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Our ref : RJ-EFRAG 564 C
Direct dial : 0031-20-3010235
Date : October 22nd 2013
Re : Comment letter EFRAG on Exposure Draft Insurance Contracts

Dear Sir / Madam,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to give input to your draft comment letter to the IASB regarding Exposure Draft Insurance Contracts (ED) by answering your specific questions. We have included our responses to your specific questions in annex 1 to this letter. For reference, we repeat your specific questions with the corresponding paragraph numbers

In annex 2 we enclose our comments to the IASB, which we consider as fundamental to the characteristics of the ED 2013. We note that we have primarily focussed on these fundamental issues. After having addressed these fundamental issues, other unexpected consequences may appear. We recommend the IASB considering this in the due process leading to the final standard. We believe field testing and an impact assessment should be performed in order to determine all material consequences before a standard is introduced.

We will be pleased to give you any further information that you may require.

Yours sincerely,



Hans de Munnik
Chairman Dutch Accounting Standards Board

Comments to the EFRAG letter and responses to specific questions

Supplementary EFRAG question to constituents - with respect to the contractual service margin

14 Do you believe that the distinction between changes in estimates relating to future coverage or other future services and experience adjustments would involve a significant amount of judgment? If so, do you believe that the proposed guidance provides sufficient explanation on how entities make this distinction?

In our opinion, the distinction between changes in estimates relating to future coverage or other future services and experience adjustments would not involve a significant amount of judgment. In the current practice insurance companies already make this distinction in their embedded value reporting.

In our comment to the IASB we asked for clarification what the IASB has in a general sense in mind with future cash flows that do not relate to future services and more guidance is needed.

We do agree with EFRAG's proposal to extend unlocking of the contractual service margin to changes in future assumptions relating to the risk adjustment. We included this comment together with our considerations in our letter to the IASB.

We agree with the definition of the contractual service margin representing the unearned profit embedded in the contract. . However, the contractual service margin should only include profit sources that are consistent with the measurement model of insurance contracts.

Supplementary EFRAG questions to constituents with respect to the alternative industry proposal

56 Do you believe the alternative approach described in Appendix 5 will lead to financial statements that provide relevant information that faithfully represent the entity's financial position and performance for contracts with asset dependent cash flows? Why or why not? If not, what would you recommend and why? Please consider whether the alternative approach eliminates or reduces accounting mismatches while reporting consistently contracts with similar economic features (i.e. contracts with asset dependent cash flows). Do you support the alternative approach wholly or partly? Please explain, which parts you support and which you do not?

As explained in our comments to the IASB we would welcome the principle suggested in the industry proposal to apply one measurement and presentation approach for all insurance contracts with similar economic features. This would reduce complexity and eliminate "bright lines" in measurement and presentation. In addition, we agree with the basic principle that no accounting volatility should be reported in situations where asset and liability cash flows are economically matched. However, in our opinion, more work should be done on this proposal in order to ensure that it provides all relevant economic phenomena to users without creating new complexity for preparing or understanding financial statements.

While preparers' representatives of the DASB are fully supportive of the principles of the industry proposal, users' and auditors' representatives think that more information is required on what the meaning is of future profits from investment sources included in the Contractual Service Margin, since we are not sure we understand the meaning of this in relation to the measurement model of the ED. In this respect, it should be made fully clear what "*adjustment of the Contractual Service Margin for changes in financial assumption for participating contracts whose cash flows significantly depend on the asset returns, including reinvestment assumptions*" (par. 16 of appendix 5) means in relation to the general measurement principles of the ED.

We will not answer the specific questions 57 to 61 as these detailed answers will depend on further clarification of the industry proposal.

Supplementary EFRAG question to constituents with respect to insurance contract revenue

87 Do you believe that the investment component amounts would be difficult and costly to compute because they are not distinct and are highly interrelated with the insurance component?

Computation of investment components as such may not be too complex, but we consider the separation of the component that is not contingent to an insured event in the profit or loss operationally challenging. Especially for more traditional insurance contracts the surrender values are integrated in the total claim amount and may have to be artificially separated.

88 Do you believe that additional application guidance is necessary to determine these amounts on a portfolio level?

We did not identify the need for additional application guidance.

89 Do you believe that preparing and presenting revenue under the ED proposals would be difficult and costly?

We do not consider the proposed premium revenue as the most relevant indicator of an insurance entity's business volume. Therefore, it should be carefully considered whether the value of the proposed information to the users outweighs the cost of preparing it.

