



This is a comment on the October 2008 Discussion Paper.

LETTER OF COMMENT NO. 8

Answer to Question 1

The cohesiveness objective should improve the usefulness of information provided in an entity's financial statements. Disaggregation should help sophisticated users make better decisions in their capacity as capital providers. Liquidity and financial flexibility are also important to understand the long-term viability of a business not just the latest quarterly results.

A consistent definition of terms should reduce confusion. In the life insurance, there are inconsistencies. Thus premiums in the income account equal gross life insurance premiums plus the charges component of life investment contributions. Meanwhile, in the cash flow statement the premium is the gross life insurance premium and gross life investment contribution. Thus, cohesiveness is essential to avoid confusing external and internal users.

On the issue of disaggregation, it should be noted that excessive detail can be onerous for smaller companies. Last year, we adopted IFRS for the first time and employed two extra chartered accountants in-house and used consulting actuaries to compile data. The financial statements were published several weeks later than pre-IFRS.

The financial statements included lots of new notes with fascinating information that had never previously been seen by anyone in-house. The data did not change the way the company is run, so was irrelevant and costly to produce. We are privately owned and unlisted, so the additional disclosure would have marginal practical value for our shareholders. Furthermore, the increase in volume of material can be counter-productive, because the important information gets obscured by masses of data.

Two other objectives should be considered, namely conciseness and objectivity.

Too much granular detail can obscure or divert attention from the important thematic issues. Compiling 'nice-to-have' information to give analysts a more complete picture should not be at the expense of companies getting on with their business or confusing shareholders with fascinating but irrelevant detail. Thus, conciseness can be useful particularly for companies of a smaller size.

Objectivity means consistency with market pricing, rather than subjective assessment by a firm of the future macro-economic environment. An entity's ability to earn returns on investments and fund future growth is conditional on capital markets. Financial flexibility can only be properly measured if the financial statements mark to market irrespective of the views of a firm about whether the market pricing is accurate. Unless objectivity is rigorously applied, the real financial strength of companies will not be comparable.

Answer to Question 2

Separation is decision useful

Answer to question 3

A separate equity section is useful. However, bondholders as well as shareholders need to be able to ascertain the strength of companies.

Answer to question 4

Separation of discontinued operations is useful in principle. However, the definition of discontinued operations needs clarity. For example, in life insurance policies closed to new business might still be on the books 30 years later.

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