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October 31, 2003

International Accounting Standards Board

30 Cannon Street, London EC4M 6XH,

United Kingdom

Comments on the IFRS Exposure Draft 5 *Insurance Phase 1*

Dear Sirs:

We appreciate the opportunity to comment on the Exposure Draft 5.

We also deeply respect the IASB for the efforts spent to develop International Accounting Standards. We assure that the insurance industry will receive great benefits from improving accounting standards worldwide. We strongly support the development of IFRS for insurance.

THE YASUDA MUTUAL LIFE INSURANCE COMPANY is a life insurance company in Japan whose total assets amounted to 9 trillion yen and life insurance in force reached 135 trillion yen at the end of fiscal 2002.

We appreciate your consideration for the attached comment we submit.

Yours sincerely

Yoshio Yamamoto
Senior Managing Director

Answer 1 - Scope

(a) Considering the use of national accounting standards in Phase 1, we see the necessity of keeping the validity as entire insurance accounting standards and it should be the standard for deciding the scope when The Exposure Draft is implemented.

We recognize that it is important to consider the specific features which insurance business has such as offering long-term insurance service, pooling principle of risks. Thus, we understand that ED5 should address insurance entities rather than insurance contracts. Furthermore we acknowledge that the asset/liability mismatch caused by the application of IAS 39 is an issue for the insurance industry. We recognize the need for further consideration of entire accounting for insurance business as well as improvement of this approach for avoiding the mismatch problem.

(b) -

Answer 2 - Definition of insurance contract

We do not agree that an insurance contract is defined in Phase 1.

We suggest that all existing insurance contracts should be brought within the scope of IFRS in Phase 1. All contracts that have insurance risks should be defined as insurance contracts regardless of significance of the risk.

The basic principle of Phase 1 is that companies will be able to continue to use existing accounting policies. In this regard, we are concerned that to develop the definition of insurance by IFRS will not meet the objective of Phase 1.

We believe the accounting policy should adequately reflect the essence of insurance that an insurer is able to accept the risk which cannot be paid by individual since the company achieves risk diversification by attaining a number of policyholders.

In accordance with the proposed definition, we acknowledge that there is a possibility to recognize contracts which have same conditions issued in the same year as part insurance contracts and as part financial instruments. We don't believe such definition is rational.

Answer 3 - Embedded derivatives

(a) We propose that all derivatives embedded in existing insurance contracts should be exempt from the requirement in IAS 39 rather than some embedded derivatives.

We acknowledge that it is not possible to separate embedded derivatives from their host contract generally or difficult to separate. Thus, this proposal would imply significant changes to the existing accounting standards with considerable system changes, which we believe is costly and burdensome.

We acknowledge that the definition of derivatives and the scope of separation are yet to be discussed, and therefore it could lead to changes in Phase 2. In this regard, we are concerned that the separation of embedded derivatives will not meet the objective of Phase 1. We would favor the use of local GAAP for embedded derivatives in Phase 1. This issue should be further discussed after the standards of recognition and measurement for Phase 2 are developed.

(b) same above

(c) With respect to paragraphs IG54-IG58 of the draft Implementation Guidance, we believe that the proposed disclosures about the sensitivity analysis and the fair value of embedded derivatives, which are not separated from their host contract, are inadequate in Phase 1.

It will continue to discuss whether a fair value measurement of insurance liabilities is appropriate or not. Because the Board has not decided modeling techniques and systems used for the measurement, it is impractical to measure the fair value of insurance liabilities.

(d) same as (a)

Answer 4 - Temporary exclusion from criteria in IAS 8

(a) While we support the proposed exemption from the criteria in paragraphs 5 and 6 of IAS 8 to most aspects of its existing accounting policies, we oppose setting a time limit.

We are given to understand that the Board intends to take a practical approach for viable accounting standards and it has therefore broken down the Insurance Contracts Project into two phases. We are concerned that the application of IAS 8 would represent a considerable impact on insurers in practice. In consequence, the proposed exclusion is reasonable taking into account the objective of a two-phased approach. In line with our views above, the exclusion from criteria in IAS should continue at least for the period during which Phase1 is effective. We are concerned that the reinstatement of IAS 8 in advance of Phase 2 would require significant changes twice in short period and it would be forced an excessive practical burden. Because we can foresee potential problems in the event Phase 2 is delayed, we are not convinced that a time limit for the exclusion is appropriate.

(b) We disagree about the elimination of catastrophe and equalization provisions in Phase 1.

We recognize the need for a comprehensive accounting policy and we fear that it would be little consistency with the local GAAP by requiring piecemeal changes to existing practices such as the elimination of catastrophe and equalization provisions.

