



**ASSOCIATION ACTUARIELLE INTERNATIONALE
INTERNATIONAL ACTUARIAL ASSOCIATION**

March 1, 2010

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

Dear Sir

Re: IAA comments on the IASB Exposure Draft on *Management Commentary*

In response to the request for comments on the Exposure Draft on *Management Commentary*, I am pleased to transmit on behalf of the International Actuarial Association (IAA) our comments and recommendations.

These comments have been prepared by a task force of the Committee on Insurance Accounting. If, upon reading these comments, you identify any points that you wish to pursue, please do not hesitate to contact the chairperson of that Committee, Sam Gutterman, or any of the other members of the committee. The IAA will be pleased to develop these ideas further with you.

Yours sincerely

Yves Guérard
Secretary General

[Attachment](#): IAA comments

**A Commentary on the
EXPOSURE DRAFT ON MANAGEMENT COMMENTARY
Released by the International Accounting Standards Board: June 2009**

International Actuarial Association

The International Actuarial Association (the “IAA”) represents the international actuarial profession. Our sixty-three Full Member actuarial associations represent more than 95% of all actuaries practicing around the world. The Full Member associations of the IAA are listed in an Appendix to this statement. 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 appreciates the opportunity to provide comments on this IASB exposure draft.

IAA Due Process

These comments have been prepared by a task force of the Committee on Insurance Accounting. Our comments are written from the perspective of actuaries involved in financial reporting for insurers around the world, with an emphasis on measurement of insurance liabilities and reinsurance assets. Statements in this letter with respect to industry practices reflect the collective experience of the actuaries who participated in the preparation of this comment letter, which we believe represents an accurate and fairly comprehensive view of the insurance industry globally. The members of the committee 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.

IAA Overall Comments and General Remarks

We thank the Board for the opportunity to comment on the proposals presented in ED/2009/6 (ED) on the important matter of management commentary, a significant element in financial reporting. We generally support the main features of the proposed ED. Our comments and suggestions follow.

We are confused regarding the stated intention of the IASB that this document is not to be binding or to lead to an IFRS, while at the same time it is noted that it is consistent with the conceptual framework. Although we understand the reasons given that it is meant not to provide a rulebook and that it will be expected that different forms of commentary will be used by different entities, we are unsure whether it is appropriate for the IASB to generate a new type of publication unless this is the first of several such guidance papers. We believe that it may be more appropriate for the IASB to describe the objective and type of application than to develop a new type of publication that may, in any case, be interpreted by many in a manner similar to an IFRS.

We agree and support the principles outlined in paragraphs 6 and 7. The IASB might consider expanding paragraph 6 to include reference to the notes to the financial statements. This would bring greater clarity to the intent of this paragraph. For example, for insurance entities there are important matters that are included in the notes to the financial statements which should be

addressed by the Management Commentary. If the notes to the financial statements were not included with the distribution of the Management Commentary, the Management Commentary would be less useful and potentially misleading to a user.

Although we agree with the intent of paragraph 23, we believe that the constraint described in 23(a) should be reconsidered. Many companies operate multiple lines of business in multiple countries, wherein each line of business is reasonably similar across all jurisdictions. If segment information in the financial statements is by country, this may constrain the usefulness of Management Commentary. In some cases, Management Commentary may be more valuable and decision-useful if management provides commentary on a particular business across all the segments. For example, global reinsurance companies provide both life and property & casualty reinsurance in multiple countries. Their segment reporting is usually by geographic region. However, the management and risks of the life reinsurance operations are different from the property & casualty reinsurance business, regardless of geographic region. Management may prefer to discuss each of these lines of business as a whole in the Management Commentary rather than by geographic region.

IAA Response to Specific Questions

Question 1

Do you agree with the Board's decision to develop a guidance document for the preparation and presentation of management commentary instead of an IFRS? If not, why?

IAA Comments. Since the stated intent does not appear to be prescriptive in nature, it is logical for it not to be an IFRS. Nevertheless, we are concerned that preparers and auditors will not understand the level of mandate of the guidance.

Question 2

Do you agree that the content elements described in paragraphs 24–39 are necessary for the preparation of a decision-useful management commentary? If not, how should those content elements be changed to provide decision-useful information to users of financial reports?

IAA Comments. It is not clear to us what is intended to be discussed in the Management Commentary under Paragraph 26 (e).

We agree that the principles in Paragraphs 27, 29, 31 and 32 would be useful to a user; however, management may be reluctant to offer decision-useful information in sufficient detail to provide a complete understanding of the entity's tactics, since that may provide to the company's competitors information that could undermine the company's competitive position or business economics.

