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Our ref., Date
Louise Jordan
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Ref.:

Comment Letter by Allianz SE on IASB Exposure Draft *Investments in Debt Instruments, Proposed Amendments to IFRS 7*

Ladies and Gentlemen,

We welcome the opportunity to comment on the Exposure Draft *Investments in Debt Instruments, Proposed Amendments to IFRS 7*.

While we understand the desire to increase disclosure about investments in debt instruments that would facilitate a comparison between investments that are classified in different categories, we would like to raise significant concerns, as the proposed disclosures are likely to be confusing and have unintended consequences that will obscure the Board`s stated objective of providing information to users about disaggregation of impairment losses. We consider the introduction of a pro forma profit impact as a required disclosure to be fraught with difficulty and misleading to users. We strongly object to the proposed disclosure for several reasons:

- We do not believe that the proposed profit disclosures will provide meaningful information to users of financial statements. They will create misleading information by disclosing a pro-forma profit based on fair value for assets which are not managed on a fair value basis. These proposals are unprecedented as they require alternative profit information on different measurement bases to be disclosed in the notes to the accounts. This is likely to be confusing to users, requiring them to "pick and choose" their preferred profit figure. Such disclosures are also inconsistent with the fact that the United States Securities and Exchange Commission (SEC) explicitly abolished requirements for reconciliation from IFRS to US-GAAP.

- For insurance companies, the proposed disclosures could be even more misleading, because the disclosures disregard the impact of fair value movements of assets on the corresponding liabilities. Insurers have made accounting policy choices to mitigate as far as possible accounting mismatches, hence, a single sided disclosure would give a misleading view of the overall P&L impact. The disclosures also disregard the impacts on shadow accounting, for example on the premium refunds reserves.

- In addition to our significant concerns with the proposals themselves, we do not support the proposed effective date of annual periods ending on or after 15 December 2008. We do not believe it is appropriate to issue an exposure draft proposing mandatory disclosures immediately prior to a financial year end with an extremely limited comment period. Whilst several elements of the proposed disclosures are already captured and collected and are hence available, others are not readily available, require data not currently held and will require significant additional work to determine. It will prove extremely impractical to collect new data, such as the profit implications of alternative impairment basis calculations and the amortised cost of impaired available for sale securities, in the necessary timeframes for 2008 reporting. Any requirement to report alternative profit measures require multi GAAP bookkeeping, as impacts can spread over more than one year.

- It is also very difficult for SEC registrant companies to generate 2008 information on a Sarbanes-Oxley compliant basis. The exposure draft recognises some of these impracticalities by not requiring comparative data as a transitional measure, but we note that balance sheet comparatives will still be required, even if not disclosed, in order to calculate pro forma profit disclosures.

In summary, we do not believe that the Board should adopt these proposed disclosure requirements into IFRS 7 without significant reassessment of the objectives and implications, which will require time and appropriate due process.

We would be pleased to discuss our comments with you.

Yours sincerely,

Louise Jordan
Head of Group Accounting Policy Department