



**ASSOCIATION ACTUARIELLE INTERNATIONALE  
INTERNATIONAL ACTUARIAL ASSOCIATION**

February 4, 2011

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Sir

**Re: IAA comments on the IASB Request for Views on Effective Dates and Transition Methods**

In response to the request for comments on the *Request for Views on Effect Dates and Transition Methods*, I am pleased to transmit on behalf of the International Actuarial Association (IAA) our comments and recommendations.

These comments have been prepared by the Insurance Accounting Committee of the IAA. If, upon reading these comments, you identify any points that you would wish to pursue, please do not hesitate to contact the IAA Secretariat, care of the chairperson of the Insurance Accounting Committee. The IAA will be pleased to develop these ideas further with you.

Yours sincerely

Jean-Louis Massé  
Secretary General

[Attachment](#): IAA comments

**A Commentary on the  
REQUEST FOR VIEWS ON EFFECTIVE DATES AND TRANSITION METHODS  
Released by the International Accounting Standards Board: October 2010**

### **International Actuarial Association and its Due Process**

The International Actuarial Association (the “IAA”) represents the international actuarial profession. Our sixty-three Full Member actuarial associations, listed in an Appendix to this statement, represent more than 95% of all actuaries practicing around the world. The IAA promotes high standards of actuarial professionalism across the globe and serves as the voice of the actuarial profession when dealing with other international bodies on matters falling within or likely to have an impact on the areas of expertise of actuaries.

The IAA is pleased to be given the opportunity to provide input to the IASB on this Request for Views. These comments have been prepared by its Insurance Accounting Committee, the members of which are listed in an Appendix to this statement. It has also been subject to the due process required for it to constitute a formal view of the IAA, and will be posted to the IAA’s official web site.

### **General Comments**

We thank the Board for requesting its stakeholders’ views regarding the effective dates and transition methods. It has been prepared in a timely manner and appropriately addresses the many outstanding projects of the IASB at one time.

We note that some of our views are based on current views of the expected outcomes of several of these IASB's projects, and may change depending upon the ultimate form of the standards. In particular with respect to the Insurance Contracts project that we have been closely following, the time needed for implementation may depend in part upon the degree of changes needed in administration and valuation systems.

We also note that for entities that are subject to multiple financial reporting standards, converged standards will reduce the cost and confusion relative to the adoption of different standards.

### **Responses to Questions**

#### **Question 1. Describe the entity responding to this Request for Views**

Actuaries have provided service to all of the stakeholders of insurance entities, pension funds and other firms whose obligations involve future contingent events. These include preparers, auditors, regulators and investors. Although not responsible for financial statements or audits, actuaries are involved as experts in many roles in advising on the development or review of financial information used in these functions.

We are particularly involved with the following:

- Insurance contracts;
- Post-employment benefits;
- Fair value measurement, particularly as it relates to business combinations;
- Financial instruments, including those that are investment contracts sold by insurers, assets owned by insurers and pension plans, embedded options included in insurance contracts, and as investment managers in certain jurisdictions; and
- Revenue recognition.

## **Question 2. Relative time needed and types of costs of the selected projects**

As in response to several other questions, the relative time needed depends in large part on the form of the final standard. However, based on the current proposals, we believe that overall financial instruments and insurance contracts will involve the most resources to implement. In addition, this effort will depend upon the complexity of both the instruments and contracts themselves and the difference between existing (in a given jurisdiction) and final IFRS standards.

For insurance contracts, for example, the new standard will involve significant changes in administrative, valuation and modeling systems. In several cases, financial values are generated by independent software companies; thus, not only do their systems have to be redesigned, but also their integration with the entities financial statement process will have to be implemented.

Where data is needed that is not currently captured in the entity's systems (an example is that many entities include a recognition date other than the effective date of insurance coverage), significant changes in many internal systems and in the entity's data warehouses will be needed.

Due to tight semi-annual, quarterly and in some cases monthly financial closes, careful and efficient design will be needed.

Significant additional IT, financial and actuarial resources will be needed; in some cases, this will involve temporary assignments to financial reporting areas, while in others consultants will be needed to assist in this effort and new staff will have to be added that will put a strain on the number of available professionals in certain jurisdictions. Furthermore, embedding resulting values in for example management reporting (both internal and external) requires extensive time and resources. For example, this effort will involve education of actuarial, financial reporting and other staff, reassessing and revising key performance indicators and incentive compensation programs, planning systems and processes. This effort also includes education and explanation of the outcomes to users (analysts and others).

The primary drivers of these costs include the complexity and change from current practice, the changes needed in policy administrative systems and financial reporting systems, costs for staff (including consultants), software used, complexity of contracts, and the amount of inforce contracts and instruments.

It is our expectation that the cost of implementation will include for many entities various consultants, including those involved with IT, actuarial, accounting, change/project management,

and auditing. The effort involved will be extensive, both for larger and smaller entities. These costs also involve training of internal and consulting staff before efforts can begin.

