5.2 The ifo Business Survey in the Insurance Industry

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5.2.1 Historical Overview

The ifo Business Survey in the insurance industry was launched in 1999 and is a joint project of the German Insurance Association (GDV) and the ifo Institute. The decision to implement the survey was made after a pre-test showed that the survey results had a significant correlation with the respective reference statistics of GDV. Since its inception, the survey has undergone several developments. The number of response choices for the questions has been scaled down from five to three to be in line with the monthly ifo Business Survey. The types of insurance covered by the survey and the list of questions have also slightly changed over time. From the summer of 2017 to 2020, companies were able to submit their answers via an online questionnaire as an alternative to the previously used paper questionnaire. Since 2020, the online questionnaire has been the only option to participate in the survey. Meanwhile, the time series of the survey results are long enough that they can also be seasonally adjusted.

5.2.2 Survey Timeline

The survey in the insurance industry is conducted quarterly, in January, April, July, and October. The reporting period is the past quarter – for instance Q1/2022 in the April 2022-survey. At the beginning of the month, the questionnaires are sent to the companies, who then have about 30 days to submit their responses. One week before the survey ends, ifo sends a reminder to the companies who have not yet responded. Shortly after the survey is closed, the data is aggregated and the results are added to the time-series database. This usually takes one or two days. GDV needs approximately three weeks to write an in-depth survey report, which is then published on the GDV's website and uploaded to the ifo's survey web portal as a service to the companies in the panel.

5.2.3 Types of Insurances and Questionnaire

In Germany, the insurance industry is typically divided into three main categories:

- Life insurance

- Private health insurance

- Property and casualty insurance

The ifo Business Survey follows this classification and also features sub-categories, as illus-

trated in Table 5.1. Consequently, there are three types of questionnaires – one for each of the main insurance categories – containing all the associated sub-categories.

Table 5.1: Main categories and sub-categories of insurance in the ifo Business Survey

Life insurance	Private health insurance	Property and casualty insurance
life insurance altogether	private health insurance altogether	property and casualty insurance altogether
lump-sum payout insurance	full health insurance	car insurance
annuity insurance	supplemental health insurance	personal property insurance
investment fund-based life insurance	compulsory long-term care insurance	commercial property insurance
insurance of biometric risks	employer-sponsored supplementary health insurance	liability insurance
employer-sponsored retirement plan		accident insurance
		legal protection insurance

Just like most other ifo Business Surveys, the survey in the insurance industry collects qualitative instead of quantitative information, i.e., the respondents are not asked to provide numerical data but to make an assessment using a typically three point rating scale. The method of balances is then applied to the gathered qualitative data to allow for statements on business tendencies (see Subsection 2.2.3 for an explanation of the method of balances).

Bearing in mind that there is a significant delay to the release of official statistics on the insurance industry, ifo's rapidly available data help to fill the void. Moreover, some questions in the survey ask for companies' expectations for the near future and therefore even give an outlook on further developments.

All regular questions of the survey are listed in Table 5.2. Time series for the entire insurance industry are available for questions that are asked in all three insurance sectors. Besides these regular questions displayed in the table, two additional questions on the companies' profits are asked once a year in July. The responses are evaluated exclusively for the GDV.

Expectations on market's premium rates in the property and casualty insurance is the only question that does not ask for the firms' own metrics, but for an opinion of the participants. Generally, querying businesses' own activities and metrics is a principle of the ifo Business Surveys.

Table 5.2: Questions in the ifo Business Survey in the insurance industry

	Life insurance	Private health insurance	Property and casualty insurance
Current situation			
Assessment of the current business situation	✓	✓	✓
Tendencies over the course of the year until now			
Premiums generated from new contracts	✓	✓	✓
Premiums generated from new contracts (one-time premium)	✓	-	-
Premiums written	✓	✓	✓
Payouts	✓	-	-
Expenses for medical care	-	✓	-
Losses associated with or the cost of damage	-	-	✓
Expectations for the whole fiscal year			
Premiums generated from new contracts	✓	✓	✓
Premiums generated from new contracts (one-time premium)	✓	-	-
Premiums written	✓	✓	✓
Payouts	✓	-	-
Expenses for medical care	-	✓	-
Losses associated with or the cost of damage	-	-	✓
Expectations for the next 6 months			
Business expectations for the next 6 months	✓	✓	✓
Expectations for the next 12 months			
Premium rates on the market for existing contracts	-	-	✓
Premium rates on the market for new contracts	-	-	✓
Derived question: business climate.			
This question does not appear on the questionnaire but is calculated as a geometric mean from responses to the questions "current business situation" and "business expectations for the next 6 month".			
Business climate	✓	✓	✓

5.2.4 Survey Sample

In Germany, all major insurance companies – i.e. those operating nationwide – are supervised by the Federal Financial Supervisory Authority (BaFin). BaFin keeps a full register of insurance companies and provides quite detailed structural data of the industry. Therefore, the entire population of insurance companies is well-known. The survey panel consists of 138 reporting units, which is approximately 40% of all the units in Germany. However, since the panel includes more large companies than small ones (by gross premiums written), the actual representation of the insurance business in the panel is much higher. An overview of some key figures regarding the representativeness of the survey data is given in Table 5.3.

