C h a i r m e n

12 September 2008

Ref: 8/177

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sirs

Discussion Paper: Preliminary Views on Amendments to IAS 19 Employee Benefits

On behalf of members of the International Association of Insurance Supervisors (IAIS) we are writing to comment on the Discussion Paper *Preliminary Views on Amendments to IAS 19 Employee Benefits*. We welcome the opportunity to comment on the discussion paper and are pleased to provide you with the attached comments.

The IAIS is an international organisation comprising insurance supervisors from over 190 jurisdictions in nearly 140 countries, supervising insurers with approximately 97% of the world insurance markets. One of its main objectives is to promote the development of well-regulated insurance markets. As this involves the implementation of high quality financial reporting standards, the IAIS has a keen interest in the work of the IASB. We have particular interest in those IASB proposals that will most influence the overall accounting model for regulated insurance enterprises in the interest of providing a meaningful, economically sound portrayal of these enterprises to the external markets.

If there is any way in which the IAIS can assist the IASB further, please do not hesitate to contact Henning Göbel, Chair of the IAIS Accounting Subcommittee (tel: +49 228 4108 2929; email: henning.goebel@bafin.de) or Peter Cooke at the IAIS Secretariat (tel: +41 61 280 9196; email: peter.cooke@bis.org).

Yours faithfully

Michel Flameé
Chairman, Executive Committee

Alfred Gross
Chairman, Technical Committee

Our comments cover three areas, the presentation of defined benefits costs, the definition of contribution based promises and the allowance for credit risk in the measurement of contribution based promises.

Presentation of defined benefits costs (Question 3)

The IAIS is not in principle opposed to the elimination of deferred recognition of defined benefit costs as permitted by the "10% corridor approach" laid down in the current version of IAS 19. We are however concerned that it might be premature to lay down an approach to the recognition of changes in the defined benefit obligation as set out in paragraphs 3.11 to 3.16 of the Discussion Paper before the joint IASB/FASB Financial Statement Presentation project has been concluded.

In particular, the approach ultimately adopted needs to recognise that actuarial gains and losses are not based upon observable market values. The approach adopted also needs to be transparent to help understanding by the users of financial statements.

Definition of contribution based promises (Question 10b)

Paragraph 7.2 recommends that entities should measure the liability for a contribution-based promise at "fair value assuming the terms of the benefit promise do not change". This is a new measurement attribute that would be unique to contribution based pension plans. The IAIS is concerned at the creation, within a principles-based environment, of new measurement attributes for specific instruments, which may not be consistent with existing measurement attributes under current IFRS and may also not be consistent with the "current exit value" model developed in the Discussion Paper *Preliminary Views on Insurance Contracts*.

The IAIS would prefer the adoption of consistent generic measurement models for assets and liabilities that reflect the distinction between risks borne by the company and the risks borne by members of pension schemes in a similar way to the distinction between risks borne by insurance companies and the risks borne by policyholders. Any additional difficulties caused by specific complexities should be covered by additional guidance rather than the development of additional measurement attributes.

Allowance for credit risk in the measurement of contribution based promises (Question 15 – other comments on the paper)

Paragraphs 7.26 to 7.29 refer to the approach to credit risk and conclude that despite the practical difficulties involved, there is not a sufficient justification for excluding credit risk from the measure of the liability for contribution-based promises. The IAIS believes that this approach may lead to misleading financial reporting, as well as give rise to significant difficulties in practice. For instance, we do not believe it appropriate that an entity which has, or potentially may have, insufficient assets to fully meet the contractual liabilities relating to its contribution-based promises to members should be able to make allowance for this by reducing the stated value of its liabilities. To do so would misrepresent its financial position. The IAIS has also strongly opposed the concept of allowing for own credit risk in the valuation of insurance liabilities.