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DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS
STATISTICS DIVISION

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**Meeting of the Technical Subgroup for the
Classification of Individual Consumption According to Purpose
New York, 4-6 April 2017**

Division 12 INSURANCE AND FINANCIAL SERVICES

TSG-COICOP

PLEASE NOTE:

This document lists the comments provided by countries and international organisations during the second global consultation.

The document was compiled by the chair of TSG COICOP Ana Franco.

In addition the document contains comments received by the members of TSG COICOP responding to the comments received during the global consultation. Where this is the case the name and organisation / country of the TSG COICOP member is indicated.

Division 12

1. Comments received

- 62.2% of the countries prefer to have all insurances in Division 12 instead of having insurances classified together with the products of the same purpose, e.g. health insurance as a class in Division 06
- 54.9% agree or strongly agree in general with the proposed new structure for this division and 61.8% consider this proposal with the right level of detail.

- Areas where the classification is considered too detailed or without the appropriate detail:
 - o Too detailed: 12.1.4, (Lithuania, Germany)
 - o Too detailed 12.2.9 (Latvia, Lithuania, Poland, United Kingdom, Germany)
 - o 12.1.4.2 It is very difficult for households to separate the charges (e.g. for a travel health insurance). (Germany)
 - o 12.1.4.2 We recommend to include the Travel insurance in 12.1.5 Other insurance. (Germany)
 - o 12.2.9 is not suitable for private hh (Germany)
 - o Remove 12.2.9.9 "International financial..." and maintain 12.2.9.1 and 12.2.9.2 as in ECOICOP (Spain)
 - o Travel health insurance (12.1.3) and travel insurance (12.1.4.2) are usually bundled and better stay together. Also travel health insurance usually only covers extra costs compared to basic health insurance people have. Propose to include the Travel insurance in 12.1.5 Other insurance. '12.1.4.2 Travel insurance' is not suitable in '12.1.4 Insurance connected with transport'. It is better in '12.1.5 Other insurance'. (Netherlands, Korea, Poland)
 - o Medical transport (e.g. ambulance) insurance should be separately identified in 12.1.3 Insurance connected with health (Australia)
 - o Household contents insurance needs to be identified in 12.1.2 Insurance connected with the dwelling (Australia)
 - o We are strongly against dividing the Division 13 of the present COICOP into Divisions 12 and 13. Insurance and Financial Services are not significant enough to stay as individual division. It would cause fluctuations in the data. Life insurance and FISIM are not currently covered because they are not included in the household final monetary consumption expenditure or because the degree of methodological harmonization is not yet sufficient. Moreover for the small countries representability and number of services covered by Sub-classes 12.2.9.2 and 12.2.9.9 is limited, therefore Division 12 index will be calculated on the base of small number of services. (Belgium, Finland, Czech Republic, Arab Emirates, United Kingdom, Kenya, Portugal, Latvia, Hungary, Mauritius, Slovenia)
 - o Prices consider that division 13 should be merged with division 12. However National Accounts consider there to be merits in splitting division 12, as growth within it seems to be driven by Financial Services and/or insurance. This means that other elements within the division which are totally different to finance/insurance are artificially subordinated. (United Kingdom)

