

Methodological annex n°4: Insurance services in 2020 benchmark revision

Between the 2014 and 2020 benchmarks revision, the gross value added of the insurance sector (S12K65) is revised upwards by €1.2 billion in 2019; it is estimated at €12.3 billion in the 2020 benchmark revision. Social contributions have been revised upwards (€+4.1 billion) and are estimated at €39.2 billion. Net insurance premiums received are also revised upwards (€+1.4 billion) and are estimated at €75.6 billion.

The valuation of insurance service output has been reviewed from two main perspectives: its social dimension and the inclusion of new sources data.

1. The insurance services

Insurance activities are traditionally divided into two main categories: life insurance and non-life insurance; they allow economic agents to protect themselves financially against specific uncertain events

By taking out life insurance, an insured person makes regular payments to an insurer, in exchange for which the insurer undertakes to pay to the insured person (to him or another designated person) an agreed amount or annuity, either on a given date if the insured person is alive, or before if the insured dies prematurely. Non-life insurance covers all other life risks: accidents, illness, automobile, fire, etc.

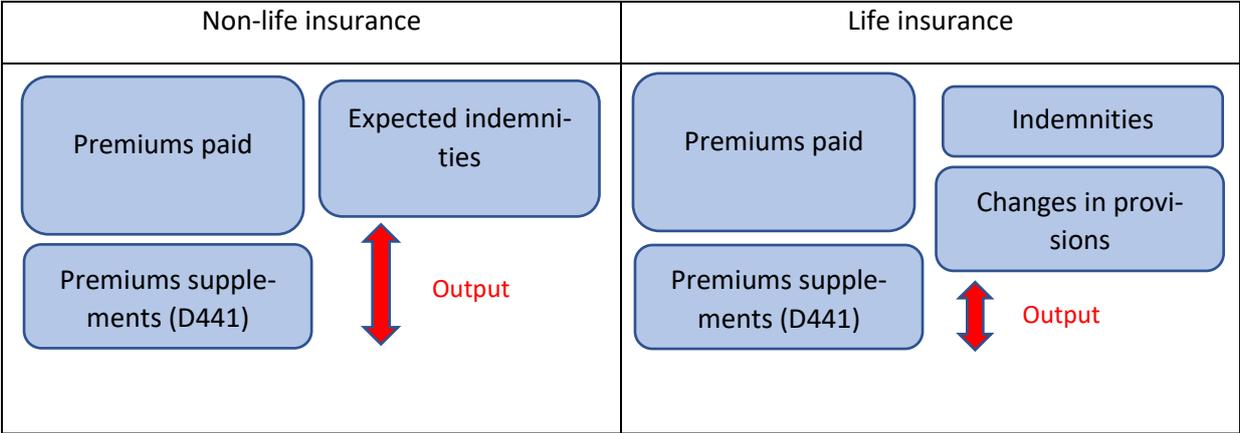
Life insurance covers "long-term" risks over several periods, primarily operating as a temporal redistribution of individual incomes, it is a means of savings, whereas non-life insurance covers "short-term" risks within the current period, operating as a redistribution among economic agents. Thus, the monetary flows in life insurance are mainly financial transactions (assets) in the same way as a financial investment, whereas those related to non-life insurance are redistribution transactions (non-financial) affecting the disposable income of the involved agents.

The national accounting system describes the output of insurance services for both activities. It is estimated as the difference between the premiums (or contributions) paid by the insured to the insurers and the indemnities (or benefits) anticipated by the insurers, increased by the property income generated by the reserves.

For non-life insurance, anticipated indemnities are the expected indemnities for the accounting period. The premiums actually paid by households are equal to the expected indemnities, increased by the insurance service (production costs and insurer's margin), and decreased by the property income generated (expected) from the investment of the premium paid at the beginning of the period.

For life insurance, the horizon of each policy is distant, the term of the indemnities (or benefits) is supplemented by changes in provisions that are (in variation) the future indemnities that the insurer anticipates having to pay for premiums (or benefits) they collect to date. Thus, output is valued as the sum of all premiums (or contributions) and property income from the investment of these premiums (or contributions) minus indemnities (or benefits) paid over the current period and the change in mathematical provisions [Figure 1-1].

Figure 1-1 : Output services of life insurance



2. Social insurance

To make comparable the national accounts of European countries, where social protection is not always shared in the same way between employers and public administrations, national accounting identifies a set of motives classified as social such as health, family, or retirement. If an employer funds an insurance system covering one of these motives, then this insurance is classified as "social". The financing of social insurance is included in the cost of labor (compensation of employees). The insured pay social contributions (D.61) and receive social benefits (D.62). In contrast, in non-life insurance (i.e., non-social), the insured pay premiums (D.71) and receive indemnities (D.72); these current transfer operations are not associated with a labor income dimension.

