

Annex 86e

Topical Summary—Insurance and Pensions Schemes, and Standardized Guarantees

(Update to BPM6 Appendix 6C)

A. General Issues

Reference:

202508 SNA, Chapter 2417, Cross-Cutting and Other Special Issues: Insurance and Pensions

A86e.1 Insurance provides individual institutional units exposed to certain risks with financial protection against the consequences of the occurrence of specified events. In addition, insurers often act as financial intermediaries who invest funds collected from policyholders in financial or other assets to meet future claims.¹

A86e.2 Pension schemes are established for the purpose of providing benefits for retirement or for ~~invalidity of specific groups of employees~~. Pension schemes may be operated by a separately constituted fund or by a fund that is part of the employer, or be unfunded. It may also be administered by an insurance corporation. Pension funds are similar to insurance in that they act as intermediaries for investing the funds for their beneficiaries and redistribute some risks.

A86e.3 Insurance and pension fund operations have common features, but can be distinguished in that life insurance and pension funds include a large saving component, whereas the primary objective of nonlife insurance (including term life insurance) is ~~largely undertaken~~ to pool risk.

A86e.4 The transactions undertaken by insurers include charging premiums, paying claims, and investing funds. Similarly, pension funds' transactions include receiving contributions, paying benefits, and investing funds. To analyze the underlying economic nature of these operations, it is necessary to rearrange these processes to

¹In the context of insurance, a claim is the obligation of an insurance company to pay the policyholder under the terms of the policy because an insured event has occurred. "Claim" is also used in this *Manual* to mean financial asset.

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derive the service, investment income, transfer, and investment elements. Users may also be interested in supplementary data on insurance transactions before the adjustments discussed in this section, particularly data on premiums and claims. (Box A86e.1 provides a numerical example [on nonlife insurance](#) to show the calculation of the derived items for service, investment income, transfers, and investment.)

A86e.5 Aspects of insurance are dealt with in several chapters:

- Insurance corporations and pension funds are defined as institutional subsectors in [paragraphs 4.88–4.89](#);
- [Nonlife insurance technical reserves, life insurance and annuity entitlements](#), pension entitlements, and provisions for [calls under](#) standardized guarantees are defined as financial instruments in [paragraphs 5.62–5.68](#) and as part of the other investment functional category in [paragraph 6.61](#);
- The measurement of [nonlife insurance technical reserves, life insurance and annuity entitlements, and pension entitlements](#) in the IIP is discussed in [paragraphs 7.63–7.68](#);
- Financial account entries are discussed in [paragraphs 8.46–8.49](#);
- Other changes in volume associated with [nonlife insurance technical reserves, life insurance and annuity entitlements, and pension entitlements insurance reserves and provisions](#) are discussed in [paragraph 9.24](#);
- Insurance and pension services are discussed in [paragraphs 110.109–110.117](#);
- The investment income accruing to policyholders and contributors is discussed in [paragraphs 124.77–124.84](#); and
- The transfers associated with these schemes are discussed in [paragraphs 132.41–132.46](#) and [143.24](#).

A86e.6 Cross-border insurance is particularly common in specialized areas such as reinsurance and high-value items such as insurance of ships and aircraft. For some small economies, the small size of their risk pool means that a wider range of items tends to be insured with nonresidents. With international mobility of population, life insurance and pensions can also occur cross-border on a significant scale.

A8.6-1 *Direct insurance is between an insurance company and another type of institutional unit. There are two types of direct insurance, life and nonlife insurance. Life insurance is an activity whereby a policyholder makes regular payments to an insurer in return for which the insurer guarantees to provide the policyholder (or in some cases another nominated person) with an agreed sum, or an annuity, at a given date or earlier if the policyholder dies beforehand. Non-life insurance is an activity similar to life insurance except that it covers all other risks, accidents, sickness, fire, etc. See paragraphs 24.6-24.9, 2025 SNA for additional details.*