- A higher level of detail is required for class 12.1.3 Insurance connected with health. (Ecuador)
- The following goods or services within this division were proposed to be moved to a different division:
 - Move insurance to their relevant divisions and transfer financial services from 12.2 to the latter group (United Arab Emirates)
- Some products or services were mentioned as missing in this division. In most of the cases it is only not clear where they should be classified and they just should be included in the list of examples. The following products or services were mentioned:
 - Medical transport (e.g. ambulance) insurance should be separately identified in 12.1.3 (Australia)
 - Household contents insurance needs to be identified in 12.1.2 (Australia)
 - Unemployment insurance (ILO)
 - Insurance against theft of bicycles (not a motor vehicle) (Netherlands)
 - Pawn shops (Belize)
 - Payday loan companies (Belize)
 - Payments for loans from private individuals or organizations from the non –financial sector (Colombia)
 - Funeral insurance (South Africa)
 - Legal insurance (South Africa)
 - Pet medical insurance (South Africa)
- The terminology used is in general considered understandable by the average household by 89% of the countries. The following issues were considered needing clarifications:
 - The definition of service charge is unclear from the point of view of households. It is also not clear what "Service charges for social (compulsory) health insurance" mean. What is the meaning of "difference between claims due and premiums earned and premium supplement" at the point of view of households? While this definition may make sense to insurance companies, it does not that much sense for the household (i.e. how could the household earn premiums?). Given that this revision is for household consumption, a simpler definition such as premiums paid by the household, is more easily understandable. (Australia, World Bank, Chile, Eurostat, United Nations)
 - It was stated that insurance service charge is defined as "the difference between claims due and premiums earned and premium supplement". This definition should be updated in accordance with latest international guidelines (e.g. 2008 System of National Accounts). Alternatively, consider removing the definition to avoid confusion. (Singapore)
 - What should be included or excluded from group 12.2 FINANCIAL SERVICES N.E.C. Explanatory notes should include what types of services incorporate these subclasses to clarify. (United Kingdom)
 - "Charges by Post Offices" requires clarification. Is 12.2.9.9 the correct place to classify Bureau de Change? (United Kingdom)

- FISIM (Russia)
 - In the case of household surveys, respondents have little knowledge on charges of financial institutions.(Chile)
- Other relevant comments are:
- 12.2.9 is not suitable for private households (Germany)
 - Why remittance fees are not part of 12.2.9.1? (Netherlands)
 - In the case of household surveys, respondents have little knowledge on charges of financial institutions. (Chile)
 - Insurance and assurance are very different products. Assurance is more an investment. Does this need to be noted? (New Zealand)
 - 12.1.4.1 Motor vehicle insurance needs to explicitly include "civil liability or damage to third parties or their property arising from the operation of personal transport equipment" (Australia)
 - 12.1.5 Other insurance needs more examples (Australia, New Zealand)
 - It was stated that insurance service charge is defined as " the difference between claims due and premiums earned and premium supplement". This definition should be updated in accordance with latest international guidelines (e.g. 2008 System of National Accounts). Alternatively, consider removing the definition to avoid confusion. (Singapore)
 - The inclusion of accident insurance under health might be difficult to untangle with motor vehicle insurance. In many developing countries, vehicle insurance is required before vehicle registration can be issues. The most basic and cheapest of this kind of insurance is called third party liability which is basically accident insurance for the party that is injured. But how will households untangle the premium paid for this with motor vehicle insurance? (World bank)
 - How should we classify Health Insurance in travel which is bundled with 12.1.3.0 Insurance connected with health or 12.1.4.2 Travel insurance? It seems that in Poland such insurance is sold in packages with luggage, accident insurance, etc. We think that Health Insurance in travel should be part of the package Travel insurance.(Poland)
 - Will medical aid be classified under insurance connected with health 12.1.3.0 ? (South Africa)
 - To clarify how to classify package insurance services, e.g. a package including housing insurance and insurance of civil liability of housing owner. (Belarus)
 - 12.1.2 Insurance connected with the dwelling: does this include contents insurance? (New Zealand)
 - Service charges for travel health insurance now come under insurance connected with health. So far, we have shown the data under insurance connected with transport. A new survey would have to be established for travel insurance under NEW 12.1.4.2 to cover luggage insurance or insurance for change of travel plans, travel cancellation, etc. (Germany)
 - Is 12.2.9.9 the correct place to classify Bureau de Change? (United Kingdom)
 - The separation of Division 12 into two Divisors (12 and 13) is seen as logical and clear to some extent, but it should be kept in mind that life insurance and FISIM are

not currently covered because they are not included in the household final monetary consumption expenditure or because the degree of methodological harmonization is not yet sufficient. Moreover for the small countries representability and number of services covered by Sub-classes 12.2.9.2 and 12.2.9.9 is limited, therefore Division 12 index will be calculated on the base of small number of services. (Latvia)

- See also ISWGNA comments in annex.

