

# **Case study 5: Insurance services, Financial services and Other business services**

## **1. Results of the questionnaire (a first analysis)**

- ❖ out of 20 countries 16 sent questionnaires
- ❖ a total of 18 questionnaires were received

## **2. Coverage according to EBOPS**

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## **Replies to question 39: Major transactions included in Insurance services**

- ❖ Freight insurance,
- ❖ Life insurance
- ❖ Other direct insurance (i.e. accident, health, motor vehicle)
- ❖ Reinsurance
- ❖ Auxiliary services to insurance (i.e. brokerage and agency services).

## **Replies to question 40: Main data sources for Insurance services**

- ❖ Records of banks and insurance companies
- ❖ Information from oversight and regulation bodies for insurance and finance
- ❖ Administrative records such as customs information, foreign exchange records and tax records
- ❖ Surveys of insurance companies

### **Replies to question 41a:**

**Do you compile exports freight insurance services in accordance with the FOB valuation of goods (MSITS 3.103) ?**

→ 5 countries replied with YES and  
6 countries replied with NO

### **Replies to question 41b:**

**Do you compile imports freight insurance services in accordance with the FOB valuation of goods (MSITS 3.103) ?**

→ 10 countries replied with YES and  
2 countries replied with NO

## Replies to question 42:

Do you record as memorandum items “Gross premiums” and “Gross claims” for “Life insurance”, “Freight insurance” and “Other direct insurance”?

- 4 countries replied with YES and
- 8 countries replied with NO

## **Replies to question 43: Major transactions included in Financial services**

- ❖ In general, all commissions and fees for financial intermediation and banking services, in particular for foreign debt.

## **Replies to question 44: Main data sources for Financial services**

- ❖ Survey of financial institutions, surveys of all enterprises
- ❖ Information from oversight and regulation bodies for financial institutions
- ❖ Administrative records such as exchange records, administrative records for regarding foreign debt.

## **Replies to question 45:**

**Do you compile the memorandum items “Financial intermediation services indirectly measured” (FISIM) and the total of “Financial services including FISIM” as suggested by the MSITS (para 3.108 - 3.114) ?**

→ **All countries replied with NO**

## **Replies to question 51: Major transactions included in Other business services**

### **Large number of different services:**

- ❖ Operational leasing services such as for heavy machinery
- ❖ Merchanting services
- ❖ Legal, accounting etc. services
- ❖ Advertising, marketing services
- ❖ Architectural, engineering and other technical services
- ❖ Personnel services
- ❖ Security services
- ❖ Etc.

## **Replies to question 52: Main data sources for Other business services**

- ❖ Surveys of specialized and non-specialized enterprises
- ❖ Administrative records such as exchange records, custom records (trade related services)
- ❖ Various other sources

## Insurance services – definition and valuation

- ❖ ***Insurance services*** covers the provision of various types of insurance to non-residents by resident insurance enterprises, and vice versa.
- ❖ These services are estimated or valued by the service charges included in total premiums rather than by the total value of the premiums.

## Insurance services – components

- ❖ The present *Manual* recommends that *insurance services* be disaggregated into five separate components:
  1. **Life insurance and pension funding** (*does not include social security schemes*),
  2. **Freight insurance**,
  3. **Other direct insurance** (*i.e. accident, health, motor vehicle*)
  4. **Reinsurance**, and
  5. **Auxiliary services to insurance** (*i.e. brokerage and agency services*).  
(This is a disaggregation of the BPM5 classification.)
  
- ❖ Information on **gross premiums** and **gross claims**, separately for each of life insurance, freight insurance and other direct insurance, is recorded in the memorandum items.

## Financial services – definition

- ❖ ***Financial services*** covers financial intermediation and auxiliary services that are conducted between residents and non-residents
  - except those of life insurance enterprises and pension funds (which are included in *life insurance and pension funding*) and other insurance services.

