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Sir David Tweedie
Chairman
International Accounting Standards Board
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Ref: NAN/np064

11 October, 2002

Dear Sir David

Amendments to IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement'

We have provided specific comments on the exposure draft through our participation in preparing the response from the Association of British Insurers, dated 14 October 2002. In addition to specific comments on the proposed amendments, we understand that the Board has indicated it would welcome comment on some specific concerns regarding the application of IAS 32 and IAS 39 to accounting for insurance contracts.

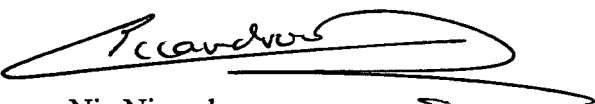
As you are aware there are a number of significant issues relating to the application of international accounting standards to insurance, and in particular the application of IAS 32 and IAS 39. These issues were in a letter to you dated 18 September 2002, from a number of European insurers, including ourselves. This letter re-emphasises the key issues relating to the application of IAS 39 where insurance contracts may fall to be accounted for as financial instruments in accordance with this standard.

We believe clarification and guidance of the definition of insurance contracts as currently defined in paragraph 1(c) of IAS 32 is essential. Therefore, we strongly suggest that practical guidance and further clarification is essential to assist the interpretation of a definition of an insurance contract and ensure consistent definitions are followed between insurers and others writing insurance business who prepare financial statements in accordance with IAS. Adopting the IAS 32 definition ahead of Phase Two could lead to fundamental changes being required to insurance company accounts twice within a two year period. This would have serious practical implications for companies as well as being detrimental to users of the financial statements.

In addition, implementation and practical guidance for applying IAS 39 measurement, recognition and presentation requirements to those contracts issued by insurers which currently fall to be treated as financial instruments under IAS 39 is required, including guidance with respect to features such as renewals, embedded derivatives, participating contracts and the methodology for the fair value valuation of 'insurance' liabilities.

We remain committed to supporting the work of the IASB to establish practical guidance in these areas. Should you have any questions relating to this content of this letter, we would be pleased to discuss them with you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nicandrou', with a large, sweeping flourish extending to the right.

Nic Nicandrou
Group Financial Reporting Director
Aviva plc