

## Methodological note

### Euro area accounts

#### Households' financial investments by counterpart sector

##### – Extension of the who-to-whom presentation to insurance and pension assets

This note describes the estimation of insurance and pension assets of households by counterpart sector for a more comprehensive who-to-whom presentation of households' financial assets.

#### Counterpart sector breakdown by financial instrument

The compilation of the financial accounts on a counterpart sector or who-to-whom (w-t-w) basis requires primary sources containing information on the institutional sector of the counterpart. W-t-w data for the euro area are published by the European Central Bank (ECB) for major financial instruments. Deposits and loans w-t-w data have been published by the ECB since October 2010, while w-t-w data for debt securities, listed shares and investment funds shares/units have been published since April 2016. These data are disseminated by the ECB in the euro area accounts for euro area aggregates as well as for national data of EU countries.

For insurance and pension assets (F.6)<sup>1</sup> w-t-w data have not yet been published by the ECB, as the statistical reporting requirements underlying the euro area financial accounts do not include this breakdown.<sup>2</sup>

Life insurance, annuity and pension entitlements in private pension schemes represent a large part of household financial assets. It is possible to estimate the counterpart of these assets, in particular for outstanding amounts (financial positions), for which the w-t-w relationships are typically more stable than for quarterly transactions. This note explains this estimation for outstanding amounts.

#### **Debtors (“issuers”)**

For life and non-life insurance related financial positions, euro area insurance corporations are the debtors for 99% of the total liabilities (see Tables 1 and 2). Liabilities of other sectors – mostly non-life insurance technical provisions and standardised guarantees – account for only around 1%.

The issuance of pension entitlements is less concentrated, as, in addition to pension funds (77% of total liabilities; see Table 3), insurance corporations can establish autonomous pension funds (10%). Moreover,

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<sup>1</sup> The financial instrument category *insurance, pension and standardised guarantee schemes* (F.6) consists mainly of *life insurance and annuity entitlements* (F.62), *pension entitlements* (F.63) and *non-life insurance technical provisions* (F.61). Other financial instruments related to insurance, pensions and standardised guarantees are of much lower significance.

<sup>2</sup> [Guideline of the European Central Bank of 25 July 2013 on the statistical reporting requirements of the European Central Bank in the field of quarterly financial accounts \(ECB/2013/24\) \(OJ L 2, 7.1.2014, p. 34\).](#)

employers from other sectors, in particular non-financial corporations (11%) but also financial corporations and households<sup>3</sup>, can have liabilities if they act as non-autonomous pension funds for their employees.

### ***Creditors (“holders”)***

Euro area households are the creditors for about 98% of life insurance and annuity entitlements and pension entitlements, the remainder (about 2%) consists mainly of claims of non-residents (see Tables 1 and 3). Non-life insurance technical provisions, i.e. prepayments of premiums and outstanding claims, can be assets of any sector (see Table 2). In the case of reinsurance, the insurance sector is both debtor and creditor for non-life insurance technical provisions.

### **Estimation of w-t-w breakdowns**

While the above figures refer to the shares of debtor sectors in total issuance, and the shares of holder sectors in total holdings, the w-t-w presentation requires liabilities of the issuing sectors to be matched with the corresponding assets of the holding sectors.

Household insurance and pension assets vis-à-vis a debtor sector are calculated as household assets multiplied by the share of the respective debtor sector in total liabilities. This is also done for the other creditor sectors, and separately for each of the three sub-instruments.

One statistical adjustment to this estimation method is the classification of government liabilities from standardised guarantees as assets of monetary financial institutions (MFIs) by default (see Table 2). The liabilities of general government from non-life insurance technical reserves and standardised guarantees consist exclusively of liabilities from standardised guarantees (F.66).<sup>4</sup> Standardised guarantees are typically liabilities of government and assets of MFIs, as governments provide standardised guarantees to lenders to encourage MFIs to lend to households and corporations.

A second adjustment is the classification of pension assets of non-financial corporations and financial corporations (other than insurance corporations and pension funds) as liabilities of pension funds by default (see Table 3). These assets are claims of employers against pension funds resulting from employers having reserved the right to retain excess funding of pension funds set up for their employees. Tables 1 to 3 show the creditor and debtor totals as released on 29 April 2021 (data for the fourth quarter of 2020) in bold and the estimated w-t-w results in the shaded areas.

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<sup>3</sup> The household sector includes sole proprietorships and partnerships without legal status, which in some cases may provide pension schemes for their employees.

