



Experience in Starting of Measurement of Services Index

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INTRODUCTION

- India's GDP growth since the 90's has been led by services sector
- **Service sector growth has increased from 8.0% in 2012-13 to 9.1% in 2013-14 and further to 10.6% in 2014-15.**
- Currently India estimates Wholesale Price Index which covers only goods and not services
- However the Consumer Price Index in India covers some services like housing, education, health etc. but at B to C and not B to B level.
- Decision to include service sector prices in WPI/ PPI in India taken in principle
- Currently development of business service sector price indices is at an experimental stage
- Efforts are on to include both B to B and B to C services

Growth rate of service sector in India

Sector/ Indicator	y-o-y growth rate (%)				
	2010-11	2011-12	2012-13	2013-14	2014-15
GDP at constant prices (base year: 2011-12)	9.1	6.7	4.9	6.6	7.2
Services	9.8	6.6	8	9.1	10.2

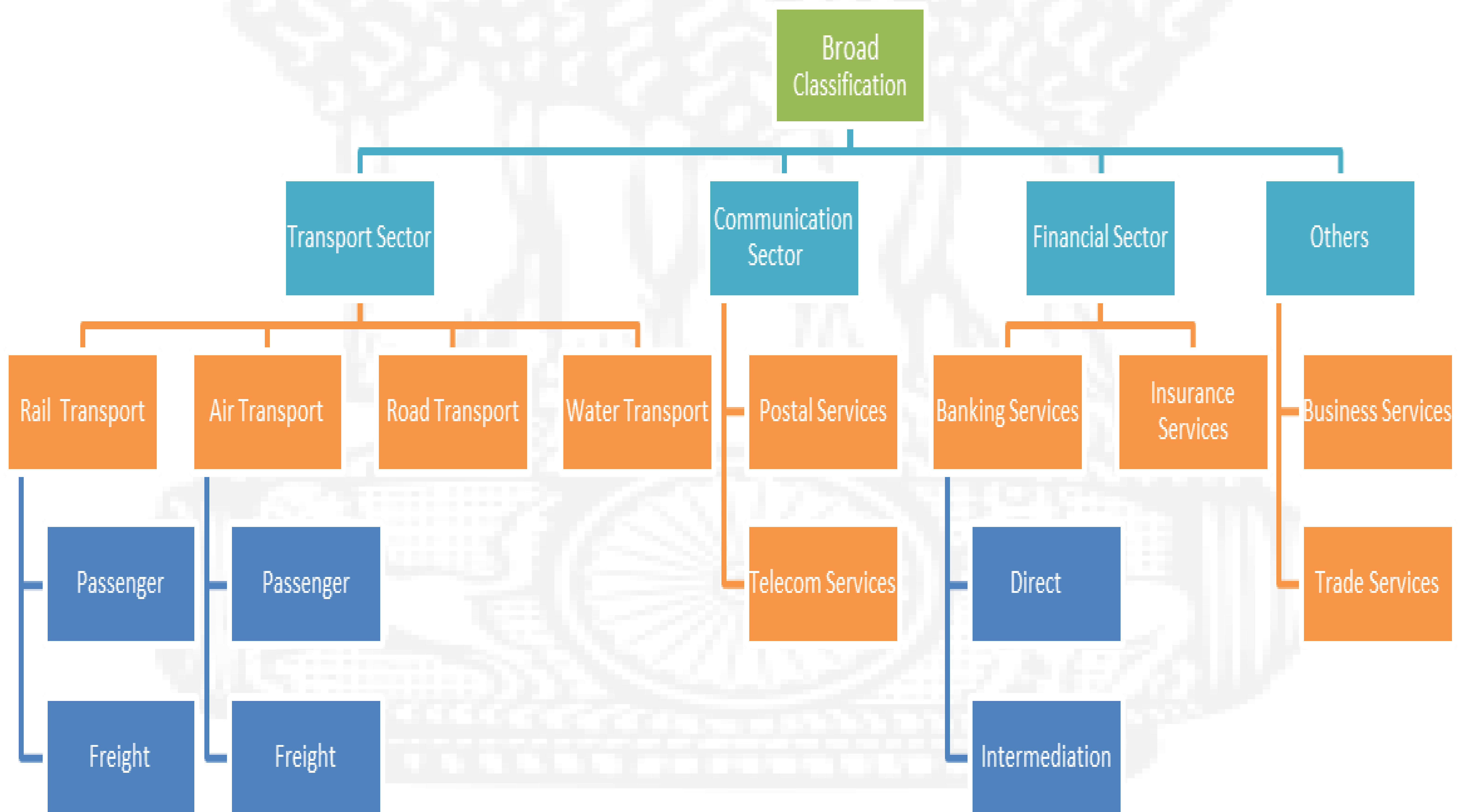
<u>Name of Service</u>	<u>Turnover statistics</u>	<u>Price statistics</u>
Rail transport	Yes	Yes
Air transport	Yes	Yes
Port Services	Yes	Yes
Banking Services	Yes	Yes
Insurance Service	Yes	Yes
Postal Service	Yes	Yes
Telecommunication Service	Yes	Yes
Road transport (Freight) Service	No	Yes
Trade Services	No	Yes
Business Services	No	Yes
Health Services	Yes	No
Education Services	Yes	No

CURRENT STATUS OF DEVELOPMENT OF BUSINESS SERVICE PRICE INDEX IN INDIA FOR INCLUSION IN WPI/PPI

- **So far five business service indices have been compiled on an experimental basis**
 - 1. Rail**
 - 2. Air transport**
 - 3. Banking**
 - 4. Postal**
 - 5. Telecom**
- Fixed base Laspeyres' method has been used in all cases as is currently being done for Wholesale Price Index estimation

