

**Comments on draft SNA chapter:  
Chapter 17: Cross-cutting and other special issues  
Deadline for comments: 1 September 2007  
Send comments to: [sna@un.org](mailto:sna@un.org)**

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This three-part template allows you to record your comments on draft chapter 17 easily and, at the same time, makes it easy for us to use your comments in considering revisions to the draft chapter. You may complete any one, any two, or all of the three parts of the template.

There is no file comparing existing text with draft text for this chapter because the draft is all new text.

Save this template and send it as an attachment to the following e-mail address:  
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**Part I: General comments**

In the space below, please provide any general comments, such as about the clarity with which the new recommendations were incorporated (30 words or less).

*Comment:*

Click here and start typing.
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**Part II: Comments on specific draft paragraphs or passages**

In your review of draft chapter 17, you may wish to devote particular attention to the passages listed below. For ease of reference, we have identified the relevant paragraphs. For each passage, a Word table is provided for you to use in making your comments. There is a row for general comments at the top of the table. Thereafter please use a separate row for each paragraph on which you wish to make detailed comments.

Chapter 17, Part 1: The treatment of insurance and social insurance other than pensions  
 Part 1 is based loosely on annex IV of the 1993 SNA, but includes several passages that introduce changes. Some of these are identified below.

1. A refined treatment of non-life insurance is introduced in paragraphs 17.37-17.39 to prevent the variation in claims made each year from affecting output. A different treatment is permissible when the claims are exceptionally large and beyond expectation (17.50). Are these paragraphs clear?

General comment	Make the required cross-references with chapter 8, in particular in paragraph 17.13 and the following ones
17.5	Add "and reinsurance" after ""For direct insurance" in the second sentence.
17.6	In the definition say "An actual claim" instead of "A claim" as "actual claim" is used afterwards e.g. in 17.47
17.37-17.41	17.37-17.41 could be clarified as there is some confusion about the approaches recommended: The AEG recommended 2 approaches for adjusting the premiums and the claims* (the expectations approach, the accounting approach) which are introduced in 17.38, but 17.41 calls the expectation approach a "statistical approach" (we are in favor of "expectation approach" as in the AEG document, because the other two approaches may also be seen as statistical approaches).  * "Decision of the AEG on the Measurement of Insurance and Reinsurance in the SNA 1993 rev 1." (2004-04-28)
17.41 to 17.42	It is essential that reference should be made to the part of chapter 11 where the different provisions/reserves are explained.  For ease of reading, why not include the formula for actual premium earned also under paragraph 17.41?
17.47	Replace "Because of the way in which the value of the service output" with "Because of the way the value of the output"
17.50	Replace "(as compared with the experience of the insurance corporation of the level of claims settled)" with "(e.g. in the case of catastrophes)". This would conform to the AEG guidance.

\* Insert rows in this Word table for each paragraph on which you wish to comment.

2. The simplification in the SNA whereby direct insurance and reinsurance transactions were consolidated was seen to be causing errors especially in countries where all reinsurance was carried out with non-resident corporations (as is often the case). Is the description of how and why to treat direct insurance and reinsurance separately sufficiently clear (paragraphs 17.54-17.60)?

General comment	Click here and start typing.
17.76	Reword "The redistributive transactions" as "The redistributive transactions related to insurance" (b) appears twice

3. A treatment for annuities as a form of life insurance is introduced in Rev. 1. This is desirable in itself and because it is how regular payments in retirement under defined contribution pensions are recorded. Paragraphs 17.90-17.97 describe this treatment. Are the paragraphs clear?

General comment	Click here and start typing.
17.91	3 <sup>rd</sup> sentence: is the work "risk" appropriate here?
17.95	a (.) too much at the end of the first sentence of 17.95  Last sentence should make more explicit the link between the premium earned and the decline in liability and "terms" should read "term"
17.96	Please explain the meaning of "operational" in the 4 <sup>th</sup> sentence

\* Insert rows in this Word table for each paragraph on which you wish to comment.

