

October 31, 2003

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

Dear Sirs,

Exposure Draft 5 Insurance Contracts

I really appreciate your efforts to develop a global consensus and introduce comprehensive approach about accounting for insurance contracts that is very difficult and complex accounting area. And thank you for giving me the opportunity of commenting on the exposure draft 5 Insurance Contracts. I'm very pleased to have this chance.

Followings are my response to your invitation to comment about ED 5.

Question 1: Scope

Question 3: Embedded derivatives

Question 12: Financial guarantees by the transferor of a non-financial asset or liability

I support these proposals of ED 5 other than the case of Question 2.

Question 2: Definition of insurance contract

I think ED 5 should be applied to insurance contracts that the entity issues as business. Therefore the definition of insurance contracts should include the wording that is in exchange for consideration received as insurance premium in the business operation. Consequently insurance against credit risk should fall within the scope of ED 5 if insurer enters into this contract as part of its insurance activity business.

Question 4: Temporary exclusion from criteria in IAS 8

Question 5: Changes in accounting policies

Question 10: Disclosure of the fair value of insurance assets and insurance liabilities

I think these depend on the conclusion and effective date of phase 2. Changes in accounting policy should not be allowed until the effective date of phase 2 to achieve the comparability of accounting

period. Hence the entity continues to apply the existing accounting policy. Temporary exclusion from criteria in IAS 8 should not be allowed on or after the effective date of phase 2 to achieve the comparability among entities. The fair value of insurance assets and insurance liabilities should be made disclosed on or after the effective date of phase 2 even though the fair value measurement of insurance assets and insurance liabilities is not adopted by IASB to the extent that the measurement and disclosure method of fair value model is shown in the new standard after phase 2.

Question 6: Unbundling

I think unbundling is appropriate. The different accounting treatment should be made between deposit type and insurance type contracts in accordance with its substance. Therefore deposit component should be clearly separated from insurance component and reported as deposit liability in the balance sheet not revenue.

Question 7: Reinsurance purchased

Question 8: Insurance contracts acquired in a business combination or portfolio transfer

Question 9: Discretionary participation features

I would like to expect more detail discussion on this in phase 2.

Question 11: Other disclosures

Question 13: Other comments

I expect there should be more discussion in IASB with respect to how and what insurance revenue, insurance expense and insurance profit or losses as insurance business are in addition to insurance assets or liabilities. And the definition of them should be included and shown in the standard of insurance contracts. According to them, IASB should determine the account to be disclosed in balance sheet and income statement at the minimum level for showing characteristic of insurance business.

I hope the presentation that the substance of insurance business should be disclosed with high transparency and comparability and it will result in the improvement of insurance business and regulation authority.

I hope that my comment will be helpful for your discussion on ED 5 Insurance Contracts.

If you have any questions on this letter, please feel free to contact me.

Yours sincerely,

Mr. Masahiro Hoshino