In France, the economic sector of insurance is primarily structured around three types of actors: insurance corporations, mutual entities, and provident institutions. They are distinguished by their legal status, their economic logic as well as their positioning in the different market segments (life insurance, health insurance, car insurance, etc.). There are also specialized units on pensions, under the legal status of Additional Professional Re-Treaty Organization (ORPS) since 2019. The Public Service Additional Retirement Establishment (Établissement de Retraite Additionnelle de la Fonction Publique, ERAFP) has also been collecting contributions since 2005.

3. A new sub-sector: the pension funds (S.129)

For the first time, the 2020 benchmark revision recognizes the existence of pension funds in S.129, which includes the ORPS and the ERAFP. They cover only retirement risk, they come under de facto social insurance. This recognition of the pension fund sector is accompanied by a refined treatment of pension insurance.

The description of pension fund activities in national accounts serves two purposes:

- To show payments from households and employers to pension funds as household contributions and, symmetrically, to display retirement pensions as social benefits received by households.
- To reflect the fact that contributions represent a saving for households (and symmetrically, retirement benefits represent dissaving); these are akin to financial transactions because pension rights are considered assets for households

To reconcile these two needs, national accounts use a specific operation from the account of gross disposable income use, "adjustment for the change in pension entitlements" (D.8), which contributes to household savings (B.8G) but not to gross disposable income (B.6G).

This methodological change results in a new accounting equality in the 2020 benchmark revision: gross disposable income no longer breaks down directly between savings and consumption. It is now necessary to increase savings by this adjustment for the change in pension entitlements, which essentially constitute "deferred savings." For issues of international comparability, the household savings rate formula is defined as the savings rate (B.8G) by the gross disposable income (B.6G) adjusted for changes in pension entitlements (B.8G): $B.8G/(B.6G+D.8)$.

4. Improving the border between non-life insurance (individual) and social

The 2020 benchmark revision provided an opportunity for significant work in redefining the scope of social insurance. In the 2014 benchmark revision, social insurance was defined based on the legal nature of the insurance entity: social insurance was associated with the activities of mutual entities and provident institutions, and individual insurance with the activities of insurance companies. With the generalization of supplementary health insurance starting in 2014 and the changes in the insurance market, it became apparent that the legal boundary had become poorly suited.

In 2020 benchmark revision, after consulting with the Ministry of Health Statistics (DREES), a new criterion was established: social insurance is identified through collective contracts, while non-life insurance is associated with individual contracts. Specifically, an individual contract is signed directly by an individual, whereas a collective contract is secured by a legal entity for the benefit of a group of individuals. This new distinction cuts across different types of insurers: insurance companies engage in some social insurance activities, while mutuals handle a portion of their business in non-life insurance. Moreover, this criterion enhances the integration with the social protection satellite account developed by DREES

In 2020 benchmark revision, the social component of insurance contributions was 13.0% in 2019 and was minimally impacted by the benchmark revision [▶ [Table 4-1](#)]. Indeed, the individual contracts

from mutuals entities and provident institutions are no longer included within the scope of social insurance in 2020 benchmark; group contracts managed by insurance companies are now included."

Table 4-1 : Share of social contributions paid to insurance companies on total contributions in 2019

	2014 Benchmark		2020 Benchmark	
Share of social contributions on total contributions	13.5%		13.0%	
Social contributions (D.61)	In billion (€)	Part	In billion (€)	Part
Total of social contributions (D.61)	35.1	100.0%	39.2	100.0%
<i>Of which insurance corporations</i>			18.9	48.2%
<i>Of which mutual entities</i>	20.5	58.5%	5.9	15.0%
<i>Of which provident institutions</i>	14.6	41.5%	11.2	28.6%
<i>Of which pension funds</i>			3.2	8.2%

Source : Insee, national accounts

5. Revising the calculation of non-life insurance service consumption

The 2020 benchmark revision was also an opportunity to re-estimate the share of different types of insured parties in non-life insurance. Specifically, the breakdown of consumption of motor vehicle non-life insurance services (and more broadly motor vehicle) among households and non-financial companies was updated using registration data compiled by the Ministry of Sustainable Development's statistical service (Service des données et études statistiques, SDES).

This methodological change affects the GDP level due to a conceptual correction applied to insurance expenses reported by companies. These charges, derived from the Esane database, typically include all gross premiums paid by these companies when they insure themselves. A conceptual correction makes it possible to distinguish within the premiums actually paid by the companies, the share relative to the insurance service (intermediate consumption) and the net premium traced in the income redistribution account.

In the 2014 benchmark revision, households constituted 54.5% of car insurance contracts, compared to 42.1% for non-financial corporations. In the 2020 benchmark revision, households represent 63.1% of car insurance contracts, compared to 33.3% for non-financial corporations.