Table 5.3: Representativeness of the survey data in Q3/2022

Insurance sector	Completed ques-tionnaires	Panel size	Response rate	Panel represen-tativeness [1]
Life insurance	30	48	62.5%	75.9%
Private health insurance	19	25	76.0%	85.7%
Property and casualty in-surance	42	65	64.6%	61.2%
Total	91	138	65.9%	71.8%

[1] Gross premiums written of companies in the panel divided by gross premiums written of the entire universe.

It is worth noting that recently the number of enterprises in the population has fallen. This is due to numerous mergers in the industry, a trend which may have a negative impact on the survey's explanatory power, given that it collects qualitative data. As of 2022, the tendency towards mergers and acquisitions shows no signs of abating.

5.2.5 Aggregation

When data is aggregated, single responses are weighted according to the company's size – measured by gross premiums written. Because written premiums are the principal source of an insurance company's revenues, they are commonly used as a measure of the company's size – for example by GDV in its statistics.

As Table 5.1 indicates, each insurance sector features an "altogether"-category. Unlike the monthly ifo Businesses Survey, the results for the major sectors are not determined by con-solidating the results of their associated sub-sectors, but are computed directly from the data of the "altogether"-category. For one, the share of each individual line of insurance in the overall business varies from company to company, so that it would be inappropriate to consolidate sub-sectors by using fixed weights. Secondly, the qualitative data collected in the survey does not capture different magnitudes of changes in sub-sectors and hence cannot

fully take account of possible offset effects. These issues are critical to the insurance survey because of its small sample size. By giving respondents the opportunity to provide answers in the "altogether"-category, more accurate results can be obtained.

Results for the entire insurance industry are available for questions that are asked in all three insurance sectors. These include the most prominent questions related to current business situation, business expectations, and business climate. The sectors are weighted according to their corresponding "gross premiums written"-shares in the entire field – as provided by BaFin's official statistics – and then combined to construct the results for the entire insurance industry.

The aggregated data is usually reported as balances, which is the share of positive responses minus the share of negative responses (see Section 2.2.3 for details on the method of balances). Both original and seasonally adjusted data is available.

5.2.6 Results

The dynamics of the three most prominent indicators – business climate, business situation, and business expectations – for the major sectors of insurance are depicted in Figures 5.3, 5.4 and 5.5. Not surprisingly, the COVID-19 shock hit all three sectors hard. After that the business climate indicator fully recovered for private health insurance. For life insurance, the indicator also recovered but did not reach the highs of 2018-2019. For property and casualty insurance, although the indicator has regained many of its losses, it has remained negative and well below its long-term average since the plunge. As Germany's economic growth slowed significantly in 2022, the business climate deteriorated in all three insurance sectors. The latest survey results (Q3/2022) indicate that life insurers and property/casualty insurers were dissatisfied with their business situation and pessimistic about their business prospects for the next six months. Companies in the private health insurance sector were neutral in their assessment of both their current business situation and their business outlook, the corresponding balance values being approximately equal to 0. More results can be found in Marjenko (2021).

