Abstract for "Measurement of Deposit Insurance in the U.S. National Accounts"

Kyle Hood (U.S. Bureau of Economic Analysis)

According to the 2008 SNA (17.220 b. and c.), deposit insurance should be treated in national economic accounts in a way that is analogous to other forms of insurance, under the heading of standardized guarantee schemes. In deposit insurance schemes, payouts are made to creditors as a result of insolvency of a borrower. These borrowers are the covered institutions that accept deposits; the creditors are depositors in these institutions who hold insured deposit accounts.

In the SNA methodology, net insurance premiums (in this case, assessments) and premium supplements (in this case, interest income on deposit insurance fund assets) are classified as payments from depositors to the deposit insurance provider for deposit insurance services. Net premiums are computed by subtracting expected claims from actual premiums. The uses of such services would be allocated to depositors in all sectors covered by the insurance.

The US National Income and Product Accounts (NIPAs) use a different methodology. In the NIPAs, expenses of government-run deposit insurance funds (excluding transfers to depositors in failed institutions) are treated as final expenditures of the government sector. Income from assessments is a current transfer from the depository institutions. Transfers to depositors in failed institutions, on the other hand, do not appear in the NIPAs (but presumably would be included in a non-transaction account in a full sequence of accounts). Because payments into the guarantee fund appear as current transfers, but the payments out of the guarantee fund do not appear in the accounts, there is a concern that the current method may overstate government saving and GDP in general.

The purpose of this paper is to assess the potential effects of aligning the NIPA methodology for deposit insurance with the SNA methodology. To this end, the SNA methodology described above will be applied to data from the US Federal Deposit Insurance Corporation (FDIC) on assessments, claims, and fund income/expenses. The data source for deposit insurance assessments and payouts is the Federal Deposit Insurance Corporation.

One major concern in implementing this method will be computing expected insurance claims. In the US NIPAs, for example, property and casualty insurance measurement employs a geometrically-declining moving average of claims; however, since deposit insurance claims are extremely lumpy, other treatments may be appropriate. Three different treatments are considered. Moving to this approach should have the following effects on the following published numbers:

1. Government savings will be reduced, and this should be most obvious in post-crisis recapitalizations of deposit insurance funds.
2. GDP should be reduced, as deposit insurance fund expenses will no longer be directly classified as government final expenditures.
3. Implicitly-priced services of depository institutions should be reduced by an amount equal to the rerouting of net assessments from depository institutions to the deposit insurance fund to net

assessments from depositors to the deposit insurance fund. Banks' savings, profits, and net lending will be unaffected.

4. Insurance services will increase.