Question 3

Do you agree with the Board's decision not to include detailed application guidance and illustrative examples in the final management commentary guidance document? If not, what specific guidance would you include and why?

IAA Comments. We agree with the Board's decision. Differences between industries, countries and even specific companies within an industry are so wide and varied that the general requirement (in paragraph 21) should be adequate to achieve the objectives as set forth in the ED.

Other IAA Comments

Paragraph 1

The current wording may be somewhat awkward. We suggest something like:

This guidance provides a framework for developing decision-useful management commentary to accompany financial statements prepared in accordance with International Financial Reporting Standards (IFRSs).

Paragraph 6

As we have noted earlier, it is important that this paragraph be clarified in order that it will be read in the context of the corresponding financial statements and their notes.

Paragraph 10

We suggest that, in the third line, “change them” be replaced by “may change them in a significant manner”. First, it seems that the word, “may” is missing, and we believe that the concept of significance is important here.

Paragraph 15

We suggest extending the last sentence with “that would help users to understand aspects of performance that will, in turn, assist users in developing insights into future performance.”

Paragraph 26

We do not understand the first sentence, to the extent that it is not clear that a description of the business will necessarily provide an understanding of the external environment. Instead, a description specifically of the external environment can provide valuable insight into the entity and its prospects.

Paragraph 26(e)

We believe that “its business mode” is more descriptive than “its economic model” is of what is desired.

Paragraph 29

An editorial suggestion for the second line – we suggest changing “industry” to “industries” would be consistent with paragraph 26.

Prior to paragraph 30

We believe that “Risks and Risk Management” would be a better title and be more descriptive of the content of paragraphs 30 and 31 than just “Risks”.

Paragraph 32

We suggest the insertion of “the entity's concentration risks” after “understand” in line 5.

Paragraph 36

It would be useful, if possible, to identify what management believes to be drivers of the success factors, e.g., the quality of goods and services provided by the entity.

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 Hugo Cesar Bagnati	Instituto Brasileiro de Atuária
Daniel N. Barron	Israel Association of Actuaries
Ralph Sumner Blanchard III	Casualty Actuarial Society
Guy Castagnoli	Association Suisse des Actuaires
Antonella Chiricosta	Istituto Italiano degli Attuari
Alexander Dollhopf	Svenska Aktuarieföreningen
Guillermo Ezcurra Lopez De La Garma	Instituto de Actuarios Españoles
David John Finnis	Institute of Actuaries of Australia
Mark J Freedman	Society of Actuaries
Kavassery S. Gopalakrishnan	Institute of Actuaries of India
Rokas Gyls	Lietuvos aktuariju draugija
William C. Hines	American Academy of Actuaries
Armand Maurice Ibo	Institut des Actuaires de Côte d'Ivoire
Dragica Jankovic	Udru enje Aktuara Srbije
Burton D Jay	Conference of Consulting Actuaries
Jelica Klucovska	Slovenska Spolocnost Aktuarov
Ad Kok	Het Actuarieel Genootschap
Christoph Krischanitz	Aktuarvereinigung Österreichs
Kurt Lambrechts	Association Royale des Actuaires Belges
Yin Lawn	Actuarial Institute of Chinese Taipei
Kristine Lomanovska	Latvijas Aktuaru Asociacija
Brian Joseph Morrissey	Society of Actuaries in Ireland
Yoshio Nakamura	Institute of Actuaries of Japan
Andreja Radic	Hrvatsko Aktuarsko Drustvo
Nithiarani Rajasingham	Singapore Actuarial Society
Thomas Ringsted	Den Danske Aktuarforening
Matthew Christopher Saker	Faculty of Actuaries
Jaanus Sibul	Eesti Aktuaaride Liit
Dieter Silbernagel	Deutsche Aktuarvereinigung e.V.
Pentti Soininen	Suomen Aktuaariyhdistys
Bjarni Thórdarson	Félag Islenskra Tryggingastærðfræðinga
Arseny Timakov	Russian Guild of Actuaries
Charles Vincensini	Institut des Actuaires
Peter Andrew Withey	Actuarial Society of South Africa
Derek John 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)
Association Royale des Actuaire Belges (Belgique)
Instituto Brasileiro de Atuária (IBA) (Brazil)
Bulgarian Actuarial Society (Bulgaria)
Canadian Institute of Actuaries/Institut Canadien des Actuaire (Canada)
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 Íslenskra 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 Actuaire (Switzerland)
Society of Actuaries of Thailand (Thailand)
Faculty of Actuaries (United Kingdom)
Institute 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)