2 - Issues not needing discussion

1 – Medical transport (e.g. ambulance) insurance should be separately identified in 12.1.3 Insurance connected with health

Ana, Eurostat: Ok, it will be included in the examples

Alexander, UNSD: OK

Alice, STATCAN: in my opinion, this is too detailed.

I would suggest inclusions such as:

- Service charges for disability
- Service charges for critical illness insurance
- Service charges for long-term care insurance
- Service charges for supplementary health insurance
- Service charges for supplementary prescription drug

2 – Household contents insurance needs to be identified in 12.1.2 Insurance connected with the dwelling

Ana, Eurostat: Ok, it will be included in the examples

Alexander, UNSD: OK

Andrew, NZ: Needs to be clear that contents insurance for a tenant in a rented property is different from contents insurance for a home owner

Alice, STATCAN: Agreed

3 – Where to classify Insurance against theft of bicycles (not a motor vehicle)

Ana, Eurostat: They will be included in 12.1.5 Other insurance

Alexander, UNSD: No, not in 12.1.5. In Germany they are often covered by the household contents insurance, so it is a bundle recorded under 12.1.2.0 Insurance connected with the dwelling. As a separate insurance, I would record it under: 12.1.4 Insurance connected with transport (S). Change the title of the subclass 12.1.4.1 into “insurance for personal transport equipment”.

Alice, STATCAN: classify in 12.1.2.0

4 - Where to classify Funeral insurance

Ana, Eurostat: They will be included in 12.1.5 Other insurance

Alexander, UNSD: This is a special type of a life insurance so in 12.1.1.0 Life insurance. They pay your funeral once you die.

Alice, STATCAN: propose 12.1.1.0 Life insurance

5 – Where to classify Legal insurance

Ana, Eurostat: They will be included in 12.1.5 Other insurance

Alexander, UNSD: OK

Alice, STATCAN: agreed

6 – Where to classify Pet medical insurance

Ana, Eurostat: They will be included in 12.1.5 Other insurance

Alexander, UNSD: OK

Alice, STATCAN: agreed

7 - "Charges by Post Offices" requires clarification.

Ana, Eurostat: "Charges by Post Offices" could be replaced by "Charges by Post Offices for financial services"

Andrew, NZ: So where post offices, as such do not exist, as is the case in NZ but there may be a postal outlet within a retail outlet – is that also covered.

Alexander, UNSD: We could say "Charges by banks, post office banks, savings banks and financial cooperatives".

Alice, STATCAN: agreed

8 –12.1.4.1 Motor vehicle insurance needs to explicitly include "civil liability or damage to third parties or their property arising from the operation of personal transport equipment"

Ana, Eurostat: ok

Alexander, UNSD: OK

9 - 12.1.5 Other insurance needs more examples

Ana, Eurostat: Ok. Examples from points 3, 4, 5 and 6 will be included.

Alexander, UNSD: OK

Alice, STATCAN: agreed

10 –The inclusion of accident insurance under health might be difficult to untangle with motor vehicle insurance. In many developing countries, vehicle insurance is required before vehicle registration can be issues. The most basic and cheapest of this kind of insurance is called third party liability which is basically accident insurance for the party that is injured. But how will households untangle the premium paid for this with motor vehicle insurance?

Ana, Eurostat: The accident insurance mentioned in 12.1.3 Insurance connected with health refers to accidents at work or other kind of accidents that do not involve driving personal transport. This will be mentioned in the exclusions to make it clearer.

Alice, STATCAN: agree

Add inclusion under 12.1.4.1

- Service charges for motor vehicle insurance that include accidental injury benefits

Alexander, UNSD: Third party liability insurances cover the damages to people by accidents caused by the policy holder. Whereas the accident insurance covers the damage to the policyholder him or herself. So they are two different things.

11 - Will medical aid be classified under insurance connected with health 12.1.3.0 ?

Ana, Eurostat: Yes, this is a kind of health insurance.