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A8.6-2 *Reinsurance is insurance between one insurance corporation and another with the aim to spread the insurance risk. That is, reinsurance allows insurance risk to be transferred from one insurer to another. Many insurers act as both direct insurers and reinsurers. There may be chains of transferring risk, from insurer to reinsurer to secondary reinsurer and so on. Reinsurance companies and their policyholders are often residents of different economies because of the specialized functions of reinsurance and the objective to spread risk. A direct insurer may pass on an entire set of risks (i.e., the direct insurer is like a retailer), a proportion of risks, or the risk of claims being more than a specified amount (e.g., arising from a catastrophic loss) to a reinsurer. Because it is often used as protection against exposure to large losses, reinsurance is particularly likely to be subject to irregular transactions.*

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A8.9 *The principles for measurement of reinsurance and direct insurance services are the same. They are shown as separate items on a supplementary basis, as are other components such as auxiliary services and standardized guarantees.*

A8.9-1 *In some countries, one can observe hybrid insurance products that are a mixture of life and nonlife insurance. These products should be allocated to one category or the other depending on which features are predominant, with the share of premiums allocated to claims for insured events (nonlife insurance) versus the share of premiums allocated to payouts at maturity (life insurance) to be used to determine the allocation.*

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B. Nonlife Insurance

Reference:

1. Types of nonlife insurance

A86e.7 Types of nonlife insurance include accident and health; term life; marine, aviation, and other transport; fire and other property damage; pecuniary loss; general liability; and credit insurance.

A86e.8 *Direct insurance is between an insurance company and the public. Reinsurance is insurance where both parties to the policy are providers of insurance services. That is, reinsurance allows insurance risk to be transferred from one insurer to another. Many insurers act as both direct insurers and reinsurers. There may be chains of transferring risk, from insurer to reinsurer to secondary reinsurer and so on. Reinsurance companies and their policyholders are often residents of different economies because of the specialized functions of reinsurance and the objective to spread risk. A direct insurer may pass on an entire set of risks (i.e., the direct insurer is like a retailer), a proportion of risks, or the risk of claims being more than a specified amount (e.g., arising from a catastrophic loss) to a reinsurer. Because it is often used as protection against exposure to large losses, reinsurance is particularly likely to be subject to lumpy transactions.*

A6e.9 *The principles for measurement of reinsurance and direct insurance services are the same. They are shown as separate items on a supplementary basis, as can other components such as auxiliary services and standardized guarantees.*

A86e.10 Freight insurance is a form of nonlife insurance that raises particular issues for valuation of goods. Like freight transport, as discussed in [paragraph 110.78](#), the identification of who pays the insurance and whether it is included in the price of the good is determined by the FOB valuation concept, as discussed in [paragraph 10.116](#).

A86e.11 Nonlife insurance is distinguished from life insurance in that it pays benefits-claims only if an insured event occurs. That is, nonlife insurance is designed primarily for pooling risk, rather than as an investment. ~~For that reason~~ Therefore, nonlife insurance claims and net premiums less service charges are recorded as transfers, while the equivalents for life insurance are recorded in the financial account. In contrast to life insurance, term life insurance benefits-claims are payable only on the death or incapacity of the insured, and so term life insurance is included in nonlife insurance.

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2. Role of reserves in nonlife insurance

A86e.12 Insurance policies are paid in advance, while claims are paid only after the insured events happen, sometimes much later. Insurance technical reserves represent the amounts identified by insurance companies to account for these prepayments of premiums and claims incurred but not yet paid. That is, reserves can be seen as the application of usual accrual accounting principles. Reserves for claims reported but not yet resolved, and estimates of claims incurred but not yet reported, ~~are correctly~~ should be included, as they relate to insurable events that have already occurred.

A86e.13 Insurance corporations in some economies may also set aside other reserves, such as amounts to cover fluctuations in claims between periods (e.g., the increase in claims in the event of a natural disaster). However, if there is no entitlement by any counterparty to these reserves, they cannot be recognized as an asset of the policyholders.

