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Comments to the Exposure Draft of First-time Application of IFRSs

Dear Peter

Swiss Re, as one of the world's leading reinsurers, supports the IASB on improving International Accounting Standards. Swiss Re Group's financial statements are published in accordance with Swiss GAAP (FER). Swiss accounting standard setters have expressed an intent to avoid significant departures from IAS and to aim for convergence with IAS, wherever possible. Furthermore, some of our subsidiaries, as well as a number of our clients use IAS as their reporting standards.

Swiss Re, operating through more than 70 offices in over 30 countries, is exposed to accounting regulations issued by many different national standard setters and regulatory authorities. We strongly support the harmonisation of national accounting frameworks and the elimination of options in existing accounting standards.

Our comments on the exposure draft are set out below.

Question 1

The proposed IFRS would apply when an entity first adopts International Financial Reporting Standards (IFRSs) as its new basis of accounting, by an explicit and unreserved statement of compliance with all IFRSs (paragraphs 1-5 and paragraphs BC4-BC10 of the Basis of Conclusions).

Is this an appropriate description of the circumstances when this proposed IFRS should apply? If not, what changes would you suggest, and why?

We agree that an entity should be subject to this exposure draft when adopting IFRSs for the first time. We are however not in favour of the wording used i.e. 'an explicit and unreserved statement of compliance with IFRSs'. In our opinion this statement is

unwarranted as the strength of the wording will not ensure increased compliance. We recommend that wording which is currently in use and is already part of established accounting policy disclosure be adopted i.e. 'prepared in accordance/conformity with IFRSs'. It should also be made clear where the above statement should appear in the accounts e.g. in the accounting policy note.

Question 2

The proposed IFRS proposes a requirement that an entity shall prepare its opening IFRS balance sheet using accounting policies that comply with each IFRS effective at the reporting date for its first IFRS financial statements. Paragraphs 13-24 propose limited exemptions from this requirement.

Are all of these exemptions appropriate? Should the Board amend any of these exemptions or create any further exemptions (paragraphs BC11-BC89)? If so, why?

We support the board in the pragmatic approach it has taken.

In para 14 & BC 60 the exposure draft forces an entity when using one exemption, to use all of them. In our opinion it does not make sense to require an entity to use an exemption when it currently applies an IFRS correctly. For example, an entity's previous GAAP may require compliance with IFRSs in certain areas. In these circumstances forcing these entities to adopt all exemptions will not benefit the user.

We agree with all other exemptions in the exposure draft.

Question 3

Paragraphs 28-37 of the proposed IFRS deal with presentation and disclosure requirements (see also paragraphs BC90-BC97).

Are all of these disclosures appropriate? Should the Board require any further disclosures or eliminate or amend any of the proposed disclosure requirements? If so, why?

We are in agreement with the disclosure requirements of this exposure draft. We would however like the board to consider the items discussed below.

The exposure draft requires IFRSs to be applied in the prior year and to all other comparative years if disclosed. Some regulators or other government authorities require disclosure of two years of comparative information. In these circumstances and for transition only, we propose that the board only require restatement of the prior year. Restatement of all prior years disclosed would not add relevant information, particularly given the 'historic' nature of the earliest year.

The board should make it clear that only 'narrative' explanations are required to explain material cash flow adjustments. We are of the opinion that any other form of disclosure would involve undue cost and effort.

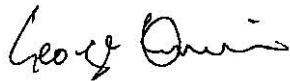
We interpret the exposure draft to mean that the reconciliation of equity and profit & loss be performed by line item either gross or net of tax. We are in favour of having this option.

In addition we believe that detailed reconciliations for all interim periods between IFRSs and previous GAAP would involve undue cost and effort. We interpret the exposure draft as requiring reconciliation of all interim periods. In many cases this will be quarterly. We propose that the detailed quantitative reconciliation requirements only apply on the first occasion that a company presents interim information. Further quantitative disclosures in interim reports should only be required if there are material changes.

We would be happy to lend our support to any future discussions. We also would be pleased to discuss with you at your convenience any questions or issues that you may have concerning our letter. (Please contact Paul Collier +41 43 285 6472 or Martin Mueller +41 43 285 9275).

We appreciate the efforts of the IASB in putting together this exposure draft on first-time application of IFRSs and thank you for the opportunity to submit our comments.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "George Quinn".

George Quinn
Chief Accounting Officer