

PRUDENTIAL PLCLAURENCE POUNTNEY HILL
LONDON EC4R 0HHTEL 020 7548 3905
FAX 020 7548 3303
www.prudential.co.uk**PHILIP BROADLEY**

GROUP FINANCE DIRECTOR



Sir David Tweedie
Chairman
International Accounting Standards Board
1st Floor
30 Cannon Street
London EC4M 6XH

17 January 2003

Dear Sir David

IAS39 Roundtable Discussions

I was pleased to learn that the ISB is taking the initiative of entering into a series of roundtable discussions on IAS 32 & 39 during the week commencing 10 March.

My understanding is that in order to be able to attend the roundtable discussion a company needs to either previously submitted a comment letter or do so in conjunction with a request to attend by today's date.

My own company has worked closely through its representation on the relevant Committees of the ABI and ICAEW in developing their responses. We have also been involved with the ad hoc group of major European insurers and therefore have not previously submitted a response under our own name.

We concur fully with the various responses submitted by these groups. In summary, I would note that our key concerns are as follows:

Scope

A clear definition as to what contracts will or will not be covered by IAS 39 needs to be developed with reference to the wide diversity of products offered by insurance companies in different jurisdictions.



Comparison of results during phase 1

It is my understanding that a distinction will be made between contracts that contain “significant” insurance risk and those that do not. It would be of concern if the results reported for contracts falling under IAS 39 and those that do not should be markedly different. A coherent interim solution is required for all insurance contracts that give rise to consistent results across this definitional divide. If that means effectively excluding most insurance contracts either explicitly, or by phase 1 guidance, from IAB 39 then in my view this is what should happen.

Further definitional issues

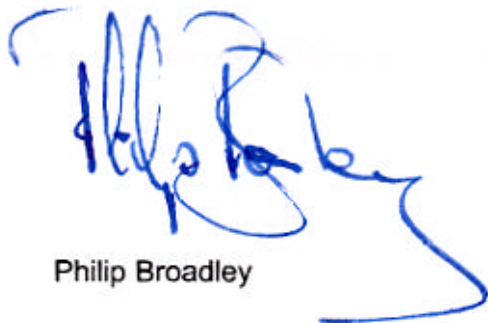
It is not yet clear how the IASB proposes to make distinctions between those contracts that fall under IAS 39 and others; those contracts that should or should not be unbundled between insurance and investment components; embedded derivatives that should or should not be fair valued; and for those contracts that contain embedded derivatives whether either the whole contract is fair valued or just the embedded derivative component.

Field testing

When the DSOP was developed, the IASB viewed field testing as being essential in the context of the development of the standard for insurance contracts. I would regard the field testing of proposals to include a large proportion of insurance contracts under IAS 39 as similarly requiring an appropriate amount of field testing.

I hope that these comments, in addition to our input into other responses that you have received, give an indication of my company’s views and if you would be kind enough to include Prudential in the roundtable discussions. I can attend on any day between 10 and 14 March inclusive.

Yours sincerely



Philip Broadley