A86e.14 Insurance companies hold assets to meet the liabilities to policyholders represented by the reserves. The management of these financial and nonfinancial assets is an integral part of the business of insurance. The income generated by these investments has a considerable influence on the level of premiums that insurance enterprises need to charge (indeed, in some cases, they have allowed claims to exceed gross-actual premiums earned). Consequently, the income earned on the investment of the insurance technical reserves is treated as being receivable by the policyholders who are then treated as paying it back to the insurance enterprises as premium supplements.

3. Value of nonlife insurance service output

A86e.15 Actual pPremiums earned and investment income represent the inflow of resources to the insurance company, whereas the claims ~~due~~ incurred are the resources allocated to the policyholders. The margin between these inflows and outflows is the amount available to the insurance company to cover its costs and provide an operating surplus. This margin represents the value of insurance services provided.

A86e.16 The value of output of nonlife insurance services (also known as insurance service charges) can be expressed with the following formula, following an expectations approach or accounting approach:

Gross-Actual premiums earned;

Commented [A6]: Updates to this paragraph and new paragraphs (A8.16-1 and A8.16-2) are consistent with draft chapter 24, 2025 SNA

- + ~~p~~Premium supplements;
- ~~Claims payable;~~
- ~~Adjustedment for claims volatility, if necessary incurred;~~²

While in the case of expectation approach, adjusted claims are estimated from past experience, they are determined by using claims incurred plus the changes in equalization provisions (and, if necessary, changes to own funds) in the case of accounting approach. See paragraph A8.22 for guidance on the expectation and accounting approaches.

A8.16-1 If the necessary accounting data are not available and the historical statistical data are not sufficient to allow reasonable average estimates of output to be made, the output of non-life insurance may be estimated as the sum of costs (i.e., intermediate consumption, remuneration of employees, other taxes less subsidies on production, depreciation and net return to capital used in production). However, since any reasonable estimate for normal profit is likely to involve expected claims, this option is hardly different from the expectations approach.

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a. ~~Gross-Actual~~ premiums earned

A86e.17 “~~Gross-Actual~~ premiums earned” refers to those parts of the premiums payable in the current or previous periods that cover the risks incurred during the accounting period. Premiums earned are on an accrual basis, so differ from premiums received because insurance policies are usually paid in advance. Actual premiums earned should be calculated by deducting any rebates payable to the policyholder. In the case of a reinsurer

²Alternatively, the formula can be expressed as:

~~Gross-Actual~~ premiums earned;

+ Premium supplements;

- Expected claims;

where expected claims are based on longer term measures of claims, taking out the effects of volatility;

The formula can also be expressed in terms of payments:

- ~~Gross-Actual~~ premiums paid;

+ Premium supplements;

- Claims paid;

- Net increase in technical reserves (including reserves for claims volatility);

where the technical reserves account for prepayments of premiums and delays in paying out claims as well taking out the effects of volatility.

See Box A6e.1 for a numerical example of these calculations.

accepting risks on proportional reinsurance contracts, gross-actual premiums earned are recorded after deducting the reinsurance commissions payable to the direct insurer. ~~Similarly, other gross premiums should be calculated by deducting any rebates payable to the policyholder.~~

A86e.18 Insurance premiums are normally paid in advance, so a measure on an accrual basis differs from premiums paid by the deduction of prepayments for insurance cover in future periods and adds back cover for the current period that was prepaid in previous periods.

b. Premium supplements

A86e.19 Investment income earned on the assets invested to meet insurance companies' provision-future liabilities is attributable to insurance policyholders. The income is recorded in the primary-earned income account as discussed in paragraphs 124.77–124.84 and A86e.26. The same value is then treated as being paid back to the insurance companies as premium supplements. Premium supplements are added to premiums earned in the calculation of the value of insurance services, as shown in Box A86e.1.

c. Adjusted cClaims payableincurred

A86e.20 Actual cClaims payable are claims for events that occurred within the accounting period. Claims payable include claims paid within the accounting period plus changes in the reserves against outstanding claims. That is, claims on an accrual basis are recognized as due when an event takes place that gives rise to a valid claim, whether or not paid, settled, or reported during that period.