## Financial services – includes/ excludes

	<p><b>Services charged directly</b></p>
	<p>- Explicit and implicit commissions and fees associated with financial transactions (Financial leasing, Factoring, Brokerage etc.)</p>
	<p>- Financial advisory services, Financial asset management services, M&amp;A services, Corporate finance services, etc.</p>
	<p><b>Financial intermediation services indirectly measured (FISIM) - not charged directly</b></p>
	<p>- Net receipts of interest of financial intermediation (interest receivable on loan and deposit assets minus interest payable liabilities)</p>
	<p style="background-color: #90EE90;">- To be recorded in memorandum item</p>

## Other business services

- ❖ The coverage of **Other business services** is identical to the coverage of the BPM5 component; however, the disaggregation proposed is more detailed than that of BPM5, although it corresponds broadly to the BPM5 supplementary breakdown
- ❖ Three BPM5 categories – two with further breakdown
  1. Merchanting and other trade-related services
  2. Operational leasing
  3. Miscellaneous business, professional, and technical services

Merchanting and other trade related services – further breakdown

❖ **Merchanting** = purchase of a good by a resident of the compiling economy from a nonresident and the subsequent resale of the good to another non-resident

- during the process the good does not enter or leave the compiling economy.
- value of merchanting services = difference between the value of goods when acquired and the value when sold.
- memorandum item: **Merchanting gross flows** to allow for the reporting of the value of the goods

Merchanting and other trade related services – further breakdown

- ❖ **Other trade-related services** covers commissions on goods and service transactions between (a) resident merchants, commodity brokers, dealers, and commission agents and (b) non-residents.
- ❖ Includes / excludes:
  - ❖ transactions in ships, aircraft and sales of goods by auction.
  - franchising fees (included in franchises *and similar rights*),
  - brokerage in financial services (included in *financial services*) and
  - Transport related fees (included in the appropriate component of *transportation services*).

## Operational leasing

- ❖ **Operational leasing services** covers resident/nonresident leasing (rental) and charters, without operators, of ships, aircraft and transportation equipment, such as railway cars, containers and rigs, without crew.
- ❖ Includes / excludes
  - ❖ Leasing payments relating to other types of goods
    - Financial leasing (financing of purchase of a capital good)
    - Leasing of telecommunications lines or capacity (included in *telecommunications services*)
    - Rental of ships and aircraft with crew (included in *transportation services*)
    - Rental of vehicles to foreign travelers (included in *travel*).

## Miscellaneous business, professional, and technical services

### ❖ Detailed breakdown

#### 1 Legal, accounting, management consulting, and public relations

- 1.1 Legal services
- 1.2 Accounting, auditing, bookkeeping, and tax consulting services
- 1.3 Business and management consulting and public relations services

#### 2 Advertising, market research, and public opinion polling

#### 3 Research and development

#### 4 Architectural, engineering, and other technical services

#### 5 Agricultural, mining, and on-site processing services

- 5.1 Waste treatment and de-pollution
- 5.2 Agricultural, mining, and other on-site processing services

#### 6 Other business services ← slide

#### 7 Services between related enterprises, n.i.e. ← slide

(BPM5 supplementary items)

## → Other business services

❖ **Other business services** = any other business services transactions between residents and non-residents that cannot be classified to any of the business services listed above

- ❖ Placement of personnel
- ❖ Security and investigative services
- ❖ Translation and interpretation
- ❖ Photographic services
- ❖ Building cleaning
- ❖ Real estate services to businesses
- ❖ Distribution services of electricity, water, gas and other petroleum products, where these are identifiable separately from transmission services (included in *pipeline transport and electricity transmission*).

→ Services between related enterprises, n.i.e.

❖ **Services between related enterprises, n.i.e.**

Residual category covering payments between related enterprises for services that cannot be specifically classified to any other component of EBOPS

- ❖ Contributions to the general management costs of the branches, subsidiaries and associates (for planning, organizing and controlling)
- ❖ Reimbursements of expenses settled directly by parent enterprises
- ❖ Overhead expenses

**Thank you**