VERBOND VAN VERZEKERAARS

International Accounting Standards Board
Sir David Tweedie, chairman
30 Cannon Street
LONDON EC4M 6XH
GRO0T BRITTANNIE

Our reference
2003abz/1376/chiel

The Hague
31 October 2003

Re

Exposure Draft 5, insurance contracts (ED-5)

Dear Sir David,

The Association of Dutch Insurers would like to take the opportunity to comment on IAS Exposure Draft 5, insurance Contracts (ED 5).

As our Association is a member of the Comité Européen des Assurances (CEA) and has taken part in the preparation of the CEA comments on ED 5 we would like to emphasise that we are in full support of the position paper on ED 5 which was sent to you by CEA.

Furthermore we would like to point out that as eleven member companies of our Association are directly or indirectly participating in the CFO Forum of European Insurers (the Forum) we are also in full support of the comments on ED 5 which were sent to you by the Forum by letter of 22 October 2003.

We will therefore not give an extensive comment nor a detailed reaction on the 13 questions you have put to the industry and which are already dealt with by both CEA and the CFO Forum, but will limit ourselves to the highlighting of certain aspects which we feel should be given extra attention.

We would like to point out that we are in full agreement with the development of a single accounting standard for insurance contracts in order to provide all stakeholders with relevant and reliable information and we support the initiatives undertaken by IASB in this respect as well as the willingness of IASB to keep up a dialogue with both CEA and the CFO Forum in order to reach practical and workable solutions.

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Timetable

Although we welcome the initiative of IASB to introduce an interim standard in the absence of, a final standard we have grave concerns about the timetable of the various IASB projects on insurance and reinsurance. Cur main concern regards the fact that the proposals for Phase 1 might require major systems changes without knowing what the final Phase II requirements will be In our view therefore all major changes should be concentrated into one single point in time to avoid double major systems adaptations and misleading situations for both the preparers and users of financial reports.

Scope

Much of the interpretation of IAS 39 has been tailored to banking products and not to insurance products. This can result in features which are not suitable for long-term investment contracts which are sold by insurers. A major concern is the proposed introduction of a demand deposit floor to the measurement of financial liabilities.

Definition

There is uncertainty about pure endowment policies with a relatively small longevity factor for the insured. The Dutch tax system facilitates these policies with the obligation to convert the benefit into an annuity, with the same or another issuer. Taking this conversion factor into account the issuer of a pure endowment policy always faces a significant insurance risk, which it cannot really influence. In our view this type of policies should be continued to be regarded as insurance contracts during Phase I.

Mismatch

As the purpose of insurance is to provide benefits or reimbursement for losses, recognition and measurement issues should be addressed first by considering the obligation with its associated liabilities, rather than the assets held to back those liabilities. Therefore assets should be valued in a way consistent with the liabilities. The most appropriate option for the interim period of Phase I is to permit a separate class for fixed maturity assets backing liabilities for insurance contracts and investment contracts with discretionary features.

Reinsurance

Certain aspects of the proposals on reinsurance in Phase 1 would lead to misleading results. Therefore the treatment of all aspects of reinsurance should be addressed under Phase II only.

Disclosure of fair value

As there is no common interpretation of the “fair value” concept for insurance contracts it would be difficult for prepares of financial statements to prepare this information, for auditors to audit it and for users to understand it properly. Therefore we do not support fair value disclosure of insurance contracts as of 31 December 2006. Disclosure should be required only when a Phase II Standard is adopted or when the IASB has concluded on a system or method to calculate fair value.

Other disclosures

There should be a balance between qualitative and quantitative information. Furthermore the requiring of retrospective data should be avoided without having a transition period. Our main concerns are the additional costs, the burden of too many details which will obscure the essential disclosures and go beyond what users want or need, the danger of reduction of relevance and reliability of the disclosures and the commercial sensitivity of the information.

Exemption
The exemption of IAS 8 for insurers should be maintained until completion of Phase II

We would like to add that ED 5 as an interim standard should not lead to misleading financial statements. We are therefore in full support of the ongoing dialogue between IASB and CEA as well as the CFO Forum in order to find practical solutions for the problems raised with respect to ED 5 in Phase I and the willingness of the aforementioned to continue in an atmosphere of constructive cooperation in the further development of Phase II

Yours sincerely,

R. Weurding