<sup>4</sup> Provisions for calls under standardised guarantees.

Table 1 Life insurance and annuity entitlements (F.62)

(EUR billions, Q4 2020)

|                            | Debtors:       |                        |                  |                   |
|----------------------------|----------------|------------------------|------------------|-------------------|
|                            | Total          | Insurance corporations | Pension funds    | Rest of the world |
| Creditors:                 | <b>5250.3</b>  | <b>5,248.2</b><br>100% | <b>2.1</b><br>0% | <b>0.0</b><br>0%  |
| Non-financial corporations | <b>3.7</b>     | 3.6                    | 0.0              | 0.0               |
| Households                 | <b>5,071.0</b> | 5,069.0                | 2.1              | 0.0               |
| Rest of the world          | <b>175.7</b>   | 175.6                  | 0.1              |                   |

Note: Under the European System of Accounts (ESA 2010), this instrument (F.62) is exclusively a liability of insurance corporations and pension funds (both resident and non-resident).

Table 2 Non-life insurance technical provisions and standardised guarantees (F.60=F.61+F.66)

(EUR billions, Q4 2020)

|                              | Debtors:      |                        |               |                    |                   |
|------------------------------|---------------|------------------------|---------------|--------------------|-------------------|
|                              | Total         | Insurance corporations | Pension funds | General government | Rest of the world |
| Creditors:                   | <b>1392.5</b> | 1,305.7<br>94%         | 13.5<br>1%    | 21.9<br>2%         | 51.3<br>4%        |
| Non-financial corporations   | <b>171.8</b>  | 163.7                  | 1.7           | 0.0                | 6.4               |
| MFIs                         | <b>23.8</b>   | 1.8                    | 0.0           | 21.9               | 0.1               |
| Investment funds             | <b>0.1</b>    | 0.1                    | 0.0           | 0.0                | 0.0               |
| Other financial institutions | <b>12.0</b>   | 11.5                   | 0.1           | 0.0                | 0.4               |
| Insurance corporations       | <b>333.99</b> | 318.0                  | 3.3           | 0.0                | 12.5              |
| Pension funds                | <b>32.4</b>   | 30.9                   | 0.3           | 0.0                | 1.2               |
| General government           | <b>11.2</b>   | 10.7                   | 0.1           | 0.0                | 0.4               |
| Households                   | <b>612.4</b>  | 576.2                  | 6.0           | 0.0                | 30.2              |
| Rest of the world            | <b>194.8</b>  | 192.8                  | 2.0           | 0.0                |                   |

Notes: Non-life insurance technical reserves (F.61) and provisions for calls under standardised guarantees (F.66) are not available separately. Under ESA 2010, F.61 is exclusively a liability of insurance corporations (both resident and non-resident).

Table 3 Pension entitlements (F.6M)

(EUR billions, Q4 2020)