d. Adjustment for claims volatility

A86e.21 Adjustments for claims volatility should be included in the calculation for lines of insurance subject to fluctuations. For example, major catastrophes such as earthquakes and hurricanes may be expected to occur, on average, once in each several years. If only claims incurred during a single accounting period are used in the formula, the resulting values of insurance services could be erratic, and even negative in catastrophic periods, and so are an inadequate measure of the production and pricing of insurance. In such cases, an adjustment to claims due-incurred should be made, to reflect a longer-term view of claims behavior, in line with insurance

decision making. In periods when large values of claims are incurred, the adjustment would be negative (thus causing an increased value of the service), while in other periods, the adjustment would be positive (thus reducing the value of the service). However, for some types of insurance, there is limited volatility and no adjustment is necessary. The term “adjusted claims” is used in the output formula describes the level of claims used in determining the value of output.

A86e.22 The adjustments for claims volatility show the difference between actual claims in a particular period and a normally expected level of claims. The ~~expected level of adjusted~~ claims ~~incurred~~ may be calculated according to one of the following methods:

- (a) The **expectations approach** is based on an estimate of ~~expected adjusted~~ claims ~~incurred~~, using smoothed past figures of ~~gross-actual~~ claims incurred or smoothed past ratios of ~~gross-actual~~ claims incurred over premiums, applied to current premiums. It replicates the ex-ante model used by insurers to price their premiums on the basis of their expectations. When accepting risk and setting premiums, insurers consider their expectation of loss; For estimating output, it is advisable to use information broken down by “line of business”, that is for motor insurance, buildings insurance, etc. separately. This allows for more accurate and detailed estimates, as each line of business may have different characteristics.
- (b) The **accounting approach** is based on changes in insurers’ equalization reserves (see paragraph 5.64 (b)) and changes in own funds to account for the volatility of claims. In contrast to the expectation approach, the accounting approach uses ex post data, that is, observed claims incurred. It is to be noted that if changes in own funds are introduced in one given period to dampen the volatility of a claim in case of catastrophe, the rebuilding of own funds after this period will also intervene (with an inverse sign) in the formula for the next periods. Practices for calculation of equalization reserves vary, so they may not be sufficient to cover all volatility in claims; or
- ~~(c) The **sum of costs plus “normal” profit** approach consists in obtaining a measure of output as the sum of costs plus an estimate of “normal” profit. The estimate of “normal” profit generally implies the use of smoothed past actual profits. Thus this approach is, in practice, similar to the expectation approach. “Normal” profit is indeed equal to premiums + adjusted premium supplements — adjusted claims — costs.~~

e. Reinsurance

A86e.23 As explained in paragraph **A86e.6-18**, reinsurance allows insurance risk to be transferred from one insurer to another. The transactions between the direct insurer and the reinsurer are recorded as an entirely separate set of transactions and no consolidation takes place between the transactions of the direct insurer as issuer of policies to its clients on the one hand and the holder of a policy with the reinsurer on the other. The prepayments of premiums by the direct insurer to the reinsurer and claims incurred but not yet paid by the reinsurer are used by the reinsurer to earn investment income. This investment income, excluding any holding gains and losses, is treated as investment income payable to the direct insurer and returned to the reinsurer as a premium supplement. The output of reinsurance is measured in a way similar to that for direct nonlife insurance. However, there are some payments peculiar to reinsurance. These are commissions payable to the direct insurer under proportionate reinsurance and profit sharing in excess of loss reinsurance. Once these are taken into account the output of reinsurance can be calculated as:

- ~~Total~~ A actual premiums earned less commissions payable;
- + p Premium supplements;
- Adjusted claims incurred and profit sharing.

4. Exports and imports of nonlife insurance services

A86e.24 The formula for total production of insurance services stated in paragraph **A6eA8.16** includes elements that may only be able to be observed by insurers in aggregate. For exported and imported insurance services, which represent the output provided to a subset of policyholders, additional methods are required to allocate totals.