Supplementary EFRAG questions to constituents with respect to interest expenses in profit or loss.

103 Under the IASB's proposals, the difference to be reported in OCI is determined by comparing the discount rate to measure the liabilities and, depending on the type of cash flows, the locked-in discount rate at inception of the insurance contract or an updated rate. Under IAS 19 *Employee Benefits*, the difference is determined by comparing the discount rate at the beginning of the reporting period and the rate at the end of the reporting period. Some, including IASB Board member Stephen Cooper, hold the view that only the latter difference (i.e. the effect of changes in discount rates in the period of the change) provides relevant information (as is described in paragraphs AV5 and AV6 of the Basis for Conclusions), and that, therefore, only this difference should be reported in OCI.

104 Do you support the approach in the ED or should the interest expense recognised in profit and loss be based on a current discount rate for all type of cash flows? If so, should the discount rate be the rate at the beginning of the period, as in IAS 19, or that at the closing date?

We see no advantage in application of a current discount rate for all types of cash flows. Using the rate at inception is broadly consistent with the amortised yield that is presented in profit or loss for "principal and interest" financial instruments.

In both the ED and the alternative, a mismatch may arise, that depends on the extent to which assets are actively managed. In case of actively managed investment portfolios the ED proposal will show a mismatch in profit or loss as reinvestment interest rates and realised gains on (interest bearing) investments do not match with the historical rate applied to insurance contracts. Similarly, the alternative will show a mismatch when investments portfolios show little turnover.

Supplementary EFRAG questions to constituents with respect to accounting mismatches

108 Do you believe the suggested approach described above will lead to financial statements that provide relevant information that faithfully represent the entity's financial position and performance for

contracts? Please consider whether the suggested approach eliminates or reduces accounting mismatches in Profit or Loss and OCI.

109 Are you aware of any circumstances in which, from your point of view, measurement of both insurance liabilities and the related financial assets at FV-PL might be needed instead of, or combined with, measurement at FV-OCI? If so, please provide a description of the portfolios of insurance contracts concerned and how the asset-liability management strategy differs from other portfolios.

110 Do you believe that EFRAG should suggest how the assets related to insurance liabilities should be identified? If so, what would you recommend and why?

111 Do you believe that derivatives should also be accounted for using OCI? If so, how could objective evidence be gathered in respect of derivatives that only play a role in matching insurance liabilities?

112 Should any other assets apart from those included in paragraph 105 be measured at FV-OCI? Please explain why.

113 Do you agree that following EFRAG's approach, the IASB would need to develop an impairment model for debt instruments that do not meet the contractual cash flow characteristics assessment and investments in equities that would be measured at FV-OCI and potentially other assets? If so, what impairment model would you recommend and why?

114 Do you see any problems in recycling realised gains and loss on investments related to contracts with asset-dependent cash flows (that are not under the scope of the IASB's measurement and presentation exception as discussed in Question 2)? If so, what solutions would you recommend? Please explain your answer.

115 Where should changes in the time value of options and guarantees not separated from insurance liabilities be recognised? Please explain your answer.

In general, we welcome robust improvements that would mitigate or eliminate accounting mismatches from the presentation in Profit or Loss and / or OCI. In this respect, we propose an option rather than a requirement to present the effect of changes in discount rates in OCI; insurers should have the ability to present changes in the insurance liability arising from changes in the discount rate in P&L (reference is made to appendix 2 to this letter Creating such an option rather than a requirement is a "proven solution" because it already exists for financial assets).

In addition, we are in favour of relaxing the amortised cost model under IFRS 9 so that more financial assets (like mortgages) qualify for the FV OCI model (we refer to our letter of March 21, 2013 to the IASB).

However, we are more hesitant to support EFRAG's proposal to create a specific class of assets backing insurance liabilities FV OCI; we are concerned about issues like scoping, impairment rules (especially regarding derivatives), etc. In our opinion, much more work should be done in order to ensure that the creation of such a class of assets does not lead to new complexities to users and / or preparers.

Supplementary EFRAG questions to constituents with respect to Effective date and transition

135 Considering EFRAG's recommendation for entities where insurance forms a significant part of their activities (i.e. the effective date of IFRS 9 should be deferred until the effective date of the new insurance contracts standard), do you believe that:

- (a) Those entities should always be required to apply the impairment proposals earlier than the other parts of IFRS 9; or
- (b) Those entities should be allowed early implementation of the impairment proposals compared to the other parts of IFRS 9.

