QBE Insurance Group

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20 October 2011

Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

Dear Sir,

Re: Exposure Draft ED/2011/3 Mandatory Effective Date of IFRS 9

QBE Insurance Group Limited (QBE) is an Australian-based public company listed on the Australian Securities Exchange. QBE is Australia's largest international insurance and reinsurance company with operations in 49 countries. We are also one of the top 20 global insurers and reinsurers as measured by net earned premium.

QBE fully supports the IASB in their aim to clarify, simplify and improve the consistency of accounting and reporting for financial instruments. We welcome the opportunity to comment on the exposure draft issued. Our responses to specific questions raised are attached as an Appendix.

We concur with the IASB proposal to delay the effective date of IAS 9: Financial Instruments (IAS 9) to annual periods beginning on or after 1 January 2015. This allows companies to work towards implementing all phases of the revised IAS 39 concurrently, assuming the remaining two phases, hedge accounting and impairment, are issued in accordance with the current work plan.

As an insurance company we believe it is important for insurers to be able to align application of IAS 9 with the revised Insurance Contracts Standard (revised IAS 4) recognising that many accounting decisions under both standards need to be addressed simultaneously to achieve the most relevant measure of profit. It is not clear at this stage whether the revised IAS 4 will be issued in time for the proposed revised mandatory application of IAS 9 on 1 January 2015. Should the application date of the revised IAS 4 extend beyond the application date of IAS 9, transition requirements in the revised IAS 4 will need to address this issue.

In particular, Australian insurers, preparing financial statements in accordance with Australian Accounting Standard AASB 1023: General Insurance Contracts, are currently required to elect to value all assets backing general insurance liabilities at fair value through profit or loss to the extent we can under the Australian equivalent of IAS 39. This requirement is expected to remain in place in Australia until the revised IAS 4 comes into effect. If IAS 9 is mandatory before the revised IAS 4, Australian insurers will have already locked in the valuation of assets backing general insurance liabilities at fair value through profit or loss under IAS 9 as required by AASB 1023. As the current exposure draft of IAS 4 does not provide any relief to Australian insurers to change this election on transition to IAS 4, Australian insurers will be unable to value any assets backing insurance liabilities at amortised cost even if this is determined to be the appropriate accounting treatment.

Yours sincerely,

Neil Drabsch
Chief Financial Officer

cc: Kevin Stevenson
Chairman and CEO, AASB
Email: kstevenson@aasb.gov.au

APPENDIX

Draft ED/2011/3 Mandatory Effective Date of IFRS 9
IASB specific questions

Question 1:
The Board proposes to amend IFRS 9 (2009) and IFRS 9 (2010) so that entities would be required to apply them for annual periods beginning on or after 1 January 2015. Do you agree? Why or why not? If not, what alternative do you propose?

We agree with the proposal.

We note that alignment of the application of revised IAS 4 with IAS 9 is desirable. If this cannot be achieved due to delays in IAS 4 then appropriate transition requirements need to be incorporated into IAS 4 to ensure that all insurers reporting under IAS 4 have the same degree of flexibility in applying the requirements of IAS 9 to assets backing insurance business.

The current draft of IAS 4 does not restrict insurers in their application of IAS 9 to assets backing insurance liabilities and also allows, on transition, redesignation of assets to fair value through profit or loss. There is no ability on transition for insurers to change a previous election to fair value through profit and loss to an amortised cost basis.

In particular, Australian insurers, preparing financial statements in accordance with Australian Accounting Standard AASB 1023: General Insurance Contracts, are currently required to elect to value all assets backing general insurance liabilities at fair value through profit or loss to the extent we can under the Australian equivalent of IAS 39. This requirement is expected to remain in place in Australia until the revised IAS 4 comes into effect. If IAS 9 is mandatory before the revised IAS 4, Australian insurers will have already locked in the valuation of assets backing general insurance liabilities at fair value through profit or loss under IAS 9 as required by AASB 1023. As the current exposure draft of IAS 4 does not provide any relief to Australian insurers to change this election on transition to IAS 4, Australian insurers will be unable to value any assets backing insurance liabilities at amortised cost even if this is determined to be the appropriate accounting treatment.

Question 2:
The Board proposes not to change the requirement in IFRS 9 for comparatives to be presented for entities that initially apply IFRS 9 for reporting periods beginning on or after 1 January 2012. Do you agree? Why or why not? If not, what alternative do you propose?

No comment.