CEIOPS

Committee of European Insurance and Occupational Pensions Supervisors

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Mr. Stig Enevoldsen
Chairman of the Technical Experts Group
EFRAG
Avenue des Arts 41
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02/11/2005 | **CEIOPS's position on the EFRAG letter on EDs of Proposed Amendments to IFRS 3 *Business Combinations*, to IAS 27 *Consolidated and Separate Financial Statements* and to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IAS 19 *Employee Benefits***

Dear Mr. Enevoldsen,

On behalf of CEIOPS (Committee of European Insurance and Occupational Pensions Supervisors), I am pleased to provide you with some comments on your letter concerning EDs of Proposed Amendments to IFRS 3 *Business Combinations*, Proposed Amendments to IAS 27 *Consolidated and Separate Financial Statements* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IAS 19 *Employee Benefits*.

EU insurance supervisors support the EFRAG letter on the EDs of Proposed Amendments and share the general concerns highlighted in the letter.

In particular, we agree with EFRAG that the implications of the Proposed Amendments on the existing Standards and on other IASB outstanding projects should be carefully considered in order to achieve a thorough and coherent view of the many relevant issues dealt with in the Proposed Amendments. These implications were not clearly addressed and explained in the EDs.

Our main concern is related to Phase II of the insurance project which might be unduly affected by the Proposed Amendments to IAS 37 concerning the measurement of non-financial liabilities, as also stated under paragraph 21 in the EFRAG letter[1].

[1] Paragraph 21 of the EFRAG letter reads as follows: *"The ED also proposes that all liabilities that are non financial liabilities should be measured at the amount that an entity would rationally pay to settle the present obligation or to transfer it to a third party on the balance sheet date.* ***Such a proposal has important implications for the measurement*** *of performance obligations*

We actually fear that one might infer from the proposed amendments to IAS 37 some implications for the insurance contracts project, whereas the Board has not taken any decision on the measurement of insurance contracts liabilities yet.

Therefore, we agree with EFRAG that it is premature to bring forward such proposals until the Board, supported by a special advisory group, has carried out an in-depth analysis of the subject.

We also share EFRAG's concern on the possible implications of the Proposed Amendments on the Fair Value Measurement project which the Board has tentatively decided to carry out, in accordance with a similar project of the FASB (see paragraph 6a in the EFRAG letter). We agree with EFRAG that it is premature to make any fundamental changes to the measurement requirements of existing Standards, since a global debate on measurement has not yet taken place.

To conclude, we fully support EFRAG's view that the Board's proposal regarding the measurement of non financial liabilities is premature for the time being and, generally speaking, strongly believe that, at this stage, the IASB should postpone any scheduled amendments to current IFRS that could have major implications on the development of the insurance contracts project.

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Should you wish to have any further clarification on CEIOPS's advice or to discuss it more in depth, please do not hesitate to contact Mr. Fausto Parente by e-mail (fausto.parente@isvap.it) or by phone at +39-06-42.133.481.

Yours sincerely,

Alberto Corinti
(Secretary General)

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for example, ***and thus impacts on Phase II of the insurance project****, revenue recognition and a range of other long-term, highly complex, difficult projects.* ***In these areas of accounting, exceptions are currently made to the principles mentioned in the first sentence of this paragraph****. However, rather than explore those exceptions to understand why they have been considered necessary, the Board is simply proposing to reinforce the basic principle.* ***For that reason, we believe it is premature to bring forward such proposals*** *until the Board supported by a special advisory group, has carried out an in-depth analysis of the subject."*