Alexander, UNSD: OK

12 - Define FISIM

Ana, Eurostat: We should have a note on how data should be provided for this class. For more information, see pages 83-84 of the Handbook on Financial Production, Flows and Stocks in the System of National Accounts on <http://unstats.un.org/unsd/nationalaccount/docs/FinancialHB.pdf>

Alexander, UNSD: In my opinion, the FISIM are probably out of scope of COICOP, as they are not really expenditures of households. They are the margins of the banks between the interest rates paid by savers and borrowers. Maybe consult the NA colleagues, what was the reason behind this to be included in COICOP.

3 - Issues needing discussion

1 – Too detailed: 12.1.4.

12.1.4.2 We recommend to include the Travel insurance in 12.1.5 Other insurance

12.1.4.2 It is very difficult for households to separate the charges (e.g. for a travel health insurance).

Travel health insurance (12.1.3) and travel insurance (12.1.4.2) are usually bundled and better stay together. Also travel health insurance usually only covers extra costs compared to basic health insurance people have. Propose to include the Travel insurance in 12.1.5 Other insurance. '12.1.4.2 Travel insurance' is not suitable in '12.1.4 Insurance connected with transport'. It is better in '12.1.5 Other insurance'.

Service charges for travel health insurance now come under insurance connected with health. So far, we have shown the data under insurance connected with transport. A new survey would have to be established for travel insurance under NEW 12.1.4.2 to cover luggage insurance or insurance for change of travel plans, travel cancellation, etc.

Ana, Eurostat: I agree that we could move Travel insurance and travel health insurance to 12.1.5 Other insurance although it is not so weird to see it connected with transport as there is no travelling without transport...

Andrew, NZ: It is a bit difficulty to distinguish travel insurance with a health component from that which has no health component. If you have private health insurance in NZ this does not cover you for travel overseas – you have to purchase separate cover, and then there is the case where purchasing flight or travel on credit card (may provide automatic travel/health insurance).

2 – Too detailed 12.2.9

12.2.9 is not suitable for private hh

Remove 12.2.9.9 "International financial..." and maintain 12.2.9.1 and 12.2.9.2 as in ECOICOP

Why remittance fees are not part of 12.2.9.1?

In the case of household surveys, respondents have little knowledge on charges of financial institutions.

Is 12.2.9.9 the correct place to classify Bureau de Change?

Ana, Eurostat: 12.2.9 contains expenditures made by the households although they are not always known. We could merge the 3 categories.

3 – We are strongly against dividing the Division 13 of the present COICOP into Divisions 12 and 13. Insurance and Financial Services are not significant enough to stay as individual division. It would cause fluctuations in the data. Life insurance and FISIM are not currently covered because they are not included in the household final monetary consumption expenditure or because the degree of methodological harmonization is not yet sufficient. Moreover for the small countries representability

and number of services covered by Sub-classes 12.2.9.2 and 12.2.9.9 is limited, therefore Division 12 index will be calculated on the base of small number of services.

Prices consider that division 13 should be merged with division 12. However National Accounts consider there to be merits in splitting division 12, as growth within it seems to be driven by Financial Services and/or insurance. This means that other elements within the division which are totally different to finance/insurance are artificially subordinated.

The separation of Division 12 into two Divisors (12 and 13) is seen as logical and clear to some extent, but it should be kept in mind that life insurance and FISIM are not currently covered because they are not included in the household final monetary consumption expenditure or because the degree of methodological harmonization is not yet sufficient. Moreover for the small countries representability and number of services covered by Sub-classes 12.2.9.2 and 12.2.9.9 is limited, therefore Division 12 index will be calculated on the base of small number of services.

Ana, Eurostat: Too many countries are against this split. We should put the 2 Divisions together again.

4 – A higher level of detail is required for class 12.1.3 Insurance connected with health.

Ana, Eurostat: As there is no concrete proposal I would not take this proposal into consideration.

Andrew, NZ: Where does disability insurance/income protection cover get classified? You pay a premium to cover for your salary if you are off work through injury for a period of time, usually the insurance is available after a 6 week stand-down but you may/may not return to work. It is not the same as accident insurance

5 – Where to classify Unemployment insurance?