A86e.25 Usually, ratios will be able to be used to make estimates. The case of imports is particularly difficult, as the insurance companies are not residents in the economy of compilation and so data collection is constrained. In each case, the objective is to find a result consistent with the overall method, after taking into account which information is available in the circumstances. Possible methods are discussed in **paragraph 110.114 and Box 110.4.**

5. Investment income attributable to nonlife insurance policyholders (~~primary-earned~~ income account)

A86e.26 Investment income earned on the assets invested to meet insurance companies' ~~provision-future~~ liabilities is attributable to insurance policyholders. The income is recorded in the ~~primary-earned~~ income account as discussed in ~~paragraphs 124.77–124.84~~. The same value is then treated as being paid back to the insurance companies as premium supplements in the calculation of the value of insurance services, as shown in paragraph A86e.19 and Box A86e.1 (and consequently increases the value of ~~net-premiums less service charges~~, which is ~~gross premiums less the value of insurance services~~).

6. Net-Nonlife insurance premiums less service charges (~~secondary-transfer~~ income account)

A86e.27 Net-Nonlife insurance premiums less service charges are defined as the sum of ~~gross-actual nonlife~~ premiums earned and premium supplements less the insurance service charge payable by the policyholders. (~~Gross-actual~~ premiums earned were discussed in paragraph A86e.17 in the context of deriving the service charge.). Net-Nonlife insurance premiums less service charges are shown as current transfers. They are discussed in ~~paragraphs 132.41–132.42~~.

7. Claims receivable or payable (~~secondary-transfer~~ income account)

A86e.28 Claims incurred during the period are generally shown as current transfers. They are discussed in ~~paragraphs 132.44–132.46~~ and in paragraph A86e.20 in the context of deriving the service charge. In exceptional cases, such as those following a major catastrophe or disaster at a national level, they may be classified as capital transfers as discussed in paragraph 14.24. Catastrophic events include earthquakes, tsunamis, floods, cyclones, hurricanes, hailstorms, bushfires, and so forth, except where these events can be considered periodic and expected within the normal course of nonlife insurance business. The criteria for when the effects of a catastrophe should be treated like this must be determined according to national circumstances, but these may involve the

number of policyholders affected and the amount of the damage done. It is noted that the recording of claims incurred to catastrophic events as capital transfers is restricted to damages to non-financial assets. Claims incurred related to losses to consumer durables should be recorded as current transfers. However, from a feasibility perspective, it may be difficult to differentiate catastrophic damages to nonfinancial assets from similar damages to consumer durables. Unless this information is available, it is recommended to treat all claims arising from catastrophic events as capital transfers as the default option, as discussed in paragraph 13.24 (see paragraphs 24.41-42, 2025 SNA). The transactions and positions of stock of claims outstanding plus unearned premiums is recognized as a financial asset or liability (i.e., as part of nonlife insurance technical reserves) and is shown in the financial account and IIP respectively (see paragraphs 5.64, and 7.63-7.68, and 8.47).

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Box A86e.1. Numerical Example of Calculations for Nonlife Insurance

1. Basic information

This example covers policies of resident insurers with nonresident policyholders; the same principles apply for nonresident insurers with resident policyholders, although the availability of data is less in practice, so that ratios may be needed for some items, as discussed in Box 110.4.

Gross-Actual premiums receivable earned from abroad = 135

Gross-Actual premiums received from abroad = 150

Reserves relating to prepayments—beginning of period = 40

Reserves relating to prepayments—end of period = 55

Net increase in reserves relating to prepayments = 15

Investment income attributable to nonresident policyholders = 8

Claims payable abroad = 160

Claims paid to abroad = 155

Reserves relating to claims incurred—beginning of period = 10

Reserves relating to claims incurred—end of period = 15

Net increase in reserves for claims incurred but not paid = 5

Adjustment for volatility in claims payable = -40

(i.e., expected long-term level of claims would be 120, that is $160 - 40$)

2. Derived items

Goods and services account:

Insurance service ~~charges~~ (credits)

= ~~gross-actual~~ premiums ~~receivable-earned~~ plus premium supplements less ~~expected-adjusted~~ claims ~~in-curred~~ (i.e., ~~expected-adjusted~~ claims ~~incurred~~ is derived as actual claims payable plus adjustment for volatility)

= $135 + 8 - 120$

= 23

(Note: not taking into account the volatility would lead to a negative value of services: -17.)