#### Chapter 17, Part 2: The treatment of loan guarantees in the System

Rev. 1 distinguishes three classes of loan guarantees. The first is composed of those guarantees provided by means of a financial derivative (described in chapter 11). The second is composed of the sorts of guarantees where large numbers of very similar guarantees are issued. Another is described as one-off guarantees, where each guarantee is tailored to specific circumstances.

4. The second class is called standardized loan guarantees. A treatment of such guarantees is introduced in paragraphs 17.106-17.111. It resembles the treatment of insurance in several respects. Is the description clear and comprehensive?

General comment	Click here and start typing.
17.102	Please replace in the 6th sentence "on the fees" with "on guarantee reserves" and add "together with his costs and a profit" at the end.
17.103	3rd Sentence: remove brackets around "As an exception, one-off guarantees...".  In addition, it should be made clear that guarantees must be treated as if they were called at the moment they are granted by government if it is sure that the company is in a distressed situation.  Last sentence: Add "is recorded" at the end and delete "(including increases in equity participation)".

\* Insert rows in this Word table for each paragraph on which you wish to comment.

#### Chapter 17, Part 3: The treatment of pensions in the System

Part 3 describes the treatment of pensions. It does so in some detail, in part because the means by which pensions are provided to persons in retirement varies considerably from country to country.

5. Rev. 1 incorporates a number of changes in the treatment of defined benefit pension schemes. After distinguishing between defined benefit and defined contribution schemes in paragraphs 17.141-17.146, the text describes the transactions recorded for a defined benefit scheme and provides a numerical example. This text begins in paragraph 17.147 and continues through paragraph 17.166. Is the text clear and comprehensive?

General comment	Click here and start typing.
Table 17.6/17.8/	Please indent the 5 rows below "Household total pension contributions" as they are sub-items of this.  Please insert an item "saving" above and as sub-items of it " - saving (actual) - saving (imputed)"
17.149	Replace "Contributions" by "entitlements"
17.151	Please insert after the first sentence: "A reform in the prevailing agreements may also change the present value of the entitlements."

\* Insert rows in this Word table for each paragraph on which you wish to comment.

6. Paragraphs 17.183-17.193 describe the proposed supplementary table that gives flexibility to countries not to include all liabilities for pensions in the main accounts while still providing the information for analysts. Is the table clear?

General comment	Click here and start typing.
17.183	Click here and start typing.
17.191	We agree with the convention to calculate imputed contributions by employers for those government schemes for which entitlements do not appear in the core accounts as equal to the difference between current benefits payable and actual contributions payable. <b>We think that this convention should also appear in Chapter 7 where are described the components of compensations of employees</b>
Table 17.10	Please add "Sponsored by" in the head of columns "non general government" and "general government"

\* Insert rows in this Word table for each paragraph on which you wish to comment.

Chapter 17, Part 4: The recording of flows associated with financial assets and liabilities

Part 4 describes the flows associated with financial assets and liabilities more extensively than in annex III of the 1993 SNA text, including the services associated with them.

7. The introduction, paragraphs 17.194-17.204, provides an overview of financial services that is wider than the traditional view of financial intermediation as applied to only deposits and loans. Is this wider perspective on financial services comprehensive and is the material presented in a helpful manner?

General comment	There seems to be some very significant overlap with the financial accounts chapter and a risk that slightly different language in some places might raise questions of consistency. If this is possible at this stage, we might propose to integrate the material here into the chapter on financial accounts.
17.200	In the 5th sentence replace "Financial services are never incorporated into the value of any asset" with "Financial services are never incorporated in the System into the value of any asset"
17.207	In the middle of the paragraph (starting "in all other cases"), the text could better describe monetisation/de-monetisation of gold, which are known terms and included in the current SNA and ESA. We were also a bit surprised by the change in the definition of monetary gold compared with previous texts, and would ask that the wording is reviewed.

\* Insert rows in this Word table for each paragraph on which you wish to comment.

8. A new table summarizing the types of flows that relate to each instrument is given in table 17.11, which is introduced in paragraph 17.205. Is this table helpful?

