



**ASSOCIATION ACTUARIELLE INTERNATIONALE
INTERNATIONAL ACTUARIAL ASSOCIATION**

November 30, 2011

Mr. Hans Hoogervorst
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr. Hoogervorst

Re: IAA comments on the Request for Views on Agenda Consultation 2011

In response to the request for comments on the Request for Views – the IASB Agenda Consultation 2011, 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 wish to pursue, please do not hesitate to contact the chairperson of the Insurance Accounting Committee care of the [IAA Secretariat](#). The IAA will be pleased to develop these ideas further with you.

Yours sincerely

Cecil Bykerk
President

[Attachment](#): IAA comments

A Commentary on the Request for Views
AGENDA CONSULTATION 2011
Released by the International Accounting Standards Board: July 2011

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 its request for views on its agenda over the next few years. 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 web site.

General Comments

We thank the IASB for opening up its agenda-setting process to public comment. We believe that this represents an important step forward in obtaining consensus regarding the future of high quality, internationally accepted, financial reporting standards. Obtaining comments from the stakeholders of financial reporting on a regular basis (every three years seems to be a reasonable time period) can enhance the effective allocation of IASB resources.

We particularly highlight the importance of completing the Insurance Contracts project in a timely manner. We believe that it should be a high priority to adopt a rigorous high quality standard for these contracts. In addition, we stress the importance of having a single set of high quality global standards for insurance contracts, endorsed by both the IASB and FASB. Having two inconsistent sets of standards, is and would be, quite disruptive for insurers and their subsidiaries that compete in the same market, would impair the comparability and transparency of financial results, and could create arbitrage opportunities. In our view, one set of standards, even if somewhat imperfect, will be significantly better than two sets, as long as any necessary compromises do not interfere with the adoption of a high quality standard. Remaining imperfections could be worked on after a post-implementation review. We remain committed to assisting the IASB in this effort wherever we can.

Please note that a separate submission of comments on this agenda consultation will be made by the IAA's Pension Accounting Subcommittee.

Specific Comments

The following are our responses to the specific questions raised in the Request for Views.

<p><i>1. What do you think should be the IASB's strategic priorities, and how should it balance them over the next three years?</i></p>

IAA Comment

The IAA believes that the IASB's strategic priorities (in addition to further work on the Conceptual Framework) should include:

1. Completion of the four current high priority projects (financial instruments, insurance contracts, leases and revenue recognition). We believe their completion should remain as the highest possible priority. We do not offer our opinion regarding the relative priority among these projects, since each is equally important to various stakeholders and users of financial statements.
2. Considering interdependencies among projects. Financial instruments, insurance contracts and revenue recognition have significant impact on the reporting of the financial performance of insurance entities. It is essential that the interaction of these projects reflect the business model adequately.
3. Post implementation reviews. We believe that a high strategic priority should also be placed on rigorous evaluations of new and significantly revised standards that have been implemented to ensure that they have been properly formulated and have not resulted in unintended consequences. We suggest that an appropriate time for such reviews would be between two and four years after implementation. That should provide adequate time for the identification of significant issues. The purpose of such reviews would be to determine the prioritization of consequential amendments and needed interpretations. We suggest that post-implementation teams be utilized, including representatives of key stakeholders, experts and a representative from the IAASB to assist in the assessment of the auditability of each standard. This should be benchmarked against the original objectives set for the standard or its revision, including findings obtained from outreach efforts prior to adoption of these standards or significant revisions.
4. Addressing the criteria used to determine whether an issue should be addressed as an IFRIC issue.

<p><i>I(a) Do you agree with the two categories we identified and the five strategic areas within them? If you disagree, how do you think the IASB should develop its agenda, and why?</i></p>
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IAA Comment

We believe that the two categories identified, i.e., (1) development of financial reporting and (2) maintenance of existing IFRSs can be better characterized as they need to be sufficiently distinct to constitute a basis for strategic thinking. We believe that strategic areas might be better categorized as follows:

1. Review and revision, where necessary, of the scope and conceptual framework of financial reporting, including cross-cutting issues that affect multiple standards. Some of this, because of its difficulty, may require further research and a different type of outreach than the IASB has used until now. These matters involve fundamental issues of financial reporting where more conceptual development and research may be needed and can be addressed in many ways, including through staff work, requests for proposals and calls for papers on specific issues. Single-source research efforts, such as by national

accounting standard setters, can also be used in certain circumstances, depending of the issue and resources available.