In our opinion, IFRS 9 should be implemented as a complete standard and we are not in favour of application of specific topics earlier, amongst other impairment requirements.

136 Do you believe the scope of the redesignations and reclassifications when the new insurance contracts standard is applied for the first time by entities for whom insurance forms a significant part of their activities, should be extended beyond IFRS 9 (e.g. investment properties)? If yes, please explain what items should be within that scope?

We are of the opinion that redesignations should be extended beyond the scope of IFRS 9 in order to prevent accounting mismatches. Investment property can be an important asset backing the insurance liabilities as well.

Supplementary EFRAG question to constituents with respect to likely effects of the standard

139 Do you believe that the IASB's response to the comments on the 2010 Exposure Draft balance the costs of applying these proposals with the benefits of the resulting information provided?

We did not investigate this question and have no insight in the likely effects of the standard. We suggest awaiting the outcome of the field test.

Supplementary EFRAG questions to constituents with respect to clarity of drafting

141 Do you agree with the areas/paragraphs identified by EFRAG in Appendix 4?

142 Have you identified any other areas/paragraphs that need clarification? Please explain.

We refer to our comment letter to the IASB for this topic.

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Re : IASB Re-exposure Draft IFRS 4 Insurance Contracts

Dear Hans,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to comment on the Exposure Draft Insurance Contracts (ED/2013/7), hereafter ED 2013. We have some important considerations that we summarise below and give our detailed answers to your questions in annex 1 to this letter.

We appreciate the responsiveness of the IASB to the many comments on the ED 2010. We agree with the measurement basis of insurance liabilities as a current fulfilment value. However, we see significant complexities in interpretation of the ED 2013 and significant operating difficulties in the application of certain requirements in this ED 2013. We envisage that the costs and efforts for preparers to meet all requirements will be quite high. We also consider the proposed reporting as complex for users of financial statements. As a result, we believe that significant changes to the ED 2013 are required such that the anticipated benefits will outweigh the significant costs; we summarise the required changes below.

In the ED 2013, attention has been paid to the most important concern regarding the ED 2010, i.e. volatility in the results of insurance companies. Volatility was a consequence of the requirements in de ED 2010 to present all changes in the insurance liabilities in profit or loss. However, the alterations lead to new questions and concerns with respect to accounting for specific components of insurance contracts and introduce potential new accounting mismatches in the statement of profit or loss or OCI. Our main concerns on the 2013 ED are:

- Complexity of accounting for participating contracts in general and specifically the mirroring approach for certain contracts. We have many questions and hesitations about the application of the mirroring approach, including the resulting bifurcation of cash flows, and we do not believe that application of the mirroring approach will result in appropriate performance reporting. We do not support the complex mirroring approach in the ED and suggest elimination of this approach. The leading principles should be, one measurement approach for all insurance contracts and elimination of accounting mismatches in all situations where no economic mismatch exists.

- Accounting for closely related embedded derivatives in insurance contracts in general and specifically in contracts where the mirroring approach could be applied. The proposals in the ED for measurement and presentation of options and guarantees closely related to insurance contracts (“embedded derivatives”), are far from clear. We have observed different interpretations of the ED 2013 text. Closely related embedded derivatives are often an integrated part of the probability-weighted cash flows. Separation from the probability-weighted cash flows is arbitrary, inconsistent with accounting for similar embedded derivatives in financial instruments and does not add to the usefulness of the financial statements. We believe that closely related embedded derivatives should be treated as an integral component of the insurance contract and treated in accordance with the general building block model; this would ensure transparent measurement and presentation of all closely related options and guarantees.
- The lack of clarity of requirements for unlocking the contractual service margin. We agree with the principle of the contractual service margin representing unearned profit embedded in the contract and its recognition over the related service period. However, we believe that the requirements in the ED are unclear, complex and do not achieve this principle, especially for participating contracts. The contractual service margin must represent the unearned profit embedded in the contract, measured according to the building blocks approach outlined in the ED 2013.