OVERVIEW OF PROPOSED SERVICE PRICE INDEX

All indices are expected to be integrated as per the following framework:



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Background

- MoSPI to prepare test indices for each sector
- Methodology to be handed over to the concerned administrative ministry/office for future compilation
- Base year 2004-05 for the sectors for which test indices already prepared
- For others base year to be taken as 2011-12, the base year for GDP; BY to be changed whenever BY for GDP is changed.
- Periodicity: Quarterly but can be shifted to six-monthly/annual if data is NA quarterly
- Methodology used : Laspeyre

RAILWAY SERVICE PRICE INDEX

Section		Division		Group		Class		Sub Class
NIC (2008)	ISIC (2008)	NIC (2008)	ISIC (2008)	NIC (2008)	ISIC (2008)	NIC (2008)	ISIC (2008)	NIC (2008)
H-	H-	49-	49-	491-	491-	4911-	4911-	49110-
Transport and Storage	Transport and Storage	Land transport and transport via pipelines	Land transport and transport via pipelines	Transport via railways	Transport via railways	Passenger rail transport	Passenger rail transport, interurban	Passenger rail transport
						4912-	4912-	49120-
						Freight rail transport	Freight rail transport	Freight rail transport

ISSUES

Services	Administrative Ministry / Organization / other possible data sources	Problem / Status
Rail Service, Monthly Index	Railway Board	<p>Variables used: Freight Data: Tonne Kms of major commodities transported Passenger data: Passenger kms travelled under different classes.</p> <p>Weights : Total revenue from passenger traffic by class of travel) and freight transport (by type of material)</p> <p>Challenges: 1.Freight Data comes in batches of 3-4 months. Mechanism to get regular monthly data is to be established.</p> <p>2.Passenger Data is not provided citing commercially sensitive nature of the data.</p>

AIR SERVICE PRICE INDEX

Section		Division		Group	
NIC (2008)	ISIC (2008)	NIC (2008)	ISIC (2008)	NIC (2008)	ISIC (2008)
H-	H-	51- Air	51- Air	511-	511-
Transport and Storage	Transport and Storage	transport	transport	Passenger air transport	Passenger air transport
				512- Freight air transport	512- Freight air transport

AIR SERVICE PRICE INDEX

Class		Sub Class
NIC (2008)	ISIC (2008)	NIC (2008)
5110- Passenger air transport	5110- Passenger air transport	51101- Passenger Airways
5120- Freight air transport	5120- Freight air transport	51201- Freight air transport services

ISSUES

Services	Administrative Ministry / Organization / other possible data sources	Problem / Status
Air Transport Monthly Index	DGCA, M/o of Civil Aviation	<p>Variables used: Freight Data: Tonne Kms of cargo transported by different airlines Passenger data: Passenger kms travelled by different airlines</p> <p>Weights : Airlines wise gross operating revenue</p> <p>Challenges :</p> <ul style="list-style-type: none">• NSOPs not included• Data on passengers in different classes not available

POSTAL SERVICE PRICE INDEX

Section		Division		Group		Class		Sub Class
NIC (2008)	ISIC (2008)	NIC (2008)	ISIC (2008)	NIC (2008)	ISIC (2008)	NIC (2008)	ISIC (2008)	NIC (2008)
H- Transport and Storage	H- Transportation and Storage	53 - Postal and courier activities	53 - Postal and courier activities	531- Postal activities	531- Postal activities	5310- Postal Activities (National Postal Activities)	5310- Postal activities	53100- Postal Activities

ISSUES

Services	Administrative Ministry / Organization / other possible data sources	Problem / Status
Postal Service, (excluding private courier services)	Department of Posts	<p>Variables used:</p> <ol style="list-style-type: none"> 1.Unregistered Mail – Inland, Foreign 2.Registered Mail - Inland, Foreign 3.Premium Products
		<p>Weights: Revenue from each service item.</p>
		<p>Services Excluded: Private. Courier, Financial services, Pension payments, sale of revenue stamp, money transfer, philately etc</p>
		<p>Data Availability: Annual Test Indices Prepared. Challenges: Services included for ISP accounts for 47% of total revenue.</p>

TELECOM (CELLULAR) SERVICE PRICE INDEX

Section		Division		Group		Class		Sub Class
NIC (2008)	ISIC (2008)	NIC (2008)	ISIC (2008)	NIC (2008)	ISIC (2008)	NIC (2008)	ISIC (2008)	NIC (2008)
J - Information and Communication	J - Information and Communication	61- Telecommunications	61- Telecommunications	611-Wired telecomm activities	611-Wired telecomm activities	6110-Wired telecomm activities	6110-Wired telecomm activities	61101- Activities of basic telecomm services: telephone
								61104- Activities of providing internet access by the operator of the wired infrastructure
				612-Wireless telecomm activities	612-Wireless telecomm activities	6120-Wireless telecomm activities	6120-Wireless telecomm activities	61201- activities of internet access by operator of wireless infrastructure

TELECOM (CELLULAR) SERVICE PRICE INDEX

Group		Class		Sub Class
NIC (2008)	ISIC (2008)	NIC (2008)	ISIC (2008)	NIC (2008)
				61202- Activities of maintaining and operating paging, cellular and other telecommunication activities
				61209- Activities of other wireless telecommunication activities
613- Satellite telecommunication activities	613- Satellite telecommunication activities	6130- Satellite telecommunication activities	6130- Satellite telecommunication activities	61301- Activities of internet access by operator of the satellite infrastructure

ISSUES

Services	Administrative Ministry / Organization / other possible data sources	Problem / Status
Telecommunication, Quarterly Index	TRAI	Variables used: No. of users of CDMA and GSM services
		Challenges: Non-availability of data for wire line services.

