



**ASSOCIATION ACTUARIELLE INTERNATIONALE  
INTERNATIONAL ACTUARIAL ASSOCIATION**

September 18, 2010

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

Dear Sir

**Re: IAA comments on the IASB Exposure Draft on *Measurement Uncertainty Analysis Disclosure for Fair Value Measurements***

In response to the request for comments on the Exposure Draft on *Measurement Uncertainty Analysis Disclosure for Fair Value Measurements*, 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 MEASUREMENT UNCERTAINTY ANALYSIS -  
DISCLOSURE FOR FAIR VALUE MEASUREMENTS  
Released by the International Accounting Standards Board: June 2010**

**International Actuarial Association and IAA Due Process**

The International Actuarial Association (the "IAA") represents the international actuarial profession. Our sixty-two 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.

These comments have been prepared by the Committee on Insurance Accounting. Our comments are written from the perspective of actuaries involved in financial reporting for insurers and self-insurers around the world, with an emphasis on measurement of liabilities and reinsurance assets related to insured and self-insured exposures. 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 those involved in insurance and risk management 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 web site.

**IAA General Comments**

We thank the Board for the opportunity to comment on the proposal presented in this ED. We would like to focus our attention in these brief observations on the differences between the uncertainty analysis in the ED and the proposed uncertainty analysis described in paragraph 90(d) in the ED on *Insurance Contracts* currently being exposed. We are still deliberating on the proposals incorporated in the latter ED; nevertheless, we would like to offer the following brief comments:

Estimates of the liability for insurance contracts and fair values of financial assets and financial liabilities whose measurement is based on level 3 inputs have much in common. In fact, in situations of, for example, a business combination, a fair value of insurance liabilities would in general follow the same measurement techniques as given in fair value measurements. As a result, it is useful to compare proposals for disclosure for each of these proposed approaches to measurement.

We would like to point out two primary differences that, based on our current assessment, do not appear justified.

1. In this ED, uncertainty analysis only addresses the correlation between unobservable inputs, while the *Insurance Contracts* ED does not restrict itself to correlation of those types of inputs. For example, for insurance contracts, the correlation between interest rates and policyholder behaviour would be considered, while correlation between market-based and unobservable inputs in this ED is not addressed. We believe that it is appropriate to reflect in an uncertainty analysis the correlation between major types of inputs, which would not be restricted to one class of inputs.
2. In this ED, reference is made to 'significantly higher or lower fair value measurement', while in the *Insurance Contracts* ED, reference is made to 'materially higher or lower measurement'. Without providing an opinion regarding which is more appropriate, we believe that a consistent description should be used in both standards.

### **Comments on Specifically Raised Questions in the Exposure Draft**

As requested, the following responds to the questions as posed in the Exposure Draft.

#### **Question 1**

Are there circumstances in which taking into account the effect of the correlation between unobservable inputs (a) would not be operational (e.g. for cost-benefit reasons) or (b) would not be appropriate? If so, please describe those circumstances.

**IAA Comment:** We are not aware of any such circumstances, as long as they have a significant (or “material” – see above for our comment on these words) effect on the resulting measurement.

#### **Question 2**

If the effect of correlation between unobservable inputs were not required, would the measurement uncertainty analysis provide meaningful information? Why or why not?

**IAA Comment:** Recognition and reflection of significant (or “material” – see above for our comments on these words) correlation that is expected to exist should enhance the measurement of and disclosures related to financial assets and financial liabilities. We note that the correlation may not be consistent across all reasonably considered scenarios. Where practical, these variations in correlation should be reflected.

#### **Question 3**

Are there alternative disclosures that you believe might provide users of financial statements with information about the measurement uncertainty inherent in fair value measurements categorised within Level 3 of the fair value hierarchy that the Board should consider instead? If so, please provide a description of those disclosures and the reasons why you think that information would be more useful and more cost-beneficial.

**IAA Comment:** We have no suggested alternative at this time.

## *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
Guy Castagnoli	Association Suisse des Actuares
Antonella Chiricosta	Istituto Italiano degli Attuari
Alexander Dollhopf	Svenska Aktuarieföreningen
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
Jozef Hancár	Slovenska Spolocnost Aktuarov
William C. Hines	American Academy of Actuaries
Armand Maurice Ibo	Institut des Actuares 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
Kurt Lambrechts	Association Royale des Actuares Belges
Yin Lawn	Actuarial Institute of Chinese Taipei
Kristine Lomanovska	Latvijas Aktuaru Asociacija
AnaMaria Martins Pereira	Instituto dos Actuários Portugueses
Brian Joseph 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.
Mateja Slapar	Slovensko Aktuarsko Društvo
Pentti Soininen	Suomen Aktuaariyhdistys
Bjarni Thórdarson	Félag Islenskra Tryggingastærðfræðinga
Arseny Timakov	Russian Guild of Actuaries
Charles Vincensini	Institut des Actuares
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)  
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)  
Actuarial Institute of Chinese Taipei (Chinese Taipei)  
Institut des Actuairens 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 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)  
Casualty Actuarial Society (United States)  
Conference of Consulting Actuaries (United States)  
Society of Actuaries (United States)