The IASB made modifications to other topics based on comments received on the ED 2010. We observe that some changes create new concerns, which we summarise below:

- The meaning of presenting volume information as defined in the ED (“earned premium”) in the statement of comprehensive income and the operating complexity to derive the required information regarding premium revenue excluding investment components. We believe that a “margin presentation” as proposed in the ED 2010 provides more useful information for life insurance, whereas the presentation for non-life insurance that is currently used in practice does not require change.
- Timing and interaction with the proposals in IFRS 9 for classification and measurement, especially relating to the mandatory presentation of the effects of changes in interest rates on insurance contracts in OCI. The introduction of mandatory use of OCI for insurance liabilities, in combination with the restricted use of OCI in the ED IFRS 9, would introduce many accounting mismatches. As set out in our comment letter on the ED IFRS 9, we believe that the the scope of OCI in IFRS 9 for insurers should be wider. Furthermore, we believe that an option for current fulfilment value through the P&L is necessary for insurance liabilities in order to reduce accounting mismatches with assets that must be reported at fair value through P&L. In addition, we strongly believe that insurers must be able to implement the final standards for IFRS 4 and IFRS 9 at the same time.

We consider our comments outlined in annex 1 fundamental to the characteristics of the ED 2013 and we note that we have primarily focussed on these fundamental issues. After having addressed these fundamental issues, other unexpected consequences may appear. We recommend considering this in the due process leading to the final standard. We believe field

testing and an impact assessment should be performed in order to determine all material consequences before a standard is introduced.

Yours sincerely,

A handwritten signature in black ink, consisting of a vertical line on the left that curves into a horizontal line extending to the right, ending in a small hook.

Hans de Munnik
Chairman Dutch Accounting Standards Board

Annex 1: specific questions IASB

IASB Question 1

Do you agree that financial statements would provide relevant information that faithfully represents the entity's financial position and performance if:

- (a) differences between the current and previous estimates of the present value of future cash flows related to future coverage and other future services are added to, or deducted from, the contractual service margin, subject to the condition that the contractual service margin should not be negative; and
- (b) differences between the current and previous estimates of the present value of future cash flows that do not relate to future coverage and other future services are recognised immediately in Profit or Loss?

Why or why not? If not, what would you recommend and why?

- We agree with the principle of contractual service margin and unlocking for changes in estimates of cash flows related to future services. This principle is consistent with the principle of revenue recognition where the performance obligation is released over the period of providing the service. The contractual service margin must represent the unearned profit embedded in the contract, measured according to the building blocks approach outlined in the ED 2013.
- We do not agree that the annual unlocking is restricted to cash flows related to future services and that all changes in the risk adjustment should be presented in profit or loss. In our opinion, changes in the risk adjustment should be separated in assumption changes and regular release from risk. The effect of assumption changes should be included in the contractual service margin when relating to future services and to the extent that the contractual service margin does not become negative. This treatment prevents unnecessary volatility in revenue as well as profit or loss, due to enhanced insights.
- Specific guidance on how to apply the unit of account for recognizing the contractual service margin in profit or loss for subsequent periods is discussed in the Basis of Conclusion instead of the ED 2013. If the Board believes that this guidance is important to the question how a company needs to apply the contractual service margin recognition, we think this issue should be more elaborately addressed in the ED 2013 or the application guidance instead of the Basis for Conclusions. In addition, we suggest the ED 2013 being based on the principle that the unit of account should be set at the level that is consistent with the level necessary for providing services regarding a portfolio of insurance contracts. We are concerned about compliance costs and issues relating to control over financial reporting if a more granular level is being prescribed.
- In order to facilitate consistent application of the insurance contract standard, the ED 2013 needs clarification on the requirements for onerous contracts. Onerous contracts should at initial recognition be accounted for in profit or loss. Relating to the question on how reversals of the initial loss on onerous contracts should be accounted for, we

are in favour of prescribing that the reversal should be presented in profit or loss up to the loss that has been recognised earlier.

IASB Question 2

If a contract requires an entity to hold underlying items and specifies a link between the payments to the policyholder and the returns on those underlying items, do you agree that financial statements would provide relevant information that faithfully represents the entity's financial position and performance if the entity:

- (a) measures the fulfilment cash flows that are expected to vary directly with returns on underlying items by reference to the carrying amount of the underlying items?
- (b) measures the fulfilment cash flows that are not expected to vary directly with returns on underlying items, for example, fixed payments specified by the contract, options embedded in the insurance contract that are not separated and guarantees of minimum payments that are embedded in the contract and that are not separated, in accordance with the other requirements of the [draft] Standard (i.e. using the expected value of the full range of possible outcomes to measure insurance contracts and taking into account risk and the time value of money)?
- (c) recognises changes in the fulfilment cash flows as follows:
 - (i) changes in the fulfilment cash flows that are expected to vary directly with returns on the underlying items would be recognised in Profit or Loss or other comprehensive income on the same basis as the recognition of changes in the value of those underlying items;
 - (ii) changes in the fulfilment cash flows that are expected to vary indirectly with the returns on the underlying items would be recognised in Profit or Loss; and
 - (iii) changes in the fulfilment cash flows that are not expected to vary with the returns on the underlying items, including those that are expected to vary with other factors (for example, with mortality rates) and those that are fixed (for example, fixed death benefits), would be recognised in Profit or Loss and in other comprehensive income in accordance with the general requirements of the [draft] Standard?

