

Comments on Exposure draft 5 (Insurance Contracts)

Question 1.

The exposure draft proposes that the IFRS would apply to insurance contracts that an entity issues and to reinsurance contracts that it holds, except for specified contracts covered by other.....

The scope is appropriate

Question 2

The definition for the insurance contract is comprehensive in the sense that it captures all what falls within the ambit of an insurance contract.

Question 3

Embedded derivatives

Separating the embedded derivatives from their host contract would create a good basis for monitoring the variations in their individual components and ultimately their effect on the overall effect on the profit and loss statement. I would therefore suggest that the proposed exemptions from the requirements in IAS 39 are appropriate.

Question 6

Changes in accounting policies

The draft IFRS:

- proposes that, when an insurer changes its accounting policies for insurance liabilities, it can reclassify some or all financial assets into the category of financial assets that are measured at fair value, with changes in fair value recognized in profit or loss.

These proposals are very much appropriate so that every together with its associated changes are reported immediately.

Question 6

Unbundling

The draft proposes that an insurer should unbundled (ie account separately for) deposit components of some insurance contracts, to avoid the omission of assets and liabilities from its balance sheet .

I wish to submit that unbundling is appropriate and also feasible .
Question 7

Reinsurance purchased

The proposes in the draft IFRS would limit reporting anomalies when an insurer buys reinsurance.

The proposals are absolutely appropriate.

Fred Musonda