~~Primary-Earned~~ income account:

Investment income attributable to ~~insurance~~ policyholders (debits) = 8

~~Secondary-Transfer~~ income account:

~~Net-P~~remiums ~~less service charges~~ receivable (credits)

= ~~gross-actual~~ premiums ~~receivable-earned~~ plus premium supplements less service ~~charges~~ = $135 + 8 - 23 = 120$

Claims payable (debits) = 160

Financial account:

Nonlife insurance technical reserves (increase in liabilities to policyholders) = 20 (= 15 + 5)

Currency and deposits (increase in assets of resident insurers) = -5 (= 150 - 155)

IIP—Liabilities

Nonlife insurance technical reserves (prepayments and claims incurred)—beginning of period = 50 (= 40 + 10)

Nonlife insurance technical reserves (prepayments and claims incurred)—end of period = 70 (= 55 + 15)

C. Life Insurance and Annuities

Reference:

[2008-2025 SNA](#), Chapter [2417](#), [Cross-Cutting and Other Special Issues, Part 1.D Insurance and Pensions](#).

A86e.29 Life insurance is distinguished from nonlife insurance in paragraph A86e.11. Life insurance involves a stream of payments by the policyholder in return for a lump sum at the end of the policy. Annuities are the reverse, where a stream of payments is made by the insurer in return for a lump sum at the beginning of the policy. Both direct insurance and reinsurance also exist for life insurance and annuities.

A86e.30 The principles for the measurement of life and nonlife insurance are similar. However, in the case of life insurance, the net premiums less service charges and payments of benefits are recorded in the financial account, rather than the secondary transfer income account. This treatment follows from the role of life insurance as paying benefits even without an insured event occurring, and therefore operating mainly as a way for policyholders to build assets; in contrast, nonlife insurance operates to redistribute costs among policyholders by transfers. Because life insurance is based on managing large values of assets, the premium supplements can be relatively large.

A86e.31 The value of output of life insurance and annuity services can be expressed with the following formula:

Gross-Actual premiums earned;

- + ~~p~~Premium supplements;
- ~~b~~Benefits due;
- Increases (+ decreases) in life insurance ~~reserves (actuarial reserves and reserves for with-profits insurance) entitlements.~~

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The formula is basically the same as for nonlife insurance, except that the payments to policyholders are called benefits instead of claims, and ~~reserves entitlements~~ are added to account for the accrual of future benefits. Life insurance benefits are the amounts payable under the policy in the accounting period in question. No adjustment for unexpected volatility is necessary in the case of life insurance.

A8.31-1 If adequate data are not available for the calculation of life insurance output according to this formula, an approach based on the sum of costs, similar to that described for non-life insurance, may be used (see paragraph A8.16-2). As for non-life insurance, an allowance for normal profits must be included.

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A86e.32 The item for ~~actuarial reserves entitlements~~ in the formula for life insurance reflects the amounts that are payable ~~at the end of the policy in the future~~, rather than ~~claims benefits due~~ in the current period. They are shown as accruing to particular policyholders because they consist of ~~e~~ allocations to the actuarial reserves and reserves for with-profits insurance policies to build up the sums guaranteed under these policies. Changes in the ~~life insurance entitlements actuarial reserves and reserves for with-profits insurance~~ include the provision made for bonuses payable in future.