17.217	Add at the end "as well as with non resident banks" because we think that interbank rates are risk-free also in the transactions with non resident financial institutions.  Should "banks" not be replaced with "financial institutions"?
17.218	We agree with the paragraph only if there is a financial unit managing the credit cards or the credit granted by the retailer (and by this producing FISIM)
17.222	* even though it is an introductory paragraph, it would need re-writing. The terms "initial price" or "terminal price" are not familiar to us for securities (we are aware of "issue price", "redemption price", etc). We do not understand the sentence, for the second kind of security described (no coupons), issued at discount or zero-coupon bonds, "the initial price is equal to the terminal price discounted to the date of issue at the appropriate rate of interest that could be earned on a deposit of similar characteristics" We guess that this means "on an instrument of similar characteristics".

17.248	there are some forward-type financial derivatives which do not have zero value at inception (off-balance FD, where payments should be made between the parties which are treated as loans according to business practice). The sentence "that the financial derivative is designed to provide financial protection against" could be removed, because many such arrangements are done for speculation rather than protection. This should be extended to analyse what happens when either the forward or the option are exercised (to say that this brings entries into the financial accounts/ F34). This paragraph could also include that, while forward-type FD can flip from asset to liabilities positions during their lives, this is not generally the case for options, which are always an asset for those buying them and a liability for those selling them.
Table 17.11	Please include in the table also the flows associated with "Insurance, pension and standardized guarantee schemes"

\* Insert rows in this Word table for each paragraph on which you wish to comment.

#### Chapter 17, Part 5: Contracts, leases and licences

The 1993 SNA did not have a comprehensive, coherent discussion of contracts, leases and licences. Part 5 brings together the material on the subject discussed under several of the 44 agreed Update issues.

9. Paragraphs 17.261-17.269 describes the three kinds of leases, including a description of resource leases, which are introduced in Rev. 1 in paragraph 2.269. Is the description of resource leases clear? Is the greater clarification of the distinction between operating and financial lease clear?

General comment	The delimitation between resource leases and permits to use a natural resource should be clarified and made explicit.  We suggest that the discussion on mobile phones should not be presented in itself; instead general principles should be derived from that discussion and presented here.
17.268	The first 2 sentences of this paragraph are not easy to understand.
17.272	See general comments above on the reference to the mobile phone discussion. The difference in treatment between the 2 <sup>nd</sup> and the 3 <sup>rd</sup> options would deserve more clarifications.
17.287	The difference between the improbable option and the more common option is unclear.
17.296	Please include the definition of the concept "resource rent".

10. Paragraphs 17.301-17.305 describe how to record in balance sheets the benefits for each party corresponding to a shared asset. Are these paragraphs clear?

General comment	Click here and start typing.
17.303	2 <sup>nd</sup> and 4 <sup>th</sup> sentences "in the mobile phone case/criteria" : please make reference to the relevant paragraph number

\* Insert rows in this Word table for each paragraph on which you wish to comment.

11. Paragraphs 17.306-17.311 describe the treatment of permissions to undertake a specific activity. Is it clear when a permit is to be treated as a tax and when it can simultaneously become an asset?

General comment	Click here and start typing.
17.315-17.319	Please add (or make reference to the paragraphs explaining) the recordings for the corresponding flows. The treatment of transferable contracts in the SNA 1993 may give a good starting point.
17.323	First sentence: replace "to these sorts of questions." By "to the following sorts of questions:". Please add (or make reference to the paragraphs explaining) the recordings for the corresponding flows.

\* Insert rows in this Word table for each paragraph on which you wish to comment.

### Part III. Other specific comments

You are welcome to make other comments. Please do so by using Adobe Acrobat Version 6 or 7 to comment directly on the PDF of the draft chapter.

If you don't have Adobe Acrobat Version 6 or 7 and would like to make detailed comments, please send a message to [sna@un.org](mailto:sna@un.org) requesting a version of the draft chapter that permits you to comment. To optimize your commenting tools, please download Adobe Reader 7.0 for free from <http://www.adobe.com/products/acrobat/readstep2.html>