Ana, Eurostat: I'm not sure that this isn't out of scope of COICOP...

Andrew, NZ: Is this insurance covering the risk of being made unemployed – would not be that common would it?

6 – Where to classify payments to Pawn shops, Payday loan companies or for loans from private individuals or organizations from the non-financial sector

Ana, Eurostat: Can we classify them in 12.2.9 Other financial services n.e.c. although this are organizations from the non-financial sector?

7 –The definition of service charge is unclear from the point of view of households. It is also not clear what "Service charges for social (compulsory) health insurance" mean. What is the meaning of "difference between claims due and premiums earned and premium supplement" at the point of view of households? While this definition may make sense to insurance companies, it does not that much sense for the household (i.e. how could the household earn premiums?). Given that this revision is for household consumption, a simpler definition such as premiums paid by the household, is more easily understandable.

Ana, Eurostat: We need to improve these definitions. According to Herman the § on the definition of insurance service should be removed as the method to calculate output of insurance in the 2008 SNA has been enhanced and is not just based on actual claims due and actual premium supplements. However we need to replace it by the correct definition.

Andrew, NZ: Should use latest SNA definitions if at all possible.

8 –What should be included or excluded from group 12.2 FINANCIAL SERVICES N.E.C. Explanatory notes should include what types of services incorporate these subclasses to clarify.

Ana, Eurostat: Examples already exist. We should discuss if more examples should be given.

9 – Insurance and assurance are very different products. Assurance is more an investment. Does this need to be noted?

Ana, Eurostat: I wonder if this is not a mistake... It should be life insurance, death benefit insurance, education insurance, etc.... isn't it?

Andrew, NZ: Shouldn't be noted as assurance as it is different

10 –To clarify how to classify package insurance services, e.g. a package including housing insurance and insurance of civil liability of housing owner.

Ana, Eurostat: Shall we include a class for bundles of insurances like we have done for telecommunications? I don't like to include bundles because we break the principle of mutual exclusivity but it is true that bundles are common in insurances.

Andrew, NZ: Given you can bundle contents, car, house and life insurance it might be worth trying to allow for this as payments can be done as one lump sum instead of multiple.

Alana, NZ: Like telecommunications I am not sure if this is a good idea.....yes these bundle packages exist, but they are so varied that will we have to create sub-categories of all possible bundles (to compare like with like)? And then there is the mutual exclusivity problem! Really requires further discussion.

Annex: Comments from Herman Smith (representative of ISWGNA)

12 INSURANCE AND FINANCIAL SERVICES

12.1 INSURANCE

Service charges for insurance are classified by type of insurance, namely: life insurance and non-life insurance (that is, insurance in connection with the dwelling, health, transport, etc.). Service charges for multi-risk insurance covering several risks should be classified on the basis of the cost of the principal risk if it is not possible to allocate the service charges to the various risks covered.

Service charge is defined as the difference between claims due and premiums earned and premium supplement.

Comment [UNSD1]: This should be removed as the method to calculate output of insurance in the 2008 SNA has been enhanced and is not just based on actual claims due and actual premium supplements

12.1.1 Life insurance

Includes:

- service charges for life assurance, death benefit assurance, education assurance, etc.

12.1.1.0 Life insurance

Includes:

- service charges for life assurance, annuities, death benefit assurance, education assurance, etc.

Comment [UNSD2]: The 2008 SNA discusses annuities more thoroughly compared to the 1993 SNA and classifies these financial instruments with life insurance

12.1.2 Insurance connected with the dwelling

- service charges paid by owner-occupiers and by tenants for the kinds of insurance typically taken out by tenants against fire, theft, water damage, etc.

Excludes: service charges paid by owner-occupiers for the kinds of insurance typically taken out by landlords (intermediate consumption).

12.1.2.0 Insurance connected with the dwelling

Includes:

- service charges paid by owner-occupiers and by tenants for the kinds of insurance typically taken out by tenants against fire, theft, water damage, etc.

Excludes:

- service charges paid by owner-occupiers for the kinds of insurance typically taken out by landlords (intermediate consumption)

12.1.3 Insurance connected with health

- service charges for direct sickness and accident insurance.