A86e.33 It is common with life insurance policies for amounts to be explicitly attributed by the insurance corporation to the policyholders in each year. These sums are often described as bonuses. The sums involved are not actually paid to the policyholders but the liabilities of the insurance corporation toward the policyholders increase by this amount. This amount is shown as investment income attributed to the policyholders and are treated as premium supplements being paid back to the insurance corporations. The fact that some of it may derive from holding gains does not change this designation; as far as the policyholders are concerned it is the return for making the financial asset available to the insurance corporation. ~~In addition, all the income from the investment of nonlife reserves and any excess of income from the investment of life reserves over any amounts explicitly attributed to the policyholders are shown as investment income attributed to policyholders.~~

regardless of the source of the income;

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A86e.34 In the case of annuities, the same principles apply, but the calculation is different because of the opposite cash flow. The output of an insurance corporation associated with administering annuities is calculated as:

Investment income attributable to the annuitants;

– amount payable to the annuitants (or surviving beneficiaries) under the terms of the annuity;

– change in the annuity entitlements but excluding the initial payments for new annuities.

The amount of the investment income attributable to the annuitants is equal to the discount factor times the start of year reserves and is independent of actual investment income and holding gains or losses earned by the insurance corporation. The item is parallel to the concept of premium supplement in the life insurance context. For additional details, see , 202508 SNA, Chapter 1724, Cross-Cutting and Other Special Issues Insurance and Pensions.

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A86e.35 In the current account, in addition to services, life insurance gives rise to investment income attributable to policyholders, as discussed in [paragraph 124.81](#), of equivalent value to premium supplements. For life insurance, net-a) premiums less service charges; and b) benefits are shown as increases and reductions in life insurance reserves-entitlements in the financial account. (In contrast, for nonlife insurance, net-a) premiums less service charges; and b) claims are shown as transfers—see [paragraphs A8.27 and A8.28](#).)

A86e.36 Life insurance technical-reserves and annuity entitlements are defined as a financial instrument in [paragraph 5.65](#). They are classified as other investment in the functional classification; see [paragraph 6.61](#). More details are provided on recording them in the IIP in [paragraphs 7.63–7.64](#), the financial account in [paragraph 8.48](#), and other changes in volumes in [paragraph 9.24](#).

D. Pension Schemes

Reference:

202508 SNA, Chapter 1724, Cross-Cutting and Other Special Issues, Part 2-J Insurance and Pensions.

A86e.37 Pension schemes include those operated with an autonomous fund as well as funds that are not

separate units and unfunded pension schemes. Pensions may be provided by social security schemes, ~~employer-related other social insurance~~ schemes, ~~other than social security~~, and social assistance schemes. They may also include employer-independent schemes, for example similar schemes for self-employed persons, or individual insurance policies qualifying as social insurance.

A86e.38 Social contributions to social security schemes are discussed in **paragraphs 12.32–12.33**. Social benefits under social security and social assistance schemes are dealt with in paragraph 12.40. These schemes operate through transfers and do not have financial account entries because an obligation to pay is not recognized. For further information on social security and social assistance schemes, and for employment-related schemes through social security schemes, see 202508 *SNA*, Chapter 2417. The remainder of this section deals with ~~other employer-related social insurance~~ schemes (~~other than excluding~~ social security schemes), in the form of defined contribution and defined benefit pension schemes.

A86e.39 Pension funds are defined as an institutional subsector in **paragraphs 4.89–4.90**. Pension entitlements are defined as a financial instrument in **paragraphs 5.66–5.67**. These entitlements may be liabilities of ~~funded pension schemes~~ funds or, in certain cases, unfunded schemes. The liabilities may also arise from autonomous employer-independent pension schemes or funds if accumulated contributions are set aside for retirement income and are subject to regulation or supervision in line with or similar to employer-related pension schemes or funds.

A8.39-1 An employer may contract with a third party to administer the pension funds for the employees. If the employer retains the responsibility for any deficit in funding as well as the right to retain any excess funding, the employer is described as the pension manager, or sponsor, and the unit working under the direction of the pension manager (sponsor) is described as the pension administrator. A funding deficit or excess of the pension fund to be paid by/to the sponsor is recorded under a separate financial instrument, called “claims of pension funds on pension managers”. If the agreement between the employer and the third party acting as an administrator is such that the employer passes the risks and responsibilities for any deficit in funding to the third party in return for the right of the third party to retain any excess, the third party becomes the pension manager (sponsor) as well as the administrator.