The emblem of the Reserve Bank of India is a large, light-colored watermark in the background. It features a central figure with a serene expression, wearing a crown and a traditional Indian garment. The figure is flanked by two lions, one on each side, and is set against a backdrop of a lotus flower. Below the figure is a circular emblem with a wheel in the center, surrounded by a decorative border. The entire emblem is rendered in a light gray tone.

Banking Service Index

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Section		Division		Group		Class		Sub Class
NIC (2008)	ISIC (2008)	NIC (2008)	ISIC (2008)	NIC (2008)	ISIC (2008)	NIC (2008)	ISIC (2008)	NIC (2008)
K – Financial and Insurance Activities	K – Financial and Insurance Activities	64 - Financial service activities, except insurance and pension funding	64 - Financial service activities, except insurance and pension funding	641- Monetary intermediation	641 - Monetary intermediation	6419- Other monetary intermediation	6419- Other monetary intermediation	64191- Monetary intermediation of commercial banks, saving banks, postal saving banks and discount houses
				649- Other financial service activities, except insurance and pension funding activities	649- Other financial service activities, except insurance and pension funding activities	6499- Other financial service activities, except insurance and pension funding activities,	6499- Other financial service activities, except insurance and pension funding activities,	64990- Other financial service activities, except insurance and pension funding activities

ISSUES

Services	Administrative Ministry / Organization / other possible data sources	Problem / Status
Banking Service, Quarterly Index	RBI	<p>Index constructed for all Scheduled Commercial Banks including Regional Rural Banks based on their balance sheet data.</p> <p>Methodology: Income Generated Method</p> <ul style="list-style-type: none">a) Fee Income received for direct servicesb) FISIM method for intermediary services <p>Challenges: Data for Local Area Banks and Cooperative Banks not available. But SCBs and RRBs account for 93% in assets, advances and deposits of banking system</p>

PORT INDEX

Section		Division		Group		Class		Sub Class
NIC (2008)	ISIC (2008)	NIC (2008)	ISIC (2008)	NIC (2008)	ISIC (2008)	NIC (2008)	ISIC (2008)	NIC (2008)
H :	H :	50 :	50 :	502:	502:	5022:	5022:	50220:
Transport and Storage	Transport and Storage	Water Transport	Water Transport	Inland Water Transport	Inland Water Transport	Inland freight water transport	Inland freight water transport	Inland freight water transport

ISSUES

Services	Administrative Ministry / Organization / other possible data sources	Problem / Status
Port	Transport Research Wing (TRW), M/o Road Transport & Highway	Variables: Freight and Container Data of 12 Major Ports. TRW is formulating data collection mechanism to cover all Major Ports and bigger Minor ports and more activities

ISSUES

Services	Administrative Ministry / Organization / other possible data sources	Problem / Status
Education Annual Index	Ministry of Human Resource Development	Variables used: 1.Enrolment Ratio 2.Teacher-student Ratio Weights: per capita expenditure (PCE) , both private and public
		Report is yet to be approved by the TAC

ISSUES

Services	Administrative Ministry / Organization / other possible data sources	Problem / Status
Health	Ministry of Health & Family Welfare	Data suggested by OECD not available
		HMIS: Data only on maternal and child health.
		Infrastructure and facilities data available to a great extent
		Indicators to be considered for index compilation not yet finalised



ROAD SERVICE INDEX

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Section		Division		Group		Class		Sub Class
NIC (2008)	ISIC (2008)	NIC (2008)	ISIC (2008)	NIC (2008)	ISIC (2008)	NIC (2008)	ISIC (2008)	NIC (2008)
H :	H :	49 :	49 :	492:	492:	4923:	4923:	49231:
Transport and Storage	Transport and Storage	Land transport and transport via pipelines	Land transport and transport via pipelines	Other land transport	Other land transport	Freight transport by road	Freight transport by road	Motorised road freight transport

