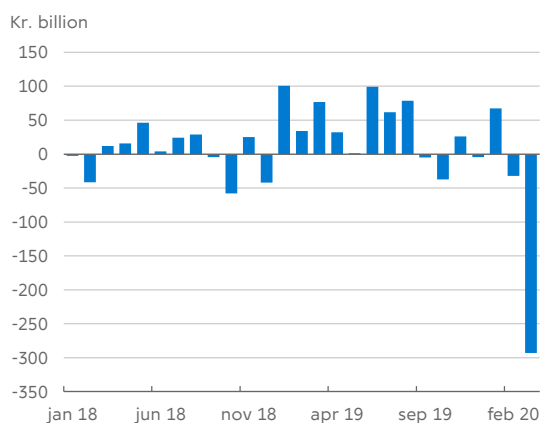
The loss on listed shares amounted to kr. 153 billion in the first quarter (19 per cent), while the unlisted shares caused a loss of kr. 44 billion (5.4 per cent).

Unlisted shares are often valued on the basis of models and assumptions about risk and illiquidity. This means that returns do not necessarily follow market fluctuations up or down.

Market-rate products have fallen the most

The portfolio of market-rate products, which is characterized by the fact that customers bear the risk of fluctuations in the value of the assets invested, decreased by kr. 117 billion (8.9 per cent). By comparison, average interest rate products, where pensions are guaranteed a certain average return, have fallen by only kr. 85 billion (3.5 per cent). The falls are almost solely due to market value changes.

The loss occurred primarily in March



Anm.: The return is including value adjustments and exchange rate fluctuations. The insurance and pensions sector's Danish investment funds are included (look through).

[CLICK HERE FOR FURTHER INFORMATION](#)