



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

Ref: 15/71

17 December 2015

Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Re: Request for Views – 2015 Agenda Consultation

Dear Mr. Hoogervorst,

The International Association of Insurance Supervisors (IAIS) welcomes the opportunity to comment on the IASB's Request for Views: *2015 Agenda Consultation*.

The IAIS is supportive of the IASB's work plan classification into the main categories: research projects, standards-level projects, and maintenance and implementation projects. We believe that this structure, resulting from the outcomes of the last Agenda Consultation in 2011, is appropriate to ensure that the standard-setting process is more clearly based on evidence about the need for change.

In general, we believe that the completion of the defined major projects, and particularly the insurance contracts project, should be the highest priority. As these are finalised, the IASB should provide support to the implementation of the IFRSs to ensure consistency of application.

Furthermore, the Conceptual Framework project should be completed on a timely basis in order to enable the IASB to close gaps in the detailed standards and to remedy inconsistencies between the standards and the Conceptual Framework.

The appendix to this letter provides more detailed responses to the questions set out in the Request for Views. This appendix was prepared on behalf of the IAIS by its Accounting and Auditing Working Group (AAWG). The AAWG's membership represents a subset of all IAIS members.

If you have questions regarding this letter, please contact Markus Grund, Chair of the IAIS Accounting and Auditing Working Group (telephone: +49 228 4108 3671; email: markus.grund@bafin.de) or Mark Causevic at the IAIS Secretariat (telephone: +41 61 280 8323; email: mark.causevic@bis.org).

Yours sincerely,



Victoria Saporta
Chair, Executive Committee



Michael McRaith
Chair, Technical Committee

Appendix: Questions set out in the IASB's Request for Views, 2015 Agenda Consultation***The balance of the IASB's projects***

1. The IASB's work plan includes five main areas of technical projects:

- a) its research programme;
- b) its Standards-level programme;
- c) the *Conceptual Framework*;
- d) the Disclosure Initiative; and
- e) maintenance and implementation projects.

What factors should the IASB consider in deciding how much of its resources should be allocated to each area listed above?

The IAIS agrees with the factors identified by the IASB in paragraph 55 of the Request for Views with respect to allocation of resources to each of the five main areas of technical projects. However, the IASB should clearly communicate how these factors are used and weighted when adding and prioritising projects to its active agenda.

We believe that the IASB should aim to finalise a revised, high-quality accounting standard for insurance contracts as a priority, as it is one of the current major projects within the standards-level programme and is of particular importance to insurance regulators, the insurance industry and to investors in insurance companies.

The Conceptual Framework should also be completed on a timely basis in order to obtain a sufficient understanding of which requirements in existing standards are indeed inconsistent with the new framework and, where relevant, how that can be addressed or to assess how to prioritize or remedy these inconsistencies.

While all five categories of work are important, it would be useful if the IASB could clarify the interaction between the two cross-cutting projects, the *Conceptual Framework* and the *Disclosure Initiative*, with the three main categories of the IASB's standard setting activities.

Research projects

2. The IASB's research programme is laid out in paragraph 32 and a further potential research topic on IFRS 5 is noted in paragraph 33.

Should the IASB:

- a) Add any further projects to its research programme? Which projects, and why? Please also explain which current research projects should be given a lower priority to create the capacity for the IASB to make progress on the project(s) that you suggested adding.
- b) Remove from its research programme the projects on foreign currency translation (see paragraphs 39-41) and high inflation (see paragraphs 42-43)? Why or why not?
- c) Remove any other projects from its research programme?

3. For each project on the research programme, including any new projects suggested by you in response to Question 2, please indicate its relative importance (high/medium/low) and urgency (high/medium/low).

Please also describe the factors that led you to assign those rankings, particularly for those items you ranked as high or low.

2a) The IAIS supports adding *IFRS 5, Non-current Assets Held for Sale and Discontinued Operations*, to the IASB's research programme. Originally, the standard provided the 'for sale' criterion as the relevant trigger for transactions to be in the scope of IFRS 5. By incorporating the 'for distribution' notion in 2009, the IASB broadened the scope of the standard to include additional transactions, such as spin-off transactions, but the accounting for several transactions remains unclear - for example, how to address eliminations of intra-group transactions between the parent entity and the subsidiary, which the parent will cease to control.

As we understand IFRS 5 is often applied, we think the IASB should dedicate resources to it.

2b) The IAIS supports the IASB's proposal to remove all inactive projects from its research agenda, including foreign currency translation and high inflation.