Commented [A13]: Paragraph 5.67-1, BPM7 with minor edits

~~A8.39-2~~ They ~~pension entitlements~~ are classified as other investment in the functional classification; see paragraph 6.61. The valuation of pension entitlements in the IIP is discussed in paragraph 7.65. Financial account entries are discussed in paragraphs 8.48–8.49. Changes to pension entitlements as a result of changes in model assumptions are shown as other changes in volume, whereas changes negotiated between the parties are recorded as (capital) transfers, as discussed in paragraph 9.24. Insurance and pension services are discussed in paragraphs 110.109–110.117.

~~A86e.40~~ There may be explicit or implicit service charges for pension schemes. If the charges are implicit, they are measured in a similar way to those for life insurance and annuities, namely:

- ~~Gross-Social~~ contributions;
- + Contribution supplements;
- ~~social b~~enefits payable;
- ~~Increases (+ decreases) Adjustment for change~~ in pension entitlements.

~~A86e.41~~ Investment income is attributable to beneficiaries of pension schemes and is repaid to the pension fund as contribution supplements, as discussed in paragraph 12.82. The investment income payable

- (a) for defined contribution schemes is equal to the investment income on the ~~funds accumulated assets (excluding holding gains and losses)~~ plus any ~~net operating surplus income~~ earned by renting land or buildings owned by the fund; and
- (b) for defined benefit schemes, is equal to the increase in benefits payable because the date when the entitlements become payable is closer. The amount of the increase is not affected by whether the pension scheme actually has earned sufficient income to meet its obligations.

~~The adjustment for change in pension entitlements is discussed in paragraph 12.38.~~

~~A8.41-1~~ A pension manager (sponsor) may be obliged to meet liabilities of a defined benefit scheme in

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Commented [A16]: Consistent with draft chapter 12 (paragraph 12.82a)

case of shortfall (see paragraph A8.39-1). Imputed investment income on this shortfall is recorded as income from the pension manager to the pension fund, which may be negative in the case of an excess.

~~A8e.42~~ Social contributions to pension schemes are discussed in paragraphs 132.32–132.37. Social benefits are current transfers receivable by households intended to provide for the needs that arise from certain events or circumstances, for example, sickness, unemployment, retirement, housing, education or family circumstances. Social benefits include pension and nonpension benefits payable under social security and other social insurance schemes are the amounts payable to the beneficiaries and are discussed in (see paragraph 132.40).

In the *SN4*, social contributions are viewed as both transfers and as an investment in the scheme; similarly, social benefits are viewed as both transfers and as a withdrawal of investment from the scheme. These different views require an entry for the adjustment for the change in pension entitlements, discussed in paragraphs 132.38–132.39, transfer income account.

Commented [A17]: Consistent with draft chapter 13 (paragraph 13.40)

E. Standardized Guarantees

Reference:

2008 SN4, Chapter 17, Cross-Cutting and Other Special Issues, Part 3.

~~A6e.43~~ Standardized guarantees are issued in large numbers along similar lines. Examples include export credit guarantees and student loan guarantees. Standardized guarantees are contrasted with other guarantees in paragraph 5.68. The guarantors are usually general government units or financial corporations. Because the guarantor provides large numbers of guarantees, it is possible to estimate the risk of default. A guarantor operating on a commercial basis will charge fees, meet claims, and earn investment income in a way parallel to nonlife insurance, and the value of services, income, and provisions are calculated in the same way as described for nonlife insurance in Section B of this appendix.

~~A6e.44~~ Provisions for calls under standardized guarantees are defined as a financial instrument and contrasted with one-off guarantees and financial derivatives in paragraph 5.68. They are classified as other investment in the functional classification; see paragraph 6.61. Changes to provisions for calls under standardized

~~guarantee schemes not resulting from transactions are shown as other changes in volume and are discussed in paragraph 9.24.~~