Why or why not? If not, what would you recommend and why?

- The IASB has included an exception to apply the 'mirroring' approach for participating contracts in order to prevent accounting mismatches in situations where there it is certain that no economic mismatch exists. Changes in the insurance liabilities are recognised in profit or loss or OCI on the same basis as the recognition of changes in the value of the underlying items. We also understand that there is no desire to eliminate (accounting) mismatches in situations where a clear economic mismatch exists. However, in the mirroring approach, a new accounting mismatch has been created, i.e. by requiring that a closely related embedded derivative should be separated from the host contract and all changes should be presented in profit or loss. It is not clear as to whether this applies to both intrinsic and time value of embedded derivatives or only to the time value. In addition, we note a difference with participating contracts that do not fulfil the

requirements for mirroring, where the “genuine” closely related embedded derivatives are an integrated part of the probability-weighted cash flows and where the changes are presented in profit or loss, OCI or contractual service margin as prescribed in the ED 2013. This may cause fundamentally different presentation for broadly similar contracts.

- We understand that the European insurance industry has proposed to eliminate the mirroring approach from the ED 2013 and to apply one approach for all types of contracts. While we do not oversee all details and consequences of this proposal, elimination of the mirroring approach from the ED 2013 would substantially reduce complexity, both from the perspective of the preparer and the user.
- We have some specific questions with respect to the requirements on how to apply the mirroring approach:
 - We do not quite understand the restriction that there should be a contractual obligation to actually hold the underlying assets. As a consequence this will exclude many contracts (e.g. most unit linked contracts in the Netherlands) that have clear mirroring features. It is the nature of the profit participation, and not the holding of the underlying assets, that may create an accounting mismatch in situations without any economic mismatch. Efforts that are focused on the elimination of accounting mismatches, should therefore concentrate on the nature of the profit participation.. Examples of such efforts could be an option rather than a requirement to present the effect of changes in discount rates in OCI, and an option to present changes in fulfilment cash flows that result from changes in the value of the underlying in OCI.
 - According to the definitions in the ED 2013 the underlying item may be the entity as a whole. Specifically, we wonder how mirroring should be applied in a situation where the policyholder is entitled to a part of the entity’s profit. Should this profit participation be “mirrored” against all line items in profit or loss?
- We conclude from ED 2013 par. 26 and 60h, together with BC 130 – 132 that the IASB, also for participating contracts that do not meet the requirements for the mirroring approach, intends separation of cash flows that (directly or indirectly) depend on an underlying item from cash flows that do not have that dependence. Such separation would be necessary to assess the appropriate discount rates for measurement purposes and the appropriate accretion rates for the purpose of interest expense recognition in profit or loss. We recommend careful consideration of the requirements for separation of cash flows in order to prevent disproportionate compliance costs and / or unintended subjectivity. Specifically, the following issues are relevant:
 - Closely related embedded derivatives often vary indirectly with underlying items, but are often an integrated part of the probability-weighted cash flows. Separation from the probability-weighted cash flows is arbitrary and does not add anything to the usefulness of the financial statements.
 - Attention should be paid to the present “best practices” to manage various types of participating contracts. A lower level of separating cash flows within contracts than necessary to manage portfolios of these contracts may cause undue compliance costs and issues relating to control over financial reporting.

IASB Question 3

Do you agree that financial statements would provide relevant information that faithfully represents the entity's financial performance if, for all insurance contracts, an entity presents, in Profit or Loss, insurance contract revenue and expenses, rather than information about the changes in the components of the insurance contracts?

Why or why not? If not, what would you recommend and why?

The IASB has changed the model for comprehensive income after many comments received on the lack of volume information in the statement of comprehensive income. The proposed solution is in line with the proposals for revenue recognition. In addition, the volume indicators for insurance contracts under the simplified measurement approach and other contracts are now broadly consistent. However, we have some concerns:

- We do not consider the proposed premium revenue as the most relevant indicator of an insurance entity's business volume. Therefore, it should be carefully considered whether the value of the proposed information to users outweighs the cost of preparing it.
- The separation of the component that is not contingent to an insured event in the profit or loss will be operationally challenging. Especially for more traditional insurance contracts the surrender values are integrated in the total claim amount and will have to be separated from event-contingent amounts.

