



The Life Insurance Association of Japan

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June 25, 2004

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Re: Strengthening the IASB's deliberative processes

Dear Sir David,

The Life Insurance Association of Japan (LIAJ) would like to express respect for the efforts that have been made by the International Accounting Standards Board to develop international accounting standards. We appreciate this opportunity to comment on the consultation paper *Strengthening the IASB's deliberative processes*.

The LIAJ is a trade association composed of 40 life insurance companies, whose purpose is to promote development and public trust in the Japanese life insurance industry.

Yours sincerely,

Katsutoshi Saito
Chairman of the Current Issue Committee
The Life Insurance Association of Japan

Comments on Strengthening the IASB's deliberative processes

Until now, the LIAJ has expressed its opinions toward the improvements of the IASB's deliberative processes through comment letters such as one to the IFRS Exposure Draft 5 *Insurance Contracts* (submitted in October 2003) and one to *IDENTIFYING ISSUES FOR THE IASC FOUNDATION CONSTITUTION REVIEW - An Invitation to Comment* (submitted in February 2004).

In order to accomplish the objective of the IASB (i.e., the development of high quality accounting standards in the public interest), we believe that the Board should ensure transparent and fair discussion. Moreover, the Board should deliberate in a more diligent and appropriate manner to reach an agreement among constituencies. For this purpose, the IASB's deliberative processes need to be strengthened further, and we recognise that the IASB is making an effort to do so.

For the Insurance project, the standard of the phase 1, IFRS 4, has been issued in March. Based on past experience on the Insurance project, we propose the following in order to improve the deliberative processes of the IASB.

1. Accessibility and transparency to the discussion process of the IASB

For the IFRSs to be high-quality accounting standards in the public interest, it is necessary to ensure transparent and fair discussion of the IASB. Today, in addition to the disclosure of the meetings and publication of the minutes, the digests of reference papers for discussion, the Observer Notes, are distributed to the observers of meetings.

However, the Observer Notes are insufficient to follow and understand each discussion of the IASB correctly. It is necessary to post reference papers for the Board members on the web site in advance of the Board meetings. To improve the transparency of the discussions and to aid the comprehension of interested parties, we propose to open to the public the same information as given to Board throughout the deliberation processes of the IASB.

2. Treatment of comments from interested parties

In order to help the Insurance Project, the LIAJ has submitted many comment letters to the IASB on the issues under discussion from the view of insurance specialists, co-operating with the insurance associations in other countries. Despite this, no view about these letters has been shown directly to us by the IASB and we do not know how these papers are being dealt with among the IASB members. Paragraph 17 of "Strengthening the IASB's deliberative processes" says "the IASB will in future post on its Website a summary of the Board's position on the major points raised in the letters, once they have been addressed", but we suggest to change the deliberative processes to show on the IASB website the IASB's position not only on the comment letters to exposure drafts or discussion papers but also on some other letters, such as a letter representing opinions of broad specialists about an issue under discussion.

3. Discussion before disclosing the draft papers and standards.

<Use of Working Group and other groups>

On the resumption of discussions on the Insurance Project Phase 2, the IASB decided to set up the Insurance Working Group. It is necessary to use the Working Group or existing Advisory Group more than ever in order to reflect the opinions of regulators, industrial persons and other insurance specialists appropriately.

In Paragraph 25 of "Strengthening the IASB's deliberative processes", it says "The IASB has already used field visits for its [...] Insurance [...] projects and their results have significantly influenced its decisions". We recommend that the result of the field visits already completed should be taken into consideration in the discussions of Phase 2.

<Disclosure of discussion papers>

As in Paragraph 27 of "Strengthening the IASB's deliberative processes", the Draft Statement of Principles (DSOP) of the former IASC (International Accounting Standards Committee) is referred to in the discussions of the Insurance Project. However, the IASC had not finalized the DSOP and it was only a draft paper. Moreover, from the comments submitted to the exposure draft ED5 of Insurance Project Phase 1, we can find that the Insurance Project still has many unresolved issues. Therefore, though the phrase "Decisions on the need for a discussion paper will be made project by project." in Paragraph 28 of "Strengthening the IASB's deliberative processes", we suggest issuing discussion papers for those projects with still many issues yet to be resolved (e.g. Insurance Project Phase 2) in order to collect various opinions.

<Re-exposure of an exposure draft>

In the discussion of the Insurance Project Phase 1, "to reflect current market interest rates on designated insurance liabilities", which was not considered at all in the exposure draft (ED5), was suddenly permitted in the final standard as a solution to the mismatch between the measurements of assets and liabilities (in paragraph 24 of IFRS 4). We believe that such a big change should have been re-exposed and a process to hear various opinions should have been taken. With respect to the re-exposure of the IASB's proposals, we recommend to apply Paragraph 30 of "Strengthening the IASB's deliberative processes" strictly.

<Decision of the IASB>

In order to issue an exposure draft or a final standard of the International Financial Reporting Standards (IFRS), at least eight supporting votes out of fourteen IASB members are required. While Insurance standard phase 1 (IFRS4) has been adopted with the vote 8 to 6, in order to accomplish the objective of the IASB, 'the development of high quality accounting standards in the public interest', we believe a higher level of agreements should be required for them.

We suggest that an approval of final standards should require no less than three quarters of the IASB Board members, as in the IASC deliberation process.

<Consideration about countries whose native languages are not English>

While English is the official language, we believe that the IASB should give consideration to countries whose native languages are not English. This is necessary in order to make it possible for concerned parties throughout the world, who are included in the IFRS's due process, to follow the IASB's deliberations and to collect the opinions of these parties when necessary. Specifically, we feel that when publishing Exposure Drafts or other papers for public comments, an adequate study period, which takes into account the time required for translation, should be ensured. In addition, we feel that a study period that allows for the adequate collection of opinions should be ensured when advisory groups hold deliberations as well.

<Consultations with the standard setters of liaison countries>

The IASB proceeds with joint projects on some themes co-operating with specific standard setters. However, in order to make IFRSs be recognized as true international standards, the IASB needs to make efforts in harmonizing itself with various standard setters. In particular, on the Insurance Project, as a wide range of accounting models exist in the world, we suggest having consultations with the standard setters of liaison countries, at an early stage of the internal discussion among the staff members or making discussion papers.