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New York

Neuchâtel, 29 April 2008

Official in charge: Elena Marton Küttel,

Comments on final draft chapter 8: The redistribution of income account

Exhaustiveness

Section F “*Social benefits other than social transfers in kind (D53)*”

NPISHs should be mentioned as provider of social benefits.

Inconsistencies and incoherencies

§8.73 “*All social insurance schemes are founded on an employment relationship...*”

How can a social security scheme cover the entire community when it is clearly stated that “all social insurance schemes are founded on an employment relationship”?

In our opinion there is a contradiction between what is stated at the beginning of paragraph 8.73 and the following section 8.73a. See also our comments for chapter 17, paragraph 17.85 and paragraph 17.87.

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Comments on final draft SNA chapters Chapter 17: Cross-cutting and other special issues

General comments: demands for clarification and exhaustiveness

B.2 "Premium supplements"

No clear statement is made about the exclusion or not of holding gains and losses. We would appreciate a clarification.

Section B.5 part 1 chapter 17 "Defining insurance output"

Here again no reference is made as to whether the equation's items should be recorded exclusive of holding gains and losses (ESA95 prescription) or not. For instance, in §17.28 such a statement could be: "All items in the equation should be measured excluding holding gains and losses."

§17.72 "For annuities in operation, an extension of life expectancies will reduce the amount available to the insurance corporation as a service charge, possibly making this negative."

Negative production is an aberrant result, therefore clarification for the treatment of such cases is needed. Should the withdrawal of own funds be treated as a reduction of benefits due in order to obtain adjusted benefits due?

Table 17.1 "Accounts for individual non-life insurance"

It seems to us that independently of the method chosen to estimate non-life insurance service charge, actual claims would quite often be different from adjusted claims. Therefore, it would be better to consider capital transfers as being an usual flow. In this respect, we ask for a change in the numerical example. For a better comprehension of the accounts, the table should show the treatment of capital transfers (difference between adjusted claims and claims due, including the change in equalisation provisions) and their impact on the other transactions.

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§17.156 and §17.157 “*The relationship between the employer and the pension fund*”

This point is incompleated, as it does not specify the case where the employer cedes the risks of short-fall in the funds to a multi-employer fund.

For a matter of exhaustiveness, it is necessary to add explanations and a numerical example for the case mentioned above. (multi-employer funds).

Inconsistencies and incoherencies

§17.11/§17.61d (vs. §8.119) “*The share in the profits is treated as a current transfer from the reinsurer to the policy holder.*” And “*Commissions payable and profit sharing are recorded as current transfers...*”

It is not clear to us if **profit sharing** should be treated as “reinsurance claims” (D5422) or as “Miscellaneous current transfers” (D545). If profit sharing has to be included in reinsurance claims, then the definition of “reinsurance net premiums and claims” in paragraph 8.119 is incomplete, as it does not mention profit sharing. This is also true for **reinsurance commissions**, which should be **deducted** from reinsurance premiums payable according to paragraph 17.11, but are not mentioned in paragraph 8.119.

§17.57 “*Thus a direct insurer pays property income to its policy holders (...) but receives as an offset property income from the reinsurer (...)*”

Does this phrase mean that the amount of property income attributed to policyholders by direct insurers which have ceded part of their risks to a reinsurer contains not only actual investment income and net operating surplus earned by the direct insurer, but also an amount corresponding to the premium supplements that they received from the reinsurer? If yes, then the definitions of property income attributed to policyholders under section B.2 and in chapter 7, paragraphs 7.132 to 7.136 have to be completed.

We propose to add the following sentences in §17.18 and §7.135.1: “When an insurer reinsures itself (and also in case of retrocession), the amount of property income attributed to policy holders previously defined should be increased by the amount of premium supplements received from the reinsurer.”

§17.85 and §17.87 “*Social security is a form of social insurance scheme.*”

If the conditions for an insurance scheme to be a social insurance scheme (§17.85b) always concern workers (employment related insurance schemes) then social security may concern only workers (employed or non-employed) and no other category of beneficiaries (i.e. students, pensioners, invalids). In our opinion this definition is too restrictive. In some countries sickness insurance is provided by government to the entire community and not restricted to workers and their families. Moreover, the current definition is in contradiction with paragraph 8.73a.

We therefore ask to change the first condition under paragraph 17.85b as follows:

“Participation in the scheme is obligatory either by law or under the terms and conditions of employment.”

See also comments on table 17.5 below.

Errors in the tables

Table 17.3, 17.4 and 17.5 Pages 17-18 and 17-19

Tables concerning the uses side are missing.

Table 17.4 “*Accounts for non-pension social insurance benefits from unfunded other employment-related schemes*”

The numerical example does not show the production and consumption transactions described in paragraph 17.104. Furthermore, there is probably a mistake in the table, because the flows concerning the secondary distribution of income account (household total non-pension contributions, employers’ imputed non-pension contributions and unfunded non-pension benefits) are recorded as taking place between households and social insurance funds, which is opposite of what is stated in paragraph 17.105f.

Table 17.5 “*Accounts for funded non-pension social insurance benefits*”

We do not understand why in the use of income account there is a record for “change in non-pension entitlements” of -2. This is not explained in paragraph 17.109. Furthermore, we thought that the flow D.7 (see chapter 9, section A.4) would only concern pensions entitlements. Moreover, in the use of (adjusted) disposable income account there is not any transaction concerning change in non-pension entitlements.

Table 17.7 “*Accounts for pension payable under a defined contribution scheme*”

How is it possible that property income payable on pension entitlements (of 16.2) are so much higher than the property income (of 3) when there is obviously no net operating surplus from real estate to explain this (output of 1.4 corresponds only to the service charge)? Are there holding gains in the amount of 16.2? If not, then the numerical example is unrealistic.

Other errors

17.117 “*In certain jurisdictions it is possible...*”

This sentence is difficult to understand and should be rewritten.

Table 17.5 “*Accounts for non-pension social insurance benefits from unfunded other employment-related schemes*”

Error in the title: unfunded should be replaced by funded.

17.179 “*Another way in which...the pension plan **foe** existing...*”

Typing error.

Table 17.9 “*Detailed transactions concerning social insurance*”

Typing error: “change in pension **entitlements**.”