ANNEX A

EUROPEAN SYSTEM OF ACCOUNTS
ESA 1995

ANNEX III

INSURANCE

DEFINITIONS

Social insurance

2. Social insurance schemes are schemes in which social contributions are paid by employees or other individuals, or by employers on behalf of their employees, in order to secure entitlement to social insurance benefits for the employees or other contributors, their dependants or survivors. Social insurance schemes cover social risks or needs[1]. Unlike social assistance benefits, social insurance benefits are conditional on participation in a scheme.

3. Social insurance schemes are often organized collectively so that those participating do not have to take out individual insurance policies in their own names. However, some social insurance schemes may permit, or even require, participants to take out policies in their own names. Individual policies are treated as part of a social insurance scheme if they cover social risks or needs and if at least one of the following three conditions is satisfied:

(a) participation in the scheme is compulsory either by law or by the conditions of employment,

(b) the scheme is operated on behalf of a group and restricted to group members, or

(c) an employer makes a contribution to the scheme on behalf of an employee.

Social security schemes of government

4. These schemes are imposed, controlled and financed by government units and cover the entire community, or large sections of the community. Social security schemes of government may be funded or unfunded. When separate funds can be identified, they remain the property of the government and not of the beneficiaries of the schemes. Social security schemes' receipts consist mainly of contributions paid by individuals and by employers on behalf of their employees, but they may also include transfers from other government units. Participation in social security schemes is usually, though not always, compulsory. The benefits paid to individuals are not necessarily determined by the amounts previously paid in contributions.

It should be noted that social insurance schemes organized by government units for their own employees are not classified as social security schemes, but as private funded or unfunded social insurance schemes.

Private funded social insurance schemes

5. There are two categories of such schemes. The first consists of schemes in which the social contributions are paid to insurance enterprises or autonomous pension funds that are separate institutional units from both the employers and the employees. The insurance enterprises or autonomous pension funds are responsible for managing the resulting funds and paying the social benefits. The second category consists of schemes in which employers maintain special reserves to defray social benefits. These reserves are segregated from their other reserves, but they do not constitute separate institutional units from the employers and are referred to as non-autonomous pension funds.

Unfunded social insurance schemes operated by employers

6. These are schemes in which employers pay social benefits to their employees, former employees or their dependants out of their own resources without creating special reserves for the purpose.

Other insurance

7. Other insurance provides individual institutional units exposed to certain risks with financial protection against the consequences of the occurrence of specified events. It is also a form of financial intermediation in which funds are collected from policy holders and invested in financial or other assets which are held as technical reserves to meet future claims arising from the occurrence of the events specified in the insurance policies.

Other insurance policies held by households may cover the same risks or needs as those covered by social insurance schemes. However, other insurance policies held by households are distinguished from social insurance policies by the fact that they are taken out on the individual household's own initiative and for their own benefit, independently of their employers or government.

Other life insurance

8. Holders of other life insurance policies are exclusively households, resident or non-resident. The policyholder makes regular payments to an insurer in return for which the insurer guarantees to provide a benefit at a given date or earlier if the policyholder dies before. If the policyholder cancels the policy before the agreed expiration date, the policyholder is entitled to a partial benefit from the insurer. A benefit is thus always paid to the policyholder or his survivors. Policies that provide a benefit in the case of death within a given period but in no other circumstances, usually called term insurance, are not regarded as other life insurance, but as other non-life insurance. In practice, because of the way in which insurance corporations keep their accounts, it may not always be possible to separate term insurance from other life insurance. In these circumstances, term insurance may have to be treated in the same way as life insurance for purely practical reasons.

A life insurance claim may be paid as a lump sum or as an annuity. The claim may be fixed or may vary to reflect the income earned from the investment of premiums during the period for which the policy operates (‘with-profit’ policies). A special kind of with-profit policy is a unit-linked policy, where the claim varies according to the value of a segregated fund.

Other non-life insurance

9. All kinds of institutional units may be holders of other non-life insurance policies. Other non-life insurance includes term insurance and insurance against every risk other than death, for example accidents, sickness or fire. Claims are usually paid as lump sums but may also be paid as annuities. A claim is not always paid in respect of an other non-life insurance policy. Typically the number of claimants is much smaller than the number of policyholders. For an individual policyholder there is no relationship between the premiums paid and the claims received, even in the long term.

Reinsurance

10. An insurance enterprise undertaking insurance with policyholders often transfers some of the risks incurred to other insurance enterprises. These transactions between insurance enterprises are called reinsurance.

Both life and non-life insurers are involved in reinsurance transactions. Insurance enterprises that accept reinsurance may engage in both reinsurance and insurance with policyholders, or they may be specialist reinsurers.

Insurance auxiliaries

11. Insurance auxiliaries are units that engage primarily in activities closely related to insurance but which do not themselves incur risks. Insurance auxiliaries include in particular:

(a) insurance brokers;

(b) private non-profit institutions serving insurance enterprises and pension funds;

(c) units whose main activity is to act as supervisory authorities of insurance enterprises and pension funds and of insurance markets.

(**1**) See Chapter 4, paragraphs 4.83 to 4.86, for a definition of social risks or needs.

Changes to legislation:
There are outstanding changes not yet made to Council Regulation (EC) No 2223/96. Any changes that have already been made to the legislation appear in the content and are referenced with annotations.
View outstanding changes

Changes and effects yet to be applied to :

– Regulation revoked by S.I. 2021/1300 Sch. 1 para. 13