

Economic Statistics Transformation Programme: enhanced financial accounts (UK flow of funds) – experimental insurance, pensions and standardised guarantee schemes statistics, explanatory notes: 2016

Explanatory notes for the compilation of experimental insurance, pensions and standardised guarantee schemes statistics in the enhanced financial accounts (UK flow of funds) matrices publication.

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Introduction

This note explains the sources and methods used in the compilation of the experimental from-whom-to-whom insurance, pension and standardised guarantee schemes statistics. Table 1 shows the estimates for balance sheet assets by sector, together with the counterparty sector that holds the liability, for 2016. These data are consistent with the [UK Economic Accounts \(UKEA\)](#), on a [Blue Book 2017](#) basis. The second part of this note describes the data sources for these estimates, as well as highlighting areas for review.

Office for National Statistics (ONS) will continue the programme of development and quality assurance of these newly released [Experimental Statistics](#) and any improvements identified in the wider datasets will be integrated within the national accounts at the earliest opportunity.

We welcome feedback on the data sources and methods outlined in these notes. Any feedback on the [Experimental Statistics](#) and accompanying explanatory notes can be sent to flowoffundsdevelopment@ons.gov.uk.

Table 1: From-whom-to-whom balance sheet insurance, pension and standardised guarantees scheme statistics, 2016, £ billion

Liabilities:												
Assets:	PC	PNFC	MFI	OFI	ICPF	CG	LG	HH	NPISH	RoW	Total	Unknown
PC					0.0							
PNFC					3.9						3.9	
MFI					0.1						0.1	
OFI					0.1						0.1	
ICPF		676.3	36.5	28.3	8.7		68.7		44.4	0.0	862.8	
CG												
LG					0.7						0.7	
HH					3625.1				0.0		3625.1	
NPISH					0.6						0.6	0.0
RoW					18.1						18.1	
Total		676.3	36.5	28.3	3657.2		68.7		44.4			
Unknown												

Notes:

1. PC = public corporations, PNFC = private non-financial corporations, MFI = monetary financial institutions, OFI = other financial institutions except MFIs and ICPFs, ICPF = insurance corporations and pension funds, CG = central government, LG = local government, HH = households, NPISH = non-profit institutions serving households, RoW = rest of the world.

Data sources by institutional sector

Estimates for insurance, pension and standardised guarantee schemes relate to non-life insurance technical reserves, life insurance and annuity entitlements, pension entitlements, claims of pension funds on pension managers and entitlements to non-pension benefits. Provisions for calls under standardised guarantee schemes should also be included here but are not currently due to a lack of data availability; this is currently being reviewed. Data are predominantly sourced from the ONS surveys of insurance corporations and pension funds (ICPFs) with the split of assets or liabilities by sector estimated using an assumed proportional split outlined in more detail in this section.

Non-life insurance technical reserves

These estimates relate to financial claims that non-life insurance policy holders have against non-life insurance corporations in respect of unearned premiums and claims incurred. The ICPF sector is the only one that holds a liability for this instrument; the assets are split across all institutional sectors other than the central government. The estimate for total liabilities is sourced from the ONS survey of general insurance corporations.

Estimates for assets by sector are based on a set of assumptions about the proportional split; these assumptions are periodically reviewed. The current split is as follows: public corporations 0%; monetary financial institutions 0%; private non-financial corporations 6.8%; other financial institutions 0.2%; insurance corporations and pension funds 0.4%; local government 1.1%; households 71.3%, non-profit institutions serving households 1%; and the rest of the world 19.2%.

Life insurance and annuity entitlements

These estimates relate to financial claims that life insurance policy holders and beneficiaries of annuities have against corporations providing life insurance. The insurance corporations and pension funds (ICPF) sector is the only sector that holds a liability for this instrument with all assets counterpart to individuals, either resident in the UK and therefore within the households sector or non-resident and therefore within the rest of the world sector.

The estimate for total liabilities is sourced from the ONS survey of long-term insurance corporations. The split of assets between households and the rest of the world (RoW) are estimated based on an assumption on the proportional split; this assumption is periodically reviewed. The current split is 99% allocated to households and 1% allocated to RoW.

Pension entitlements

These estimates comprise financial claims that current employees and former employees hold against their employer, a pension fund scheme that sits between the employer and the employee or an insurer. These claims are calculated as the total pension entitlements less the market value of the fund, sourced from the ONS pension fund survey. Households are the only sector that can be on the asset side for this instrument, but these can be either resident or non-resident and thus estimates are provided for both the households sector and the rest of the world.

It is currently assumed that all claims will be held by individuals resident in the UK and the estimate for RoW has therefore been zero over time. The liabilities are split between other financial institutions (OFIs), insurance corporations and pension funds (ICPF) and non-profit institutions serving households (NPISH); it is currently assumed that all liabilities will be within pension funds and therefore within the ICPF sector. The liabilities for the OFI and NPISH sectors are estimated to be zero for the whole time series.

Claims of pension funds on pension managers

These estimates relate to claims arising when the pension manager is a unit different from the administrator and the amount accruing to the pension fund falls below the increase in entitlements. The insurance corporations and pension funds (ICPF) sector is the only sector that holds an asset for this instrument, with liabilities split across all institutional sectors other than public corporations and central government. The total asset is sourced from the ONS survey of pension funds, with the split of liabilities across sectors estimated based on ONS surveys and assumptions about the proportional split.

Entitlements to non-pension benefits

These estimates relate to instances when net contributions exceed the benefits due and therefore increase the liability of an insurance scheme towards the beneficiaries. The liabilities are split across the other financial institutions (OFIs), insurance corporations and pension funds (ICPF) and households sectors, with all assets due to individuals, either resident and therefore within the households sector, or non-resident and therefore within the rest of the world (RoW) sector. This item is likely to occur only rarely and as such it has historically been assumed that this item will be zero.