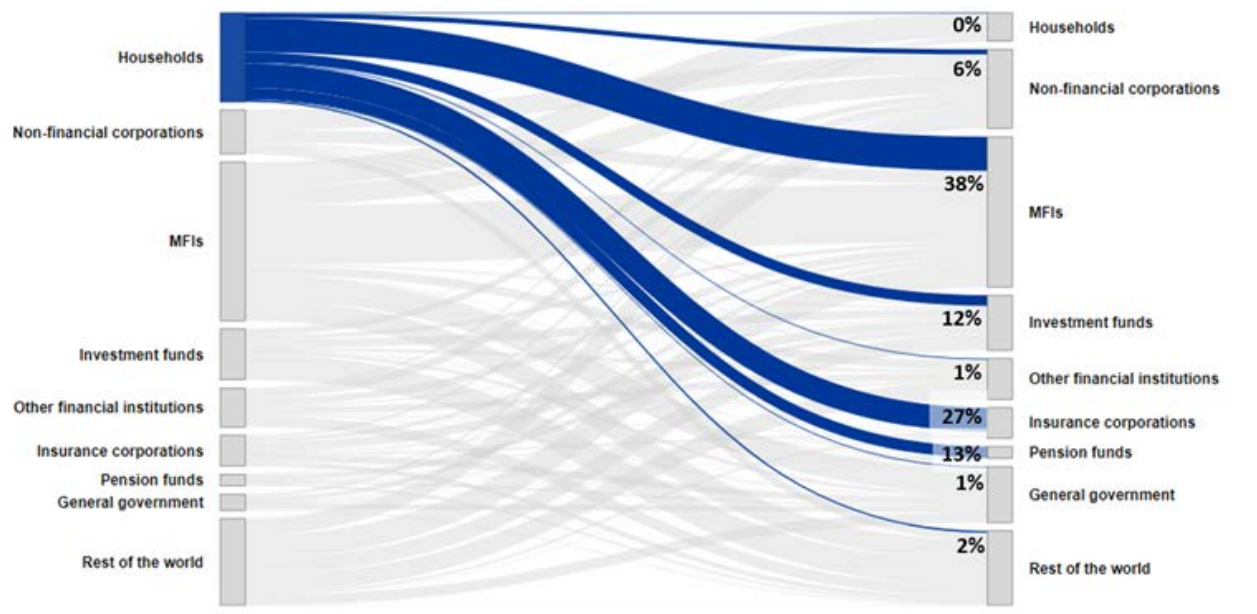
|                              | Debtors:       |                            |                   |                              |                        |                       |                   |
|------------------------------|----------------|----------------------------|-------------------|------------------------------|------------------------|-----------------------|-------------------|
|                              | Total          | Non-financial corporations | MFIs              | Other financial institutions | Insurance corporations | Pension funds         | Households        |
| Creditors:                   | <b>3,766.5</b> | <b>405.4</b><br>11%        | <b>53.7</b><br>1% | <b>20.4</b><br>1%            | <b>365.7</b><br>10%    | <b>2,882.5</b><br>77% | <b>38.7</b><br>1% |
| Non-financial corporations   | <b>10.4</b>    | 0.0                        | 0.0               | 0.0                          | 0.0                    | 10.4                  | 0.0               |
| MFIs                         | <b>1.3</b>     | 0.0                        | 0.0               | 0.0                          | 0.0                    | 1.3                   | 0.0               |
| Investment funds             | <b>0.0</b>     | 0.0                        | 0.0               | 0.0                          | 0.0                    | 0.0                   | 0.0               |
| Other financial institutions | <b>0.4</b>     | 0.0                        | 0.0               | 0.0                          | 0.0                    | 0.4                   | 0.0               |
| Insurance corporations       | <b>0.2</b>     | 0.0                        | 0.0               | 0.0                          | 0.0                    | 0.2                   | 0.0               |
| Pension funds                | <b>1.7</b>     | 0.2                        | 0.0               | 0.0                          | 0.2                    | 1.3                   | 0.0               |
| General government           | <b>0.0</b>     | 0.0                        | 0.0               | 0.0                          | 0.0                    | 0.0                   | 0.0               |
| Households                   | <b>3,744.9</b> | 404.4                      | 53.6              | 20.3                         | 364.8                  | 2863.0                | 38.6              |
| Rest of the world            | <b>7.6</b>     | 0.8                        | 0.1               | 0.0                          | 0.7                    | 5.8                   | 0.1               |

Notes: According to ESA 2010, pension entitlements, claims of pension funds on pension managers and entitlements to non-pension benefits (F.6M=F.63+F.64+F.65) are liabilities of insurance corporations and pension funds (both resident and non-resident), as well as of employers of other sectors in the case of non-autonomous pension funds. Pension liabilities of sectors representing less than 0.5% (investment funds, general government and the rest of the world) are not shown.

Chart 1 shows the resulting w-t-w data for the euro area household sector as shown in the April 2021 ECB statistical release for the euro area accounts (data for the fourth quarter of 2020), including household

insurance and pension entitlements. The proportion of households' financial assets with a counterpart sector breakdown which are liabilities of insurance corporations and pension funds increases to 27% and 13% respectively.

Chart 1 Households' financial assets by counterpart sector – selected financial instruments  
(2020 end-of-period stocks)



\* Financial instruments for which the counterpart sector breakdown is available: deposits, loans, debt securities, listed shares and investment fund shares/units, as well as insurance, pension and standardised guarantee schemes (F.6). The counterpart sector breakdown for F.6 is estimated (See methodological note: [\[link to his note\]](#) [Extension of the who-to-whom presentation to insurance and pension assets](#)).

Overall, the enhanced w-t-w presentation covers 82.4% of all household assets recorded in the euro area accounts, including 34.5% from insurance and pension assets. Information on the counterpart sector is not available for the remaining 17.6% of total assets, mostly due to the non-availability of w-t-w data for non-listed shares and other equity.