In our view, it is inappropriate to eliminate an approach during Phase 1, which regards its necessity in existing accounting practices.

Answer 5 - Changes in accounting policies

Even if a change in accounting policies is made for the purpose of more relevant and reliable financial statements, we can not welcome the proposal which gives a company’s management discretion in changing accounting policies arbitrarily.

There is a risk that lack of clear guidance on relevance and reliability may lead to arbitrary changes in accounting policies when judgment is involved. In order to prevent such arbitrariness, changes in accounting policies should not be allowed in Phase 1.

If the change is permitted, insurance entities may apply different accounting policies and will not be able to provide comparable financial reports.

Answer 6 - Unbundling

(a) We can not accept the proposed unbundling of insurance contracts in Phase 1.

This is because an entire insurance contract is designed to assume a risk and, in consequence, unbundling would be impossible. Furthermore the value of bundled product is not equal to the sum of the individual values of the unbundled components.

We acknowledge that there is not sufficient guidance when unbundling would be required and how insurance and saving components are distinguished. Discussion of these problems will continue and it could therefore lead to changes in Phase 2. We are concerned that unbundling does not meet the objective of Phase 1 which permits a wide range of accounting treatments. This issue should be further discussed after the standards of recognition and measurement for Phase 2 are developed.

(b) Our opinion is that Phase 1 should allow insurance companies continue to apply existing local GAAP and should not require unbundling.

(c) -

Answer 7 - Reinsurance purchased

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Answer 8 - Insurance contracts acquired in a business combination or portfolio transfer

As a form of fair value measurement to insurance contracts has not been decided, we don’t consider it is an appropriate proposal.

IAS 22 Business Combinations requires an entity to measure assets and liabilities at fair value under purchase method. Because the measurement at fair value insurance liability is not yet finalized, we would have to regard the application of IAS 22 as inappropriate.

Answer 9 - Discretionary participation features

We do not agree with the proposed standards in Phase 1 without adequate discussion on the features of participating insurance contracts,

Both the Steering Committee and the Board have not adequately addressed this issue and therefore have not reached consensus. For this reason, we don’t consider it’s appropriate to develop the standards in Phase 1.

Answer 10 - Disclosure of the fair value of insurance assets and insurance liabilities

We do not comprehend the proposal to disclose information about fair value without a conception of what fair value of insurance contracts could be.

Phase 1 does not cover full recognition and measurement of insurance contracts and IASB has not determined how those fair values should be arrived at. In the circumstances, it is impractical to measure insurance liabilities at fair value. If there were an entity which discloses the fair value, it would not be reliable and comparable. In consequence, it would cause a misinterpretation by investors and policyholders. We suggest that phase 1 be based on existing accounting practices and it is appropriate to disclose information according to existing practices.

Answer 11 - Other disclosures

(a) We believe that many of the proposed disclosures would offer very little value to users of the financial reports. We suggest to change:

i) Eliminating disclosures of information that is sensitive and proprietary

ii) Modifying risk disclosures to reflect insurers various methods used to manage risks

iii) Eliminating fair value disclosure and further disclosures to comply with fair value disclosure

We are concerned about disclosures requiring future cash flows for insurance contracts. We recommend instead disclosing information based on actual results. Many Japanese insurance companies have already disclosed important management indices such as insurance in force which we believe are meaningful for users. It should be regarded such information as important.

We regard the joint letter on September 17, 2002 which submitted on behalf of the American Council of Life Insurers (ACLI), the German Insurance Association (GDV) and the Life Insurance Association of Japan (LIAJ) as helpful.

None of industrial enterprises has required disclosing detailed information about future cash flow. We can not see a convincible reason for requiring insurers to disclose such information that is sensitive and proprietary. Additionally, the cost of providing such excessively detailed disclosures is not justified.

In particular, we believe the disclosures proposed in paragraphs 27(c), 29(a) (b) (c) of the draft IFRS and IG7(b) (c) (e) (f) (g), IG8, IG16, IG20, IG40(c) (d) of the draft Implementation Guidance are inappropriate and should be deleted.

We acknowledge that an appropriate way of disclosure and disclosed information may change with features of insurance contracts. Therefore we would favor minimum examples and we recommend giving preparers discretion in disclosure.

(b) -

(c) -

Answer 12 - Financial guarantees by the transferor of a non-financial asset or liability

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Answer 13 - Other comments

In further discussion, we recommend seeking the input of the Advisory Committee as well as comments from specialists and the industry. In our opinion, conceptual and practical issues, which came out of the field visits to insurance companies in major countries in 2002, is also to be reviewed. It would be worth to you to consider the discussion and verification results of field tests which will be conducted in future.