- service charges for social health insurance

- service charges for travel health insurance

Comment [UNSD3]: Change to direct because there are also private insurance providers for social compulsory insurance

Comment [UNSD4]: See comment 1

12.1.3.0 Insurance connected with health

Includes:

- service charges for direct sickness and accident insurance.

- service charges for social health insurance

- service charges for travel health insurance

Comment [UNSD5]: See comment 5

Comment [UNSD6]: See comment 1

12.1.4 Insurance connected with transport

- service charges for insurance in respect of personal transport equipment;
- service charges for travel insurance (for change of travel plans, travel cancellation, etc.) and luggage insurance.

12.1.4.1 Motor vehicle insurance

Includes:

- service charges for insurance in respect of personal transport equipment

12.1.4.2 Travel insurance

Includes:

- service charges for travel insurance (for change of travel plans, travel cancellation, etc.) and luggage insurance

Excludes:

- travel health insurance (12.1.3.0)

12.1.5 Other insurance

Includes:

- service charges for other insurance such as civil liability for injury or damage to third parties or their property.

- service charges for standardized guarantees

Excludes: civil liability or damage to third parties or their property arising from the operation of personal transport equipment (12.1.4).

12.1.5.0 Other insurance

Includes:

- service charges for other insurance such as civil liability for injury or damage to third parties or their property

- service charges for standardized guarantees

Excludes: civil liability or damage to third parties or their property arising from the operation of personal transport equipment (12.1.4).

12.2 FINANCIAL SERVICES

12.2.1 FISIM

Includes:

- financial intermediation services indirectly measured.

12.2.1.0 FISIM

Includes:

- financial intermediation services indirectly measured

- implicit financial services provided by moneylenders, credit card issuers, finance associates of retailers who may be responsible for financial leasing, pawnshops and corporations involved in lending (for example, in providing student loans and import/export loans)

12.2.9 Other financial services n.e.c.

Includes:

- actual charges for the financial services of banks, post offices, saving banks, money changers and similar financial institutions;
- fees and service charges of money market funds, non-money market investment funds, brokers,

Comment [UNSD7]: This was introduced in the 2008 SNA. For more information, see pages 145-147 of the Handbook on Financial Production, Flows and Stocks in the System of National Accounts on <http://unstats.un.org/unsd/nationalaccount/docs/FinancialHB.pdf>

Comment [UNSD8]: See comment 9

Comment [UNSD9]: Division 12 is INSURANCE AND FINANCIAL SERVICES

Comment [UNSD10]: For more information, see pages 83-84 of the Handbook on Financial Production, Flows and Stocks in the System of National Accounts on <http://unstats.un.org/unsd/nationalaccount/docs/FinancialHB.pdf>

Comment [UNSD11]: For more information, see table 3.1 of the Handbook on Financial Production, Flows and Stocks in the System of National Accounts on <http://unstats.un.org/unsd/nationalaccount/docs/FinancialHB.pdf>

- investment counsellors, tax consultants and the like;
– administrative charges of pension funds and the like.
- remittance fees

Comment [UNSD12]: Tax consultancies are classified in Division 69 (Legal and accounting activities) in ISIC Rev. 4. Thus, it should be better to include them in coicop 13.4

Comment [UNSD13]: Remove private because service charges are also relevant for pension funds allocated to the general government sector

12.2.9.1 Charges by banks and post offices

Includes:

- charges for the financial services of saving banks, money changers and similar financial institutions

12.2.9.2 Fees and service charges of brokers, investment counsellors

Includes:

- charges for the financial services of tax consultants and the like

12.2.9.9 Other financial services n.e.c

Includes:

- remittances fees
- administrative charges of pension funds and the like
- other financial services n.e.c.

Comment [UNSD14]: If "international" means transactions between residents and non-resident units, then the list will most likely comprise more than only remittances, but any of the financial and insurance services listed above. "International financial services" should therefore be removed

Comment [UNSD15]: Remove private because service charges are also relevant for pension funds allocated to the general government sector