2. Improvement of existing standards and development of new standards. The second of these strategic areas includes enhancement of existing standards, identification and development of areas in which standards do not exist and post-implementation reviews of recently adopted and new standards to address areas needing refinement and interpretation. Although we believe that technological developments should be pursued, we caution against the full-blown implementation of XBRL until assurance can be provided that the entire financial statement will be available and allow users to focus attention on individual elements that, in isolation, may provide a misleading understanding of an entity's financial performance.

1(b) How would you balance the two categories and five strategic areas? If you have identified other areas for the IASB's agenda, please include these in your answer.

IAA Comment

The IAA believes that it is worthwhile to conduct, on a regular basis, fundamental reassessments of the principles of financial reporting, whether as part of the IASB's Conceptual Framework or relative to cross-cutting issues that affect multiple standards. This is an area which is often given short shrift, with lack of clear guidance having resulted in inconsistent standards and delays resulting from re-debating similar issues.

We therefore support the proposal that a certain percentage of resources should be devoted at all times to such areas that are too easily deferred in the absence of such a commitment in favour of the inevitable current hot issues of the day.

We believe that continued effort to enhance the Conceptual Framework is extremely important, particularly in concert with the FASB. Too many decisions appear to have been made without the benefit of a proper fundamental context and underlying principles. We also believe it highly desirable that (1) financial reporting of economically similar assets or liabilities and (2) consistent measurement of assets and liabilities be pursued.

Two particular elements should be addressed on a high priority basis:

1. As we have previously indicated, the current Framework's lack of treatment of measurement principles has hampered the development of several of the IASB's projects; the elements of measurement that we particularly believe would be valuable to address include the time value of money, reflection of risk and uncertainty, cost, and presentation and disclosure.
2. As other projects are explored, more will be learned regarding Conceptual Framework principles, so we believe that, to be useful, they should be treated as a living set of principles and not be treated as a reference book never to be opened.

2 What do you see as the most pressing financial reporting needs for standard-setting action from the IASB?

IAA Comment

The IAA believes that the four issues under current review need immediate attention. We believe that the highest quality standards in these areas are desirable, and convergence between IASB and FASB should be achieved wherever possible. In addition, Conceptual Framework issues, particularly those relating to measurement should be completed in a timely fashion that will benefit many of the other projects. As we have done in the past, we offer our assistance in pursuit of the best possible solutions, with service on working groups or as part of research efforts, as appropriate.

2(a) Considering the various constraints, to which projects should the IASB give priority, and why? Where possible, please explain whether you think that a comprehensive project is needed or whether a narrow, targeted improvement would suffice?

IAA Comment

We believe other projects that should be addressed on a reasonably high priority basis should include several cross-cutting issues:

1. Other comprehensive income (OCI). Based on recent discussions of several IASB projects, a comprehensive review of OCI is needed.
2. Discount rates. We believe that measurement principles underlying the selection of the discount rate methodology are needed. Given the multiple methods now used, clarity concerning this issue is lacking. We would point out that since the early (more than a decade ago) IASB project that dealt with this topic (in addition to projects on risk and uncertainty) was never completed, it may be worthwhile to review that work before beginning this subject, even though some of it may now be somewhat dated. We have not formed a position regarding how the results of this discussion should be incorporated into financial reporting standards literature, e.g., through discussion in the IASB Conceptual Framework or more consistent application in IASB standards. Nevertheless, this remains a very important topic for the measurement of any asset or liability involving long-term cash flows. The IAA is preparing an educational monograph on the use of discount rates in financial reporting; this may be helpful in the discussions concerning this issue.
3. Risk and uncertainty. Based on the discussion in several projects, including insurance contracts, the IAS 37 revision, and post-employment benefits, this topic should be evaluated as a cross-cutting issue (possibly in a manner consistent with discount rates, e.g., either in conjunction with IASB Conceptual Framework discussions or through more consistent application in IASB standards). This remains an important financial reporting topic across many applications.
4. Financial statement presentation (in addition to consideration of OCI indicated in 1a) above).

