

Sir David Tweedie
Chairman
International Accounting
Standards Board
30 Cannon Street
London
GB - EC4M 6XH

Brussels, 14 September 2009

Comments on ED/2009/7 – Financial Instruments: Classification and Measurement

Dear Sir David,

The mutual and cooperative insurers of AMICE have studied IASB's proposed changes to the standard on the Classification and Measurement of Financial instruments with interest and welcome the opportunity to express their views.

We support the IASB's work in simplifying this standard and in particular the fact that it prohibits reclassifications, which greatly enhances transparency and provides for a greater level playing field. We would however like to raise some concerns about the importance given to fair value, which is not suitable for insurers, who are long term investors, nor for products for which there is no liquid market.

In addition, we feel that it is unfortunate that this project be presented before Phase II of the Insurance Contracts standard, in particular given the uncertainty faced by insurers regarding the measurement of the liability side of their balance sheet.

On the other hand we welcome the following changes in the draft standard compared to the previous standard:

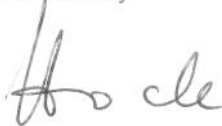
- 1) The suppression of the 'tainting' rules for held-to-maturity investment: we note that this binding rule which had required insurers to enter their bond in the 'AFS' category now allows them to count them as amortised cost. It would however be advisable for the criteria of classification of eligible assets at amortised cost not to be too narrow so as to allow insurers to include financial instruments such as structured products and convertible bonds. In this latter case, the host contract is a classical bond and the amortised cost would only be pertinent if the entity does not benefit from the potential

leverage effect and never uses its right to conversion into equity (cession before the conversion or redemption of the par value).

- 2) For equity investment, the previous standard required insurers to consider the impairment of the assets as a loss and the impairment was definite. In case of market turnaround, this created an asymmetry, which has now been eliminated thanks to the suppression of the AFS category.
- 3) We understand that the new 'amortised cost' category will be adapted to the market players who manage bonds directly but we wonder what will happen to the ones who have their bonds included in a unit trust (often the case with small and medium players). We think that the amortised cost should be applicable regardless of the type of management.

This completes the comments of the mutual and cooperative insurers of AMICE.
Should you have any questions that you would like to raise in relation to the matters raised in this letter, please do not hesitate to contact us:

Yours sincerely



Catherine Hock
Deputy Secretary General
AMICE