### **Question 3. Other effects on the financial reporting process**

In many jurisdictions IFRS requirements will not be and they have not been identical with regulatory requirements. The effects on entities' financial reporting systems will depend on the final form of the new IFRS requirements and that of future regulatory requirements. Especially with respect to the insurance contract and post-employee benefit proposals, changes in international and in some cases national actuarial standards of practice and guidance notes will also be required, which involve their own due process.

Although certain changes in auditing standards may be needed, more likely there will be changes in auditing guidance not currently included in IFRS (e.g., AICPA audit guides for post-employment benefit plans, life insurance and property & casualty insurance).

### **Question 4. Transition methods**

We have commented separately in certain cases regarding approaches to transition in our comment letters in response to corresponding exposure drafts, e.g., to the exposure draft on insurance contracts. We do not believe that insurers who desire to retroactively apply these standards should be prohibited from doing so. We would be pleased to expand upon these comments, particularly with respect to insurance contracts and post-employment benefit plans.

### **Question 5. Single date or sequential approach**

- a) Overall we favour the single date approach, in particular regarding the date for IFRS 9 and the new insurance contracts standard, especially as they apply to insurance entities and post-employment programs. Although in many cases these involve a significant amount of resources and effort, the result will be to enable a single project management effort rather than duplicative work, avoid annual restatements, and provide more meaningful information to users.
- b) We do not have a firm recommendation regarding a date for these at this time, as it may depend somewhat upon the substance and complexity of the final standards themselves. However, we believe that a mandatory implementation of no less than three years, meaning, 2014 or 2015. The choice of one of these periods is a result of:
  - The need to prepare prior year comparables;
  - Depending upon the transition rules (that is, the extent of that historical information is used in determining values not on a current value basis), significant investigation into prior years contract issuance may be needed that for mature entities may involve significant resources;
  - Enhanced overall reporting both to internal and to external users;
  - For some products, a sequential approach may require revisions of reporting value methodologies to be prepared twice, e.g., those involving embedded derivatives in insurance contracts that have to be unbundled, if the standard would require that.
  - In certain jurisdictions, new regulatory requirements are simultaneously being developed, e.g., Solvency II to be effective in European Union countries that will

siphon off limited resources. There may be synergies in certain entities in the development of valuation and modeling systems for these two set of standards. However, even in those countries and companies, the IFRS implementation benefits from the Solvency II implementation may not be large, although it may prove useful to make one set of changes, rather than piecemeal ones, over several successive years.

**Question 6. Option to early adopt**

We do not have any objections to early adoption of any of the standards. In fact we see the need for such early adoption in some cases, as in certain jurisdictions, e.g., in European Union countries, where some insurers may wish to implement the insurance contracts standard in 2013 to be effective at the same time that Solvency II is required to be implemented. In addition, depending on the final form of the standard, early adoption may also be reasonable in jurisdictions where the current local standard is similar to the new IFRS as, for example, seems likely to be the case for general insurance in Australia.

Although we prefer comparable results across companies, we realize that we are moving from a long period of non-comparable accounting standards for longer duration insurance contracts across most jurisdictions. While lack of comparability is not desirable, it may be acceptable as a practical expedient over a very short period.

**Question 7. IASB and FASB convergence on effective dates and transition methods**

We strongly encourage IASB and FASB convergence on both effective dates and transition methods (at least to the extent that the standards themselves are converged). A primary reason for this is the significance of multi-national insurers, which in some cases underwrite contracts in fifty or more jurisdictions, and multi-national entities with post-employment benefit plans.

**Question 8. First time adopters**

As indicated in our response to question 6, we have no objection to permitting first time adopters of IFRS to early adopt any of these standards, as long as existing IFRS preparers have that same right. We do not believe that first time adopters should be given more time than existing IFRS preparers for adoption.