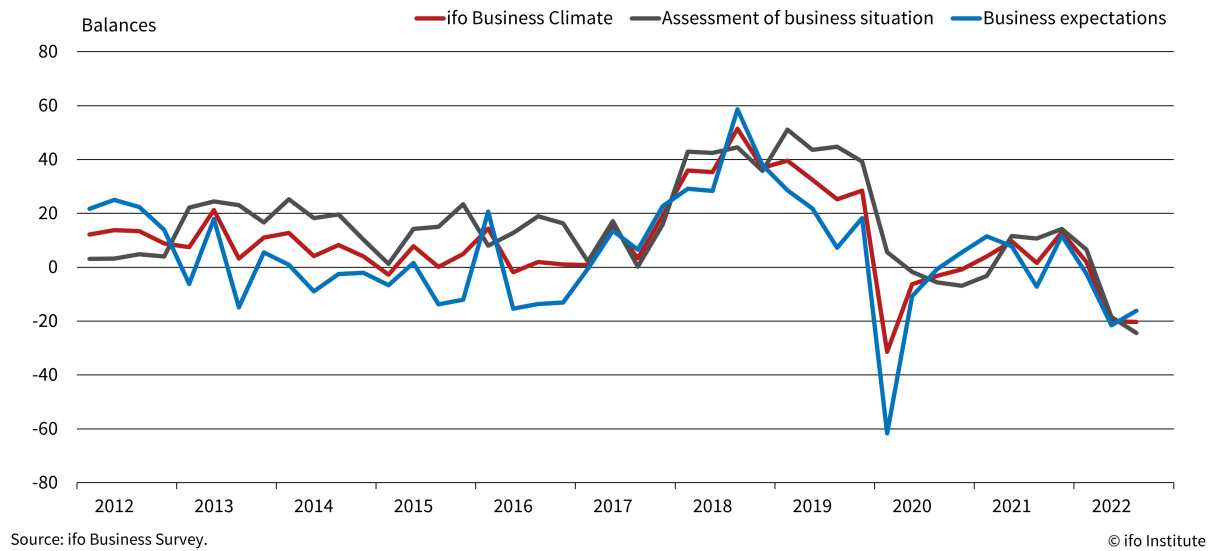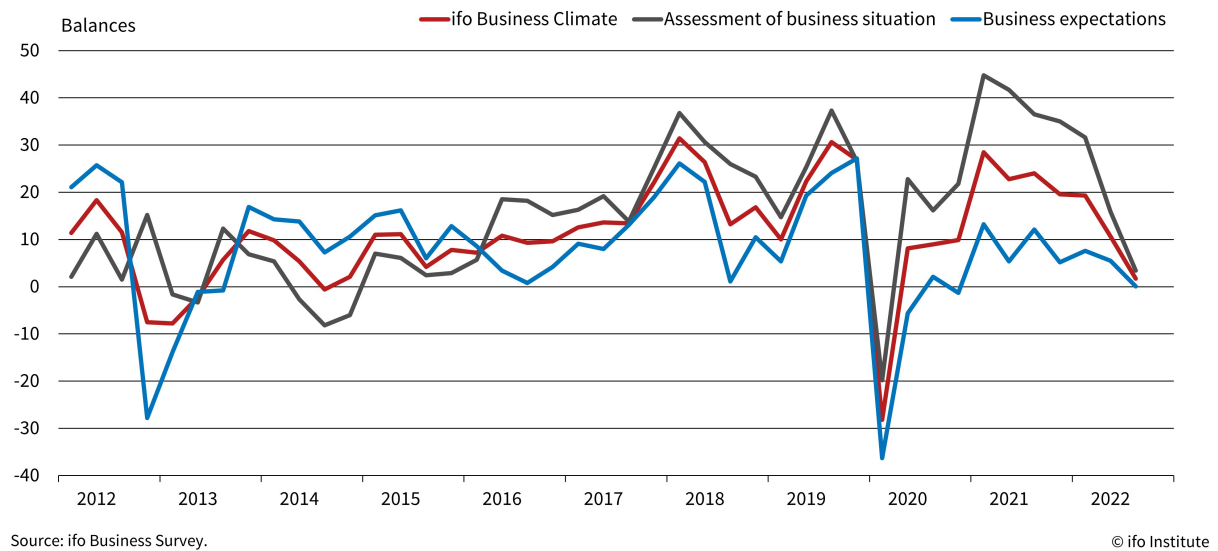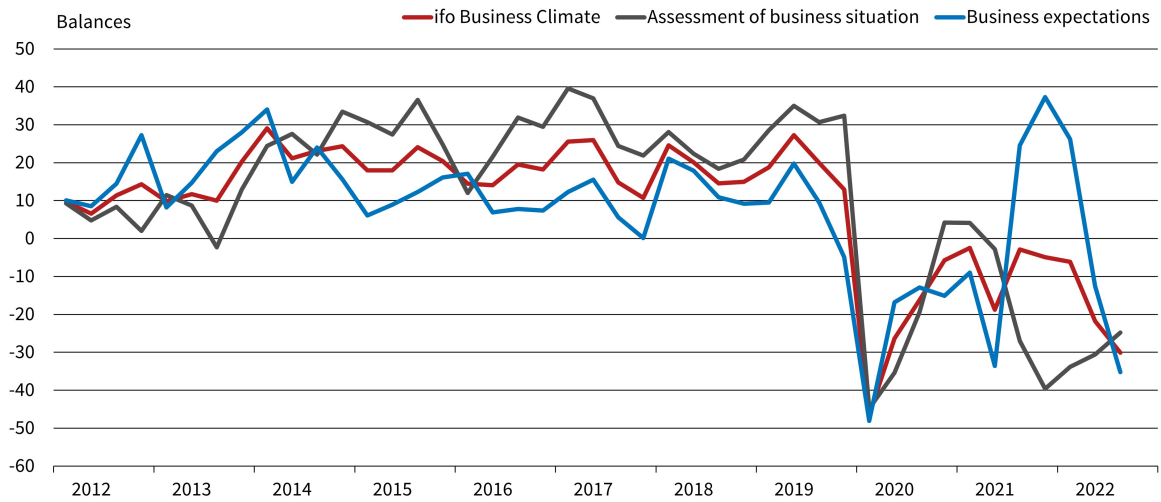**Figure 5.3: ifo Business Climate and its sub-indicators in the life insurance**

Source: ifo Business Survey.

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Figure 5.4: ifo Business Climate, and its sub-indicators in the private health insurance

Source: ifo Business Survey.

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Figure 5.5: ifo Business Climate, and its sub-indicators in the property and casualty insurance

Source: ifo Business Survey.   © ifo Institute