



**ASSOCIATION ACTUARIELLE INTERNATIONALE
INTERNATIONAL ACTUARIAL ASSOCIATION**

August 1, 2005

Mr. Thomas Seidenstein
Director of Operations
IASB
30 Cannon Street
London EC4M 6XH
United Kingdom
(Email: tseidenstein@iasb.org)

Dear Sir:

Re: IAA comments on *IFRIC – Review of Operations, Consultative Document*

In response to the request for comments to the *IFRIC – Review of Operations, Consultative Document*, I am pleased to transmit on behalf of the International Actuarial Association (IAA) our comments and recommendations.

We believe that IFRIC can contribute significantly to the enhancement of quality financial reporting by providing interpretations of IFRS that will enable more consistent worldwide financial reporting. We encourage the continued efforts of the IASB to enhance its operations and its IFRS in a transparent manner. We are pleased to provide our commentary on the current draft. We hope that you find the attached comments to be of value.

These comments have been prepared by a committee of the IAA, the members of which are listed by name and association in the Appendix to this submission.

Yours sincerely,

Yves Guérard
Secretary General

Attachment

THE INTERNATIONAL ACTUARIAL ASSOCIATION

The International Actuarial Association (the “IAA”) represents the international actuarial profession. Our fifty-two Full Member actuarial associations represent more than 95% of all actuaries practicing around the world. The IAA promotes high standards of actuarial professionalism around 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 upon, the areas of expertise and practice of actuaries.

We are not a trade association and do not represent the interests of either clients or employers. As actuaries, we have developed significant experience and expertise in the assessment of the value of contingent cash flows. Using this experience, actuaries will continue to provide assistance to those involved in the enhancement of financial reporting standards to make them more useful to the users of financial statements.

IAA COMMENTS

The IAA appreciates this opportunity to provide input to the International Accounting Standards Committee Foundation regarding the consultative document addressing *IFRIC – Review of Operations*. We commend the continuing, very worthwhile, efforts of the IASC Foundation to enhance its operating procedures to better achieve its objectives in the pursuit a set of high quality globally accepted international financial reporting standards. The following are our comments corresponding to IFRIC procedures.

1. **Proposed change in the Constitution.** The proposed change to cover the quorum while a vacancy exists appears sensible and practical.
2. **Resources.** As evidenced by the extent of output from IFRIC, the IAA agrees that additional resources should be provided to support IFRIC related activities.
3. **Frequency of meetings.** It would be appropriate for IFRIC to meet ten to twelve times a year. Accordingly, it may also be appropriate to increase the frequency of the meetings of the IFRIC agenda committee.
4. **Urgent issues.** Although the IAA does not believe it appropriate to turn IFRIC into an urgent issues committee, it would be appropriate to develop and maintain a capability to respond more quickly when needed. At the same time, we do not believe it appropriate for it to sacrifice transparency, due process or quality (e.g., a due process period of at least 30 days should always be used). As a result, while producing interpretations within a one to two month period is most likely unachievable and undesirable; nevertheless an objective of the capacity to fully respond to an issue in a three to five month period should be desirable and achievable. We are certain that six to eight months may be too long of a period for certain issues arising from the application of IFRS.
5. **Transparency of operations.** The IAA believes that transparency should be emphasized throughout the IFRIC process. For example, a brief publicly available explanation of the reason for lack of pursuit of an issue by IFRIC may prove valuable, while at the same time providing more information regarding the types of issues that the IFRIC is willing to pursue. In addition, increased clarity regarding the proper protocol for introduction of an IFRIC issue to its agenda should be useful in encouraging its use in issues warranting its use.

IAA comments on the IASCF Review of IFRIC Operations

6. **Industry-specific issues.** We have a general concern that industry-specific issues are not being addressed. For example, in light of the introduction of IFRS 4 and lack of complete comparability in its adoption by users, for instance in the application of discretionary participation features, we would have expected at least one insurance contract related issue to be discussed at IFRIC. We are uncertain regarding the reason, extent or significance of this concern, that is, whether it is due to the complexity of industry-specific issues, lack of interest in dealing with such issues, or lack of expertise. If it is due to the latter, we would encourage the consultation of industry-specific specialists or formation of industry-knowledge-source groups in order to better assess the issues involved. Although it would rarely be necessary to convene a formal task group of industry specialists, a better mechanism to enable proper assessment of the significance of tentative narrow industry-specific issues might be appropriate.
7. **Membership of agenda committee.** Although we agree that it is appropriate for each of the four large auditing firms to be represented on IFRIC's agenda committee to enable discussion of common IFRS implementation issues, we believe that it would be appropriate to somewhat broaden its membership to include additional members to provide this important IFRIC committee a broader perspective in recognizing the significance of issues.
8. **Educational material.** Paragraph 31 refers to educational material. The IASB needs to establish an internal review process to ensure that any educational material could be construed as interpretations.
9. **Auditor-interpretations.** We would like to point out that although paragraph 47 states that the IFRIC does not support a proliferation of interpretations; this is precisely what occurs when an interpretation is agreed by an auditor at an entity level, without reference to higher level interpretations. Auditor-interpretations also represent a proliferation of interpretations.
10. **Terminology.**
 - a. We recommend that the wording in this document be reviewed in light of the international nature of IFRIC. For example, although "tabling Agenda Committee recommendations" is clear if viewed strictly from a U.K. perspective, since the use of the word "tabling" is used to mean the opposite in the U.S., we suggest a more country-neutral terminology.
 - b. The use of "National Standard Setters" (NSS) as a defined term in this document contrasts with the phrase "accounting standard setters" appearing in the draft consultative papers on the Memorandum of Understanding and the IASB Handbook. Would NSS be equally applicable for the other two documents?

Again, along with other responders to this draft, the IAA appreciates the opportunity to express our views regarding this draft Understanding and hope these comments add value to the deliberations.

Members of the IAA's Insurance Accounting Committee

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Kevin Yah	Actuarial Institute of the Republic of China
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Full Member Associations of the IAA

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Association Royale des Actuaire Belges (Belgique)
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IAA comments on IFRIC – Review of Operations

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)