

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

24 October 2013

Re: DAV comments on the Revised Exposure Draft, *Insurance Contracts (ED/2013/7)*

Dear Mr. Hoogervorst,

In response to the request for comments on the IASB's Revised Exposure Draft, *Insurance Contracts* ("Revised ED"), I am pleased to transmit on behalf of the German Actuarial Association (Deutsche Aktuarvereinigung, DAV) our comments and recommendations.

These comments have been prepared by the IFRS working group of DAV. If, upon reading these comments, you identify any points you wish to discuss or obtain further insight regarding them, please do not hesitate to contact Maximilian Happacher, chair of the working group.

Overall we would like to express that the Revised ED is a significant step ahead compared to the Exposure Draft issued in 2010. In particular we support the following changes:

- the proposed unlocking of the contractual service margin, allowing offsetting of the impact of changes in (long term) assumptions as long as sufficient unrecognised profit exists;
- the consideration of the link between assets and liabilities for participating contracts;
- the introduction of OCI for the compensation of volatility resulting from market movements not affecting the performance of the period;
- the retrospective transition guidance.

However, we have significant concerns particularly regarding the proposed accounting for participating insurance contracts. As reasoned in our detailed response enclosed (see appendix I), we see need for further improvement regarding the following issues:

1. We are convinced that a limited unlocking of the contractual service margin ("CSM"), is inconsistent with the Revenue Recognition Project, current fulfilment value approach and the definition of the CSM as unearned profit, respectively. The immediate consequence is that estimates of time value of money and risk adjustments should cause unlocking as well. Another important consequence for participating contracts is that the CSM has to be unlocked as well for deviations of the insurer's interest in underlying items from the expectation.

2. We are very concerned about the requirement to decompose cash flows in case of participating contracts leading to an arbitrary measurement model with results being not meaningful.
3. We believe that consistent valuation of participating contracts requires the discount rate applied in the P&L to be consistent with the P&L presentation of the investment income from actual assets and reinvestment assumptions respectively.
4. The use of OCI must not be mandatory as some products require fair value through P&L accounting.
5. The contractual service margin of reinsurance contracts held needs to be determined in a way allowing the reinsurance asset to reflect the effects generated by the release from risk provided under a reinsurance contract.

Considering issues 1. to 4. would result in an overall sound and consistent measurement approach. In our view the so called "Alternative Approach" proposed by the global industry (i.e. European Insurance CFO Forum and Hub Global Insurance Group, see appendix II) is based on these prerequisites and illustrates the way to measure participating contracts. Together with our proposal for reinsurance contracts it should be considered in course of the further development of the final standard.

Yours sincerely,



Rainer Fürhaupter
President Deutsche Aktuarvereinigung e.V.

Enclosure:

Appendix I: Comments Deutsche Aktuarvereinigung

Appendix II: Insurance Industry Proposal