



# The Life Insurance Association of Japan

3-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-0005 JAPAN Phone:+81-3-3286-2651 Fax:+81-3-3201-6713

February 15, 2002

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

Dear Sir/Madam,

The Life Insurance Association of Japan is pleased to send International Accounting Standards Board the following "Comments on Exposure Draft of the IFRS Preface".

The following comments represent those of the Life Insurance Association of Japan consisting 43 life insurers in Japan.

Yours Sincerely,

Toru Matsuura  
Chairman of Current Issue Committee  
The Life Insurance Association of Japan

## **Comments on Exposure Draft of the IFRS Preface**

### **The Life Insurance Association of Japan**

The Life Insurance Association of Japan (“LIAJ”) is the industry organization composed of 43 member life insurance companies whose purpose is to promote development and public trust in the Japanese life insurance industry. The LIAJ sincerely appreciates the opportunity to express an official opinion in response to the Exposure Draft of the IFRS Preface (“Exposure Draft”).

The LIAJ, having great respect for the efforts of the IASB to seek better financial accounting standards, is itself striving to accomplish further improvement in the accounting system to promote the transparency and sound management of life insurance companies.

From November of last year, the IASB commenced deliberations on the Draft Statement of Principles (DSOP) regarding International Financial Reporting Standards for insurance. The LIAJ recognizes this to be a matter that affects it as well to an extremely great extent and is following the development of the deliberations. In the future, when this DSOP is completed, the LIAJ would like to express its opinions from the perspective of parties working at the practical level and contribute to the establishment of better insurance accounting standards.

The LIAJ is basically in agreement with the gist of the revision of the IFRS Preface, for which opinions are being sought broadly at present. Nevertheless, the LIAJ would like to state the following opinions regarding matters related to due process, which are presented as Question 3.

#### **(1) Regarding Reflecting the Opinions of People Engaged in the Practice of Business**

The beginning of paragraph 19 of the Exposure Draft includes a statement to the effect that business community and regulatory and legal authorities are also included in due process. The LIAJ would like to have the involvement of people engaged in the practice of business clearly defined in the concrete procedures leading from 'a.' to 'i.' as well.

The LIAJ believes that it is especially necessary to clarify the fact that people engaged in the practice of business will be allowed to participate in the process of studying national accounting requirements and practice and exchanging views about the issues, as noted in 'b.'

In addition, since the IASB Constitution do not clearly define the position, role and composition of the advisory group, the LIAJ believes that these need to be stipulated in appropriate

places in the preface. For example, if these are to be noted in the paragraph on due process, it is conceivable that they would be stipulated in 'd.' of paragraph 19, as indicated below.

**[Text Revision Suggestion]**

Paragraph 19 (revise 'b.' and 'd.' as follows)

b. study of national accounting requirements and practice and an exchange of views about the issues with national standard setters [and people engaged in the practice of business].

d. formation of an advisory group to give advice to the Board on the project. [The foremost qualification for membership of the advisory group shall be technical expertise related to the subject that the advisory group concerned will handle. The members should be selected so that the advisory group will comprise a group of people representing the best available combination of technical skills and background experience of relevant business and market conditions in order to contribute to the development of high quality, global accounting standards. In its deliberations the Board will take the issues discussed by the advisory group into ample consideration.]

**(2) Regarding the Treatment of Comments Received on the Discussion Paper and Exposure Draft**

The LIAJ believes that in its discussions the Board should conduct a thorough close examination of the main assertions of the comments received on discussion documents and Exposure Drafts, and take them into ample consideration in the establishment of Exposure Drafts and Standards.

**[Text Revision Suggestion]**

Paragraph 19 (revise 'g.' as follows)

g. consideration of all comments received on discussion documents and Exposure Drafts. [In its discussions the Board will take the main assertions of the comments into ample consideration.]

**(3) Regarding Field Tests**

Since it can be considered that the results of field tests will include suggestions that are extremely important in establishing standards, if field tests have been conducted it is necessary to take any problems perceived through the field tests into ample consideration in the preparation of the Exposure Draft.

**[Text Revision Suggestion]**

Paragraph 19 (revise 'h.' as follows)

h. consideration of the desirability of holding a public hearing and of the desirability of conducting field tests and, if considered desirable, holding such hearings and conducting such tests. [Furthermore, if a

public hearing has been held or field tests conducted, any problems perceived through the public hearing or field tests will be taken into ample consideration in the preparation of an Exposure Draft.]

#### **(4) Regarding the Decision-making Methods of the IASB**

Article 35 of the IASB Constitution includes a provision concerning decision-making that states to the effect that "The publication of an Exposure Draft, final International Accounting Standard or final Interpretation of the Standing Interpretations Committee shall require approval by eight of the fourteen members of the Board. Other decisions of the Board, including the issuance of a Draft Statement of Principles or discussion paper, shall require a simple majority of the members of the Board present at a meeting, which is attended by at least 60% of the members of the Board, in person or by telecommunications link." However, since the Preface does not include any reference to the "Other decisions of the Board" of the latter part of the provision, wouldn't revising the Preface to include the same mention of this as the Constitution provide conformity?

#### **[Text Revision Suggestion]**

Paragraph 19 (add 'j.' as follows)

j. [Decisions of the IASB on matters other than publicizing an Exposure Draft, final International Financial Reporting Standard or final Interpretation of the IFRIC, including the issuance of a Draft Statement of Principles or discussion paper, shall require a simple majority of the members of the Board present at a meeting, which is attended by at least 60% of the members of the Board, in person or by telecommunications link.]

#### **(5) Regarding Taking into Consideration the Language Used**

From the standpoint of promoting the international dissemination of the IFRS, the LIAJ believes that it would be appropriate to include mention in an appropriate place in the Preface to the effect that in the holding of deliberations by the IASB it is necessary to take into consideration countries whose native language is 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 IASB deliberations and to collect the opinions of these parties when necessary. Specifically, the LIAJ feels that when publishing Exposure Drafts or other papers for public comment, an adequate study period, which takes into account the time required for translation, should be ensured. In addition, the LIAJ feels that a study period that allows for the adequate collection of opinions should be ensured when advisory groups hold deliberations as well.

For example, if it is to be mentioned in the paragraph on due process, it could conceivably be stipulated as indicated below in the text of paragraph 19.

**[Text Revision Suggestion]**

Paragraph 19 (add to text as follows)

[When holding deliberations, consideration will be given to countries whose native language is not English, in order to make it possible for concerned parties throughout the world who are included in the IFRS's due process to follow the deliberations.]