

Financial accounts with breakdown of life insurance and annuity entitlements and pension entitlements by allocation of investment risk

As of October 2023, the quarterly financial accounts published by the European Central Bank (ECB) provide a breakdown of life insurance and annuity entitlements, and pension entitlements by investment risk. These entitlements are substantial components of household financial assets and are recorded as liabilities of insurance corporations and pension funds (and to a much lesser extent of other sectors¹) in the financial accounts.

The new statistical release splits life insurance and annuity entitlements, and pension entitlements, into four additional sub-categories of financial instruments, based on allocation of risk:

Life insurance and annuity entitlements (asset code F62):

- unit linked (F62A)
- non-unit linked (F62B)

Pension entitlements (asset code F63):

- defined contribution (F63A)
- defined benefit (F63B)

In the case of unit-linked life insurance (F62A) and defined contribution pensions (F63A) the investment risk is born by households, that is the value of households' entitlements depends on the investment returns of the premiums and contributions invested on their behalf. In terms of investment risk allocation these financial instruments are thus similar to investment fund shares/units.

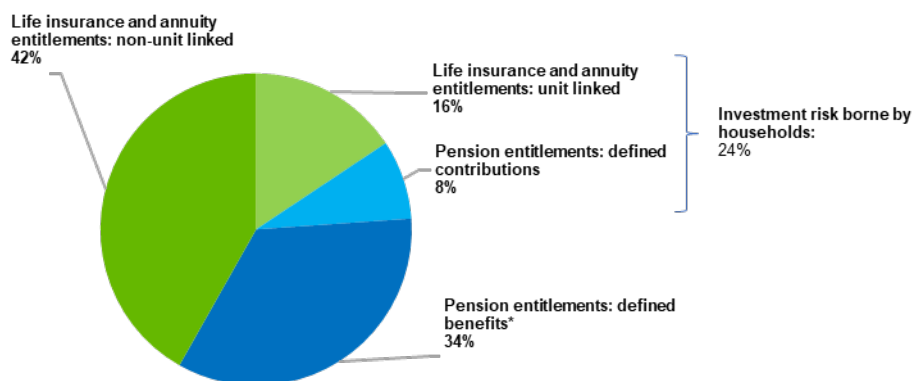
In the case of non-unit linked life insurance (F62B) and defined benefit pensions (F63B), the benefits are largely specified in nominal terms, and the investment risk is primarily born by the insurance corporation, and the pension fund or employer or other pension sponsor. The employer or other pension sponsor may be legally responsible for providing additional funding to pension funds in the event of shortfalls. The value of the entitlements can still vary significantly over time due to changes in the interest rate used for the discounting of the future benefits. Furthermore, non-unit-linked life insurance schemes may also provide for some profit sharing, and defined benefit pension schemes include hybrid schemes with similar arrangements.

In the euro area more than 75% of life insurance and pension entitlements consist of non-unit linked life insurance and defined benefit pensions (see Chart 1).

¹ Pension entitlements are mainly liabilities of autonomous pension funds, but entitlements of households in non-autonomous pension funds are also recorded in accordance with the [European System of Accounts](#) (ESA 2010). Non-autonomous pension funds are not institutional units and remain part of the institutional unit that sets them up, whereby the entitlements are recorded as a liability of the employer, e.g. a non-financial or financial corporation.

Chart 1. Household life insurance and pension entitlements by investment risk

(assets, outstanding amounts at the end of the second quarter of 2023 as percentages of total)



Source: ECB.

* Includes hybrid pension entitlements.

[Data for household life insurance and pension entitlements by investment risk](#)

Methodology and data availability

The quarterly financial accounts are compiled according to the concepts and definitions set out in ESA 2010² and the respective ECB Guideline³, which ensure consistent recording for the euro area and comparability across countries. As of October 2023 the ECB disseminates national data and euro area quarterly sector accounts for the new breakdown of life insurance and pension entitlements for outstanding amounts (stocks), financial transactions and other changes with the standard institutional sector split used for the financial accounts, which is also available for other financial instruments. The financial sub-instrument breakdown for the euro area and for EU countries is generally available from the fourth quarter of 2016.

² [European System of Accounts](#).

³ Guideline ECB/2013/24 on the statistical reporting requirements of the European Central Bank in the field of quarterly financial accounts as amended ([Guideline ECB/2021/20](#)).