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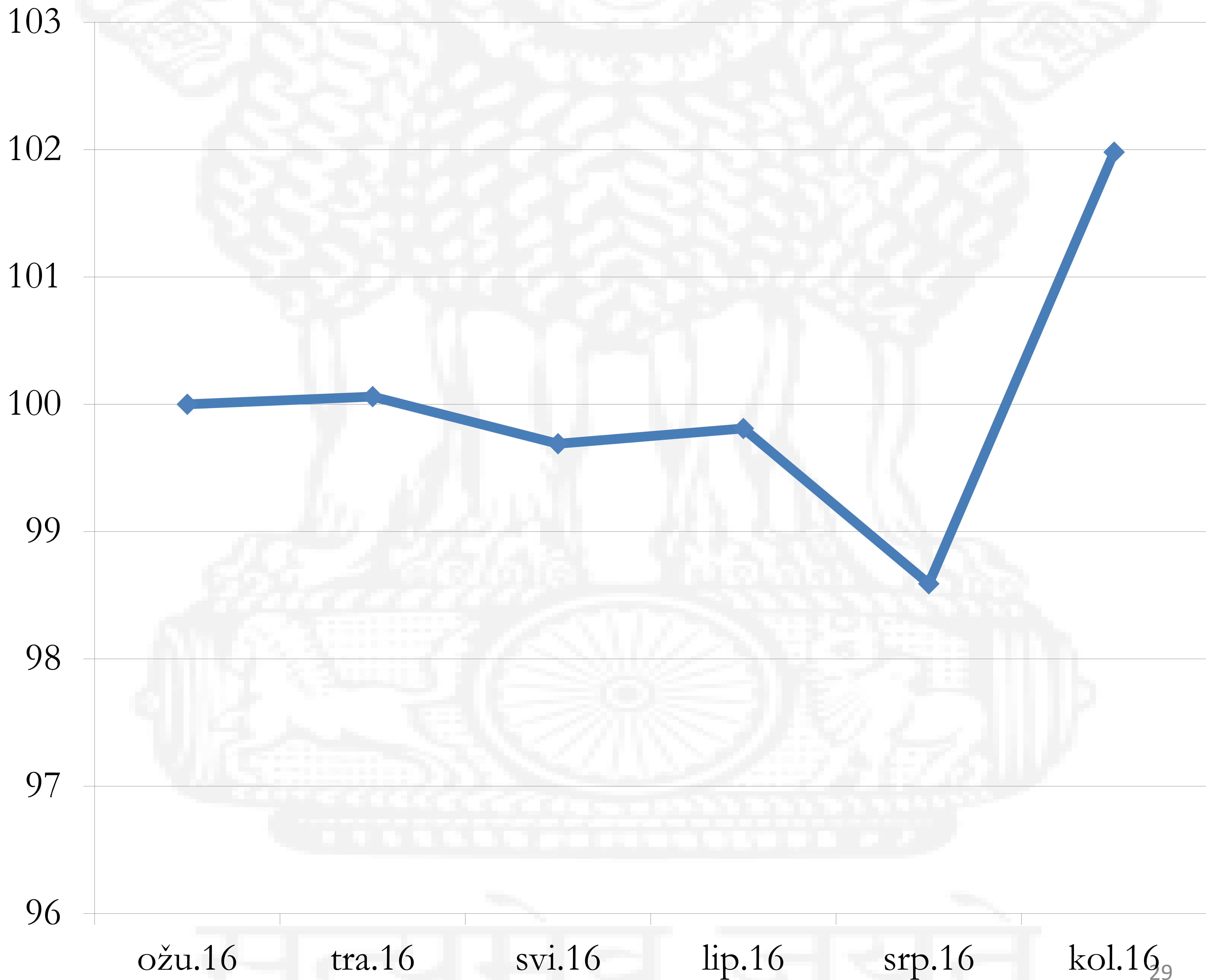
Base Year	2015-16
Frequency	Monthly
Components	Freight service
Price of freight service	<p>Average freight prices per ton/km of three kinds of trucks:</p> <ul style="list-style-type: none"> 6 Wheels (9 MTons) 10 Wheels (16 MTons) 14 Wheels (24 MTon)
Weight for freight service	Based on annual tonnage carried on the routes.
Data availability so far	March 2016 to August, 2016
Data sources	Web sources

WEIGHTING DIAGRAM

- **Weight for route X** = (Total Annual Tonnage carried on route X) / (Sum of a Total Annual Tonnage carried on 456 routes)

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ROAD INDEX





Insurance Service Price Index

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Standard Classification and Structure

Section		Division	
NIC (2008)	ISIC (2008)	NIC (2008)	ISIC (2008)
K – Financial and Insurance Activities	K – Financial and Insurance Activities	65- Insurance, reinsurance and pension funding except compulsory social security	65- Insurance, reinsurance and pension funding except compulsory social security
		66- other financial activities	66 Activities auxiliary to financial service and insurance activities

Group

NIC (2008)

ISIC (2008)

651-Insurance

651-Insurance

652- Re-insurance

652- Reinsurance

653-Pension funding

653-Pension funding

**662- activities auxiliary
to insurance and
pension funding**

**662- activities
auxiliary to insurance
and pension funding**

**663-fund management
activities**

**663- Fund
management
activities**

Class

NIC (2008)

ISIC (2008)

6511- Life Insurance (underwriting — annuities and life insurance policies, disability income insurance policies, and accidental death and dismemberment insurance policies (with or without a substantial savings element).

6511- Life Insurance (includes underwriting annuities and life insurance policies, disability income insurance policies, and accidental death and dismemberment insurance policies (with or without a substantial savings element).

6512- Non-Life Insurance (includes accident and fire insurance, health insurance, travel insurance, property insurance, motor, marine, aviation and transport insurance, pecuniary loss and liability insurance

6512- Non-Life Insurance (includes accident and fire insurance, health insurance, travel insurance, property insurance, motor, marine, aviation and transport insurance, pecuniary loss and liability insurance

6520- Re-insurance (includes the activities of assuming all or part of the risk associated with existing insurance policies originally underwritten by other insurance careers

6520- Re-insurance (includes the activities of assuming all or part of the risk associated with existing insurance policies originally underwritten by other insurance careers

Class

NIC (2008)	ISIC (2008)
<p>6629- other activities auxiliary to insurance and pension funding except claims adjusting and activities of insurance agents</p>	<p>6629- Other activities auxiliary to insurance and pension funding</p> <p>This class includes:</p> <ul style="list-style-type: none">—activities involved in or closely related to insurance and pension funding (except claims adjusting and activities of insurance agents):<input type="checkbox"/> salvage administration<input type="checkbox"/> actuarial services <p>This class excludes:</p> <ul style="list-style-type: none">—marine salvage activities
<p>6630- fund management activities</p>	<p>6630- Fund management activities</p> <p>This class includes portfolio and fund management activities on a fee or contract basis, for individuals, businesses and others.</p> <p>This class includes:</p> <ul style="list-style-type: none">—management of pension funds—management of mutual funds—management of other investment funds

Sub Class

NIC (2008)

65110- Life Insurance

65120- Non-Life Insurance

65200- Re- Insurance

65300- Pension funding

66210- Risk and damage evaluation

66220- activities insurance agents and brokers

66290- other activities auxiliary to insurance and pension funding

66301- management of mutual funds

66302- management of pension funds

66309- management of other investment funds

	Items	Sub-items and computations
R1	Premium less reinsurance	
R2	Interest received	
R3	Dividend received	
R4	Net profit on sale of investments	
E1	Adjusted Claims =	Claims and Surrenders + Interest paid + net accruing liability + bonus to policyholders + changes in equalization provisions
O1	FISIM (insurance services)	R1 + R2 + R3 + R4 - E1
O2	Misc. receipts	Business receipts + redemption receipts
IC1		Expenses on management + commission to agents + bank charges + consumption of other goods and services + repair and maintenance + product tax
	Output	O1 + O2
	IC	IC1
	GVA	Output - IC
	Note: As per SNA 2008, insurance agents do not fall in either of the sub-classifications of insurance corporations and pension funds	