## *Appendix A*

### **Members of the IAA Committee on Insurance Accounting**

Sam Gutterman	Chairperson
David Congram	Co-Vice-Chairperson
Francis Ruygt	Co-Vice-Chairperson
Gunn Albertsen	Den Norske Aktuarforening
Victor Bagnati	Instituto Brasileiro de Atuária (IBA)
Daniel N. Barron	Israel Association of Actuaries
Guy Castagnoli	Association Suisse des Actuaire
Antonella Chiricosta	Istituto Italiano degli Attuari
Alexander Dollhopf	Svenska Aktuarieföreningen
David Finnis	Institute of Actuaries of Australia
Mark J Freedman	Society of Actuaries
Kavassery S. Gopalakrishnan	Institute of Actuaries of India
Rokas Gylys	Lietuvos aktuariju draugija
Jozef Hancár	Slovenska Spolocnost Aktuarov
William C. Hines	American Academy of Actuaries
Armand Maurice Ibo	Institut des Actuaire de Côte d'Ivoire
Dragica Jankovic	Udru enje Aktuara Srbije
Burton D Jay	Conference of Consulting Actuaries
Ad Kok	Het Actuarieel Genootschap
Christoph Krischanitz	Aktuarvereinigung Österreichs (AVÖ)
Kurt Lambrechts	Association Royale des Actuaire Belges
Yin Lawn	Actuarial Institute of Chinese Taipei
Kristine Lomanovska	Latvijas Aktuaru Asociacija
Mike Lombardi	Canadian Institute of Actuaries
Ana Maria Martins Pereira	Instituto dos Actuários Portugueses
Brian Morrissey	Society of Actuaries in Ireland
Yoshio Nakamura	Institute of Actuaries of Japan
Marc F Oberholtzer	Casualty Actuarial Society
Manuel Peraita Huerta	Instituto de Actuarios Españoles
Andreja Radic	Hrvatsko Aktuarsko Društvo
Nithiarani Rajasingham	Singapore Actuarial Society
Ravi Clifton Rambarran	Caribbean Actuarial Association
Thomas Ringsted	Den Danske Aktuarforening
Jaanus Sibul	Eesti Aktuaaride Liit
Dieter Silbernagel	Deutsche Aktuarvereinigung e.V. (DAV)
Mateja Slapar	Slovensko Aktuarsko Društvo
Pentti Soinen	Suomen Aktuaariyhdistys
Bjarni Thórdarson	Félag Islenskra Tryggingastærðfræðinga
Arseny Timakov	Russian Guild of Actuaries
Charles Vincensini	Institut des Actuaire
Peter Withey	Actuarial Society of South Africa
Derek Wright	Institute of Actuaries
Jana Zelinkova	Ceská Spolecnost Aktuárù
Jesús Alfonso Zúñiga San Martin	Colegio Nacional de Actuarios A.C.

**Full Member Associations of the IAA**

Caribbean Actuarial Association  
Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires (Argentina)  
Institute of Actuaries of Australia (Australia)  
Aktuarvereinigung Österreichs (AVÖ) (Austria)  
Institut des Actuaire en Belgique (Belgique)  
Instituto Brasileiro de Atuária (IBA) (Brazil)  
Bulgarian Actuarial Society (Bulgaria)  
Canadian Institute of Actuaries/Institut Canadien des Actuaire (Canada)  
China Association of Actuaries (China)  
Actuarial Institute of Chinese Taipei (Chinese Taipei)  
Institut des Actuaire de Côte d'Ivoire (Côte D'Ivoire)  
Hrvatsko Aktuarsko Društvo (Croatia)  
Cyprus Association of Actuaries (Cyprus)  
Česká Společnost Aktuárů (Czech Republic)  
Den Danske Aktuarforening (Denmark)  
Egyptian Society of Actuaries (Egypt)  
Eesti Aktuaaride Liit (Estonia)  
Suomen Aktuaariyhdistys (Finland)  
Institut des Actuaire (France)  
Deutsche Aktuarvereinigung e.V. (DAV) (Germany)  
Hellenic Actuarial Society (Greece)  
Actuarial Society of Hong Kong (Hong Kong)  
Magyar Aktuárius Társaság (Hungary)  
Félag Islenskra Tryggingastærðfræðinga (Iceland)  
Institute of Actuaries of India (India)  
Persatuan Aktuaris Indonesia (Indonesia)  
Society of Actuaries in Ireland (Ireland)  
Israel Association of Actuaries (Israel)  
Istituto Italiano degli Attuari (Italy)  
Institute of Actuaries of Japan (Japan)  
Japanese Society of Certified Pension Actuaries (Japan)  
The Actuarial Society of Kenya (Kenya)  
Latvijas Aktuaru Asociācija (Latvia)  
Lebanese Association of Actuaries (Lebanon)  
Lietuvos Aktuariju Draugija (Lithuania)  
Persatuan Aktuari Malaysia (Malaysia)  
Colegio Nacional de Actuarios A. C. (Mexico)  
Association Marocaine des Actuaire (Morocco)  
Het Actuarieel Genootschap (Netherlands)  
New Zealand Society of Actuaries (New Zealand)  
Den Norske Aktuarforening (Norway)  
Pakistan Society of Actuaries (Pakistan)  
Actuarial Society of the Philippines (Philippines)

Polskie Stowarzyszenie Aktuariuszy (Poland)  
Instituto dos Actuários Portugueses (Portugal)  
Academia de Actuarios de Puerto Rico (Puerto Rico)  
Russian Guild of Actuaries (Russia)  
Udruženje Aktuara Srbije (Serbia)  
Singapore Actuarial Society (Singapore)  
Slovenska Spolocnost Aktuarov (Slovakia)  
Slovensko Aktuarsko Drustvo (Slovenia)  
Actuarial Society of South Africa (South Africa)  
Col.legi d'Actuaris de Catalunya (Spain)  
Instituto de Actuarios Españoles (Spain)  
Svenska Aktuarieföreningen (Sweden)  
Association Suisse des Actuaires (Switzerland)  
Society of Actuaries of Thailand (Thailand)  
Institute and Faculty of Actuaries (United Kingdom)  
American Academy of Actuaries (United States)  
American Society of Pension Professionals & Actuaries (United States)  
Casualty Actuarial Society (United States)  
Conference of Consulting Actuaries (United States)  
Society of Actuaries (United States)