



FINANTSINSPEKTSIOON

CL 77

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

31/10/2003

Dear Sirs

The following are brief comments from Estonian Financial Supervision Authority to some of the questions in the Exposure Draft 5 Insurance Contracts, in response to request for comments.

Question 7

Under ED5 18(c) it is stated that receipts from reinsurer shall be recognized as income to the extent that they compensate the reinsurers portion of acquisition costs. In practice those receipts from reinsurers might sometimes exceed the "normal" reinsurers portion of acquisition costs (i.e. reinsurance commissions), yet still being an income. The phrase "to the extent that they compensate the cedant for *the reinsurer's portion of*" might perhaps induce some limitation, hence deletion of words "the reinsurer's portion of" might be appropriate.

Question 8

The possibility of extraction of intangible asset, as a difference of fair value and the one according to existing accounting policy (Question 8 (b)) of an acquired/assumed portfolio on the face of the balance sheet might be slightly inconsistent with ED5 33. The extraction of such asset effectively means calculation of the fair value of assumed liabilities of the portfolio, the methods of which at the present stage are not always uniform. The transparency thus achieved (BC94 (a) last sentence) is similar to that of ED5 33, hence it might be appropriate to synchronize timewise the disclosure (permission) of ED5 20 and ED5 33.

The same issue relates to Question 10.

Question 9

It is required to make a choice between equity or liability for an unallocated surplus from discretionary participation (DP).

It might be appropriate, along with the aforementioned requirement, to require disclosure about such choice, but also to require disclosure whether DP feature is reported separately from the fixed element or not. If it reported separately, disclosure of the extent of discretion might be appropriate if the choice has been made to report the DP elements in equity.

Best regards,

Kaido Tropp
Member of the Board

Priit Kask
Head of Department, Analysis and Reporting