SOURCE OF DATA

Item	Source of Data
Life Insurance	i. Annual Reports and Accounts (LIC) ii. Annual Reports and Accounts of private life insurance companies; and iii. Appropriation Accounts: Postal Services
General Insurance	Annual Reports and Accounts
Employees State Insurance Corporation	Annual Reports

**VALUE ADDED FOR FINANCIAL SERVICES AT CURRENT
PRICES (Rs. Crore)**

	2011-12	2012-13	2013-14	2014-15
Insurance corporation and pension funds	66354 (100 %)	83227 (100%)	86312 (100%)	95886 (100%)
Life Insurance	40478 (61.0 %)	48752 (58.6%)	46496 (53.5%)	51652 (53.9%)
Non-Life Insurance	24902 (37.5 %)	33388 (40.1%)	38648 (45.0%)	42956 (44.8%)
Pension Funds	974 (1.5 %)	1087 (1.3 %)	1168 (1.5 %)	1277 (1.3%)

**VALUE ADDED FROM INSURANCE SERVICES AT
CONSTANT (2011-12) PRICES (Rs. Crore)**

	2011-12	2012-13	2013-14	2014-15
Insurance corporation and pension funds	66354 (100%)	77516 (100%)	75966 (100%)	87156 (100%)
Life Insurance	40478 (61.0%)	42536 (54.9%)	38800 (51.1%)	48521 (55.7%)
Non-Life Insurance	24902 (37.5%)	33991 (43.9%)	36197 (47.6%)	37635 (43.2%)
Pension Funds	974 (1.5%)	988 (1.3%)	968 (1.3%)	1000 (1.1%)

Definition of service (Non Life Insurance)

- Risk Assuming
 - The Insurance Provider assumes the risk. Policy holders do not retain risk.
 - The service being provided is the assumption of risk from the policy holder.
 - Insurer collects premiums and invests a portion of the premiums.
 - Output is measured by gross premiums:
 - $\text{Output} = \text{Premiums} + \text{Investment Income}$
 - Pricing methodology
 - Risk protection plus financial intermediation
 - Premiums plus return on the invested portion of the premium
- *Main function of insurance is to assume risk on behalf of policy holder (IRDAI Draft Report on Price Index Ch. 3)*

Definition of service(Non Life Insurance)

- Risk Pooling
 - The policy holders retain the risk. Insurer assumes no risk.
 - Insurer is an intermediary between various policy holders and collects premium for disbursing them to claimants.
 - The Service being provided is the administrative duties associated with
 - managing the risk pool.
 - Output is measured by net premiums :
 - $\text{Output} = (\text{Premiums} + \text{Investment Income}) - \text{Claims}$
 - Pricing methodology
 - Value added
 - Premium less claims
- SNA recommends that *risk pooling* concept is followed

Definition of service (Life Insurance)

- Output of Insurance Industry
 - Assumption of risk (transfer of risks from policy holder)
 - Financial intermediation
- Concept of price for measuring this output
 - **Price** = Premium $(1+r)$
 - “r” is the annual return on the invested portion of the premium for the particular type of insurance that is priced.
- Concept of price when policy holders are also stockholders of the company and receive dividend on an annual basis.
 - **Price** = Premium $(1+r)$ – Dividend
- When premiums vary at the discretion of policy holder (like ulips), various fees charged to administer the policy and investment return serves as proxy for price.
 - **Price** = $(MC + EXP + P + C) (1+r)$
 - MC=mortality costs, EXP= expenses, P= profits, C= contingency allowances and r= earned rate on investments
- Weights
 - Lower level indices are aggregated using industry turnover data (premium plus investment income) as weights

Production Index

- **Weight**
 - GVA computed by CSO for weights between Life and General insurance
 - Premium (First year or renewal , gross or net ?) for various lines of business within each segment

Price Index

- **Weight**
 - Share in Total Premium between life and general insurance
 - Share in aggregate First year premium within life insurance segment

Production Index

- Item basket(**Lines of Business**)
 - Life Insurance
 - General Insurance (Fire, marine Miscellaneous)

Price index

- Item basket(**Lines of Business**)
 - Life insurance
 - Non linked Life (individual single and non single premium with profit and without profit)
 - Group Gratuity
 - General Annuity
 - Pension
 - General Insurance
 - Fire
 - Marine Cargo and Marine Hull
 - Engineering
 - Motor Own Damage and Third Party
 - Health
 - Aviation

**ULIPS NOT
CONSIDERED**

Production Index

- **Deflator-**
 - WPI All Commodities
- **Periodicity-** Quarterly
- **Base Year** – 2011-12

