

TOPIC 2: SELECTED DIFFICULT AREAS OF CONSUMER PRICE INDICES.

Chair: Ralph Turvey (United Kingdom)

On the chairman's proposal it was agreed that the discussion should be organised by subject rather than by papers. Hence practices and principles were discussed in turn for

- Insurance
- Income-dependent fees
- A British problem with a rebate on electricity bills
- Gambling
- Financial services

Most of the participating countries include **insurance** services in the CPI. All (?) of them do so on a gross basis - both for the weight and for the price indicator. Therefore the discussion focused on the valuation of the insurance with respect to the risk of a damage - or more specifically - the changing risk. Both views: that the household is willing to pay extra to meet additional risk and that the household just look to their cost of having the car at their disposal, irrespective of risk, found their advocates. The latter view, however, formed a majority. Does *Free Rider* induced premium increases, which have been observed for child insurance in Finland, increase the value of the insurance?

Very few countries have practical experience of **income-dependent fees** in their CPIs. In his paper Anders Klevmarken analyses the phenomenon within the cost-of-living framework.

The British **rebate on electricity bills** was to be given by The Regional Electricity Companies as a one-off adjustment of £ 50 on their charges to all their domestic customers on one bill. The rebate could be interpreted as being a dividend originating from the sale of the National Grid. There was a weak majority for the opinion that this was not a reduction of the current, or any previous, price for electricity, but rather a temporary increase of incomes of the households concerned.

Gambling is included in the CPIs of some of the participating countries. However, among them practices vary. The approach newly adopted in Sweden, where the index reflects changes in the percentage "take" (incl. taxes) of the organisers and changes in the cost of maintaining the real value of a bet, found some support.

Some countries might have excluded gambling on the argument that it is not consumption. However, given its expected negative return, the investment alternative, seemed odd too.

Keith Woolford made an oral work on **financial services** where he raised a number of questions and shed some light on different aspects of the subject.