5. Presentation and disclosure standard, immediately upon completion of the corresponding part of the Conceptual Framework.

[For additional priority projects, see answer to other questions.]

2(b) Adding new projects to the IASB's agenda will require the balancing of agenda priorities with the resources available.

Which of the projects previously added to the IASB's agenda but deferred (see table page 14) would you remove from the agenda in order to make room for new projects, and why? Which of the projects previously added to the IASB's agenda but deferred do you think should be reactivated, and why?

Please link your answer to question 2(a).

IAA Comment

Other projects previously begun that we believe to be worthwhile to complete:

1. Liabilities – amendments to IAS 37. Although work has been done on certain aspects of this standard, we urge that the standard be reviewed in its entirety. The measurement aspects of this project should, if possible, be consistent with the measurement approaches used in other projects, most recently in those of the insurance contracts project (many of the liabilities within the scope of this standard have characteristics similar to that of the obligation of insurance contracts, except that there is no consideration for them and thus a residual margin is not applicable). Conceptually, they should also be consistent with those of other liabilities, including post-employment benefits, and leases, all of which should be consistent with the measurement chapter of the Conceptual Framework. Similarly, liabilities of a captive insurer addressed under the upcoming Insurance Contracts standard may become assessed under IAS 37 upon the captive's consolidation. Further, reinsurance recoverables in a consolidated captive insurer become insurance recoveries for the parent.
2. Accounting for owners of insurance contracts (other than reinsurers). This project was originally a part of the Insurance Contracts project, but was deferred so as not to overly delay the basic project. We believe that it should be addressed as soon as the Insurance Contracts project is complete.

New projects that we believe would be worthwhile to undertake on a limited scope basis include:

1. Intangible assets.
2. Islamic finance and Takaful. This is a new relatively new area that should be explored for any unique financial reporting needs. We do not have current views as to how it would best be addressed; nevertheless we believe it important to begin discussions regarding whether to and how to address this increasingly important issue in certain parts of the world.

You will note that we have not listed the fundamental review of post-employment benefits. That is addressed in a separate submission prepared by the IAA's Pension Accounting Subcommittee.

Appendix A

Members of the IAA Committee on Insurance Accounting

Sam Gutterman	Chairperson
David Congram	Co-Vice-Chairperson
Francis Ruygt	Co-Vice-Chairperson
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Guy Castagnoli	Association Suisse des Actuaire
Antonella Chiricosta	Istituto Italiano degli Attuari
Alexander Dollhopf	Svenska Aktuarietföreningen
Ann Duchêne	Institut des Actuaire en Belgique
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
Maximilian Happacher	Deutsche Aktuarvereinigung e.V.
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)
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
Henry Siegel	American Academy of Actuaries
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 Zúñiga	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 Actuairens en Belgique (Belgique)
Instituto Brasileiro de Atuária (IBA) (Brazil)
Bulgarian Actuarial Society (Bulgaria)
Canadian Institute of Actuaries/Institut Canadien des Actuairens (Canada)
China Association of Actuaries (China)
Actuarial Institute of Chinese Taipei (Chinese Taipei)
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Hrvatsko Aktuarsko Društvo (Croatia)
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Česká Společnost Aktuárů (Czech Republic)
Den Danske Aktuarforening (Denmark)
Egyptian Society of Actuaries (Egypt)
Eesti Aktuaaride Liit (Estonia)
Suomen Aktuaariyhdistys (Finland)
Institut des Actuairens (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 Actuairens (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)
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Conference of Consulting Actuaries (United States)
Society of Actuaries (United States)