

**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**

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Submission date:	9 September 2007

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:
sna@un.org

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:

<p>In general, the chapter is very clear and well written. We would like to compliment the editor, especially for part 3 on pensions and part 5 on contracts, leases and licenses. These difficult topics have been written in a very understandable way. On the other hand, we would like to make the following, more general suggestions:</p> <ul style="list-style-type: none">▪ The present chapter is quite heterogeneous. One should consider restricting the chapter to issues related to insurance: (social) insurance other than pension, pensions and loan guarantees. The other parts could then be included in the relevant chapters of the core part of the SNA.▪ We suggest reversing the order of part 2 and 3.▪ In our opinion, part 1 could be more structured, including, for each type of insurance, a more extensive and exhaustive discussion of all transactions. Less experienced national accountants may find it difficult to understand the exact recording of all related transactions from the present text. This suggested change may result in some overlap. In our opinion, however, one should accept this cost for the benefit of a clearer text. The chapter may also gain from a more extensive introduction on different types of insurance.▪ In the introduction of the part on pensions, one may want to include more text on the recognition (or not) of pension entitlements in the core accounts. A more drastic change would be to start with table 17.10. We are not sure, however, whether such a change will show to be an improvement.

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	Yes, in our opinion, the text is clear.
17.37	Click here and start typing.
*	Click here and start typing.
17.50	Click here and start typing.

* 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	Yes, in our opinion, the text is clear. It is not clear, however, whether or not separate and distinct transaction (codes) will be used for reinsurance.
17.54	Click here and start typing.
*	Click here and start typing.

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

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	In general, the text is clear. However, the part on imputed premiums is rather confusing. In our opinion, annuities can be treated in the same way as other life insurance, recording the initial payment as premiums earned. This would also correspond better to the availability of source data.
17.90	Click here and start typing.
*	Click here and start typing.

* 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	No comments.
17.106	Click here and start typing.
*	Click here and start typing.

* 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	No comments, apart from the general remarks in the above.
17.147	
*	Click here and start typing.

* 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	Yes, in our opinion, the table is very clear.
17.183	Click here and start typing.
*	Click here and start typing.
Table 17.10	Click here and start typing.

* 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	No comments.
17.194	Click here and start typing.
*	Click here and start typing.

* 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?

17.205	No comments.
Table 17.11	Click here and start typing.

* 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 distinction between operating and financial lease is clear. The definition of resource leases however needs some clarification. It is stated that the natural resource has to have an infinite life in order for a resource lease to exist. On the other hand, it is possible to exhaust natural resources, such as stocks of fish and mineral resources. Therefore, either the requirement of an infinite service life should be removed, or it should be better explained why a resource lease can (also) exist on a natural resource that is used to exhaustion.
17.261	Click here and start typing.
*	Click here and start typing.

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

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	All paragraphs except 17.303 are clear; see below.
17.303	It is stated that, if the value of the land cannot be separately identified, the value on the owner's balance sheet is the value of the land from the time that the lease expires. It is not clear how the value of the land from the time the lease expires can be determined when the value of the land cannot be separately identified.

* 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	Yes, in our opinion, the text is clear.
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17.306	Click here and start typing.
*	Click here and start typing.

* 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 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>

Heading of section A: Change "Coverage of this part" into "Introduction".

Para. 17.5: As it is phrased now, the definition of actual premiums seems to suggest that "actual" relates to the amounts payable, as opposed to the amounts earned. However, the term "actual" is used to distinguish actual premiums from imputed premiums.

Para. 17.12: Typo: Remove the word "of" in the second sentence.

Para. 17.14, (a): Change "SNA" into "System".

Heading of section B: Remove "of output".

Para. 17.31 – 17.36: This part may need some additional explanation about the recording of property income attributed to policy holders. Furthermore, para. 17.34 is rather unclear and may need some rephrasing.

Para. 17.44: Seems to be superfluous.

Para. 17.45: Remove "or contributions" (2x).

Para. 17.69: "The amount ..." in the last sentence seems to refer to the imputed contributions in the previous sentence. It should refer to output/costs.

Para. 17.70: In the first sentence, it is stated that two transactions are recorded. As we understand it, only one transaction is recorded.

Para. 17.79: Add "non-life" before "insurance".

Para. 17.81: "... property holder ..." should be "... policy holder ...".

Para. 17.97 (b): This text suggests that property income payable to the annuitant is equal to the actual property income earned by the insurance corporation. This is inconsistent with para. 17.93.

Para. 17.114: Typo: Remove "... have been made" from the second but last sentence.

Para. 17.117: Typo: "... employee ..." should be "... employer ...".

Para. 17.122: Remove "... also ..." from the last sentence.

Para. 17.155: Add "a" before scheme in the last sentence.

Para. 17.159: This paragraph may need some rephrasing. It is difficult to understand, without the additional explanation of the numerical example later on.

Para. 17.175: Typo: Change "ABOS" into "ABOs".

Para. 17.176: Typo: Delete "... be ..." from the second sentence.

Para. 17.181: Typo: "... foe ..." should "... for ...".