Price Index

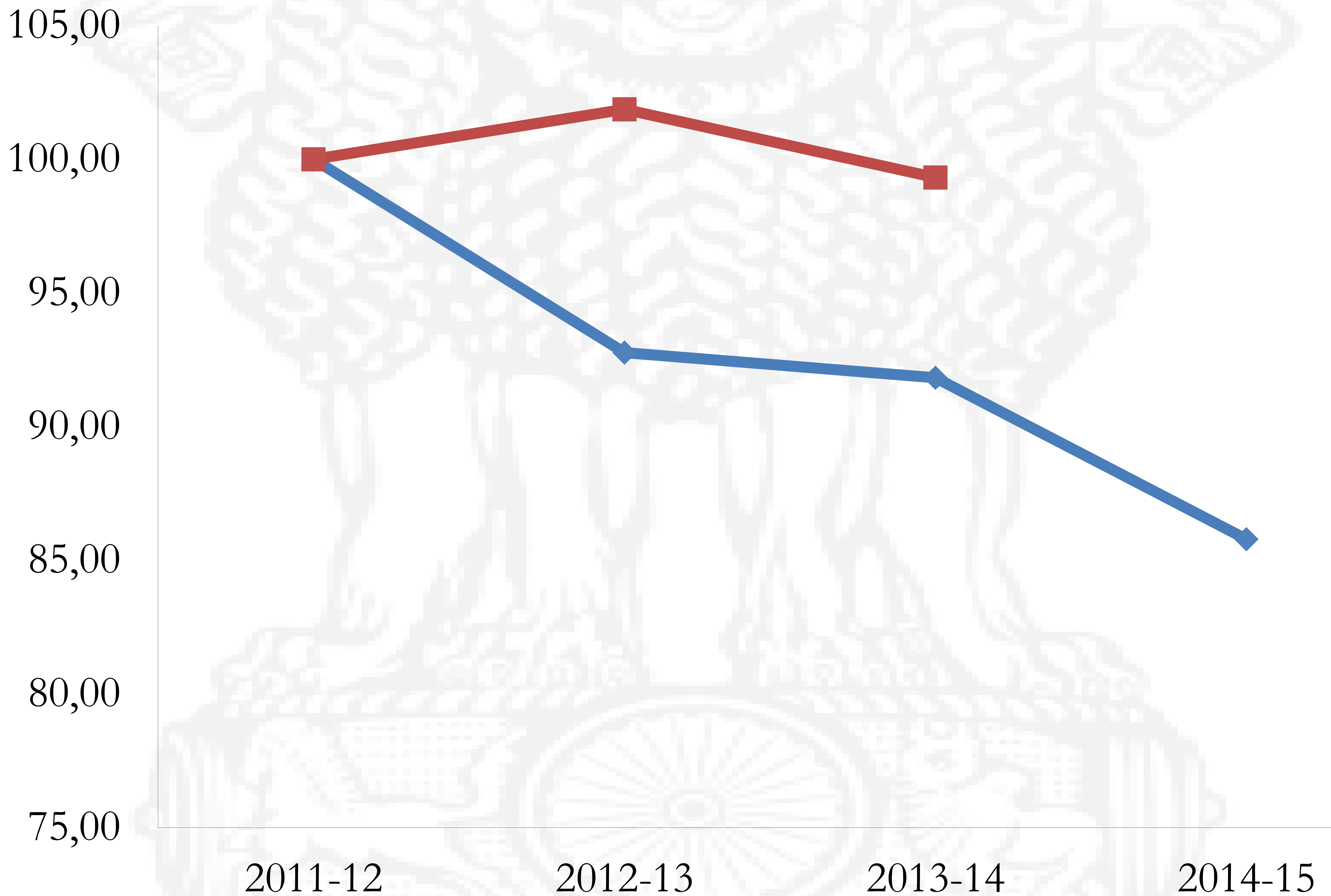
- **Deflator**
 - WPI All Commodities for Motor Third Party
 - Since Premium and Sum Assured are both in monetary terms ratio is inflation neutral so no need of deflator
 - Premium per policy to be deflated by WPI and GDP per capita
- **Periodicity-** Quarterly
 - Data on premium figures and Sum Assured are available on a monthly basis whereas data on rate of return for fund based products is available on quarterly basis
- **Base year** -2011-12

Concepts of Price

- Producer's price
- Ratio of value (nominal) over volume/quantity/real value
- Suggestions for price
 - **For General Insurance-** Ratio of Premium to deflated Sum Assured
 - Deflator- WPI for Machinery & Equipment
 - **For 3rd Party motor vehicle insurance-** Premium paid per motor vehicle
 - **For term Insurance-** Ratio of first premium to deflated Sum Assured
 - Deflator-WPI for All Commodities
 - **For traditional plan (non linked)-** Difference between gross and net return
 - **For ULIPS-** Price for fund management and other services.

