

Explanatory notes for insurance companies and pension funds

(Source: System of National Accounts 2008)

A company is the smallest unit with its own balance sheet and profit and loss account. In terms of the National Accounts a company consists of one or more establishments on the same island. For this purpose foreign branches (also branches on the other islands of the former Netherlands Antilles) are considered third parties.

Attention: The amounts on the questionnaire must be entered in thousands of guilders and rounded correctly. An amount of NAf 5,000.00 should be rounded to 5; NAf 5,499.00 should also be rounded to 5. NAf 5,500.00 should be rounded to 6.

- 3 The purpose of this question is to get an insight at the level of Foreign Direct Investment (FDI). FDI is an investment of an individual or entity in a foreign country (not the country of residence), designed to acquire control or substantial influence over the decision making of the business.
- 4 The main activity is the activity which generates the largest revenue, or in which the largest number of employees is engaged. The first criterion is preferred. The main activity will be given a code by the CBS.
- 9 Paid personnel includes all personnel on the payroll (loonstaten) of the months under study, **including** personnel working less than 25 hours a week. Part time workers on the payroll who are stated at question 10, also should be included in the totals at question 9. Important note: temporary staff (temporary workers, casual workers, consultants etc.) should not be included here. The costs of temporary staff should be entered at question 24.
- 10 Part-time workers on the payroll mentioned here should also be included in the totals at question 9.
- 11 Non-paid personnel: proprietors and family members working in the company who are not on the payroll. These don't include casual laborers cleaning the office or the garden, etc.
- 12 The average number of personnel preferably should be calculated as the average over the 12 months of the financial year. Non-paid personnel should be included in this average.
- 13 The premiums earned are equal to those parts of the premiums payable in the current or previous periods which cover the risks incurred during the accounting period in question. They are not equal to the premiums actually payable during the accounting period, as only part of the period covered by an individual premium may fall within the accounting period in which it is payable. These premiums cover risks in the current and future accounting period. The prepayment of premiums, which refer to those parts of the premium which cover risks in the subsequent accounting period or periods, form part of the technical reserves. Thus total premiums earned are equal to premiums receivable less the value of the changes in the reserves due to prepayment of premiums. Commissions should not be included.
- 14 For both insurance and pension funds, the total amount of claims/benefits paid often exceeds the amount of premiums receivable. This is possible because the contingencies covered by the policies do not occur in the same period as the premiums are paid. Premiums are paid regularly,

whereas claims/benefits fall due later, especially in the case of life insurance. In the time between the payment of the premium and the claim being receivable, the money is at the disposal of the companies to invest and earn income from it.

The net investment income earned allocated to technical provisions is equal to the income from investment of the insurance technical reserves. These reserves consist of:

- pre-paid premiums resulting from the difference between the actual premiums earned and the premiums payable
- reserves against outstanding claims resulting from the difference between the claims due and claims actually payable
- actuarial reserves for life insurance and reserves for with-profit insurance

17 Changes in technical reserves are equal to the changes in the actuarial reserves and reserves for with-profit insurance. These consist of allocations to the actuarial reserves and reserves for with-profits insurance policies to build up the capital sums guaranteed under these policies. Most of these reserves are related to life insurance, but they may be needed in the case of non-life insurance when claims are paid out as annuities instead of lump sums.

18 Although claims become due for payment by the insurance corporation when the contingency specified in the policy eventuates, they may not be actually payable until some time later, often because of negotiation about the amounts due. The claims in this question refer to the claims which become due for payment during the accounting period. They are equal to the claims actually payable within the accounting period plus the changes in the reserves against the outstanding claims.

Description of sectors (relevant for question 13, 14 and 18)

The non-financial corporations sector includes:

- ✓ all non-financial corporate enterprises (NV,BV,CV)
- ✓ non-financial holding corporations
- ✓ non-financial quasi sole proprietorship businesses
- ✓ non-financial quasi corporate partnerships
- ✓ non financial quasi corporate market non-profit institutions serving businesses

The government sector includes:

- ✓ the local and central government departments
- ✓ non-market non-profit institutions mainly controlled and financed by government
- ✓ unincorporated government enterprises which are not quasi corporate

Note

A quasi corporation is an unincorporated enterprise that functions as a corporation in the sense that it has a complete set of accounts consisting of profit and loss accounts and balance sheets, and must be able to make independent decisions. According to the business census about two-third of all sole proprietorship businesses and almost all partnerships are quasi corporations.

20 Mention only the depreciation on tangible fixed assets, **not** on goodwill for example.

21 Only basic salaries of the company's personnel should be included. Payments to third parties (contractors, employment agencies, etc.) should be included in question 23 (other operational costs). Include income of owners only if it is on the payroll. Deduct the sickness benefits which have been received from the social security bank (SVB).