We believe that a "margin presentation" as proposed in the ED 2010 provides more useful information for life insurance, whereas the presentation for non-life insurance that is currently used in practice does not require change.

Question 4

Do you agree that financial statements would provide relevant information that faithfully represents the entity's financial performance if an entity is required to segregate the effects of the underwriting performance from the effects of the changes in the discount rates by:

- (a) recognising, in Profit or Loss, the interest expense determined using the discount rates that applied at the date that the contract was initially recognised. For cash flows that are expected to vary directly with returns on underlying items, the entity shall update those discount rates when the entity expects any changes in those returns to affect the amount of those cash flows; and
- (b) recognising, in other comprehensive income, the difference between:
 - (i) the carrying amount of the insurance contract measured using the discount rates that applied at the reporting date; and
 - (ii) the carrying amount of the insurance contract measured using the discount rates that applied at the date that the contract was initially recognised. For cash flows that are expected to vary directly with returns on underlying items, the entity shall update those

discount rates when the entity expects any changes in those returns to affect the amount of those cash flows?

Why or why not? If not, what would you recommend and why?

The requirement to apply a historic interest rate in profit or loss and present changes in discount rate in OCI has been introduced after many comments to decrease volatility in profit or loss. We have following comments.

- The use of a historic interest rate in profit or loss for non participating cash flows is broadly consistent with the developments in IFRS 9, where a category of debt instruments that are valued FV OCI has been introduced. For these instruments, the amortised yield is presented in profit or loss. We note that fair value gains and losses on such instruments are recycled to profit or loss at the moment of sale and a newly acquired instrument may have another amortised yield. Hence, differences between investment income and interest accretion on insurance liabilities may increase as the investment portfolio is more actively managed.
- The use of an updated yield in profit or loss for cash flows that are expected to vary with returns on underlying items may lead to situations where the cumulative amount of changes in discount rates recognised in OCI may not fully reverse during the life time of the contracts.
- The use of OCI for changes in discount rate is consistent with the fulfilment value as well as the developments in IFRS 9 where the restricted use of OCI option for debt securities with recycling in case of sale is added. However, the mandatory use of OCI for changes in the discount rate may create new accounting mismatches. Therefore, in our opinion there should be an option to use OCI or profit or loss, which option is similar to that in IFRS 9.

IASB Question 5

Do you agree that the proposed approach to transition appropriately balances comparability with verifiability?

Why or why not? If not, what do you suggest and why?

We appreciate the responsiveness of keeping a contractual service margin at the date of transition. We also acknowledge the challenges of prescribing an alternative approach where historic information is not always available to determine this margin at transition according the general requirements in IAS 8.

For our concerns about the unit of account in the determination of the contractual service margin, we refer to our answer to question 1.

We also like to emphasise the importance of synchronisation of the effective dates for insurance contracts and IFRS 9. If the dates are not synchronised, it is important that reclassification of asset portfolios and re-designation of hedges is allowed at the date of adoption of the insurance contract standard.

IASB Question 6

Considering the proposed Standard as a whole, do you think that the costs of complying with the proposed requirements are justified by the benefits that the information will provide? How are those costs and benefits affected by the proposals in Questions 1–5?

How do the costs and benefits compare with any alternative approach that you propose and with the proposals in the 2010 Exposure Draft?

Please describe the likely effect of the proposed Standard as a whole on:

- (a) the transparency in the financial statements of the effects of insurance contracts and the comparability between financial statements of different entities that issue insurance contracts; and
- (b) the compliance costs for preparers and the costs for users of financial statements to understand the information produced, both on initial application and on an ongoing basis.

We did not investigate the costs of implementing and complying with the ED. However, preparers are of the opinion that the costs will be substantial.

IASB Question 7

Do you agree that the proposals are drafted clearly and reflect the decisions made by the IASB?

If not, please describe any proposal that is not clear. How would you clarify it?

We have serious issues in understanding the ED 2013, especially certain proposals regarding participating contracts. In our opinion, important issues are covered in the Application Guidance or the Basis for Conclusions, where we would have expected the essentials in the core or the ED. Important examples are:

- The guidance on how to present changes in closely related embedded derivatives.
- Assess whether contracts meet the terms of the mirroring approach.
- Identification of changes in estimated future cash flows that are not related to future services and do not relate to incurred claims or derecognition issues.