3. Apart from the necessity to close gaps and to remedy relevant inconsistencies between the upcoming Conceptual Framework and current standards in short-term, based on a separate maintenance and implementation project, the IAIS encourages the IASB to prioritise and complete the following research projects on certain specific issues where considerable work has already been undertaken, including:

- *Financial instruments with characteristics of equity*: This is an area where issues arise in practice and inconsistencies with the Conceptual Framework remain unsolved. Improvements to the standard and guidance in this area would help to improve financial reporting.
- *Discount rates*: Given the application of discount rates across a number of standards, it would be useful for preparers to have consistent guidance on how to determine discount rates. Appropriate discount rates are critical to valuing insurance contracts.
- *IAS 37 Provisions, contingent liabilities and contingent assets*: Completion of this project will help to improve the recognition and measurement of liabilities not otherwise addressed by another standard.
- *Dynamic Risk Management*: the principles underlying this project are of core relevance to the insurance business.

The IAIS is also of the view that projects could be usefully undertaken on the following:

- *Other Comprehensive Income (OCI)*: As we have stated in previous comment letters, a risk arises from the IASB using OCI without first having clearly determined or expressed the characteristics of OCI. It is important that users understand the characteristics of OCI, including how OCI interacts with the balance sheet and the income statement, so that they can form a clear understanding of the nature and composition of a firm's total comprehensive income. A clearer direction on the subsequent treatment of items recorded in OCI should also be given. It may be that the IASB addresses this subject as part of the Primary Financial Statements project.

Major projects

4 Do you have any comments on the IASB's current work plan for major projects?

The IASB should focus on the finalization of the revised insurance contracts standard within its standards-level programme, followed by the completion of the new Conceptual Framework and the resolution of any inconsistencies with current standards.

Maintenance and implementation projects

5 Are the IASB and Interpretations Committee providing the right mix of implementation support to meet stakeholders' needs and is that support sufficient (see paragraphs 19-23 and 50-53)?

The IAIS believes that maintenance and implementation projects are important in order to facilitate consistent application of IFRSs. Concerning the necessity to remedy obvious inconsistencies between the upcoming Conceptual Framework and current standards in the short-term, such as *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*, *IAS 32 Financial Instruments: Presentation* and the related research project *Financial Instruments with Characteristics of Equity*, the IASB should focus its resources and introduce an independent maintenance and implementation project on the whole subject.

In general, the IASB should monitor and promote the consistent application of IFRSs by continuously working with the Interpretations Committee to issue narrow scope amendments, and to increase outreach to auditors, preparers and securities regulators to understand interpretation inconsistencies. The IASB could also consider making greater use of field testing/effects analysis in standards development to get a better understanding of the impacts of IASB proposals, and to involve Transition Resource Groups during the implementation period to better understand interpretation issues, so preparers can implement new IFRSs properly the first time.

Level of change

6. Does the IASB's work plan as a whole deliver change at the right pace and at a level of detail that is appropriate to principle-based standard-setting? Why or why not?

The IAIS strongly supports the IASB's aim to develop principles-based financial reporting standards. Otherwise, in our view rules-based requirements will result in an increasing number of new rules to be set with increasing pace, which again may result in different accounting practice. We acknowledge that principles-based requirements may in some cases result in similar transactions not being identically accounted for, but we believe that such cases happen only rarely.

The IASB should strike an appropriate balance between the need to provide timely guidance to application issues identified in practice through the introduction of maintenance and implementation projects, where necessary, and the need for fundamental revisions of existing standards on a holistic basis through research projects.

Any other comments

7. Do you have any other comments on the IASB's work plan?

Certain IAIS members indicated that they would welcome further IASB work on IFRS for Islamic financial institutions and on accounting within the not-for-profit and government sectors.

<i>Frequency of Agenda Consultations</i>

8. Because of the time needed to complete individual major projects, the IASB proposes that a five-year interval between Agenda Consultations is more appropriate than the three year interval currently required. Do you agree? Why or why not?

If not, what interval do you suggest? Why?

The IAIS understands the IASB's proposal to expand the interval for Agenda Consultations to five years, given the fact that important and time consuming (major) projects often need a period of time exceeding three years from research to standards development and completion. We note that a number of recent and ongoing projects, including the project on insurance contracts, have taken considerably longer than three years.

The IAIS believes the timeframe between IASB Agenda Consultations should be realistic and serve the public interest. While IAIS members mostly expressed support for a five year interval between Agenda Consultations, certain members supported maintaining the three year interval.