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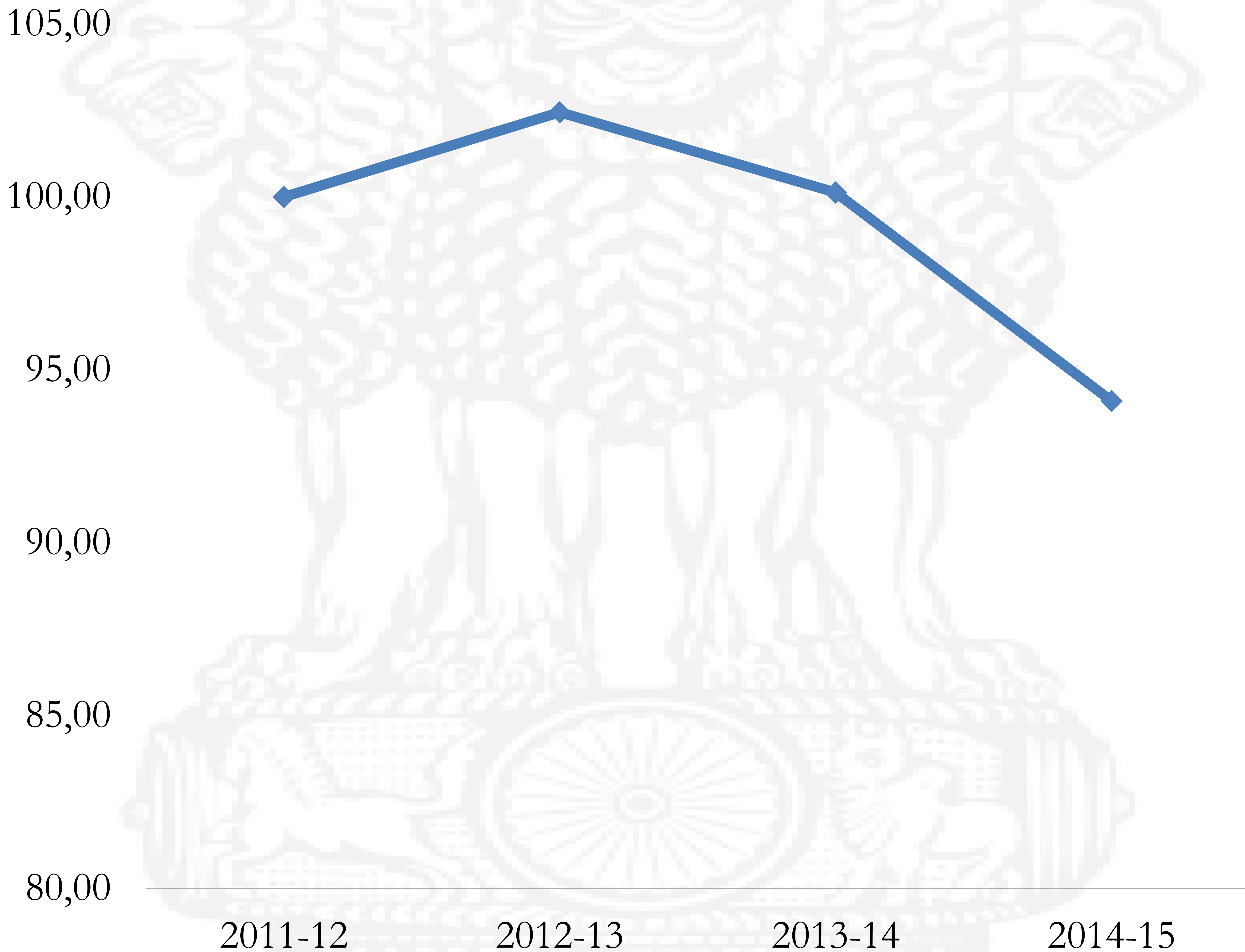
LIFE INSURANCE PRICE INDEX



◆ Methodology 1 (Premium per lakh sum assured and fund return)

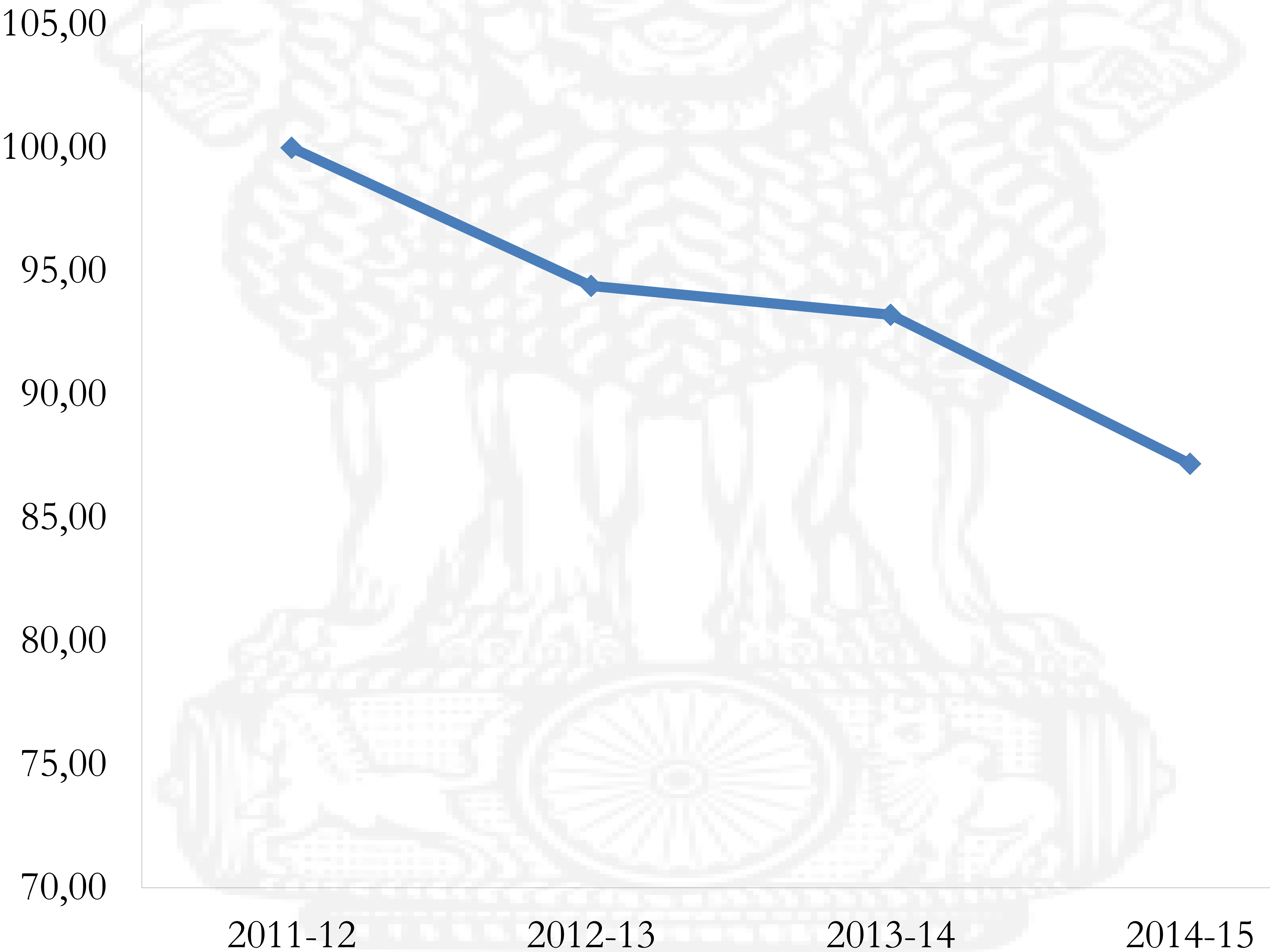
■ Methodology 2 (Operating expenses+Profits+Commission)

