



To: Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Mr Robert H. Herz
Chairman
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116
United States of America

Ref: ECO-ACC-10-031

Subject: Policyholder accounting

Brussels, 5 February 2010

Dear Sir David,
Dear Mr Herz,

The Comité Européen des Assurances (CEA) represents 94% of the European Insurance market. In this letter, we express our view on the issue of policyholder accounting which could impact European insurers.

We would like to reiterate our strong support to your joint efforts to issuing a final standard for insurance contract by June 2011. This is a critical standard for our industry and we are committed to actively contribute to your work.

We note that policyholder accounting is on the agenda of the additional joint meeting scheduled on 10 February. The Boards will consider the need (or not) to have symmetry between policyholder accounting and accounting by insurance companies.

We question the relevance of symmetry between insurer and policyholder for accounting for insurance contracts.

With respect to measurement, it is important to note that the unit of account is different for the two parties to the contract. It is the essence of insurers' business model that they issue large portfolios of homogenous contracts with the objective to pool risks across the contracts and over time. When calculating the best estimate, the insurer must project all possible scenarios, including policyholder behaviour (future premiums, lapses) and associate them to a probability. Those probabilities are based on statistics determined on large populations. This information would not be available to policyholders. If symmetry is required, it is unclear whether that would mean that policyholders should model their own future.



In addition, the methodologies for calculating risk margins are based on portfolios of homogenous contracts, and not at the individual contract level. Therefore, the policyholder would not be able to calculate the risk margin as the insurers do. It is also unclear what the risk adjustment would correspond to from the view point of the policyholder.

As for recognition, the insurance company has a stand-ready obligation when the cover period starts. Therefore, the insurer must recognise a liability. It is unclear when the policyholder should start accounting for his rights under the contract or what asset the policyholder would recognise.

Finally, we note that symmetry of accounting is not a standard feature of IFRSs.

In conclusion, we recommend that the Boards do not include policyholder accounting, at such a late stage in the insurance contract project. Aligning requirements for policyholder and insurer accounting could result in less relevant information being reported in the financial statements of one or the other entity, while it jeopardizes the timely completion of the project as a whole.

We look forward to discuss this matter further with you should you have any questions,

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Alberto Corinti', written in a cursive style.

Alberto Corinti
CEA Deputy Director General / Director Economics & Finance