

**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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Submission date:	31 August 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](mailto: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:*

Policyholder is sometimes spelt as one word and sometimes two words.
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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	Click here and start typing.
17.12	Fourth sentence. The text should read ...reinsurance commission paid by the reinsurer to the insurer (NOT POLICYHOLDER) ...
17.37	Second sentence. Suggest "...level of premiums on the basis of expectations of future claims based on past experience of claims and other information, and expectations of future property income ...". The other information could be predictions due to global warming, for example.
17.41-17.43	These paragraphs are very brief and do not fully reflect the AEG recommendations. The AEG decision paper posted on the UNSD 28 April 2004 says that a description of statistical methods will be included either in a new special annex or an implementation manual. I have made some minimal amendments to the draft text on the assumption the second course will be followed.
17.50	
17.51	Last sentence Amend to read "...in which an exceptional disaster, beyond expectation, is recorded.

\* 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, very clear
17.54	Click here and start typing.
Table 17.5	There is no entry for provisions for other social benefits in the financial account.

\* 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	The text is confusing in places.
17.90	Click here and start typing.
17.93	The second sentence says that the liability to the annuitant increases over time. This is clearly untrue, because the number of future payments declines. The decline is less than the payments made because of the unwinding of the discount factor. It is this element that is shown as property income payable to the annuitant.
17.94	This paragraph is difficult to understand and some of it is wrong. The first sentence is nonsense. It should read something like “At the same time, the value of the annuity to the annuitant (i.e. the annuitant’s asset) declines.” In the second sentence would be clearer if “by the insurance corporation was added to the end.
17.96	Fourth sentence “In this way, the initial premium is earned gradually... “It would be clearer if “actual” were used instead of initial.
17.97	Same comment in (a)

\* 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	Yes, very clear.
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	Click here and start typing.
17.147	Click here and start typing.
17.163	The example in table 17.8 seems to be correct down to the secondary distribution of income account, but from the use of income account it seems to go awry. Likewise, the text from 17.163 has problems in it. See comments in pdf file.
17.165	Saving for pension funds should be -1.8, i.e. Saving = resources 21.2 (19+2.2) - uses 23 (4+16+3) = -1.8. These problems flow through to the subsequent paragraphs and other parts of table 17.8.
17.169-179	Does not read well in places. It reads like a first draft. See comments in pdf file.

\* 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	The table is 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	Click here and start typing.
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comment	
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	Click here and start typing.
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	Click here and start typing.
17.261	Click here and start typing.
17.263	Operating leases are not restricted to equipment. They can relate to any type of fixed asset. The text needs to be expanded to make this clear.

\* 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	For the most part, the text is clear.
17.301	Click here and start typing.
17.303	The text relating to land is not what was agreed. I have amended the text to reflect the ISWGNA's decision on leases and licences for natural resources following the failure of the AEG to reach agreement - see minutes of the ISWGNA meetings of 10 July, 2006.

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\* 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	Text is clear.
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](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>