Do not include wage costs pertaining to investments on own account. These should be stated at question 47.

Other personnel expenses cover overtime pay, staff bonuses, gratuities, dearness and holiday allowances, value of wages in kind (free lodging, free meals, transportation) social events and commissions to own sales staff. Distribution of profits to directors and other personnel should also be mentioned here. Expenses for training and professional working

clothes are **not** personnel expenses, these costs are included in other operational costs(23).

- 22 Social security contributions include the **employers** part of premiums paid to the SVB (AOV/AWW and sickness insurance), and other private insurances paid on behalf of the personnel (e.g. pension premiums and private sickness insurances). Include severance payments (cessantia) if these were paid out directly to the employee.
- 23 Other operational costs include **all other** non-durable goods and services purchased from third parties, with the exception of donations to provisions (p.e. dubious debtors) or other extraordinary expenses, like difference in prices etc. Extraordinary, non operational costs, should be filled out at question 29.
- 27 Other financial income and expenses concerns costs such as difference in prices, bank costs and such.
- 28 Look at the notes to questions 40 through 46, concerning the disposals, for the amount which needs to be filled out at this question. It concerns the difference between the proceeds and the book value, which can be a negative or a positive amount.
- 29 Other extraordinary income/expenses include costs such as damages, donations to or release of provisions and such-like.
- 38 The book value should be given here, i.e. acquisition minus the accumulated depreciation
- 39 Total assets on the balance sheet. These are the combined possessions on the balance date, and is in most cases **not** the same as question 38.

Use the depreciation schedule to answer the questions about investments and disposals

40 through 46

Investments in tangible fixed assets include the purchase value of all durable means of production (capital goods) purchased during the financial year.

Durable means of production are goods which have an expected life time of more than 1 year. Capital goods that are leased by way of an operational lease should not be included here.

Investments should also include the cost of installations, architect costs, notary and other transfer costs, cost of permanent fixture in buildings, as well as expenses for capital repairs. Funds invested during the fiscal year in construction projects which have not yet been delivered should also be included.

Do **not** include: investments in foreign branches (or other islands of the former Netherlands Antilles), take-over of existing firms which will continue their operations unchanged, and investments in intangible assets like goodwill, copyright and patents, also no portfolio investments.

Other construction and groundwork includes non-commercial buildings, such as dwellings, association buildings, sports facilities, construction of parking lots and asphaltting.

In the column for ***disposals*** the total proceeds (sales value) from sales of tangible fixed assets that were in use by the company should be stated. Differences between proceeds of the sale and book value of the capital goods sold should be mentioned at question 28.

- 47 Investments produced or installed on own account include the manufacturing, construction and/or installation of fixed assets (buildings, machinery, installations, etc.) for the company's use (not for sales purposes). In this case, all goods and services obtained from third parties should be deducted. The remaining part of the investments on own account consists of two parts: labour costs of own personnel and overhead costs. This subdivision should be given at the questions 48 and 49.
- 50 Recently, the **costs of research and development (R&D)** have been included in the **investments**. R&D is creative work undertaken on a systematic (regular) basis for the purpose of discovering or developing new products, improve existing products or discovering or developing new or more efficient processes of production (innovation). R&D is treated as gross fixed capital formation (investment) in cases where it is obvious that the activity entails economic benefit for its owner. Otherwise, the activities are treated as intermediate consumption (question 20 through 23).

Examples of R&D

- Production companies (agriculture, fishing, mining, manufacturing, electricity, gas, water, waste management, construction): research into new production methods.
- Software-related activities: the effort to resolve conflicts within hardware or software; the development of business application software and information systems.
- Banking and insurance: the development of new software for home banking; the development of techniques for investigating consumer behavior for the purpose of creating new types of accounts and banking services; research on social phenomena with an impact on new types of insurance (health, retirement, etc.); R&D related to new or significantly improved financial services (new concepts for accounts, loans, insurance and saving instruments).
- Other services: analysis of the effects of economic and social change on consumption and leisure activities; the development of new methods for measuring consumer expectations and preferences; research into new travel and holiday concepts.

How to value R&D:

- R&D undertaken by specialized commercial research laboratories or institutes should be valued by receipts from sales, contracts, commissions, fees, etc.
- R&D undertaken by government units, universities, non-profit research institutes, etc. should be valued on the basis of the total costs incurred.
- If R&D is undertaken on your own behalf, the value should be estimated as if subcontracted commercially or on the basis of the total production costs including the costs of fixed assets used in production.