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International Accounting Standards Board
30 Cannon Street,
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30 October 2003
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Dear Sirs

Re: Comments on IASB ED 5 – Insurance contracts

The Institute of State Authorized Public Accountants in Denmark (FSR) is pleased to submit its views on the IASB Exposure Draft ED 5 on Insurance Contracts. Our comments have been presented for the Danish Accounting Advisory Panel which represents users and preparers of financial statements.

FSR is member of FEE (Fédération des Experts Comptables Européens – European Federation of Accountants) and has participated actively in drafting the FEE comment letter on IASB ED 5. Therefore, our views are incorporated in the FEE comment letter.

However, we would add that the rule in ED 5, para. 6 stating that an insurer need not separate, and measure at fair value, a policyholder's option to surrender an insurance contract for a fixed amount (or for an amount based on a fixed amount and an interest rate) also should include surrender options in life insurance contracts where the surrender value is determined by the retrospective value of the insurance contract, i.e. as the premium with the addition of any bonus (interest) and deduction of costs, risk premiums and a surrender charge.

Furthermore, we would add that the rule in ED 5, para. 6 stating that the separation and fair value measurement requirement in IAS 39 does apply to a put option or cash surrender option embedded in an insurance contract if the surrender value varies in response to the change in an equity or commodity price or index, should not apply to surrender options where the surrender value is determined by the retrospective value of the insurance contract and the surrender charge varies in response to the change in an equity price or index.

We find that more guidance is needed on how to apply IAS 39 for investment contracts (contracts that do not transfer enough risk to qualify as insurance contracts).

Finally, we would like to inform you that in Denmark fair value accounting (market values) has been introduced in 2002 and 2003 for life insurance provisions.

The preparatory work to achieve this has been a very long process involving at least 3-4 years. Referring to our experience we would like to emphasize that IASB establishes the final standard on fair value accounting for insurance provisions as soon as possible if this information should be required already from 2006/2007.

Even if this information is only required as a disclosure requirement in the first phase of the IASB project, it would be very important to have the discussion and solutions as soon as possible.

We would be pleased to discuss any aspect of this letter with you.

Yours sincerely

Eskild Nørregaard Jakobsen
Chairman of FSRs Accounting
Standards Committee

Ole Steen Jørgensen
Head of Departmen

c.c. Paul Rutteman