GENERAL INSURANCE PRICE INDEX



◆ Methodology 1 (Premium per lakh sum assured and fund return)

INSURANCE PRICE INDEX



◆ Methodology 1 (Premium per lakh sum assured and fund return)

Issues emerging from above relating to insurance sector SPI

- Insurance industry in India produces bundled (hybrid) financial products comprising of savings, investment, and pension element beneath a thin crust of insurance
 - *Product complexities, short shelf life and dynamic product specification necessitate choosing LoB over any particular product*
- Product level index or industry level index
 - *“SPPIs should measure change in the prices of products, rather than industries”*
 - *Eurostat-OECD SPPI Guide, 2nd edition*
 - Objective
 - Deflate service production for volume indicator (product based Index)
 - Short term indicator (industry based index)
 - Product based Index is recommended, especially, in the case of high share of industry turnover stemming from the production of secondary activities

- Appropriate definition of price
 - Irdai's proposal
 - Irdai's proposal modified
 - International precedence
 - Joseph M. Belth's method of calculating price of insurance for hybrid product.
- Premium- New business, Renewal, Gross or net

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CHALLENGES

- Conceptual and methodological complexities relating to definition of price of service- *What is the unit of measure to be priced?*
- Dealing with a bundled product (groups of existing products)
 - Can lead to double counting*
 - Different permutations are possible*
 - Bundles change over time*
 - *Difficulty in interpretation*
- Product level index or industry level index
 - “SPPIs should measure change in the prices of products, rather than industries”*
 - Eurostat-OECD SPPI Guide, 2nd edition*
- Double counting- overlap between BPO and telecom service
- Whether sector is well defined as per NIC and harmonized with international classification- *Is classification detailed enough to constitute relatively **homogenous** group of services?*
- *Classification should fit to the activities undertaken in service sector*

2. Data flow is very restricted- mostly confined to public sector.- *Directive to administrative ministries to collect data as per NIC classification*
3. Issues relating to data flow from private sector companies, for instance, private courier services:-
 - i. No data readily available for private sector
 - ii. No mechanism to collect the data as no statistical frame for service sector industry exists
 - iii. Annual survey of service sector organizations to get directory of service providers
4. Consideration for use of statutory provision to make it compulsory for firms to respond with price statistics
5. Turnover statistics on services sector not readily available in a consistent manner leading to problems in fixing weighting diagram.
6. Synchronized development of price and production statistics for service sector.

7. New Topics

- Business Process Outsourcing
- Knowledge Process Outsourcing
- Travel Agency services
- Securities trading services

8. Guidance on identifying services which have wages as major cost component-use labour force survey of NSSO to get price index

9. Sale of investments and reinsurance components ignored.

10. Strengthening of proposed Collection of Services Trade Statistics Act to cover all services

11. Following precedence set by Voorburg Group on service statistics wherever possible.

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Definition of Industry and Product Based SPPI

	Industry based index	Product based index
Sample	Business enterprises classified under specific industry	All of the output of the sampled units can be represented in the index, even secondary activity output
Output	Products classified under specific industry	Secondary activity output excluded, but all of the output of certain types of services irrespective of the main industry of the enterprise included

Choice between Industry and Product Based SPPI –Some Aspects

Primary objectives:

1. To deflate national accounts data (or data on service production for volume indicator → product based SPPI would be preferred
2. To serve primarily as a short-term indicator → industry based SPPI would be preferred
— This is, however, subject to the composition of data on production, i.e. value index, which is deflated by a price index. The structure of the value index and the price index should be comparable
3. Product based SPPI is recommended, especially, in the case of high share of industry turnover stemming from the production of secondary activities
 - Although, if the industry based survey should be rather extensive, this would not necessarily be the case
4. Product based SPPIs captures price effects of:
 - *Changing product supply across industries*
 - *Shifts in consumer demand across industries*

Issues relating to insurance sector

1. Insurance industry in India produces bundled (hybrid) financial products comprising of savings, investment, and pension element beneath a thin crust of insurance.
2. Concept of **insurance output**
 - *Pooling of Risk*
 - *Transfer or Assumption of risk*
3. Pricing methodology
 - *Pooling of Risk*
 - Value added i.e., premium less claims
 - *Transfer or Assumption of risk*
 - Risk protection plus financial intermediation, i.e., premium plus return on the invested portion of the premium
4. **Concept of price-** Ratio of value (nominal) over physical unit/ quantity
5. Suggestions for price
 - For General Insurance- Ratio of Premium to deflated Sum Assured

- For 3rd Party motor vehicle insurance- Premium paid per motor vehicle
- For term Insurance- Ratio of first premium to deflated Sum Assured
- For traditional plan-Difference between gross and net return
- For ULIPS- Price for fund management and other services

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Conclusion

- Index developed for Railways, Air Transport and Postal Services.
- Methodology for Education, and Insurance approved by the TAC, Index to be developed.
- Methodology for Banking finalised by the Subcommittee revised; that is yet to be approved by the TAC.
- For Ports, concerned Ministry is developing a methodology
- Methodology yet to be devised for Health in consultation with the concerned Ministry.
- Work held up due to want of data for Telecommunication.

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