Qn. 1 What happens when the Central bank is fully funded by the Ministry of Finance. Does this not lead to double counting of output?

Ans: If Ministry of Finance or a government unit carries out the functions of monetary policy and there is no central bank, then the unit belongs to general government sector. Please see the write up in the PPT “Some countries may not have central banks and their activities are performed by government units under the direct control and supervision of central government. Such government units are classified under government sector and not under financial corporations.” Normally, the central banks generate their own revenues and it is unlikely that they are fully funded by Ministry of Finance. It is possible that a unit of Ministry of Finance carries out the functions of central bank, in which case, the unit belongs to general government.

Qn. 2 Is the investment revenue considered part of premium supplements?

Ans: Yes, the investment income earned from investing the technical reserves is the premium supplement.

Qn. 3 How should income from real estate held by insurance companies (premium supplements or real estate production) be considered?

Ans: Income from real estate owned by insurance companies is rental income and is part of output. This is not premium supplement, as the real estate does not belong to the policyholders. Only the investment income from technical reserves is the premium supplement, as the technical reserves belong to policyholders.

Qn. 4 Can we have the excel files that exist in this presentation

Ans: Excel files were sent today morning. They may not be linked to the presentation, as these files were sent separately. Participants can hyperlink these excel sheets to the presentation by right clicking the texts Bridge table at the three places in the presentation.

Qn. 5 How is the calculation of insurance services determined?

Ans: All the data required for estimating insurance service charges should be available in the accounts of insurance companies. The formulas for estimating these service charges (which is part of the output of insurance companies) is:

**Non-Life insurance**

Output of non-life insurance = Actual premiums earned + premium supplements – adjusted claims incurred, where Adjusted claims = claims incurred + changes in
equalization provisions (changes in equalization provisions is an entry in the accounts of insurance corporations that gives a guide to the funds the insurance corporations set aside to meet unexpectedly large claims. In circumstances where the equalization provisions are insufficient to bring adjusted claims back to a normal level, some contribution from own funds must be added also).

**Life Insurance**

Output of life insurance = Premiums earned + premium supplements – benefits due – increases (plus decreases) in actuarial reserves and reserves for with-profits insurance

Qn. 6 Can you repeat the transactions that exists between the central bank and the public administration in case of a non-market production?

Ans: Non market services of central bank are consumed by the community as a whole, which means these should be part of collective consumption. However, corporations cannot have final consumption. Therefore, the non-market output of the central bank should be recorded as collective consumption expenditure by general government. However, the general government does not actually make outlays on the non-market output of the central bank. Therefore, a current transfer equivalent to the value of the non-market output should be recorded as payable by the central bank and receivable by the general government to cover the purchase of the non-market output of the central bank by government.

Please see the bridge table (excel file) and the example given in slide 12 in the PPT.

Qn. 7 How do we treat the production of a central bank in a currency union?

The SNA recommends treating the unit as nonresident. Please refer to paragraph 4.176 of the SNA which is reproduced below:

4.176 The central bank of a currency union is treated as a special kind of international organization. The members of the international organization of which the central bank is part are the governments or the national central banks of the countries in the currency union. The central bank is treated as being non-resident in any of the member countries of the currency union but is resident in the currency area as a whole. More on the treatment of currency and economic unions can be found in appendix 3 of BPM6.